



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE CABINET

WEDNESDAY 3RD APRIL 2013, AT 6.00 P.M.

THE COUNCIL HOUSE, BURCOT LANE, BROMSGROVE

SUPPLEMENTARY DOCUMENTATION

The attached papers were specified as "to follow" on the Agenda previously distributed relating to the above mentioned meeting.

5. Minutes of the meeting of the Audit Board held on 14th March 2013 (Pages 1 - 10)
 - (a) To receive and note the minutes
 - (b) To consider any recommendations contained within the minutes

K. DICKS
Chief Executive

The Council House
Burcot Lane
BROMSGROVE
Worcestershire
B60 1AA

3rd April 2013

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BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

THURSDAY, 14TH MARCH 2013 AT 6.00 P.M.

PRESENT: Councillors L. C. R. Mallett (Chairman), Dr. B. T. Cooper,
Miss P. A. Harrison and Mrs. H. J. Jones

Observers: Councillors P. M. McDonald and S. P. Shannon

Invitees: Mr. J Godwin, Head of Leisure and Cultural Services

Officers: Ms. J. Pickering, Mrs. T. Kristunas, Mr. A. Bromage and
Mrs. P. Ross

38/12 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors J. S. Brogan and Ms. M. T. Buxton.

39/12 DECLARATIONS OF INTEREST

No declarations of interest were received.

40/12 MINUTES

The minutes of the meeting of the Audit Board held on 13th December 2012 were approved as a correct record.

41/12 GRANT THORNTON - CERTIFICATION REPORT 2011/ 2012

The Chairman welcomed Mr. P. Jones (Engagement Lead) and Ms. Z. Thomas (Engagement Manager) from Grant Thornton to the meeting.

The Board considered the Certification work report 2011/2012 from Grant Thornton.

Ms. Z. Thomas introduced the report and in doing so informed the Board that it was a 'good news' report. There had been a fee reduction due to the lower number of errors identified in initial testing of the Housing and council tax benefit scheme so less further testing had been required. Members' attention was drawn to page 12 of the report, summary of Council performance, Key Message:-

- All claims were submitted on time to audit and all claims were certified within the required deadline.

- Overall the Council was performing well and there were no significant matters arising from their certification of claims and returns. There was excellent cooperation over the housing benefits audit and savings on the audit fee accrued as a result.
- Supporting working papers were generally of a good standard, which enabled certification within the deadlines.

Ms. Z. Thomas informed the Board there had been no significant findings arising from the audits and that the recommendations for improvement were detailed in Appendix C of the report.

Members were asked to note that paragraph 3.4, page 7 of the report to read:

“The auditors have certified 2 claims for 2011/12 relating to over £45m of expenditure”.

RESOLVED that, subject to the amendment as detailed in the preamble above, the Grant Thornton Certification work report 2011/2012 and action plan as detailed in the report be noted.

42/12 **GRANT THORNTON - AUDITING STANDARDS**

The Board considered a report from Grant Thornton on the Auditing Standards 2012/2013.

Ms. Z Thomas briefly explained the background to the report and the purpose of the report to ensure there was effective two-way communication between ‘Those Charged with Governance’ and the Engagement Lead, the Council’s external auditor. At Bromsgrove District Council the Cabinet retained the role of ‘Those Charged with Governance’ and the Audit Board received reports on internal control and fraud. The Audit Board provided assurance on the operation of internal controls to Cabinet.

In planning and performing their audit of the financial statements Grant Thornton needed to understand how Cabinet, supported by the Council’s management, and the Audit Board met its responsibilities in the following areas:

- Fraud
- Law and regulation
- Going concern
- Related parties
- Accounting for estimates

Ms. Z Thomas drew Members’ attention to Appendix 1 of the report and highlighted that the management responses as detailed, were draft responses, in relation to the controls in place within Bromsgrove District Council to ensure that arrangements were in place to support the financial and operational management of the organisation. No specific concerns had been highlighted.

In response the Executive Director, Finance and Corporate Resources informed Members that as Section 151 Officer she was comfortable with the draft responses. Any comments from the Board would be included in the Statement of Accounting Policies, to be approved by the Board and presented to Cabinet and Council.

Mr. P. Jones highlighted the need to look at particular risks and not inherent risks, and as the Council's External Auditors, the management responses as agreed by the Board could be revisited.

Further discussion followed in respect of Fraud and in particular the following question:-

- Question 2 of the report – 'Are you aware of any instances of fraud, either within the Council as a whole or within specific departments since 1st April 2012'.

Members discussed the recent information provided by the Executive Director, Finance and Corporate Resources in respect of Marlbrook Tip and any potential loss of revenue and cost to the Council.

RESOLVED:

- a) that the Executive Director, Finance and Corporate Resources and Head of Planning and Regeneration be tasked to include in the scope of the report; the specific controls in place to ensure that similar incidents to that of Marlbrook Tip, do not happen in the future; and
- b) that the Grant Thornton, Auditing Standards Report 2012/2013, be noted and the management responses, as detailed in Appendix 1 to the report be agreed.

43/12 **GRANT THORNTON - AUDIT PLAN MARCH 2013**

The Board was asked to consider the following report, Grant Thornton Audit Plan 2012/2013.

Mr. P. Jones introduced the report and in doing so informed Members that in planning their audit they needed to understand the challenges and opportunities the Council was facing and to consider the impact of key developments relevant to the Council's business, whilst taking account of national audit requirements as set out in the Code of Audit Practice.

The Audit Opinion Plan 2012/2013 set out the work Grant Thornton proposed to undertake in relation to the Audit of the financial accounts for 2012/2013 an audit focused on risks, as detailed in the report.

Mr. P. Jones responded to Members' questions and clarified, as stated in the report, that they would continue to monitor the Town Centre regeneration progress through their discussions with officers and would consider the accounting implications of these schemes where relevant. In respect of Transformation, as part of their Value for Money (VFM) conclusion they would, as detailed in the report:

- review the medium term financial plan and consider how the Council was identifying and managing savings;
- continue to monitor the Council's path to transformation and provide support where appropriate.

In response the Executive Director, Finance and Corporate Resources informed Members that quarterly Finance Monitoring reports were presented to the Overview and Scrutiny Board, and that transformation savings were detailed in those reports.

RESOLVED that the Grant Thornton, Audit Opinion Plan 2012/2013 be noted and agreed.

44/12 **GRANT THORNTON - PROGRESS REPORT**

The Board was asked to consider a report from Grant Thornton which provided an update in relation to the work undertaken at Bromsgrove District Council.

Mr. P. Jones presented the report and in doing so informed the Board of the progress as at 31st March 2013. They would undertake the main final accounts visit during July 2013, as detailed in the report. Mr. P. Jones highlighted the challenge questions, as detailed in the report, that had been raised as a result of emerging issues both financial and operational that could impact on the Council; and asked if Members and officers had considered these.

In response the Executive Director, Finance and Corporate Resources informed the Board that she would respond to the challenge questions and would provide a full briefing on each of the challenge questions to the next meeting of the Board.

Following a brief discussion on items as detailed on page 74 of the report, 'Emerging issues and developments':

- closed landfill sites
- redundancy costs
- reserves

The Executive Director, Finance and Corporate Resources informed Members that in respect of redundancy costs; staff had been asked if they wished to be considered for voluntary redundancy, early retirement and flexible retirement; and that the requests received would be considered at a panel in April 2013, so there would be no cost implications until 2013/2014.

The Executive Director, Finance and Corporate Resources agreed to provide further information on closed landfill sites within the district and reserves to the next meeting of the Audit Board.

RESOLVED: that, as detailed in the preamble above in respect of additional information to be provided to the next meeting of the Audit Board; the Audit Board update from Grant Thornton be noted.

45/12 **CORPORATE RISK REGISTER / RISK MANAGEMENT UPDATE - PRESENTATION FROM THE HEAD OF FINANCE & RESOURCES**

The Audit Board received a presentation from the Head of Finance and Resources with regard to an Approach to Risk Management. The presentation provided an overview of the approach to risk management that the Council would adopt.

Heads of Service and managers would own their risk register so would be aware of risks within their service area. The risk scoring would assist management in identifying those risks to which priority must be given and so determine priority actions and where resources are best used.

Further discussion followed on the presentation slides and the Head of Finance and Resources responded to Members' questions in respect of management ownership, the need to be fully aware of the risks within their service area; and the monitoring of risk registers. The Head of Finance and Resources briefly informed Members of the Risk Management Monitoring Group that was in the process of being set up. This group would ensure on going corporate monitoring and would challenge risks. At the request of the Chairman the Head of Finance and Resources agreed to provide details of the first meeting of the Risk Management Monitoring Group in order for a nominated Audit Board Member to attend as a representative of the Board.

The Chairman thanked the Head of Finance and Resources for her presentation.

46/12 **PRESENTATION FROM HEAD OF SERVICE, LEISURE AND CULTURAL SERVICES**

The Chairman welcomed Mr. J. Godwin, Head of Leisure and Cultural Services to the meeting.

Mr. J. Godwin provided the Board with a presentation detailing risk management for his service area. He highlighted that the risk register was a live document and would be reviewed on a day to day basis. The presentation slides detailed information on the risk management principles and highlighted that good operational management was required in order to understand service based risks. Following a review of the existing risk register for his service area across Bromsgrove District Council and Redditch Borough Council a new risk register was produced in line with the revised corporate risk policy.

Mr. J. Godwin responded to Members' questions in respect of ownership by managers and monitoring, highlighting that 4th and 5th tier managers for each service area would take responsibility for risk management, with documented responsibility detailed on 4th tier managers' job descriptions. In his service

area risk management would become a standard item at all team meetings and the Business Manager would review monthly to ensure performance was monitored.

The Chairman thanked Mr. J. Godwin for his presentation.

47/12 **STATEMENT OF ACCOUNTING POLICIES**

The Board considered a report on the proposed Accounting Standards in preparation for the 2012/2013 Accounts.

The Executive Director, Finance and Corporate Resources presented the report and in doing so informed Members that the Statement of Accounts presented the overall financial position of Bromsgrove District Council for the year ended 31st March 2013.

RESOLVED that the Accounting Policies as detailed at Appendix 1 to the report be approved.

48/12 **AUDIT COMMISSION ANNUAL GOVERNANCE REPORT 2011 - 2012**

The Executive Director, Finance and Corporate Resources provided Members with a verbal update on the progress made on the actions, as detailed in the Audit Commission Annual Governance Report 2011/2012, Appendix 4 – Action Plan, presented to the Board on 13th December 2012.

- Shared Services – a meeting has now taken place with the Council's external auditor who are now comfortable with the accounting process.
- Risk Management Arrangements - Risk Management arrangements are now in place.
- Internal Audit – Quarterly meetings are now taking place with the Executive Director, Finance and Corporate Resources and the Service Manager, Worcestershire Internal Audit Shared Services.
- Financial reporting – Financial reporting and details around savings has now been improved with revised quarterly monitoring to be presented to future meetings of the Audit Board.
- Housing benefits transformation – It has been agreed that this review will continue to develop to support the residents.

In response to the Chairman it was

RESOLVED that written detailed reports be presented to future meetings of the Audit Board.

49/12 **CORPORATE FRAUD (HOW THE AUTHORITY PRO-ACTIVELY RESPONDS)**

The Head of Finance and Resources provided Members with a verbal update on Corporate Fraud and how the Authority pro-actively responded. Information received from staff through the Council's whistleblowing procedure or from members of the public, would be directed to Internal Audit for preliminary investigation. Taking into account all of the information and evidence received a decision would then be made in respect of the next step to be taken; straight forward investigation, disciplinary action or if of a criminal nature possible police investigation.

Members briefly discussed and questioned staff awareness or willingness to report instances of suspected fraud using the Council's whistleblowing procedure. In response the Executive Director, Finance and Corporate Resources informed Members that staff were made aware of the Council's whistleblowing procedure but suggested that in order to gauge staff awareness or willingness to use the whistleblowing procedure; specific questions could be included within the next staff survey.

RESOLVED:

- a) that the Executive Director, Finance and Corporate Resources be tasked to scope the inclusion of specific questions in respect of the Council's whistleblowing procedure in the next staff survey; and
- b) that the results of the staff survey, in respect of the specific questions asked on the Council's whistleblowing procedure, be presented to a future meeting of the Audit Board.

50/12 **BENEFITS INVESTIGATIONS - DEMOGRAPHIC PROFILE**

The Board considered a table that detailed the demographic profile of cases of benefit fraud within the district. This information was provided by the Head of Finance and Resources as requested by Members at the Audit Board meeting on 13th December 2012.

The table detailed the sanctions; prosecution, caution or administrative penalty for each case of fraud. The Executive Director, Finance and Corporate Resources responded to Members' questions in respect of the level of overpayment and the sanction; highlighting that individual circumstances had to be taken into account prior to a decision being made on the most appropriate sanction.

The Chairman thanked the Head of Finance and Resources for providing the information to Members.

51/12 **AUDIT BOARD END OF YEAR REPORT - FOR MEMBER DISCUSSION**

The Democratic Services Officer briefly informed Members that as detailed on the current work programme; the Board had agreed to produce an end of year report. The report would be a factual report with input from Board Members.

The draft report would be presented to the Board in June 2013 with the final report presented to Cabinet in July 2013.

52/12 **AUDIT BOARD WORK PROGRAMME 2012 / 2013**

The Board considered the Work Programme 2012/2013.

RESOLVED that the Work Programme be updated to include the items discussed and agreed by the Board during the course of the meeting.

53/12 **DRAFT INTERNAL AUDIT PLAN 2013 / 2014**

The Board considered a report which detailed the draft Internal Audit Operational Plan for 2013/2014.

Mr. A. Bromage, Service Manager, Worcestershire Internal Audit Shared Service introduced the report and in doing so informed Members that the plan now included Transformation and Value for Money (VFM) (Critical Friend), as requested by the Audit Board and the Section 151 officer.

The Service Manager highlighted that the Internal Audit Plan for 2013/2014 had been based upon a resource allocation of 300 chargeable days which had been agreed with the Council's Section 151 officer. The 300 day allocation was based on transactional type system audits. The enhanced audit requirements as requested by the Audit Board had also been included.

Councillor Mrs. H. J. Jones expressed concern that the additional audit area as requested by Members, and detailed at Appendix 1 to the report – Transformation & VFM (Critical friend); showed a difference of minus 8 days in the number of planned days 2012/13 and planned days 2013/14. Councillor Mrs. H. J. Jones questioned if audit resources should be directed to this additional audit area. In response the Services Manager informed Members that there was some element of movement in budget if agreed with the Section 151 officer.

RESOLVED:

- a) that the Bromsgrove District Council Internal Audit Operational Plan for 2012/2014 as detailed at Appendix 1 to the report be approved; and
- b) that the key performance indicators for the Worcestershire Internal Audit Shared Service for 2012/2014 as detailed at Appendix 2 to the report be approved.

54/12 **EXCLUSION OF THE PUBLIC**

The Board considered whether or not to exclude the public from the meeting for the consideration of Agenda Item No. 17, Internal Audit Monitoring Report of the Service Manager of the Worcestershire Internal Audit Shared Service, Appendices 3 and 4.

Councillor Mrs. H. J. Jones expressed her concern and suggested to Members that legal advice be sought from the Head of Service for Legal, Equalities and Democratic Services.

The Executive Director, Finance and Corporate Resources responded to Members questions and to the concerns raised by Councillor Mrs. H. J. Jones and in doing so highlighted that; in agreement with the report author, Mr. A. Bromage, Service Manager, Worcestershire Internal Audit Shared Service, she was comfortable that the specific pages in Appendix 3 to the report, as agreed by Board Members, be redacted and placed in the public domain.

RESOLVED that the public not be excluded from the meeting during the consideration of Agenda Item No. 17, Internal Audit Monitoring Report, Appendix 3, pages 125 to 126, 129 to 133 and 142 to 156, and that this part of the report be placed in the public domain.

55/12 **INTERNAL AUDIT MONITORING REPORT (PAGES 125 TO 126, 129 TO 133 AND 142 TO 156)**

The Board considered a report which detailed the monitoring report of internal audit work and performance as at 31st January 2013.

Mr. A. Bromage, Service Manager, Worcestershire Internal Audit Shared Service introduced the report and in doing so informed Members that all three audits carried out, as detailed on page 117 of the report, had a significant assurance level. In response to Councillor Mrs. H. J. Jones the Service Manager explained that 'Other chargeable' as detailed on page 122 of the report, was the amount of time systems had been down, there was still a cost to audit time even when systems went down.

RESOLVED that the monitoring report of internal audit work and performance as at 31st January 2013 (pages 125 to 126, 129 to 133 and 142 to 156), be noted.

56/12 **LOCAL GOVERNMENT ACT 1972**

RESOLVED that under Section 100 I of the Local Government Act 1972, as amended, the public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12A to the Act, as amended, the relevant paragraph of that part being as set out below, and that it is in the public interest to do so:-

<u>Minute No.</u>	<u>Paragraph</u>	“
57	7	

57/12 **INTERNAL AUDIT MONITORING REPORT (PAGES 127 TO 128, 134 TO 141 AND 157 TO 158)**

The Board considered a report which detailed the monitoring report of internal audit work and performance as at 31st January 2013.

Mr. A. Bromage, Service Manager, Worcestershire Internal Audit Shared Service introduced the report and responded to Members' questions with regard to actions being implemented as audits progressed and actions being discharged.

RESOLVED that the monitoring report of internal audit work and performance as at 31st January 2013 (pages 127 to 128, 134 to 141 and 157 to 158), be noted.

The meeting closed at 8.24 p.m.

Chairman