



**BROMSGROVE DISTRICT COUNCIL**

**MEETING OF THE AUDIT BOARD**

**MONDAY 7TH JUNE 2010, AT 6.00 P.M.**

**CONFERENCE ROOM, THE COUNCIL HOUSE, BURCOT LANE, BROMSGROVE**

**MEMBERS:** Councillors D. Hancox, Ms. H. J. Jones, B. Lewis F.CMI,  
S. R. Peters, C. R. Scurrall and E. C. Tibby, (vacancy)

**AGENDA**

1. Election of Chairman
2. Election of Vice-Chairman
3. To receive apologies for absence
4. Declarations of Interest
5. To confirm the accuracy of the minutes of the meeting of the Audit Board held on 15th March 2010 (Pages 1 - 4)
6. Audit Commission Shared Services Review (Pages 5 - 24)
7. Audit Commission Annual Report - Certification of Claims (Pages 25 - 40)
8. Risk Management Tracker - Quarter 4 (Pages 41 - 50)
9. Protecting the Public Purse - Local Government (Pages 51 - 64)
10. Shared Internal Audit Service - Verbal Update
11. To consider any other business, details of which have been notified to the Head of Legal, Equalities and Democratic Services prior to the commencement of the meeting and which the Chairman, by reason of special circumstances, considers to be of so urgent a nature that it cannot wait until the next meeting

12. To consider, and if appropriate, to pass the following resolution to exclude the public from the meeting during the consideration of items of business containing exempt information.

**“RESOLVED** that under Section 100 1 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 I of Schedule 12A to the Act, as amended, the relevant paragraphs of that part being as set out below, and that it is in the public interest to do so:-

<u>Item No.</u>	<u>Paragraphs</u>	
12	3 & 7	“

13. Recommendation Tracker (Pages 65 - 82)

K. DICKS  
Chief Executive

The Council House  
Burcot Lane  
BROMSGROVE  
Worcestershire  
B60 1AA

27th May 2010

## BROMSGROVE DISTRICT COUNCIL

### MEETING OF THE AUDIT BOARD

MONDAY, 15TH MARCH 2010 AT 6.00 P.M.

PRESENT: Councillors S. R. Peters (Chairman), D. Hancox, D. McGrath,  
C. R. Scurrall (during Minute Nos. 35/09 to 43/09) and E. C. Tibby

Also in attendance: Ms. L. Cave, Audit Commission (during Minute Nos. 35/09 to 39/09), Ms. J. Hill, Audit Commission (during Minutes Nos. 35/09 to 45/09)

Observers: Councillor G. N. Denaro, Portfolio Holder for Resources

Officers: Ms. J. Pickering, Mrs. D. Randall, Ms. M. Wall and Ms. P. Ross

35/09 **APOLOGIES**

Apologies for absence were received from Councillors B. Lewis F.CMI and Ms. H. J. Jones.

36/09 **DECLARATIONS OF INTEREST**

No declarations of interest were received.

37/09 **MINUTES**

The minutes of the meeting of the Audit Board held on 14th December 2009 were submitted.

**RESOLVED** that the minutes be approved as a correct record.

38/09 **ANNUAL AUDIT AND INSPECTION LETTER 2008/2009**

The Chairman welcomed Ms. L. Cave, District Auditor and Ms. J. Hill, Audit Manager with the Audit Commission. Ms. L. Cave presented the Annual Audit and Inspection letter 2008/2009.

On presenting the report Ms. Cave included an overall summary of the Audit Commission's assessment of the Council, highlighting that it was the first year the Council had been assessed using the more demanding and more outcome focused approach to Use of Resources. The report drew from information contained within the recent Comprehensive Area Assessment (CAA) together with the findings of other inspections undertaken since the previous letter in 2009.

The findings of the report recognised that the Council had made significant progress in improving service delivery and performance management over the last few years and that the formal engagement process that had been in place was no longer necessary.

Ms. L. Cave referred to the retrospective capitalisation directive that the Executive Director, Finance and Corporate Resources was seeking from Central Government, the Department of Communities and Local Government (DCLG). Ms. L. Cave had requested that the Executive Director, Finance and Corporate Resources liaised with the Audit Commission with regards to the specific wording of the directive that the funds were carried forward from the Financial Statements for 2008/2009 to 2009/2010.

In addition the report stated that the Council was progressing with shared services, had utilised funds to help provide housing and that Bromsgrove was a safer place to live.

**RESOLVED** the Annual Audit and Inspection Letter for 2008/2009 be accepted.

39/09 **EXTERNAL AUDIT OPINION PLAN 2009/2010**

A copy of the draft Audit Opinion Plan 2009/2010 was considered. Ms. J. Hill presented the report. The Plan set out work that the Audit Commission proposed to undertake in 2009/2010 in relation to the following specific risks which had been identified:

- Determination of Accounting treatment of the spatial project
- Review the treatment of bad debtors
- Shared Service arrangements

Ms. L. Cave responded to questions from Members regarding other matters to be monitored during the course of the audit, namely the monitoring of redundancies arising from the creation of a Joint Management Team with Redditch Borough Council.

**RESOLVED** that the Audit Commission's 2009/2010 Audit Opinion Plan as set out in Appendix 1 to the report be noted and agreed.

40/09 **RISK MANAGEMENT TRACKER QUARTER 3**

Members considered a report which presented an overview of the current progress in relation to Actions/Improvements as detailed in the business area risk registers for the period 1st April 2009 to 31st December 2009. The Accountancy Services Manager responded to questions from Members on the high proportion of actions due to be completed in Quarter 4. Members were informed that the new Heads of Service would review where necessary and take remedial action and that the Corporate Management Team would continue to monitor these.

**RESOLVED** that the progress to date against all business area risk register actions for the period 1st April 2009 to 31st December 2009, Quarter 3, be noted.

41/09 **INTERNAL AUDIT PERFORMANCE AND WORKLOAD**

Consideration was given to a report that provided a summary of the current performance and workload of the Internal Audit Section. Members were informed that the work regarding investigations had transferred to the Corporate Anti Fraud Team (CAFT) and that Members would receive verbal updates on any investigations. The Accountancy Services Manager and Executive Director, Finance and Corporate Resources provided a number of updates on the current status to date and informed Members of the factors impacting on the percentage of productive time figure of 57%.

**RESOLVED**

- (a) that the current status and work completed on the 2009/2010 Audit Plan be noted and approved;
- (b) that the work completed by the Internal Audit during the first three quarters of the year to the end of December 2009 be noted;
- (c) that the Current Performance Indicators statistics be noted; and
- (d) that it be noted that there are no new or updated amendments to the Section's standard documentation.

42/09 **INTERNAL AUDIT ANNUAL PLAN 2010/2011**

Consideration was given to the Council's Internal Audit Plan for 2010/2011. The Council was required under Regulation 6 of the Accounts and Audit Regulations 2003, (as amended 2006), to "maintain an adequate and effective system of internal control in accordance with the proper practices in relation to internal control". The Executive Director, Finance and Corporate Resources responded to questions from Members and provided some background information on the Worcestershire Enhanced Two Tier (WETT) Internal Audit Shared Service. Members were informed that, during the period of transition to the Shared Management Team, officers would review the plan to ensure it met the objectives of the improvements across the Council with any revisions to the plan being reported to Members when finalised.

**RESOLVED** that the Internal Audit Plan for 2010/2011, as set out in the report, be approved.

43/09 **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Consideration was given to a report which informed Members of the current position of the Council regarding the transition to International Financial Reporting Standards (IFRS). The report highlighted the benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice. Members were informed that it is important throughout the transition period to engage with the Council's external auditors, the Audit Commission.

**RESOLVED** that the Council's preparations for the introduction of International Financial Reporting Standards be noted.

44/09 **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) - TRAINING UPDATE VERBAL DISCUSSION**

The Executive Director, Finance and Corporate Resources briefly informed Members that she would notify them with details of specific training on International Financial Reporting Standards (IFRS).

45/09 **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 the subject of the following minute on the grounds that it involves the likely disclosure of exempt information as defined in Part I of Schedule 12A to the Act, as amended, the relevant paragraphs of that part being as set out below, and that it is in the public interest to do so:-

<u>Minute No.</u>	<u>Paragraphs</u>
46/09	3 and 7

46/09 **RECOMMENDATION TRACKER**

Members considered a report that presented a summary of progress to date against audit report 'priority one' and key 'priority two' findings and agreed actions. The Executive Director, Finance and Corporate Resources responded to questions from Members on information contained within the report.

**RESOLVED**

- (a) that the 'priority one' and key 'priority two' findings and agreed actions as set out in Appendices 1 and 2 of the report be noted; and
- (b) that any necessary action and reporting process be agreed.

The meeting closed at 7.34 p.m.

Chairman

# Shared Services

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# Review

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Bromsgrove District Council and Redditch Borough  
Council

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Audit 2009/10

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February 2010

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# Contents

<b>Summary report</b>	<b>3</b>
<b>Main conclusions</b>	<b>5</b>
<b>Detailed findings</b>	<b>9</b>
<b>Appendix 1 – Action plan</b>	<b>17</b>

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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



# Summary report

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## Introduction

- 1 The Communities and Local Government Department takes the view that local government must always look for ways to improve what it does. It must offer better services in a way that fits modern lifestyles, and it must deliver what matters to people in local communities.
- 2 Local government employs over two million people and accounts for about 25 per cent of public spending. Transforming the way in which its services are delivered in order to achieve service improvements, efficiencies and value for money while making communities better places to live is therefore central to the local government agenda.
- 3 The arrangement for Shared Services including the post of a shared Chief Executive represents significant opportunities for better local services. However it also constitutes significant risks for both councils, particularly in ensuring that robust and legal governance arrangements are established, and in managing the project effectively within the timescales.
- 4 The project has now reached its latter stages. The appointment of the shared Chief Executive has been approved, and the arrangements for the single joint management team are currently being put in place.

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## Background

- 5 In June 2008 Bromsgrove District Council (BDC) and Redditch Borough Council (RBC) agreed at their respective council meetings to appoint an acting joint chief executive for twelve months.
- 6 It was also agreed that a Shared Services Board was established to oversee progress and the governance of this project.
- 7 The project was broken down into three main stages. These were as follows.
  - Phase 1. By September 2008 identify the quick wins that could be implemented by 31 January 2009.
  - Phase 2. By 31 December 2008 to establish targets and objectives for joint working arrangements that will identify some medium term opportunities that can be implemented by July 2009.
  - Phase 3. By 30 June 2009 identify the targets and objectives for long term joint working arrangements and/or a shared approach to the delivery of services to be presented in the form of a business case.

- 8 Serco were appointed as consultants in February 2009, to prepare and present a business case to the board in July 2009. The board accepted the business case and it was subsequently accepted by meetings of both Councils later that month. The newly appointed shared Chief Executive was tasked with producing a structure that was fit for purpose to manage both councils. This structure was presented and accepted by both councils in September 2009 for the purposes of consultation.

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### Audit approach

- 9 In order to discharge our duties under the audit Code of Practice, we carried out a high level diagnostic audit which aimed to answer the following key questions.
- Have the risks been fully evaluated with mitigating action planned? What contingency is in place if the joint working arrangements/shared services do not work?
  - Were the full costs as well as savings fully identified and evaluated?
  - How are perceived conflicts of interest and bias being addressed?
  - Are the governance arrangements in place for the shared service board adequate?
  - Are the performance management processes and the performance information for the project sufficient? Is there adequate information for reporting to the shared services board?
  - How is the performance of the joint Chief Executive monitored?
  - Has adequate legal advice been sought by individual councils, and by the shared services boards?
  - Were the objectives of each of the three phases achieved? Are they realistic, quantified and of equal benefit to both councils? Were decisions transparent?
  - What assurances are in place to ensure the process has been independent and fair, and will continue to be so?
- 10 To help us answer these questions, we reviewed relevant documents to which we were referred, interviewed councillors, council officers and other key people observing and advising the process.
- 11 Our field work took place in November 2009. The next stage is to discuss our recommendations with the Councils, and for the Councils to complete the action plan appended to this report.

# Main conclusions

- 12** Sound procedures have been put in place to support the delivery of shared services and a shared Chief Executive at Bromsgrove District Council and Redditch Borough Council. The Councils have made good early progress. However, it involves a longer term programme of work and there are risks. It is therefore timely to review the processes followed and their impact to date and to comment on the assurance that this process gives for the future of these arrangements. We would like to thank all of those whom we met for giving up their time, for sharing information and for being so open. We found there was a very strong desire by the lead councillors, officers and other key representatives to make this process for sharing a Chief Executive and moving towards shared services work well and to learn from the lessons of others.

### Managing risk

- 13** Risks are regularly evaluated, with mitigating actions put in place. Officers and councillors are clear about the main risks and the role of the single management team in providing mitigation for these. However more general debate at the Shared Service Board is needed to identify emerging risks. And consideration needs to be given to the risks and reality of having a fall back position or exit strategy.
- 14** Conflicts of interest are being well managed. A conflict management policy is being drafted, and a communications protocol has been put in place for use between the two councils.

### Advice and information

- 15** External legal advice has been sought where and when needed. This has been obtained, when needed, from external solicitors with the relevant specialist experience, and more regularly from the West Midlands Leaders Board. Both the Chief Executive and Leaders have looked for advice from other councils who have taken a similar course of action. The Chief Executive has also joined the Chief Executive's Reference Group for these councils.
- 16** The monitoring officer from Bromsgrove District Council has had a specific role in giving advice - particularly around the secondment arrangements for the Chief Executive. However she has worked in tandem with her counterpart at Redditch Borough Council to ensure they agree on issues and share information. The legal issues arising from the proposals have been identified and are being worked through by the Councils' legal advisors. We do not anticipate any significant problems and will continue to monitor progress in resolving these.

- 17** There has been robust discussion and evaluation of the costs and savings identified. Councillors demonstrate that they have been able to get good access to financial information to inform the decisions they make. Concerns were raised about the costs and savings identified in the original Serco report. These were felt to be unrealistic and as a result a more robust structure has been put forward and agreed. The associated savings have reduced and costs increased with this new, strengthened structure. Costs are incurred early on as part of the process of reducing the overall structures of both Councils, and forming a single management team. The majority of cost identified relates to redundancy/early retirement and so it is difficult to determine the exact amount involved prior to the recruitment procedure. The Councils will need to monitor these costs carefully. Savings can be easier to quantify, but again will need to be closely monitored particularly as they will be affected by any additional costs. Concern was also expressed about papers provided at Council meetings, and the need to provide a full set to inform decision making.

### Governance and performance management

- 18** Governance arrangements are straightforward and on the whole quite simple - but have worked well. Very few changes have been made since the initial set up. The project is now at a stage where governance arrangements of the Shared Services Board need to be reviewed to ensure that the arrangements remain fit for purpose, for example whether the Shared Services Board should continue in its current format as an advisory body or have delegated powers to make decisions.
- 19** The progress reports provided for the Shared Services Board are detailed and provide good information, however they do not report on performance management of services already being shared however it is accepted that it is still relatively early days for the services being shared. Performance management arrangements need to be agreed and put in place at a programme management level.
- 20** A process for monitoring the performance of the Chief Executive has been put in place. This has been strengthened with training for councillors involved in the appraisal process and support through the appraisal given by the West Midlands Leaders Board to ensure consistency and appropriate challenge.

### Have the objectives of each stage been achieved?

- 21** The objectives of the phases have been mostly achieved but there has been some slippage. Lessons have been learnt, for example the Councils found that they were able to deliver the business cases for each shared service on time, but realised that more time was needed to do robust and proper consultation with staff. Councillors are clear why the services that have been shared were put forward and what benefits have been anticipated.

## Main conclusions

### Assurances in place now and for the future

- 22** Assurances are in place to ensure the governance process is as fair and independent as it can be. The Shared Services Board is not a decision making board – it is run by consensus with the opportunity to debate and monitor progress before issues and decisions are taken to full council. Its membership is from both the Executive and opposition from both Councils which means there is continuity and appropriate involvement. Assurance is also given as each respective council has made decisions on everything on an all party basis.
- 23** Future assurance is in place for the recruitment of the single management team to ensure it is a fair and transparent process. Proposals have been drawn up by the West Midlands Leaders Board for the procedure for voluntary redundancy/early retirement which means that staff involved in the recruitment process have not been compromised by potential conflicts of interest. A recruitment panel will be made up of cross party members and from both councils, and the Chief Executive. External support will be given by Solace. Members understand the need for robust recruitment so that the best people are appointed to the right post and they understand the consequences of not appointing.

Recommendation	
<b>R1</b>	Risks should be discussed at the Shared Service Board meetings, not only around the level of significance and impact, but to identify new risks. <ul style="list-style-type: none"><li>This is a low cost recommendation and should be implemented immediately.</li></ul>
<b>R2</b>	The Councils should set out their contingency position for either a fall back or exit strategy. The initial starting point for this could be to discuss at the Chief Executives reference group to see how other councils have managed this process. <ul style="list-style-type: none"><li>This is a low cost recommendation and should be implemented by 31st March 2010.</li></ul>
<b>R3</b>	To provide a full set of working papers at full Council meetings where decisions on shared service are made. This will reflect the significance of the decisions taken and enable full and informed debates. <ul style="list-style-type: none"><li>This is a low cost recommendation and should be implemented immediately.</li></ul>
<b>R4</b>	The Councils should review the governance arrangements of the Shared Services Board and whether it is appropriate for this Board to continue with its current role. <ul style="list-style-type: none"><li>This is a low cost recommendation and should be implemented in the next six months.</li></ul>
<b>R5</b>	The Councils should develop a performance management process for shared services. The Councils will need to consider what information is needed for the single management team to manage performance and what information will be needed to enable councillors to manage and scrutinise performance. <ul style="list-style-type: none"><li>This is a low cost recommendation and should be implemented by 31 March 2010.</li></ul>

**Recommendation**

**R6** The Councils should review the expected costs and savings, ensure that they are realistic and monitor their delivery. The Councils should also ensure that any outstanding legal issues are resolved.

- This is a low cost recommendation and should be implemented immediately.

# Detailed findings

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## Managing risk

- 24 Risks are regularly evaluated, with mitigating action put in place. The risk register for the shared Chief Executive and shared services was developed mainly by the Chief Executive, but with legal involvement from the monitoring officers particularly around statutory issues. It is reviewed regularly by the Chief Executive when drafting the six weekly progress reports for the Shared Services Board.
- 25 The level of a risk (significance and impact) is discussed at the Shared Services Board and changed where appropriate. But there is not a general debate about risk, for example whether there are any new risks. The risks are linked to the individual corporate risk registers, and are discussed with councillors as part of the management of the corporate risks at each Council. It is anticipated that the single management team will have more input into the register, though each respective management team has input at the moment.
- 26 Officers and councillors are clear about the main risks. These are agreed as being political, in terms of a change of administration and consequential change of heart for having a shared Chief Executive, and financial with the current uncertainties around future settlements for councils. One of the main mitigating factors for the significant risks is the implementation of a single management team. This will be the driver for change and at a pace which could not easily be achieved by having the existing set up for management teams. This second risk identified around future financial settlements is not described on the risk register which links to the point made above about needing more debate about emerging risks.
- 27 An omission in the risk register is the lack of overall contingency - as a fall back position or an exit strategy. Prior to a single management team being set up the ability to reverse the process, or significant parts of the process to date are simpler than they will become once a single management team is in place. The effects of having one management team should be investigated in relation to the financial consequences of reducing each council's budget as it is likely to be difficult to replace the lost resources in future years if the need arose. It is important for an exit or fall back strategy to be clear about the difficulties around getting out of this arrangement. The need to discuss this matter more fully with councillors should be considered so they are realistic about the inherent difficulties in reversing the situation and that as they go further down the line of shared services this may become more difficult. This will be a situation that other councils are in whether they share services or have entered a strategic partnership arrangement with the private sector. The district councils that have gone down a similar route to Bromsgrove and Redditch Councils may be able to offer useful advice. Also, there are similar issues for all the Worcestershire districts as part of the Worcestershire Enhanced Two Tiered working programme and so having debated and set out various scenarios could place them in a stronger and more prepared position overall when looking at shared services countywide.

- 28 Conflicts of interest are managed. Conflicts have arisen in a number of ways and at different levels, for example at a policy level with the Regional Spatial Strategy and at an individual level as part of the process towards having a shared Chief Executive and single management team. Having good evidence of learning already in place from other councils going through this process has helped the team anticipate where conflicts may arise and generally be well prepared. And having support and advice from the West Midlands Leaders Board has ensured that recruitment procedures have been put in place without compromising officers who will be subject to that procedure by involving them in their set up. With the Regional Spatial Strategy both Councils talked through what they agreed on and what they didn't with regard to housing numbers required between the two areas. A lead officer for each Council was identified to give advice, with the Chief Executive's involvement being to mediate if required.
- 29 The need for a conflict management policy has been anticipated and is currently being drafted. External advice has been given by other councils in a similar position - they have conflict management policies in place which have been tested. Having a robust policy in place is important for managing and resolving conflicts which may arise in the future.
- 30 The Councils have been proactive in drawing up a communications protocol. This has been agreed for use by the Leaders of each Council. This will be used when the Councils differ in their response to a proposal, policy detail etc. Having this in place means that the Leaders are able to communicate publicly about issues where they conflict, but in an agreed and reasonable way without compromising themselves or each other.

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### Advice and information

- 31 External legal advice has been sought where and when needed. Employment advice has been obtained from Bevan Britton - initially on the secondment arrangements for the Chief Executive, and more recently on the overarching secondment for the single management team. It has been an interesting process as although there is an appetite nationally for shared services it's not as clear cut to achieve as it may seem, and councils also have certain statutory functions to maintain. Both Councils have been careful to make sure that they have covered all they need to from a constitutional perspective. And although constitutions will need to be aligned in some aspects a complete overhaul is not needed. The monitoring officers from both Councils work together to ensure consistency in their approach and shared understanding of the issues and of advice given.



## Detailed findings

- 32 Legal advice and input from West Midlands Leaders Board has been very helpful, particularly around employment issues. The Serco consultants also provided advice and experience. Advice has been obtained from monitoring officers at other councils who have gone through a similar process. So for example, advice from Adur and Worthing helped both Councils in working out the best ways to report information to councillors and to be firm where needed for example around the need for confidentiality where it is appropriate as issues may concern officers and potential redundancies. This means that also certain information and parts of council meetings have not been open to the public, so that councillors have been able to discuss fully the implications of any proposals without compromising members of staff.
- 33 Advice and learning about good practice as well as what hasn't worked, is also available through the Chief Executives reference group - a meeting of Chief Executives from councils with joint working arrangements. The Chief Executive attends this meeting and brings back learning from this to the Shared Service Board.
- 34 The monitoring officer from Bromsgrove District Council has been involved in the legal arrangements for the shared Chief Executive from the start of the process. This was agreed as an appropriate arrangement between the two councils as the secondment arrangements had to be made by Bromsgrove Council, as the original employer of the Chief Executive. The monitoring officer works with her counterpart at Redditch Borough Council to discuss and make sure they both agree on issues.
- 35 Although the monitoring officer attends the Shared Service Board meetings and gives advice when it is asked for, advice is not given as a matter of course - as the Board is not a constitutional body. This makes the support from West Midlands Leaders Board more important, and also the need for the Shared Service Board to recognise where external legal advice from solicitors is needed to ensure that councillors do ask for and take the most appropriate advice.
- 36 There has been robust discussion and evaluation of the costs and savings identified. The costs and savings that were set out in the Serco report were felt to be unrealistic for a number of reasons. For example the single management team salary levels were scoped on an average of existing rates of pay between the two authorities which was not felt to be realistic as new roles would need to be re-evaluated and also the pay levels at Redditch are lower than at Bromsgrove, severance costs were felt to be underestimated and the size of the team was agreed as too small and lacking in capacity to meet future needs for both Councils. Whilst there was a challenge around the costs and savings included in the Serco business case a separate financial model could have been produced which may have led to a more realistic structure with costs and savings coming out of that first proposal. Councillors gave the Chief Executive the task to review Serco's proposals and come back with a more resilient structure and with the associated costs and savings. There was consensus over the revised structure and implications for costs, though there was some initial disappointment at the reduction in the overall savings. However there was much debate around the changes and councillors understood the reasons for the changes and approved them.

- 37 The progress reports to the Shared Service Board show revised financial models where appropriate and needed. For example, in a recent report a revised model shows the implications on shared services if the Worcestershire Enhanced Two Tier proposals go ahead. Savings increase - mainly because of the loss of a head of service post, but with the same initial costs. This means that councillors can see the implications of a number of different factors coming into play.
- 38 Full information on costs and savings has been provided to enable decisions to be made. Councillors on the Shared Services Board acknowledge they have received as much financial information as they need. They have been able to get detailed advice on the costs and savings from the S.151 officers and this is evidenced by even greater scrutiny of the Chief Executive's revised structure proposals. In turn, members of the Shared Services Board felt able to explain in more detail the rationale behind the revised structure and the reduction in the level of overall savings and increased costs at their respective council meetings. There has been good access to additional support from the West Midlands Leaders Board, which has also bought particular expert knowledge around employment issues. There has been debate around costs of severance, and how it may be difficult to control costs if appointments are not made and they need to go to the market. This is mainly in terms of recruitment costs, time and severance costs. This demonstrates clear understanding of the issues and the fact that councillors have taken the time to ensure they are as well informed as possible to make decisions.
- 39 There has been good debate and scrutiny of decisions. For example, there has been detailed debate and advice sought about sharing costs and savings and the presumptions made. As a result of this the basis for sharing costs and savings has changed. For example, activity based costings have been prepared to support the CCTV/lifeline and ICT business cases. Consequently Redditch will benefit from more savings than Bromsgrove from CCTV / Lifeline - but this reflects use of the service and where there are still more savings to be stripped out. This demonstrates clear and fair thinking about how costs and savings should be shared and putting the mechanisms in place for managing this.
- 40 An area of concern has been expressed about papers provided at full council meetings. The concern is that if a full set of papers are not given out at the meeting councillors may not be aware of the context of the discussion and decision. However, all papers have been sent to all councillors electronically so all councillors do have prior access to the information. It may be useful though to reproduce a full set of papers at full council meetings where shared service decisions are being made to ensure an informed debate and to alleviate concerns councillors have. This would mean that all councillors can refer to items in documents that are under discussion.

### Governance and performance management

- 41 Governance arrangements are straight forwards and on the whole quite simple - but have worked well. Governance arrangements have only changed slightly since the original concordat was put in place. However they will now need to be reviewed because of progress with the project and to ensure that the arrangements remain fit for purpose, for example whether the Shared Services Board should continue in its current format, or have delegated powers to make decisions.
- 42 The process is that the Shared Services Board gets all reports relating to the shared Chief Executive and shared services. The Board makes a decision about what to recommend and this is then taken back to their respective full councils so that all councillors, including opposition councillors, are involved in the decision making process and in debates around the decision. This means that decision making may take longer, but meetings have been set up regularly and for full council meetings to follow the Board meetings as quickly as possible.
- 43 The Shared Service Board meetings are chaired by each of the two Leaders in turn. The Leader at each Council decides the political make up of their councillors represented on the Board. Four councillors from each Council attend the Board but there have been problems from time to time in ensuring consistent and regular attendance. In the last few weeks, each Council has approved that named substitutes should represent their Council when Board members are unable to attend, and to also attend generally so if they need to step in then they are up to speed. This should mean that there is full representation at meetings, and consistency of knowledge and approach.
- 44 An informal officer version of the Shared Services Board exists. This group act as a programme board overseeing the implementation and progress of shared services, and to challenge and critique proposals from the Chief Executive to ensure that they are robust and reasonable. It is envisaged that once the single management team is in place, a transformation board will be formally put in place to manage the programme of change.
- 45 Performance of shared services now in place is not managed through the Shared Service Board currently. Progress reports are provided for each Shared Service Board meeting and are more akin to project management reports. These give up to date and timely information about the project, about issues arising or proposals which need to be discussed. The information is detailed, and where additional information can be obtained this is referred to. However, although progress is given about the shared services that have been set up, performance of these services is not yet reported or monitored through this board. The newly shared services are due to report back on progress and performance after six months of being in place. Officers and councillors have good knowledge about the performance of these services however this needs to be formalised to ensure that information is consistently received so that performance can be managed and to ensure that longer term decisions about these shared services are well informed.

- 46 The current arrangement for the performance management of shared services is through each council's own performance management framework. For example, the community safety national indicators are managed and monitored by the respective authorities. Thought needs to be given to how the single management team want shared service performance to be reported to them, what format will be useful, and what detail should be passed to councillors. Each Council has business plans in place for the delivery of services, but it is expected that for next year the majority of these plans will be in the same format with specific key deliverables and outcomes for each Council, and for these to be the same where that is possible and appropriate. As there will be a single performance management unit set up to provide information to both councils a structure will be in place to carry out the plans for performance management.
- 47 The performance of the Chief Executive is monitored. A formal appraisal process for this was approved at both full council meetings recently. This sets out the legal responsibility to ensure a process is in place and carried out. Advice on the process was taken from other Chief Executives in similar positions. The procedure set out is that from 2010 the Shared Chief Executive's appraisal is set and reviewed by a single panel made up of the Leaders of both Councils, and facilitated by an external advisor. Local targets specific to each individual Council are to be set by panels at each Council, and joint targets to be set by the Shared Services Board. The Leaders will consult with a local panel of councillors at their respective councils, again these meetings will be facilitated by external adviser. The external facilitation during these stages is seen as essential to ensure integrity, continuity and consistency. It also means that councillors from both Councils can be assured that their feedback will be properly given to the Chief Executive during the formal process.
- 48 There are three sets of targets against which the Chief Executive will be appraised - one set each for the individual councils, and one combined set of targets which the two Leaders will take through the Shared Service Board before the appraisal. All three parts will form one overall appraisal. An external facilitator from the West Midlands Leaders Board will attend the appraisal to make sure councillors understand the process, are thorough and that there's consistency across the process.
- 49 The Chief Executive's appraisal for this year has already started. Feedback from councillors is positive about the process, and they have found the facilitation by West Midlands Leaders Board challenging and useful to ensure they carry out their role in the appraisal properly and hold the Chief Executive to account. They also received training on the appraisal process generally.

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### Have the objectives of each of the phases been achieved?

- 50 The objectives of the phases have been mostly achieved but there has been some slippage. Lessons have been learnt, for example the Councils found that they were able to deliver the business cases for each shared service on time, but realised that more time was needed to do robust and proper consultation with staff. For elections and payroll the business cases were prepared on time, but the implementation took longer because more time was needed for consultation, and for testing new systems.

## Detailed findings

- 51 The economic development business case has been predicated by involvement with Wyre Forest DC and therefore has been delayed/put on hold. The ICT business case has been drawn up and is due for implementation in the summer 2010. For the services that have moved forwards benefits have been delivered. With these initial shared services, benefits in terms of savings were not the main driver. The benefits expected have been in terms of giving resilience, mainstreaming funding for staff which previously was dependant on grant funding and therefore tenuous, and improving customer service. Costs of these services are managed and councillors are able to monitor whether costs are in target through budget reports.
- 52 There is transparency around the decisions for each of the business cases. Councillors are clear why the services which have been shared were put forward and what benefits were anticipated. Costs and how to share costs and any savings have been debated by councillors, and increased scrutiny has led to activity based costing for the CCTV/lifeline shared service. With the elections teams there were problems with recruitment. For Community Safety the grant funding was tenuous, so the business case looked to ensure that posts were mainstreamed and the service maintained and progressed. Economic development is a priority area for each council and a key area of development especially for all three north Worcestershire councils. With ICT there are particular issues for Redditch Borough Council but also the need for a common, shared platform and resilience. The CCTV/Lifeline business case was itself suggested by councillors.

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### Assurances in place now and for the future

- 53 Assurances are in place to ensure the process has been independent and fair, and will continue to be so. Councillors from both the Executive and opposition are on the Shared Services Board which means there is continuity and appropriate involvement. Officers with specific statutory duties are involved - the monitoring and finance officers.
- 54 External involvement has helped ensure an independent and fair process. The West Midlands Leaders Board provides an independent legitimate source of advice, but also provides support. Furthermore, the West Midlands Leaders Board also supports the local government sector as a whole in the West Midlands and therefore has a professional interest in not bringing the sector into disrepute. The learning from other councils, particularly from some very good district councils, and involvement in the Chief Executive reference group also brings assurance. The success of the year's trial of a joint Chief Executive gives assurance.
- 55 Future assurance is in place for the recruitment of the single management team to ensure it's a fair and transparent process. Proposals have been drawn up by West Midlands Leaders Board for the procedure for voluntary redundancy/early retirement which means that staff involved in the recruitment process have not been involved in setting up procedures to manage that process. A panel will be used made up of cross party councillors and from both councils, and the Chief Executive. External support will be given by Solace. Councillors understand the need for robust recruitment so that the best people are appointed to the right post and they understand the consequences of not appointing.

- 56 Assurances are in place to ensure the governance process is as fair and independent as it can be. The Shared Services Board is not a decision making board – it is run by consensus with the opportunity to debate and monitor progress before issues and decisions are taken to full council. Future arrangements could be a continuation of what is presently in place, or it may be appropriate to debate whether the Board should have delegated powers. Assurance is also given as each respective Council has made decisions on everything on an all party basis. Senior managers are not aware of concerns from officers or councillors around the process being unfair or that there has been a lack of access to information, or that decisions have been made by the main party only. Proposals have been through Overview and Scrutiny, the Executive, and both informal and formal group meetings.
- 57 Not only has there been an immense amount of dialogue with councillors, similarly there has been robust communication with staff at all levels. All staff have direct access to the Chief Executive if that is what they want. Communication with staff has been formal and informal - formal through the consultation process and informal through staff briefings and talks by the Chief Executive and respective Leaders.



# Appendix 1 – Action plan

No.	Recommendation	Priority	Action to be taken	Officer responsible	Implement by when
7	R1 Risks should be discussed at the Shared Service Board meetings, not only around the level of significance and impact, but to identify new risks.	3	Risk register will be submitted to every Shared Services Board. The Board will be asked to consider any new risks explicitly when discussing the Risk Register.	Kevin Dicks	1st March 2010 (next Shared Services Board)
7	R2 The Councils should set out their contingency position for either a fall back or exit strategy. The initial starting point for this could be to discuss at the Chief Executives reference group to see how other councils have managed this process.	3	Kevin Dicks to discuss this at next Action Learning Set for Shared Chief Executives and then bring any possible options back to the Shared Services Board for consideration. Overarching secondment agreement and dispute resolution protocol being developed which will also set out how any issues can be resolved.	Kevin Dicks	1st June 2010
7	R3 To provide a full set of working papers at full Council meetings where decisions on shared service are made. This will reflect the significance of the decisions taken and enable full and informed debates.	3	Full papers are sent to all members of both councils however we will make sure that papers are also provided at both full council meetings when considering items on shared services.	Kevin Dicks	Immediately
7	R4 The Councils should review the governance arrangements of the Shared Services Board and whether it is appropriate for this Board to continue with its current role as an advisory body or whether it should have a decision making role.	3	As more and more services are shared between the 2 council it may be more appropriate to consider moving to a formal Joint Committee in the future. This has initially been discounted by the Shared Services Board but will be revisited in 12 months time.	Kevin Dicks	March 2011

No.	Recommendation	Priority	Action to be taken	Officer responsible	Implement by when
7	R5 The Councils should develop a performance management process for shared services. The Councils will need to consider what information is needed for the single management team to manage performance and what information will be needed to enable councillors to manage and scrutinise performance.	3	The Director of Policy, Performance and Partnerships will review the Performance Management arrangements across both councils and will ensure that this addresses any specific issues in a shared environment.	Hugh Bennett	September 2010
8	R6 The Councils should review the expected costs and savings, ensure that they are realistic and monitor their delivery. The Councils should also ensure that any outstanding legal issues are resolved.	3	The Shared Services Board has received updates with regard to financial savings however it is acknowledged that this needs to happen more frequently. Quarterly reports will be produced in the future. Both councils have reviewed the level of savings to be achieved from sharing services and realistic amounts included in both Councils Medium Term Financial Plans. The Councils monitoring officer will address any legal issues as they arise, and take the appropriate advice where needed, to ensure all issues are resolved.	Jayne Pickering Clare Felton	Immediately



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## BROMSGROVE DISTRICT COUNCIL

### AUDIT BOARD

7TH JUNE 2010

### AUDIT COMMISSION ANNUAL REPORT - CERTIFICATION OF CLAIMS AND RETURNS

Responsible Portfolio Holder	Councillor Geoff Denaro Portfolio Holder for Finance
Responsible Head of Service	Jayne Pickering, Executive Director of Finance and Resources

#### 1. SUMMARY

- 1.1 To advise the Audit Board of the Certification of Claims and Returns – Annual Report, that were undertaken during 2008/09 by the Audit Commission.

#### 2. RECOMMENDATIONS

- 2.1 Audit Board to consider the Certification of Claims and Returns – Annual Report and to note the Councils response to the improvements identified.

#### 3. BACKGROUND

- 3.1 Government departments, agencies and the European Commission as grant paying-bodies pay billions of pounds in grants and subsidies each year to local authorities. These bodies often require certification, by an appropriately qualified auditor, of the grant claims and returns submitted to them.
- 3.2 The Audit Commission is required by law to make certification arrangements when requested to do so. This involves the application of prescribed tests, which are designed to give reasonable assurance that claims and returns are fairly stated and are in accordance with specified terms and conditions.
- 3.3 The Audit Commission Report summarises the findings from the certification of 2008/09 claims, and in particular details whether they were amended or qualified.
- 3.4 Funding from government grant paying departments is an important income stream for the Council, with claims of £14.5 million for specific activities. As

this is such a significant contribution to the Council's income it is important that it is properly managed. In particular this means ensuring that:

- An adequate control environment is in place for each claim and return;
- Ensuring that the Council can evidence that it has met the conditions attached to the claim or return.

3.5 A Copy of the Audit Commission Report and their findings are attached at Appendix 1, this report details the Council's response to their findings.

#### **4.0 FINDINGS FROM THE AUDIT COMMISSION REPORT**

4.1 The report has identified limited findings that have been classified as significant. The level of review required on a claim is determined by its value. Full reviews are required to be undertaken for claims and returns greater than £500k and these were carried out on 2 claims and returns. A limited review is required to be undertaken on claims and returns with a value between £100k and £500k and was undertaken on one claim.

##### **4.1.1 Housing and Council Tax Benefits Claim**

- This claim was subjected to a full review as it was valued at £14.5 million.
- Amendments were identified which were not agreed with the Head of Financial Services, as they were minimal in value. In addition a control on stamping post was recommended that was not agreed by officers of the Council. Therefore this claim was not certified and a qualification letter was issued to the grant-paying body, the Department for Work and Pensions.

##### **4.1.2 National Non Domestic Claim**

- This claim was valued at £22.7 million was also subjected to a full review, which identified amendments which were agreed and adjusted for by the Head of Financial Services.

##### **4.1.3 Disabled Facilities Grant**

- A limited review was undertaken on this claim, as it was valued at £310k, which did not identify any amendments.
- The claim was certified.

#### **5. FINANCIAL IMPLICATIONS**

None as a direct result of this report.

#### **6. LEGAL IMPLICATIONS**

None.

**7. COUNCIL OBJECTIVES**

7.1 The effective use of resources underpins all the Council's objectives.

**8. RISK MANAGEMENT**

8.1 The main risks associated with the details included in this report are:

- Lack of an effective ICT and fraud control environment.

8.2 These risks are being managed as follows:

8.2.1 Ineffective communication with staff in relation to policies and procedures to safeguard the business of the Council.

8.2.2 These risks are mitigated through the communications department together with financial services advice and support on fraud awareness.

**10. CUSTOMER IMPLICATIONS**

10.1 None.

**11. EQUALITIES AND DIVERSITY IMPLICATIONS**

11.1 None.

**12. OTHER IMPLICATIONS**

Procurement Issues	None
Personnel Implications	None
Governance/Performance Management	– subject of the report
Community Safety including Section 17 of Crime and Disorder Act 1998	None
Policy	None
Environmental	None

**12. OTHERS CONSULTED ON THE REPORT**

Portfolio Holder	Yes
------------------	-----

Acting Joint Chief Executive	Yes
Corporate Director (Services)	Yes
Assistant Chief Executive	Yes
Head of Service	Yes
Head of Financial Services	Yes
Head of Legal, Equalities & Democratic Services	Yes
Head of Organisational Development & HR	Yes
Corporate Procurement Team	No

### **APPENDICES**

Appendix 1 Audit Commission Certification of claims and returns – annual report

### **CONTACT OFFICERS**

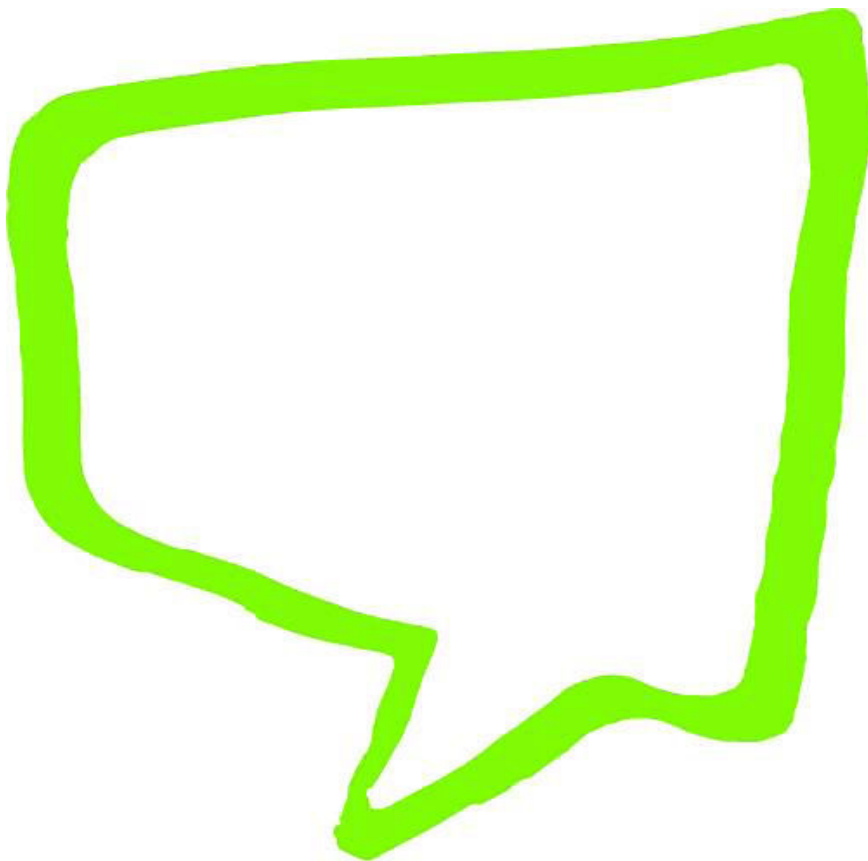
Jayne Pickering, Head of Financial services, 01527 881207,  
j.pickering@bromsgrove.gov.uk

# Certification of claims and returns - annual report

Bromsgrove District Council

Audit 2008/09

February 2010



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# Contents

<b>Key messages</b>	<b>3</b>
<b>Background</b>	<b>5</b>
<b>Findings</b>	<b>7</b>
<b>Appendix 1 – Summary of 2008/09 certified claims</b>	<b>10</b>
<b>Appendix 2 – Action plan</b>	<b>11</b>

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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



# Key messages

**Funding from government grant-paying departments is an important income stream for the Council. The arrangements for claiming this income should be considered carefully so that the Council can demonstrate to the Council's appointed auditor that it has met the conditions which attach to these grants.**

**This report summarises the findings from the certification of 2008/09 claims. The messages arising from my assessment of your arrangements for preparing claims and returns are included together with the findings from the review of the claims in particular whether they were amended or qualified.**

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## Certification of claims and returns

- 1 Bromsgrove District Council receives more than £14.5 million funding from various grant-paying Central Government departments. These grant paying departments attach conditions to the grants and the Council must show that it has met these conditions. If the Council cannot evidence this, the funding can be at risk.
- 2 The Council also collects more than £22.7 million on behalf of Central Government for National Non Domestic Rates (NNDR). The Council has to show that it has met the conditions attached to the receipt of NNDR from businesses.
- 3 It is therefore important that the Council manages certification work properly and can demonstrate to its auditor that the relevant conditions have been met.
- 4 In 2008/09, my audit team certified 3 claims and returns with a total value of £37.2 million in accordance with their prescribed submission timetables.
- 5 A summary of the results of the certification work is shown in Appendix 1.

---

## Significant findings

- 6 The level of review required on a claim is determined by its value. Full reviews are required to be undertaken for claims and returns greater than £500K and these were carried out on 2 claims and returns. A limited review is required to be undertaken on claims and returns with a value between £100K and £500K and was undertaken on one claim.
- 7 The full review of the Housing and Council Tax Benefits Claim for £14.5 million identified amendments which were not agreed by the Head of Financial Services and were therefore not adjusted for. I was therefore unable to certify this claim and issued a qualification letter to the grant-paying body, the Department for Work and Pensions.
- 8 The full review of the National Non Domestic Claim for £22.7 million identified amendments which were agreed and adjusted for by your Head of Financial Services. As a result of the audit the amount payable by the Council to the Communities and Local Government department was reduced by £156K.

- 9 A limited review was undertaken on the Disabled Facilities Grant claim for £310K which did not identify any amendments. This claim was certified and there are no issues of significance on this claim which need to be reported to you.

---

### Certification fees

- 10 The fees charged for grant certification work in 2008/09 for the three claims was £25,753. This compares with the charges in 2007/08 for these three claims of £34,102, a reduction in fees of £8,349 (24.5 per cent).

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### Actions

- 11 Appendix 2 summarises my recommendations which have been agreed with the Head of Financial Services.

# Background

- 12 Government departments, agencies and the European Commission as grant-paying bodies pay billions of pounds in grants and subsidies each year to local authorities. The government's latest financial statistics, published in May 2008 reveal that annual revenue and capital grants, and redistributed business rates, totalled £88 billion in the financial year ended 31 March 2007.
- 13 Grant-paying bodies often require certification, by an appropriately qualified auditor, of the claims and returns submitted to them. The Audit Commission is required by law to make certification arrangements when requested to do so. Certification work is not an audit but a different kind of assurance engagement. This involves applying prescribed tests, which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.
- 14 In line with the strategy to minimise the cost of audit and inspection work the Audit Commission issued a report, Review of Arrangements for Certifying Claims and Return in September 2009. This encourages authorities to improve standards of claims and returns preparation and includes a number of recommendations for grant paying bodies, local authorities and auditors.
- 15 The results of the certification work at local authorities are used as evidence in the use of resources assessment, the value for money conclusion and the audit opinion on your financial statements. Where there is a consistent record of errors, adjustments and qualifications I will consider the need to carry out focused risk-based work.
- 16 The Council claims £14.5 million for specific activities from grant paying central government departments. As this is significant to the Councils' income it is important that this process is properly managed. In particular this means:
  - an adequate control environment over each claim and return; and
  - ensuring that the Council can evidence that it has met the conditions attached to each claim.
- 17 I am required by Section 28 of the Audit Commission Act 1998 to certify some claims and returns for grants or subsidies paid by the government departments and public bodies to Bromsgrove District Council. I charge a fee to cover the full cost of certifying claims. The fee depends on the amount of work required to certify each claim or return.
- 18 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.
- 19 Claims for Housing and Council Tax Benefit are audited in line with specific methodology agreed with the Department for Work and Pensions (DWP).

20 The key features of the current arrangements for reviews of all other claims and returns are as follows.

- For claims and returns below £100,000 the Commission does not make certification arrangements.
- For claims and returns between £100,000 and £500,000, auditors undertake limited tests to agree the entries to underlying records, but do not undertake any testing of eligibility of expenditure.
- For claims and returns over £500,000 auditors undertake a review of the control environment and detailed tests. Where the control environment is assessed as strong the level of detailed work is reduced.

# Findings

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### Specific claim – Housing and Council Tax Benefit

- 21 The value of the Council's Housing and Council Tax Benefit 2008/09 claim to the DWP was £14.2 million.
- 22 The audit identified several minor discrepancies of low value in the preparation of the claim produced by the Housing and Council Tax Benefit computer system. These were discussed with the Head of Financial Services who confirmed them as discrepancies. However the Head of Financial Services declined to make any adjustments to the claim for these items. In accordance with the certifying requirements full details of these items were provided to the DWP in the submitted qualification letter.
- 23 The certification work follows methodology agreed with the DWP. This requires testing of samples of new claims and notifications of change in circumstances for each of Housing Benefit and Council Tax Benefit. If errors are identified in this sample further testing is undertaken targeting those errors in a further sample of 40.
- 24 The results of this testing have been discussed and agreed with your officers and were as follows.
  - Housing Benefit – 40 cases tested and 5 errors were identified. A further sample of 40 was tested in which 3 errors were identified.
  - Council Tax Benefit – 40 cases tested and 2 errors were identified. A further sample of 40 was tested and a further 2 errors were identified.
- 25 The errors identified in these cases affected 13 cells on the benefit claim and ranged in value from an under claim of £311 to an over claim of £92.
- 26 The date of receipt of claims and associated documentation is a key requirement in determining the start dates for claims for Housing and Council Tax Benefit. From our work we identified that the Council do not date stamp the receipt of documents at the main Council's offices in Burcot Lane, Bromsgrove as routine and would only date stamp documentation if the paperwork was not able to be scanned into the document management system the same day. Benefit documentation received at the Council's customer service centre located at the Dolphin Centre is date stamped.
- 27 Independent reviews by management or by Internal Audit of the receipt of documentation have not been undertaken to ensure procedures are adhered to and the system is working as expected.
- 28 Without a date stamp of receipt on the documentation actual evidence is not available to verify the date of receipt of the documentation other than dates generated by the document management system. This issue has been discussed at length with your officers and remains unchanged from that reported in the qualification letter for the Housing and Council Tax Benefit 2007/08 claim. In the sample of cases tested no discrepancies were identified between the date of scanning shown by the document management system and the date stamp.

- 29 The qualification letter to the DWP was submitted in accordance with the prescribed timetable.
- 30 The fee charged for this certification was £17,426 (2007/08 £29,918). This is a reduction in fees of £12,492 (41.7 per cent). This reduction is as a result of the initial and follow-up testing being undertaken by your officers. Based on this work I have been able to satisfy myself through sample reperformance that the standard is adequate and reliance can be placed upon it.

### Recommendation

- R1** A program of testing of the postal arrangements for Benefits claims is introduced to ensure compliance with procedures.

### Specific claim – National Non Domestic Rates

- 31 The original value of the National Non Domestic Rates return for 2008/09 was £22.7 million. Adjustments were identified and agreed by your Head of Financial Services to be made to this return which resulted in the amount payable by the Council being reduced by £156K.
- 32 The reduction in the amount payable by the Council comprised various minor amounts together with the following adjustment:
- Correction for the error made in the calculation of the bad debt provision of £163K identified during the course of the audit of the 2008/09 financial statements. This adjustment was reported in the 2008/09 Annual Governance Report presented to your Audit Committee on the 29 September 2009.
- 33 Other adjustments were agreed to be made to the claim which did not affect the amount payable as follows.
- To correct the entry of an amount of £451K which had been included in line 12 on the claim. This had arisen by amounts being incorrectly treated as positive and negative amounts in other cells on the claim. This adjustment was reported in the 2008/09 Annual Governance Report presented to your Audit Committee on the 29 September 2009. A recommendation on this was included within this report as agreed with your Head of Financial Services.
  - To correct the entry of £1.182 million in line 14. of the Estimated gross arrears of all non domestic rates as at 31 March 2009. The value included had been that arising from the NNDR debts raised in the 2008/09 year rather than the required cumulative balance as at 31 March 2009 of £2.535 million.
- 34 The adjusted claim was submitted in accordance with the prescribed timetable.
- 35 The fee charged for this certification was £6,885 (2007/08 £2,694). The increase in fee is as a result of the additional work undertaken as a result of the amendments identified to the claim.

## Findings

### Recommendation

**R2** The National Non Domestic Rates return is completed in accordance with instructions and subjected to a peer review prior to certification.

---

### Specific claim – Disabled Facilities Grant

**36** A limited review was undertaken on the Disabled Facilities Grant claim for £310K which did not identify any amendments. This claim was certified and there are no issues of significance on this claim which need to be reported to you. The fee charged for this certification was £1,442 (2007/08 £1,490).

# Appendix 1 – Summary of 2008/09 certified claims

## Claims and returns above £500,000

Claim	Value £	Was the claim amended?	Was a Qualification Letter issued?
Housing and council tax benefit	£14,219,691	No	Yes
National Non Domestic Rates (NNDR)	£22,811,611	Yes	No

## Claims between £100,000 and £500,000

Claim	Value £	Was the claim amended?	Was a Qualification Letter issued?
Disabled Facilities Grant	£310,000	No	No



# Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Annual Claims and Returns Report 2008/09 - Recommendations</b>						
8	R1 A program of testing of postal arrangements is introduced to ensure compliance with procedures.	3	Head of Financial Services	Agreed	A regular sample testing will be implemented in the post room to ensure that post is date stamped and dealt with in accordance with the policy.	1 April 2010
9	R2 The National Non Domestic Rate return is completed in accordance with instructions and subjected to a peer review prior to certification.	3	Head of Financial Services	Agreed	NDR return to be completed in compliance with instruction and reviewed by Head of Resources prior to submission.	

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## BROMSGROVE DISTRICT COUNCIL

### **AUDIT BOARD**

Date 7<sup>th</sup> June 2010

#### **RISK MANAGEMENT TRACKER – QUARTER 4**

Relevant Portfolio Holder	Councillor Geoff Denaro
Relevant Head of Service	Executive Director (Finance & Corporate Resources)
Non-Key Decision	

#### **1. SUMMARY OF PROPOSALS**

- 1.1 To present an end of year overview of Actions/Improvements (actions) as detailed in the Corporate and service area risk registers for the period 1<sup>st</sup> April 2009 to 31<sup>st</sup> March 2010.

#### **2. RECOMMENDATIONS**

- 2.1 The Audit Board is recommended to note progress to date against the Corporate and all service area risk register actions for Quarter 4 2009/10 (April 2009 – March 2010).

#### **3. BACKGROUND**

- 3.1 During December 2006 a review of the Council's risk management arrangements was undertaken by the Internal Audit section. Following the review a new approach, which included updated documentation, was adopted. The revised Risk Management Strategy was approved by the Executive Cabinet on the 7<sup>th</sup> March 2007.
- 3.2 As part of the new approach, each business area is required to collate a risk register that details:
- Key Objectives;
  - Risk Score;
  - Current controls;
  - Actions and improvements;
  - Responsible officers and target dates for each action; and
  - Progress against each action.

**AUDIT BOARD**

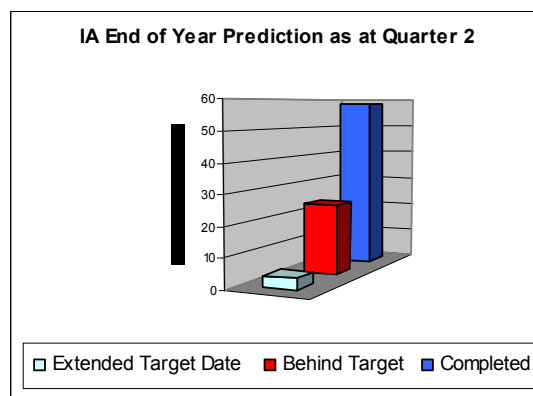
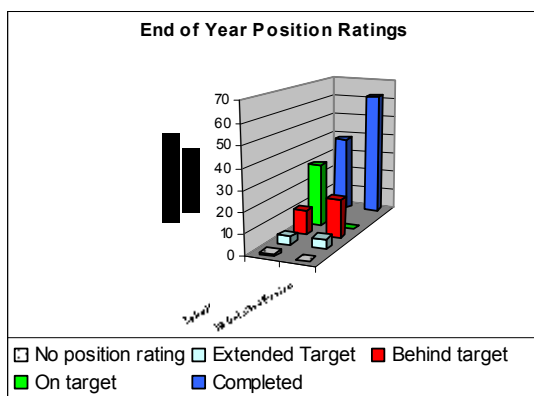
Date 7<sup>th</sup> June 2010

- 3.3 Business areas update their risk registers on a regular basis to ensure that actions are being monitored and implemented. The actions are designed to reduce risks, improve controls and aid individual sections to achieve their objectives.
- 3.4 The Risk Management Steering Group meets on a monthly basis to review departmental registers, highlight any concerns with the Head of Service and to review progress on actions.
- 3.5 The departmental registers are reviewed at Corporate Management Team and Audit Board on a quarterly basis.
- 3.6 In addition to the review of the registers there is a planned programme of risk management training that supports the development of the risk culture through the organisation.

**4. KEY ISSUES**

**Corporate summary**

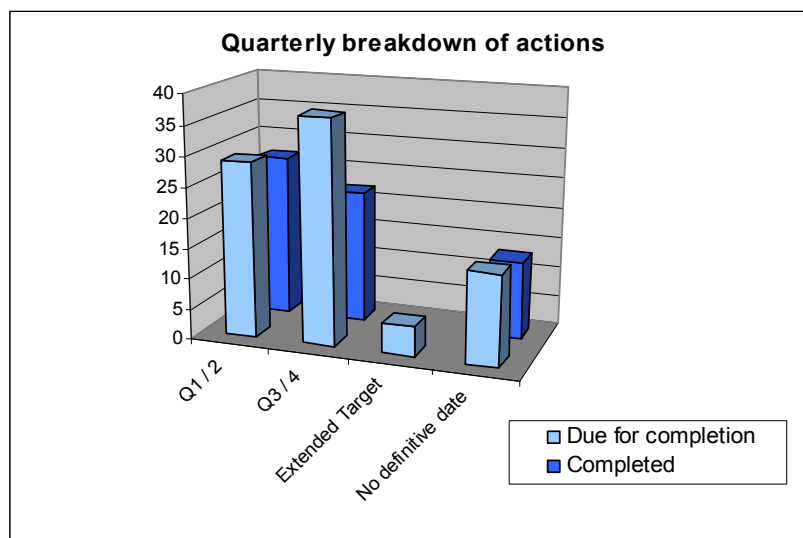
- 4.1 The Senior Management Team were requested to submit to Internal Audit the quarter 4 position for each action detailed on the Corporate risk register.
- 4.2 A detailed review of each Action/Improvement, target date, quarter 4 position rating and commentary. The Internal Audit overall opinion has identified some differences in the current position ratings.



- 4.3 At the end of quarter 2 we predicted a total of 24 actions would be behind target at the end of the 2009/10 financial year. Our review has verified that a total of 19 actions were behind target at year end which is better than expected.

4.4 As part of the detailed review we have analysed the number of actions due for completion each quarter. The rationale is that this analysis aids management of actions.

The end of year breakdown is illustrated in the chart below.



At the end of quarter 2 we confirmed that a high proportion of actions (65%) were due to be completed by the year end which significantly increased the likelihood that a high percentage would not be completed.

Analysis of actions has confirmed that:

- 72% (that is, 62) were completed during the year;
- 22% (that is, 19) were behind target; and
- 6% (that is, 5) have an extended target date.

This is consistent with the 2008/09 financial year when 21% of actions were behind target at year end.

4.5 The risks associated with the non delivery of the current actions is low due to the missed targets being those relating to improvements in service, for example, improvements to Member development and delivery of efficiencies across the Council, rather than fundamental actions that would have a detrimental impact on service delivery to our customers.

**BROMSGROVE DISTRICT COUNCIL**

**AUDIT BOARD**

Date 7<sup>th</sup> June 2010

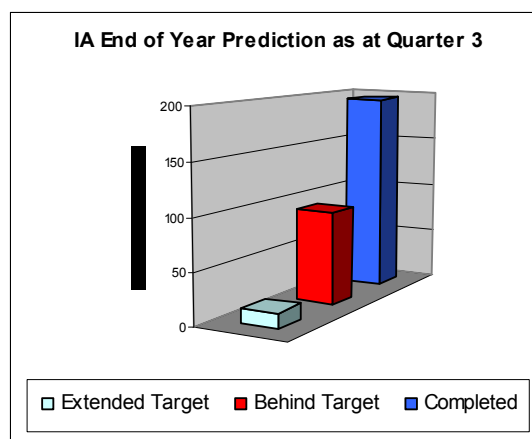
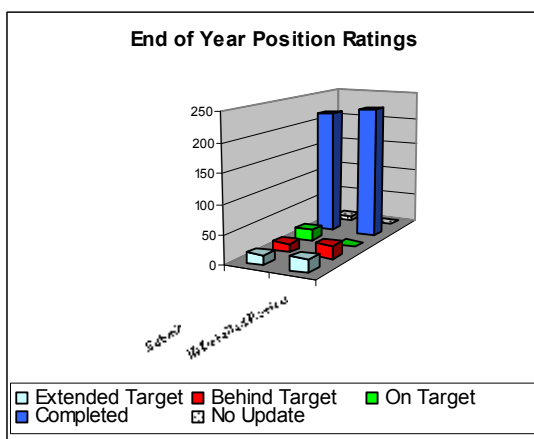
4.6 In order to highlight successes, Internal Audit have selected a sample of three objectives where all the actions have been completed during the year.

Key Objective	Number of Actions
Effective two tier working and shared services	9
Effective Customer Focused Authority	5
Ensure the Council achieves an improved rating under the CAA regime	5

**Service areas summary**

4.7 Each service area has submitted to Internal Audit the end of year position for each action detailed on their risk register.

4.8 For explanation of Internal Audit's detailed review see 4.2 above.

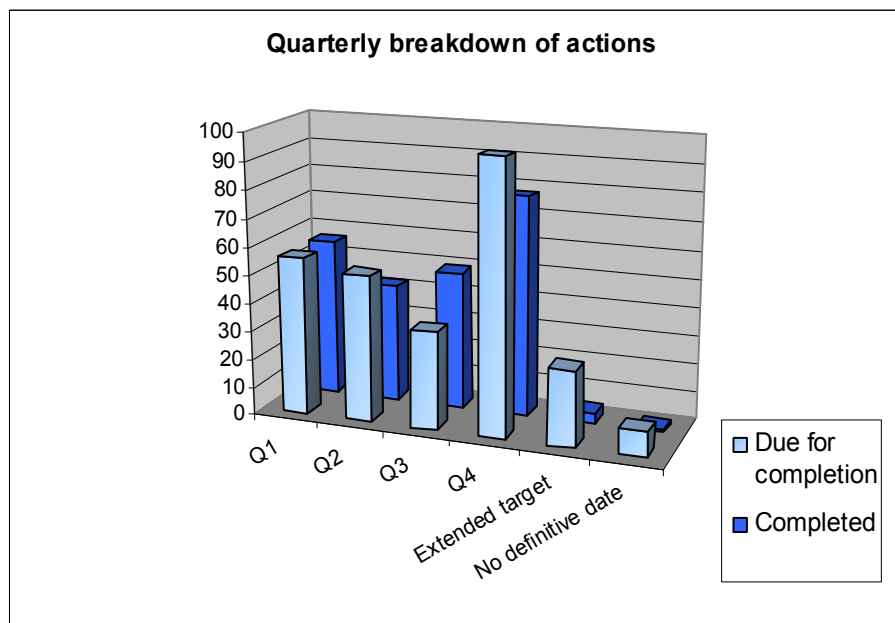


4.9 At the end of quarter 3 we predicted a total of 91 actions would be behind target at the end of the 2009/10 financial year. Our review has verified that a total of 23 actions were behind target at year end which is better than expected.

Whilst it is acknowledged that this figure is significantly less than predicted it should be noted that the improvement is partially supported by the total number of actions being reduced, during the course of the year, by 53 due to external influences.

4.10 For explanation of Internal Audit's detailed review see 4.4 above.

The end of year breakdown is illustrated in the chart below.



At the end of quarter 3 we confirmed that a high proportion of actions (47%) were due to be completed in quarter 4 which significantly increased the likelihood that a high percentage would not be completed by year end.

Analysis of actions has confirmed that:

- 84% (that is, 230) were completed during the year with 79 being completed during quarter 4;
- 8% (that is, 23) were behind target; with the remaining
- 8% (that is, 22) having either an extended target date or no definite target date.

Accordingly, the high number of actions completed during quarter 4 together with the number of actions excluded from reporting (see section 4.9 above) has ensured that the majority of actions have been completed. Furthermore, there has been a significant improvement from the 2008/09 financial year when 17.6% of actions were behind target at year end.

## **AUDIT BOARD**

Date 7<sup>th</sup> June 2010

4.11 The risk associated with the non delivery of the current actions is not deemed as high as the delayed actions are in relation to ongoing projects to ensure improvements are being achieved rather than fundamental problems with processes across the Council. The actions include:

- Further development of remote disaster recovery site.
- Continuing campaign to reduce sickness absence.
- Provision of Gender Equality training for Cabinet Members.
- Produce guidance for elected members on their roles and responsibilities when sitting on outside bodies.

4.12 In order to highlight successes Internal Audit have selected a sample of three objectives where all the actions have been completed during the year.

<b>Key Objective</b>	<b>Number of Actions</b>
<b>Legal, Equalities &amp; Democratic Services</b>	
Effective democratic process and electoral service.	7
<b>Planning &amp; Environment</b>	
Effective, efficient and legally compliant Housing Service.	10
<b>Street Scene &amp; Community</b>	
Provide an effective and efficient cemetery service.	9

### **Overall summary**

4.13 Internal Audit's review has identified an additional 36 actions (that is, 24 Corporate and 12 service areas) that we perceive as completed based on the commentary provided.

4.14 Comparison of Internal Audit's predicted position rating (based on the number of actions completed in the first half of the year) with the actual end of year rating confirms that:

- 8 business areas the actual is the same or better than predicted; and
- 2 business areas the rating has moved from Excellent to Good. The rationale to support the change is recorded below.



**BROMSGROVE DISTRICT COUNCIL**

**AUDIT BOARD**

Date 7<sup>th</sup> June 2010

<b>Business area</b>	<b>IA Q2 prediction</b>	<b>Actual Q4</b>
Corporate	Good	Good
Corporate Communications, Policy and Performance	Excellent	Excellent
Customer Services	Excellent	Excellent
ICT  <b>Note:</b> quarter 3 analysis predicted that based on the rate of completion, all actions would be completed; however, at year end 2 actions remain outstanding.	Excellent	Good
Information Management  <b>Note:</b> the addition of one action with an extended target date has distorted the end of year position rating. That is, without the extended target date the overall rating would be Excellent.	Excellent	Good
Financial Services	Good	Good
HR & OD	Fair	Good
Legal, Equalities & Democratic Services  <b>Note:</b> during the course of the year the number of actions has reduced by 25% due to external influences and this partially supports the move from Weak to Excellent.	Weak	Excellent
Planning & Environment	Fair	Good
Street Scene & Community	Fair	Good

**5. FINANCIAL IMPLICATIONS**

- 5.1 None outside of existing budgets. The continued development of the risk management culture within the Council will aim to achieve improved assessment under the Use of Resources scoring.

**6. LEGAL IMPLICATIONS**

- 6.1 None except specific legislation associated with any of the risk registers key objectives.

## **AUDIT BOARD**

Date 7<sup>th</sup> June 2010

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### **7. POLICY IMPLICATIONS**

7.1 None.

### **8. COUNCIL OBJECTIVES**

8.1 Council Objective 02: Improvement.

### **9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS**

9.1 Developing and maintaining Service risk registers will assist the Council to achieve its objectives, priorities, vision and values. The development and continual review of the registers will also support the Councils achievement of the Use of Resources framework.

9.2 Improvements and actions are monitored as part of each service risk register.

### **10. CUSTOMER IMPLICATIONS**

10.1 In addressing the risks associated with the delivery of the Councils services the customers will receive a consistent and controlled quality of service provision.

### **11. EQUALITIES AND DIVERSITY IMPLICATIONS**

11.1 The specific issue of improving equality and diversity is included within the Legal, Equalities and Democratic Services departmental register.

### **12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT**

12.1 Ensuring the Council has adequate arrangements in place for VFM, procurement and asset management are addressed in risk registers.

### **13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY**

13.1 Climate Change is to be added as a High Impact Area and, therefore, will be considered for all objectives (Corporate and service area).

### **14. HUMAN RESOURCES IMPLICATIONS**

14.1 The HR implications are addressed as part of the HR risk register.

**AUDIT BOARD**

Date 7<sup>th</sup> June 2010

**15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS**

15.1 Effective governance process.

**16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998**

16.1 None.

**17. HEALTH INEQUALITIES IMPLICATIONS**

17.1 None.

**18. LESSONS LEARNT**

18.1 The risk management framework constantly evolves following advice from the Audit Commission and stakeholder.

**19. COMMUNITY AND STAKEHOLDER ENGAGEMENT**

19.1 None as a direct result of this report.

**20. OTHERS CONSULTED ON THE REPORT**

Portfolio Holder	Yes
Chief Executive	Yes
Executive Director (S151 Officer)	Yes
Executive Director – Leisure, Cultural, Environmental and Community Services	Yes
Executive Director – Planning & Regeneration, Regulatory and Housing Services	Yes
Director of Policy, Performance and Partnerships	Yes
Head of Finance and Resources	Yes
Head of Legal, Equalities & Democratic Services	Yes

**BROMSGROVE DISTRICT COUNCIL**

**AUDIT BOARD**

Date 7<sup>th</sup> June 2010

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Corporate Procurement Team	No
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**21. WARDS AFFECTED**

All Wards.

**22. APPENDICES**

None.

**23. BACKGROUND PAPERS**

Risk registers – available from Heads of Service.

**AUTHOR OF REPORT**

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Tel: (01527) 881207

## BROMSGROVE DISTRICT COUNCIL

### **AUDIT BOARD**

**7th June 2010**

#### **PROTECTING THE PUBLIC PURSE – LOCAL GOVERNMENT**

Relevant Portfolio Holder	Geoff Denaro
Relevant Head of Service	Jayne Pickering
Non-Key Decision	

#### **1. SUMMARY OF PROPOSALS**

- 1.1 To provide advice to the Audit Committee regarding possible fraud and corruption against the Council, as raised by the Audit Commission. To identify those areas of concern for further action, in order to reduce the risk to the Council, by using the Self-Assessment Checklist (see Appendix 1).

#### **2. RECOMMENDATIONS**

That the Audit Board recommend to Cabinet that:

- 2.1 The checklist at Appendix 1 to be undertaken, in order to provide a baseline of where we are, to ensure sound governance and counter fraud arrangements are working as intended.
- 2.2 To approve the targeting of the risks identified (on following pages), as raised nationally. The implementation of this work will assist the Council to do all it can to address fraud and corruption that may be affecting it/or may affect it in the future.
- 2.3 To ensure that current arrangements are sufficiently robust to reduce the risk of procurement fraud, following the latest Office of Fair Trading guidance to lessen the risk of unlawful practices affecting the award and allocation of contracts.
- 2.4 To authorise and endorse the issue of a survey to all staff to test their perception of fraud issues and whistle-blowing arrangements, how to report issues and how they feel the Council reacts to the threat of fraud. This would be done on an annual basis, with the first survey providing a baseline of data which can be used to establish knowledge across the Council, but also provide indications of work that may need to be undertaken as a result.
- 2.5 That the Audit Board recommend the Council to undertake a commitment to fight possible fraud and corruption against the Council, by initially using the Audit Commission's self assessment Checklist (see Appendix 1) and to consider potential risks to the Council by utilising the Corporate Anti-Fraud Team (CAFT) to identify and prevent such risks.

**3. BACKGROUND**

- 3.1 Fraud against Local Government is highlighted in a number of publications. Assessment of the Council commitment and performance in this area is included within the Use of Resources 2009 Key Lines of Enquiry (KLOE's). The Audit Commission have produced a report titled "Protecting the Public Purse: Local Government fighting fraud". In addition the newly formed National Fraud Strategic Authority is working with organisations across the public and private sector. They have produced a "National Fraud Strategy" as a key element in the Government's response to fraud.

The Audit Commission have produced a checklist (see Appendix 1) for those responsible for governance within local authorities. This assessment enables councils to assess the effectiveness of current arrangements and take action where appropriate, by focussing on high risk areas, setting clear targets and monitoring the outcomes, including monitoring the investment in counter-fraud resources. It also enhances the minimisation of fraud, and the harm it causes, by working with other organisations.

It is an accepted fact that fraud is likely to increase because of the recession, due to increased personal incentives and the controls put in place to prevent and detect fraud come under pressure as councils look to reduce costs. Fraud clearly has an adverse impact on the economy as well as services which the Council needs to provide to its residents. The majority of honest residents pay for it through taxes.

Current estimates from the National Fraud Strategic Authority (part of the Attorney Generals' Department) show £30 billion is lost to fraud each year. This equates to £621 per adult, per year.

Defences against fraud need to continue to be developed to maintain their effectiveness in the face of new threats and risks, as the skills and capabilities of those committing fraud are constantly evolving.

It is important that the issue of addressing fraud is a responsibility that is shared. The main priority must be to protect the public purse, and the cost of resourcing any exercise should be an obligation on all organisations that benefit financially, based on invest-to-save principles.

High risk areas currently identified, in addition to the more traditional areas (e.g. Benefit Fraud), are:

- Tenancy Fraud
- Single Person Discount Fraud
- Recruitment Fraud

**Tenancy Fraud**, whilst the stock of social housing is managed by BDHT, we still have interests in Grants and Renovations, plus Homeless housing. Whilst we have no direct involvement in tenancy related fraud, this could impact on the extra costs of housing homeless families/individuals, temporarily, due to the lack of social housing available. In the Audit Commission report "Protecting the Public Purse: Local Government fighting fraud" it is noted that housing lists have increased by 50% in the last six years alone. This clearly has an impact on the availability of temporary accommodation and the costs associated with that. The issue over false claims for Grants/Renovations is un-determined and therefore no figures are available.

**Single Person Discount Fraud** is claimed by householders where there is only one person in the household aged over 18. They receive a 25% discount on the Council Tax liability for that property. Nationally 35% of households receive this discount. Locally the percentage is just under 29%. Local Council Tax payers meet the cost of these discounts through their own council tax bills.

Whilst the level of Single Person Discount (SPD) Fraud is unclear, the outcomes of initial pilots by the Audit Commission show variances of between 1% and 11% fraud, with most clustered between 4% and 6%. Therefore it is reasonable to assume that SPD fraud is averaging at 4%. For the Bromsgrove District, the value of reductions at 4% (using 2009-10 figures) would equate to £149,080.48. The direct monetary impact for Bromsgrove Council is therefore £19,380.46 (13% of the Council Tax charged). Closer working with County Council, with a sharing of costs, could benefit both providing much needed additional income.

**Recruitment Fraud** is an area, where without adequate vetting procedures, is easy to manipulate by those wishing to exploit opportunities in order to commit fraud from within the organisation. In addition there are also clear risks allowing someone with false or overstated references or qualifications to carry out tasks which they are not qualified to do. The potential consequences of recruitment fraud include:

- fraud or impropriety
- inadequate performance
- risk of harm to vulnerable people
- increased costs associated with suspension, disciplinary action and possible dismissal
- the cost of recruiting and training staff
- high levels of absence
- employment with no right to work in the UK

Good practices, in preventing such issues, include:

- undertaking pre-employment checks
- verifying that the successful job applicants are who they claim to be
- verifying their employment histories and experiences match the application forms
- verifying of qualifications
- undertaking criminal record checks for positions involving access to vulnerable people
- checking records to ensure residency at stated home address
- verification of identity documents.

Due to impact of the recession, competition for employment is rising. This tempts jobseekers to ensure that their qualifications, employment history, experience and references look as good as possible. It is fraudulent if applicants deliberately fail to declare a criminal record or make false statements about their qualifications, experience or their entitlement to work in the UK.

#### **Other Fraud highlighted by the Audit Commission**

The Audit Commission have identified other significant fraud risks which need continuous attention:

- Housing and Council Tax benefit fraud
- Procurement
- Insurance Claims
- Abuse of position frauds
- Blue Badge fraud

#### **Housing and Council Tax Benefit Fraud**

£18.5 billion is spent every year, with fraudulently obtained overpayments estimated to exceed £200 million. Smarter working, using data-matching, both internally and externally, will assist with the identification of incorrectly paid claims for Housing and Council Tax Benefit. Whilst data-matching is regularly undertaken with other Social Security Benefits (via the Department for Work and Pensions), and with the Audit Commission every two years, there is scope for setting up and improving internal data-matching with payroll, licensing, grants, or council tax, subject to the legalities of sharing information. IT systems are already in place to take in this data and to identify possible matches, which could be done either quarterly or six monthly by the Corporate Anti-Fraud Team (CAFT), in addition to the work already done.



**Procurement**

The Council needs to ensure that procurement arrangements currently in place reduce the risk of fraud and are working as intended, following the latest guidance from the Office of Fair Trading. Fraud can occur at any stage of the procurement cycle, from the initial business case to the award and management of the contract. Procurement fraud can take various forms, e.g.:

- deliberate failure to tender in accordance with contract specifications and then submitting false claims for extra costs under the contract
- contractors providing inferior goods or services
- contractors failing to meeting legal obligations such as minimum statutory pay and health and safety regulations
- the submission of false invoices
- collusion amongst bidders, to agree they will not bid competitively for a particular contract
- decision makers not fully disclosing personal interests or agreeing invoices should be paid when contractors have not provided goods or services to the required standard.

**Insurance claims**

Fraudulent insurance claims take place when people who may have been injured, for example by tripping on faulty pavements, make claims against the relevant Council. Some claims are justified but bogus or inflated claims are a major problem, nationally. Currently these cases are highlighted by the use of the National Fraud Initiative data-matching that takes place every 2 years with the Audit Commission. However, if every case was considered from the outset at the time of reporting, this would reduce the impact of investigating possible fraudulent claims at a much later stage.

The UK Insurance industry estimates that it loses more than £1.9 billion each year to this type of fraud, which inevitably means higher insurance premiums for businesses, public bodies and citizens.

**Abuse of Position**

These types of fraud involve employees. Local Authority staff are overwhelmingly honest; however there are a proportion of cases that have been reported to the Audit Commission indicating that financial misrepresentation and false accounting is at a higher risk during times of recession. These are as a result of weak internal controls and usually where individuals with key responsibilities work with little supervision.

It is noted by the Audit Commission that small local councils are at particular risk, as it can be difficult to separate duties where there are small numbers of staff. This type of fraud is highlighted, so that consideration can be given to the audit of processes ensuring that risks are reduced. Where risks are highlighted they should be included within the risk register and actioned accordingly.

**Blue Badge Fraud**

Whilst Bromsgrove Council is not directly responsible for this area (County Council have the responsibility for the issue and administration of Blue Badges), it does have an impact on the income of the Council from Car Parks. The CAFT team would be willing to work with County Council, for the benefit of all Councils, on this project, as we have an IT solution that may assist with the identification of fraudulent used/obtained Blue Badges, thereby improving the income to the local Council.

**Survey and Whistle-blowing**

Whilst the above issues are for consideration by the Audit Board, as already explained on page 1, CAFT would also like to get a commitment from the Audit Board regarding the surveying of all staff across the Council. The purpose of this, would be to establish the perceptions of staff, how they feel fraud is dealt with, whether they feel there is a commitment to the identification and subsequent reduction of fraud affecting the Council and its residents. This would provide a baseline of data, from which annual surveys could be established, but also to provide an insight as to how CAFT can work with staff to improve their awareness and commitment to the fight against fraud.

The same survey would include elements of Whistle-blowing, to test current perception and knowledge. The data obtained would also be used to inform further surveys, in subsequent years.

- 3.2 No local consultations have taken place. However, the above information can be confirmed via the Audit Commissions' "Protecting the Public Purse" publication. Further information is also available from the National Fraud Strategic Authority and from CIPFA "Managing the risk of Fraud" (Red Book 2).

**AUDIT BOARD**

**7th June 2010**

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**4. KEY ISSUES**

- 4.1 To raise the knowledge and awareness of fraud potentially affecting the Council
- 4.2 To obtain Council commitment to the fight against possible fraud and corruption
- 4.3 To undertake the Audit Commission Self-Assessment Checklist to ensure sound governance and counter-fraud arrangements within the Council.

**5. FINANCIAL IMPLICATIONS**

- 5.1 With no baseline to establish what is currently lost, it is unknown what financial impact these processes could have, but the identification of fraud against the council, would mean an increased income and reduction in expenditure (e.g. council tax single person discount removals), in addition to the protection of the public purse.

**6. LEGAL IMPLICATIONS**

- 6.1 Any Fraud against the Council, would be investigated using normal criminal investigative processes, and therefore potentially subject to prosecution under appropriate criminal legislation, such as the Fraud Act 2006. However, the use of data for internal or external data-matching needs to be considered under Data Protection and Data-Sharing principles, in addition to Fair Processing Notices. With regard to Recruitment Fraud, successful applicants would need to be informed that their application will be vetted prior to the take up of employment.
- 6.2 This report is exempt in accordance with Section 100 I of the Local Government Act 1972, as amended, because it contains information regarding the identification of, and possible avenues for the investigation of, fraud against the Council. For these reasons it is felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**7. POLICY IMPLICATIONS**

- 7.1 The Corporate Anti-Fraud & Corruption Strategy would need to be updated to reflect those changes approved. It will also need to reflect the national approach to combating fraud, as identified in the National Fraud Strategy by the National Fraud Strategic Authority.

## **AUDIT BOARD**

**7th June 2010**

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### **8. COUNCIL OBJECTIVES**

- 8.1 Improvement – by improving our processes in the way we highlight possible fraud against the Council, we are, by default, protecting the local taxpayer's money by minimising the potential financial loss. It will also improve processes undertaken by individual departments.

One Community – by showing our residents that we take this issue seriously, endeavouring to protect the finances of the Council, this should raise the public perception of how the Council is run for their benefit.

### **9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS**

- 9.1 The main risks associated with the details included in this report are:

- Loss of income
- Protection of the public purse
- Loss of reputation

- 9.2 Currently the risks identified in the bullet points in 7.1 are not addressed by any risk register and will be added to the Financial Services risk register as follows:

- To undertake an annual survey of staff perceptions of fraud and how it is dealt with by the Council; to include Whistle-blowing
- To work with HR regarding employment fraud, to reduce the potential impact to the Council
- To undertake investigations into Single Person Discount Fraud; to maximise income to the Council and other interested parties
- To work with the procurement officer regarding contracts and procurement issues
- To ensure that Fair Processing Notices are included on all application forms where there is a financial advantage to the customer, thereby allowing the data-matching of data held both internally and externally.
- To work with the Audit Board to provide advice and guidance to the Board to raise awareness of fraud and how it impacts on the Council.

### **10. CUSTOMER IMPLICATIONS**

- 10.1 Additional information can be provided on the BDC website to inform external customers of how Bromsgrove Council takes a 'zero tolerance' stance against fraud. This information would also be reflected on the

internal intranet for staff, with fraud newsletters also keeping staff informed of developments.

Employment Vetting processes would need to be included in HR documentation provided with application forms and successful applicant information.

**11. EQUALITIES AND DIVERSITY IMPLICATIONS**

- 11.1 Any fraud taking place that directly affects the Council will be investigated in line with nationally recognised investigative techniques, which are bound by relevant criminal legislation. Therefore there would be no implications on Equality and Diversity, as ALL customers are treated equally in accordance with the law.

**12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT**

- 12.1 In protecting the public purse the Authority will ensure that funds are utilised appropriately, demonstrating Value for Money.

This will need specific input from the Procurement Officer to ensure that procedures are in place, which conform with those needed by legislation and as indicated by the Office of Fair Trading.

**13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY**

- 13.1 N/A

**14. HUMAN RESOURCES IMPLICATIONS**

- 14.1 Procedures will need to be put in place, with closer working between HR and CAFT. Due to the investigative skills of CAFT, it is expected that CAFT would undertake the 'vetting' of applicants, to ensure they meet criteria laid down.

**15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS**

- 15.1 If all the issues included in this report were accepted, this would help to improve Governance of the Council, both internally and externally (e.g. during times of inspection)

**AUDIT BOARD**

**7th June 2010**

**16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998**

16.1 NONE

**17. HEALTH INEQUALITIES IMPLICATIONS**

17.1 NONE

**18. LESSONS LEARNT**

18.1 NONE

**19. COMMUNITY AND STAKEHOLDER ENGAGEMENT**

19.1 NONE

**20. OTHERS CONSULTED ON THE REPORT**

Portfolio Holder	YES
Chief Executive	NO
Executive Director (S151 Officer)	YES
Executive Director – Leisure, Cultural, Environmental and Community Services	NO
Executive Director – Planning & Regeneration, Regulatory and Housing Services	NO
Director of Policy, Performance and Partnerships	NO
Head of Service	NO
Head of Resources	NO
Head of Legal, Equalities & Democratic Services	NO
Corporate Procurement Team	NO

**BROMSGROVE DISTRICT COUNCIL**

**AUDIT BOARD**

**7th June 2010**

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To be circulated for information at future CMT meeting.

**21. WARDS AFFECTED**

ALL WARDS

**22. APPENDICES**

Appendix 1 Audit Commission Self-Assessment Checklist

**23. BACKGROUND PAPERS**

NONE

**AUTHOR OF REPORT**

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## Audit Commission Self-Assessment Checklist

### Checklist for those responsible for governance

	Yes	No	Action
<b>General</b>			
1. Have we committed ourselves to zero tolerance against fraud?			
2. Do we have appropriate strategies, policies and plans?			
3. Do we have dedicated counter-fraud resources?			
4. Do the resources cover all of the activities of our organisation?			
5. Do we receive regular reports on fraud risks, plans and outcomes?			
6. Have we assessed our management of counter-fraud resources against good practice?			
7. Do we raise awareness of fraud risks with: <ul style="list-style-type: none"> <li>■ new staff (including agency staff)?</li> <li>■ existing staff?</li> <li>■ members?</li> </ul>			
8. Do we join in appropriately with national, regional and local networks and partnerships to ensure we are up to date with current fraud risks and issues?			
9. Do we have working arrangements with relevant organisations to ensure effective sharing of knowledge and data about fraud?			



## Checklist for governance

	Yes	No	Action
10. Do we identify areas where internal controls may not be performing as intended?			
11. Do we maximise the benefit of our participation in the Audit Commission NFI and receive reports on outcomes?			
<b>Fighting fraud in the recession</b>			
12. Have we reassessed our fraud risks because of the recession?			
13. Have we amended our counter-fraud action plan as a result?			
14. Have we reallocated staffing as a result?			
<b>Some current risks and issues</b>			
15. Do we take effective action to ensure that social housing is allocated only to those in need?			
16. Do we take effective action to ensure that social housing is occupied by those to whom it is allocated?			
17. Are we satisfied that payment controls are working as intended?			
18. Have we reviewed our contract letting procedures against the good practice guidance issued by the Office of Fair Trading to reduce the risk of illegal practices such as cartels?			

	Yes	No	Action
<p>19. Are we satisfied that our recruitment procedures are:</p> <ul style="list-style-type: none"> <li>■ preventing employment of people working under false identities?</li> <li>■ validating employment references effectively?</li> <li>■ ensuring applicants are eligible to work in the UK?</li> </ul>			
<p>20. Where we are moving to direct payments (for example, social care) have we introduced suitable and proportionate control arrangements in line with recommended practice?</p>			
<p>21. Are we effectively controlling the discounts and allowances we give to council taxpayers?</p>			
<p>22. Are we satisfied that we are doing all that we can to tackle housing and council tax benefit fraud?</p>			
<p>23. Do we have a reporting mechanism that encourages our staff to raise their concerns of money laundering?</p>			

By virtue of paragraph(s) 3, 7 of Part 1 of Schedule 12A of the Local Government Act 1972.

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