



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

THURSDAY 2ND FEBRUARY 2012

AT 6.00 P.M.

CONFERENCE ROOM, THE COUNCIL HOUSE, BURCOT LANE, BROMSGROVE

MEMBERS: Councillors L. C. R. Mallett (Chairman), J. S. Brogan (Vice-Chairman), Ms. M. T. Buxton, Dr. B. T. Cooper, S. J. Dudley, Miss P. A. Harrison and Mrs. H. J. Jones

AGENDA

1. To receive apologies for absence
2. Declarations of Interest
3. To confirm the accuracy of the minutes of the meeting of the Audit Board held on 15th December 2011 (Pages 1 - 4)
4. National Fraud Initiative Update (Pages 5 - 8)
5. Overpayments Update (Pages 9 - 12)
6. To consider, and if considered 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 I of the Local Government Act 1972, as amended, the public be excluded from the meeting during the consideration of the following items of business on the grounds that they involve 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, in each case, being as set out below, and that it is in the public interest to do so:-

<u>Item Number</u>	<u>Paragraph</u>
7	7
8	7
9	2 & 7

7. Internal Audit Monitoring Report (Pages 13 - 36)

This report was presented at the last meeting of the Board, where it was agreed that an additional meeting of the Board be held as further consideration was required in relation to outstanding audits.

8. Protecting the Public Purse (Pages 37 - 46)

9. Fraud Investigation Update Report (Pages 47 - 54)

10. 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

K. DICKS
Chief Executive

The Council House
Burcot Lane
BROMSGROVE
Worcestershire
B60 1AA

24th January 2012



INFORMATION FOR THE PUBLIC

Access to Information

The Local Government (Access to Information) Act 1985 widened the rights of press and public to attend Local Authority meetings and to see certain documents. Recently the Freedom of Information Act 2000 has further broadened these rights, and limited exemptions under the 1985 Act.

- You can attend all Council, Cabinet and Committee/Board meetings, except for any part of the meeting when the business would disclose confidential or “exempt” information.
- You can inspect agenda and public reports at least five days before the date of the meeting.
- You can inspect minutes of the Council, Cabinet and its Committees/Boards for up to six years following a meeting.
- You can have access, upon request, to the background papers on which reports are based for a period of up to six years from the date of the meeting. These are listed at the end of each report.
- An electronic register stating the names and addresses and electoral areas of all Councillors with details of the membership of all Committees etc. is available on our website.
- A reasonable number of copies of agendas and reports relating to items to be considered in public will be made available to the public attending meetings of the Council, Cabinet and its Committees/Boards.
- You have access to a list specifying those powers which the Council has delegated to its Officers indicating also the titles of the Officers concerned, as detailed in the Council’s Constitution, Scheme of Delegation.

You can access the following documents:

- Meeting Agendas
- Meeting Minutes
- The Council’s Constitution

at www.bromsgrove.gov.uk

Declaration of Interests - Explained

Definition of Interests

A Member has a **PERSONAL INTEREST** if the issue being discussed at a meeting affects the well-being or finances of the Member, the Member's family or a close associate more than most other people who live in the ward affected by the issue.

Personal interests are also things relating to an interest the Member must register, such as any outside bodies to which the Member has been appointed by the Council or membership of certain public bodies.

A personal interest is also a **PREJUDICIAL INTEREST** if it affects:

- The finances, or
- A regulatory function (such as licensing or planning)

Of the Member, the Member's family or a close associate **AND** which a reasonable member of the public with knowledge of the facts would believe likely to harm or impair the Member's ability to judge the public interest.

Declaring Interests

If a Member has an interest they must normally declare it at the start of the meeting or as soon as they realise they have the interest.

EXCEPTION:

If a Member has a **PERSONAL INTEREST** which arises because of membership of another public body the Member only needs to declare it if and when they speak on the matter.

If a Member has both a **PERSONAL AND PREJUDICIAL INTEREST** they must not debate or vote on the matter and must leave the room.

EXCEPTION:

If a Member has a prejudicial interest in a matter being discussed at a meeting at which members of the public are allowed to make representations, give evidence or answer questions about the matter, the Member has the same rights as the public and can also attend the meeting to make representations, give evidence or answer questions **BUT THE MEMBER MUST LEAVE THE ROOM ONCE THEY HAVE FINISHED AND CANNOT DEBATE OR VOTE.**

However, the Member must not use these rights to seek to improperly influence a decision in which they have a prejudicial interest.

For further information please contact Committee Services, Legal, Equalities and Democratic Services, Bromsgrove District Council, The Council House, Burcot Lane, Bromsgrove, B60 1AA

Tel: 01527 873232 Fax: 01527 881414

Web: www.bromsgrove.gov.uk email: committee@bromsgrove.gov.uk

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

THURSDAY, 15TH DECEMBER 2011

AT 6.00 P.M.

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

Observers: Councillors C. J. Bloore, R. J. Shannon and S. P. Shannon

Officers: Mrs. D. Randall, Ms. G. Tanfield and Mr. A. C. Stephens

13/11 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors J. S. Brogan, Mrs. M. T. Buxton and S. J. Dudley.

14/11 **DECLARATIONS OF INTEREST**

No declarations of interest were received.

15/11 **MINUTES**

The minutes of the meeting of the Audit Board held on 9th June 2011 were submitted.

It was reported that the reference to the Bribery Act 2003 in minute no. 6/11 should, in fact, refer to the Bribery Act 2010. In addition, with reference to minute no. 9/11, a copy of the revised Internal Audit Plan 2011/2012 was circulated to Members of the Board.

RESOLVED that, subject to the amendment to minute no. 6/11 referred to above, the minutes be approved as a correct record.

16/11 **PROTECTING THE PUBLIC PURSE: FIGHTING FRAUD AGAINST LOCAL GOVERNMENT**

Consideration was given to a report which outlined the work of the Audit Commission in the field of fraud detection and prevention, and the identity of fraud risks, together with detailing some of the actions taken by local authorities to tackle fraud and provide links to tools to help councils improve their counter-fraud defences.

RESOLVED

(a) that the Council commits itself to fight fraud, bribery and corruption which may be perpetrated against it in accordance with the self-

- assessment checklist reproduced at Appendix 1 to the report; and that the Corporate Anti-Fraud Team take an active role in identifying and preventing any future fraud, bribery and corruption risks; and
- (b) that the completed checklist be presented to the next meeting of the Board for information.

17/11 **LOCAL GOVERNMENT ACT 1972**

RESOLVED that under Section 100 I of the Local Government Act 1972, as amended, the public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part 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>
18/11	1 and 2

18/11 **CORPORATE ANTI FRAUD PERFORMANCE REPORT 2010 - 2011**

The Board gave consideration to a report which outlined the activities of the Corporate Anti-Fraud Team during 2010/2011, and for the period April to September 2011. Members of the Board asked several questions of the Financial Services Manager in respect of the fraud figures referred to in the report, the full details of which would require a response from the Fraud Services Manager.

RESOLVED:

- (a) that the report be noted; and
- (b) that further information on the two cases referred to in paragraphs 3.1 and 3.2 be presented to the next meeting.

19/11 **LOCAL GOVERNMENT ACT 1972**

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

<u>Minute No.</u>	<u>Paragraph</u>
20/11	7

20/11 **INTERNAL AUDIT MONITORING REPORT**

Consideration was given to a report on Internal Audit's performance for the period 1st April to 30th October 2011 against the performance indicators agreed for the Service for the financial year 2011/2012.

RESOLVED:

- (a) that the Internal Audit Monitoring Report and the Recommendation Tracker be noted;
- (b) that the Forward Plan of work undertaken as part of the Internal Audit Monitoring Report be presented to the Board in order for Members to contribute to it; and
- (c) that an additional meeting of the Board be arranged in order that Heads of Service can attend and questioned on the outstanding audits yet to be completed.

(Note: At 6.50 p.m. the meeting was adjourned to allow Members of the Board to peruse an additional appendix detailing the progress made against each of the outstanding actions from the 2008/2009, 2009/2010 and 2010/2011 audits. The meeting reconvened at 7.00 p.m. and, after consideration of the appendix, proceedings reverted back to being held in public session.)

21/11 **TREASURY MANAGEMENT OUTTURN REPORT**

Consideration was given to a report relating to the Council's Treasury Management performance for the financial year 2010/2011.

RESOLVED that the Treasury Management Performance report for 2010/2011, as detailed in Appendix 1, be noted.

RECOMMENDED that the maximum level of investment to be held within a single organisation (bank or building society), as detailed in the report, be set at £3 million, subject to market conditions.

The meeting closed at 7.25 p.m.

Chairman

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AUDIT BOARD

Date 2nd February 2012

NATIONAL FRAUD INITIATIVE UPDATE

Relevant Portfolio Holder	Councillor Roger Hollingworth Portfolio Holder for Finance, Partnerships and Economic Development
Portfolio Holder Consulted	Yes
Relevant Head of Service	Teresa Kristunas, Head of Finance and Resources
Ward(s) Affected	All
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non-Key Decision

1. SUMMARY OF PROPOSALS

- 1.1 This report has been written to provide background information in relation to the bi-annual Datamatching exercise with the Audit Commission. Information contained in this report relates to matches received in February 2011, using data extracted and forwarded to the Audit Commission in October 2010.

2. RECOMMENDATIONS

- 2.1 For the Audit Board to note the contents and outcomes attached to this piece of work.

3. KEY ISSUES

Financial Implications

- 3.1 Councils have to make reductions in spending. Significant savings can be made by reducing the impact of potential fraud against the Council. This can help to protect frontline jobs and services.
- 3.2 By being part of this Datamatching exercise with the Audit Commission (which is mandatory not voluntary), this enables the Council to review its internal procedures and clarify any queries raised. Where an irregularity is identified and proven, the details are corrected on relevant Council Systems and recoveries of any overpaid monies are undertaken. Where there is a case for consideration of a fraud investigation, the details would be supplied to the Corporate Anti-Fraud Team to take further.
- 3.3 In total 1629 number of data matches were received of which the following numbers related to the areas noted:

Housing & Council Tax Benefit	690
Concessionary Fares	256
Creditors History	274

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Creditors Standing	319
Payroll	89
Insurance Claims	1

As at 9 January 2012, 1408 referrals had been processed, with 12 fraudulent overpayments recorded plus 5 error cases. The total overpayments raised are £63,744.07 of which 16 are in recovery (with 1 fully recovered). These relate to Housing and Council Tax Benefit claims only.

Referrals outstanding are as follows (as at 9 January 2012):

Duplicate records for Creditors (being dealt with by Finance)	= 167
Housing Benefits (being dealt with by CAFT and/or DWP)	= 55
Payroll vs Creditors (being dealt with by CAFT)	= 1

The next batch of Datamatching cases is due in February 2012, involving matches between Electoral Register and Council Tax Single Person Discount. This will be another major input of work into the Corporate Anti-Fraud Team, but will allow the team to review the effectiveness of single person discounts awarded by the Authority whilst also identifying any fraudulent cases as relevant.

Legal Implications

- 3.4 There are no legal implications.

Service / Operational Implications

- 3.5 Whilst this type of work is significant both in workload but also in the time it takes to process, it provides a level of assurance regarding fraud affecting the Council with only 0.8% of such referrals requiring further more detailed attention.

Customer / Equalities and Diversity Implications

- 3.6 None

4. RISK MANAGEMENT

- 4.1 The National Fraud Initiative is a mandatory piece of work that the Council needs to undertake, currently with the Audit Commission. At present, the matches are checked by the relevant teams (such as finance transactions/queries being reviewed by the Finance Team). Providing the relevant systems and processes are in place to prevent abuse, this is not an issue, however if they are not, this should be identified on the Risk Register for the relevant departments.

AUDIT BOARD

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5. **APPENDICES**
6. **BACKGROUND PAPERS**
7. **KEY**

CAFT – Corporate Anti-Fraud Team
DWP – Department for Work and Pensions

AUTHOR OF REPORT

Name: Marie Wall, Fraud Services Manager
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Tel.: 01527 881240

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AUDIT BOARD

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OVERPAYMENTS UPDATE

Relevant Portfolio Holder	Councillor Roger Hollingworth Portfolio Holder for Finance, Partnerships and Economic Development
Portfolio Holder Consulted	Yes
Relevant Head of Service	Teresa Kristunas, Head of Finance and Resources
Ward(s) Affected	All
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non-Key Decision

1. SUMMARY OF PROPOSALS

- 1.1 This document is written as requested by the Audit Board on 15 December 2011, in relation to clarification required in relation to Housing Benefit and Council Tax Benefit overpayments.

2. RECOMMENDATIONS

- 2.1 That the Audit Board approve this document and the additional information contained within it.

3. KEY ISSUES

Financial Implications

- 3.1 Within the original report to the Audit Board (dated 15 December 2011), information confirming the amount of Housing Benefit and Council Tax Benefit overpayments raised were noted.
- 3.2 Audit Board wished to have further information in relation to the total amount of Housing Benefit / Council Tax Benefit overpayments raised, showing the split between that and the amount of fraudulent overpayments raised. In addition, a request was made regarding the proportion of overpayments collected, alongside comparison with neighbouring Local Authorities.
- 3.3 During the financial year from April 2010 to March 2011, the following details in relation to overpayments for Bromsgrove District Council, are shown below:

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Date 2nd February 2012

Total Housing Benefit/Council Tax Benefit Overpayments raised = **£810,624.73**
(this does not include technical council tax benefit overpayments which are raised up to the financial year end regardless of when actioned – it only includes genuine overpayments)

Total Housing Benefit/Council Tax Benefit overpayments raised by the Corporate Anti-Fraud Team (CAFT) = **£163,691.77**

% of overpayments raised by CAFT against total overpayments = **20.2%**

Recovery of overpayments is shown below:

Total overpayments raised during the year = **£810,624.73**

Total amount recovered during the year = **£458,849.80**

There is no facility within the Benefit System to identify what percentages of overpayments raised by the Corporate Anti-Fraud Team are recovered. This cannot be provided.

The following Benchmarking data is collated quarterly, however as you will note, not all Local Authorities provide this data as a matter of routine. The information below is as complete as can be provided; it does however provide an indication regarding the performance of overpayment recovery within Bromsgrove Council.

% of overpayments recovered as a % of total overpayments outstanding	
Bromsgrove	57%
Herefordshire	47%
Malvern Hills	49%
Redditch	28%
Worcester	47%
Wychavon	49%
Wyre Forest	

Bromsgrove District Council

During the financial year from April 2011 to September 2011, the following details in relation to overpayments are shown below:

Total Housing Benefit/Council Tax Benefit Overpayments raised = **£406,513.04**
(this does not include technical council tax benefit overpayments which are raised up to the financial year end regardless of when actioned – it only includes genuine overpayments)

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Total Housing Benefit/Council Tax Benefit overpayments raised by the Corporate Anti-Fraud Team (CAFT) = **£176,274.90**

% of overpayments raised by CAFT against total overpayments = **43%**

Please Note – the National Fraud Initiative has had an impact on these figures as a major bi-annual Datamatching exercise which is undertaken by the CAFT team, in relation to all irregularities including Benefit related concerns.

Recovery of overpayments is shown below:

Total overpayments raised = **£406,513.04**

Total amount recovered during the year to date = **£342,684.74**

There is no facility within the Benefit System to identify what percentages of overpayments raised by the Corporate Anti-Fraud Team are recovered. This cannot be provided.

The following Benchmarking data is collated quarterly, however as you will note, not all Local Authorities provide this data as a matter of routine. The information below is as complete as can be provided; it does however provide an indication regarding the performance of overpayment recovery within Bromsgrove Council.

% of overpayments recovered as a % of total overpayments outstanding	
Bromsgrove	84%
Herefordshire	
Malvern Hills	
Redditch	68%
Worcester	
Wychavon	
Wyre Forest	84.9%

Legal Implications

3.4 There are no legal implications.

Service / Operational Implications

3.5 To ensure that overpayment recovery remains priority as performance has increased significantly. Due to the transformation agenda currently being undertaken, it is difficult to know what implications this may have on the future ability to maintain current performance. This is part of the ongoing transformation agenda.

Customer / Equalities and Diversity Implications

- 3.6 Recovery is sought in conjunction with the Overpayment Recovery policy, which fully considers equality and diversity implications. Where necessary consideration will be given to writing off overpayments if they are deemed irrecoverable or not cost effective.

4. RISK MANAGEMENT

- 4.1 None

5. APPENDICES

6. BACKGROUND PAPERS

7. KEY

CAFT – Corporate Anti-Fraud Team

AUTHOR OF REPORT

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

Agenda Item 7

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