

Audit Committee

22 September 2015

Present: Mr K Robinson (Chair)
Mr M Wilkinson
Councillors L Bell, A McMullen and
J Wallace

AC15/09/15 Apologies

Apologies for absence were received from Councillors G Bell, J O'Shea and M Rankin.

AC16/09/15 Declarations of Interest and Dispensations

There were no declarations of interest or dispensations reported.

AC17/09/15 Minutes

Resolved that the minutes of the meeting held on the 27 May 2015 be confirmed as a correct record and signed by the Chair.

AC18/09/15 2014/15 Audit Completion Report

The committee were presented with the Audit Completion Report 2014/15. The report recorded the findings of the audit undertaken by the Council's external auditors, Mazars, for the year 2014/15. It contained the significant risks and key areas of management judgement, how these risks had been addressed and the conclusions arising from the audit. The audit did not identify any significant issues in relation to the internal controls in place, however did make some improvement recommendations. A small number of misstatements and disclosure amendments were identified. This included a material adjusted misstatement, which was as a result of audit work on council dwellings which identified that the fair value at the end of the year was £26.479m higher than the carrying amount in the balance sheet.

In relation to the value for money element, it was explained that this is done by considering the council's arrangements against two criteria specified by the Audit Commission: financial resilience and securing economy, efficiency and effectiveness. The committee were advised that the financial outlook for the council remains extremely challenging. The report outlined recent developments and emerging risks which have added to the financial pressure on the council and which will require close attention from officers and auditors.

Overall it was a positive report and subject to the satisfactory conclusion of one remaining piece of audit work relating to the Tyne and Wear Pension Fund, Mazars anticipate that an unqualified opinion on the statement of accounts will be given; and intend to issue an unqualified Value for Money statement, concluding that the council have proper arrangements in place to secure economy, efficiency and effectiveness in use of resources.

In relation to the significant risk relating to the management override of controls, the committee were reassured that no unusual journal entries had been identified during the audit.

The committee sought clarification regarding the definitions used in relation to misstatements i.e. trivial and material levels. Mazars explained that levels depend on a number of factors and will differ between councils. In relation to North Tyneside any misstatement under £200,000 would be classed as trivial and as such wouldn't need to be reported, however anything over £6.6m would be classed as a material misstatement.

In response to a Member's query about how the number of misstatements and disclosures compared to last year. Mazars explained that it was difficult to compare misstatements however the number of disclosures was not unusual and very similar to other local authorities.

Members queried the reasons for the following two disclosure amendments:

- Kier North Tyneside Limited - the
- amount due to Kier for other service streams was incorrectly calculated and should be £2.8m and not £1.8m. This had just been a disclosure error.
- Long term borrowing maturity profile – the maturity profile for LOBO loans was incorrect – shown as £20m due in more than 2 to 5 years whereas £10m should be disclosed as due in 1 – 2 years and £10m in between 2 and 5 years. This was due to an incorrect entry this year.

In relation to the Annual Governance Statement 2014/15, Members confirmed that they had received the revised version of and were content for the Chair to sign it off.

The committee thanked council officers and Mazars for their hard work. .

Resolved that (1) the matters raised in the Audit Completion Report 2014/15 be noted; (2) the audit findings set out in Section 3 of the Audit Completion Report be noted; (3) the adjustments made to the 2014/15 Annual Financial Report set out in Section 5, of the Audit Completion Report be noted; and (4) the draft Letter of Representation, Appendix A of the Audit Completion Report be noted.

AC19/09/15 Risk Based Verification

The committee received a report presented by the Senior Client Manager, Revenues, Benefits and Customer Services which updated the committee on the implementation of the a Risk Based Verification (RBV) approach to the assessment of entitlement to Housing Benefit and Council Tax Support which was agreed by Cabinet on the 9 March 2015.

Members were informed that it was initially planned that the RBV solution would be implemented with effect from April 2015; however the data sharing agreement which allows the sharing of information with the software company chosen was delayed, until legal teams for all parties were satisfied with the agreement. This in turn delayed the implementation date and RBV was implemented on the 8 June 2015.

The solution places claims into three risk groups – Low, Medium and High and each new claim is assigned a risk group depending on circumstances. There is an expectation from DWP that around 55% of claims will be low risk, 25% medium risk and 20% high risk, although there maybe some variances depending on local profiling.

Those falling into the lower risk group have to provide less evidence than they did under the previous approach, those falling within the medium risk group will continue to provide similar levels of evidence and the high risk group will be subject to more robust evidence provision and more stringent additional checks than those in a lower risk group.

Performance is monitored to see the percentage of cases that are allocated within the three categories and the levels of error identified. Due to the delay in the implementation there is limited data, however current data shows that 60% of claims have been assigned to low risk, 27% to a medium risk and 13% to a high risk. These do differ from the DWP, however there was an acceptance that there maybe local variances, and this may influence the percentage of cases assigned to each group. Results are indicating that the percentage of errors identified through the new RBV process has increased against the percentage of errors identified through the previous process. Members were informed that the latest data shows an increase of 1.3% of errors identified which is based on the first two months.

During questioning the committee sought clarification on how the three risk groups were defined. It was explained that all claims are categorised using DWP guidelines and risk groups determined through the Coactiva software used by the council and DWP.

There was some discussion relating to the legalities of the data sharing agreements. The committee were given assurance that the agreements that are now in place are robust and ensure that the council are adequately covered.

In relation to the increased number of errors detected through RBV, the committee were advised that this was generally due to errors identified when checking the council's data against DWP's, rather than fraudulent claims. The committee were also informed that the increase in errors hadn't impacted negatively on other areas of work, in fact the time taken to process claims had reduced which was in part due to less evidence being required for the low risk claimants. In response to a query regarding the percentage of errors in North Tyneside and how they compared with other councils, the Senior Client Manager agreed to check this and report back to the committee.

The committee requested that an update report on the implementation of RBV be presented in six months time.

The Chair thanked the Senior Client Manager for attending the meeting and giving the update on the implementation of the RBV.

Resolved that (1) the Risk Based Verification update report and Member's comments be noted; and (2) the supplementary information as described above be circulated to all members of the committee.