



Audit (Monitoring of Audit Investigations) Sub-Committee

Minutes - 2 February 2015

Attendance

Members of the Sub-Committee

Cllr Keith Inston (Vice-Chair in the Chair)
Cllr Dr Michael Hardacre
Cllr Wendy Thompson
Mike Ager, Independent Member

Employees

Peter Farrow	Head of Audit
Dereck Francis	Democratic Support Officer
Katy Morgan	Client Lead Auditor
Richard Morgan	Senior Audit Manager
Kevin O'Keefe	Director of Governance
Mark Wilkes	Client Lead Auditor

Part 1 – items open to the press and public

Item No. *Title*

- 1 **Apologies for absence**
Apologies for absence were received on behalf of Cllr Christine Mills.

The Sub Committee extended its sincerest condolences to Cllr Christine Mills and her family at the sudden death of Mr Stuart Mills.
- 2 **Declarations of interests**
No declarations of interests were made.
- 3 **Minutes of the previous meeting (3 November 2014)**
Resolved:
That the minutes of the previous meeting held on 3 November 2014 be approved as a correct record and signed by the Chair.
- 4 **Matters arising**
There were no matters arising from the minutes of the previous meeting.
- 5 **Audit Services - Counter Fraud Report: January 2015**
Mark Wilkes, Client Lead Auditor presented a report which updated the Sub Committee on the current counter fraud activities undertaken by the Counter Fraud Unit within Audit Services.

Referring to the successful prosecution of a now former Housing Benefit Assessor for fraud, the Chair asked whether the Council was satisfied with the outcome of a 20 month prison sentence suspended for two years. Kevin O’Keefe, Director of Governance outlined why he believed that a two year custodial sentence would have been appropriate in this case. With the agreement of the Leader of the Council and the Managing Director, an application would be made on behalf of the Council to review the sentence.

Peter Farrow, Head of Audit reported on the anticipated transfer of employees in the Council’s relatively small Benefits Fraud Investigations team to the Department for Work and Pensions who were creating a Single Fraud Investigation Service (SFIS). The resource of the council’s benefits investigators, their combined local knowledge and skills would be lost to the Council. He advised that there would be a shift in fraud resources initially whilst the Council learned the implications of the transfer and what it would need following the transfer.

The Director of Governance informed the Sub Committee that the Council would be recruiting former senior police officers and investigators to a pool that the Council could call on to undertake investigation activity when there is a need.

Mike Ager, Independent Member welcomed the reassurance given by the Director of Governance. He asked whether the Sub Committee would continue to receive reports on benefit fraud in the future. The Head of Audit reported that the DWP’s Single Fraud Investigation Service would be dealing directly with a certain type of benefit fraud investigation so the Sub Committee would not receive details of these, but it would continue to receive reports that still give a representative picture of how the Council is preventing and detecting the fraud it remains responsible for, which would still cover many areas as identified both locally and nationally.

Members of the Sub Committee felt that the transfer of the local authority benefit fraud investigators to the DWP was a retrograde step and the benefits of local knowledge and efficiencies of working in a small team would be a loss to the city.

Resolved:

That the report be noted.

6 **Internal Audit Report - Performance Appraisal Scheme**

The Sub Committee received a further update on work to improve the performance around the uptake of appraisals following the recent internal audit review.

Kevin O’Keefe, Director of Governance reported that a piece of work had been completed to ensure 100% accuracy of the data being presented to the Sub Committee. He reported that there would be a ‘three line whip’ requiring managers who have carried out appraisal appointments to log the appraisal on the learning Hub quickly thereafter.

The Sub Committee expressed the view that where carrying out appraisals is part of a manager’s job description and they fail to carry out that duty, they should be made aware that disciplinary or capability action would follow if the appraisals are not completed. The Sub Committee also indicated that the responses to actions 3.3 and 3.4 from the internal audit review were weak. The Sub Committee contrasted the

take up of appraisals in the West Midlands Pension Fund with that for the rest of the Council and queried why the Pensions Service was performing better and why the Council was finding it difficult managing its appraisals process.

The Sub Committee asked the Director of Governance to take on board the comment that it would want action to be taken against managers who fail to carry out appraisal appointments when they are required to do so.

Resolved:

That the on-going progress the organisation is making in implementing the agreed actions from the internal audit report on the Council's performance appraisal scheme be noted.

7 **Exclusion of press and public**

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item(s) of business as they involve the likely disclosure of exempt information falling within the paragraphs of Schedule 12A of the Act set out below

<i>Item no.</i>	<i>Title</i>	<i>Applicable paragraph</i>
8	Audit Investigations Update	1, 2 and 3

8 **Audit Investigations Update**

The Sub Committee received updates on current audit investigations.

Referring to the investigation into the misuse of a procurement card (P-card), the Sub Committee questioned the need for the number of P-cards that had been issued to employees, particularly given the requisitioning and contract arrangements within the Council. In response the Sub Committee was informed of the process for the issue and monitoring as to the use of P-cards. The Sub Committee was also informed that with the Council changing its banker, a new P-card scheme would be introduced. Therefore now was the opportune time to review the whole P-card scheme.

The Sub Committee also queried why the Council issued P-cards to schools when schools are responsible for their own finances. The Sub Committee was of the view that before a new scheme for P-cards is introduced there should be an examination of their use and whether they are necessary for the Council. Peter Farrow, Head of Audit undertook to speak to the Director of Finance.

Resolved:

1. That the current position with regard to the audit investigations be noted.
2. That a report be submitted to the next or special meeting of the Sub Committee on the use of P-cards within the Council and the business case for their issue within the organisation.