

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

THURSDAY, 19TH MARCH 2015 AT 6.05 P.M.

PRESENT: Councillors H. J. Jones (Chairman), M. T. Buxton (Vice-Chairman), B. T. Cooper, S. J. Dudley, R. J. Laight and R. J. Shannon (substituting for P. M. McDonald)

Invitees: Mr. P. Jones, Ms. Z. Thomas and Ms. M. Wren, Grant Thornton

Officers: Mr. A. Bromage, Ms. S. Morgan and Mr. D. Riley and Mr. P. Stephenson

40/14 **APOLOGIES**

Apologies for absence were received from Councillors S. J. Baxter, P. A. Harrison and P. M. McDonald.

41/14 **DECLARATIONS OF INTEREST**

No declarations of interest were received.

42/14 **MINUTES**

The minutes of the meeting of the Audit Board held on 19th March 2015 were submitted.

RESOLVED that the minutes be approved as a correct record.

43/14 **GRANT THORNTON CERTIFICATION WORK REPORT 2013/2014**

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

The Board was asked to consider and note the Grant Thornton Grant Certification Letter for 2013/2014. Members were informed that as detailed in the certification letter the indicative scale fee set by the Audit Commission for the Council for 2013/2014 was £3,872. Grant Thornton considered that there was an error in the indicative fee stated by the Audit Commission as it was out of line with the fees set by the Audit Commission in both 2012/2013 and 2014/2015, as detailed in Appendix B to the report. Grant Thornton had highlighted this with the Audit Commission.

The key messages from the Audits were:

- Benefit subsidy was a relatively complex area and the amount of testing that Grant Thornton was required to undertake was extensive.
- A number of errors were identified and training plans had been put in place.
- Supporting working papers required further improvement.
- The claim was amended by £9,580 and therefore qualified.

RESOLVED that the Grant Thornton Grant certification letter 2013/2014 be noted.

44/14

GRANT THORNTON - INFORMING THE AUDIT RISK ASSESSMENT 2014/2015

The Board was asked to consider a report from Grant Thornton which detailed the Audit Risk Assessment for 2014/2015 and the management responses in relation to the controls that were in place within Bromsgrove District Council.

Members were informed that no specific concerns had been highlighted by Grant Thornton. The purpose of the report was to contribute towards the effective two-way communication between, the Council's external auditors, Grant Thornton and the Council's Audit Board. This two-way communication assisted both the auditor and the Audit Board in understanding matters relating to the audit and develop a constructive working relationship.

As part of their risk assessment procedures they are required to obtain an understanding of management processes of the following areas:-

- Fraud
- Laws and regulations
- Going concern
- Related Parties
- Accounting estimates

A series of questions on each of the above areas and the management responses were detailed in the report. As detailed in the report, the Council's Section 151 officer had agreed that a report would be provided with regard to Bromsgrove District Council being a 'Going Concern'. Further discussion followed on the management responses.

RESOLVED that the Grant Thornton, Informing the Audit Risk Assessment 2014/2015 report be noted.

45/14

GRANT THORNTON AUDIT PLAN 2014/2015

The Board were asked to consider a report that provided details of the Grant Thornton Audit Plan 2014/2015. The Audit Plan sets out the work that Grant Thornton proposed to undertake in relation to the Audit of financial accounts for 2014/2015.

Members were informed that a number of recommendations had been proposed by Grant Thornton and that the recommendations and management responses would be presented to a future meeting of the Board.

Members discussed and raised questions on risks identified with regard to the valuation of the Council House and the payroll manager, as the report highlighted that currently there was no payroll manager in post. Grant Thornton had undertaken an initial assessment to identify areas of risk to their Value for Money (VFM) conclusion. These would be considered further as part of their detailed risk assessment with the findings being report in the Audit Findings Report in September 2015. As detailed on page 54 in the report, the assessment work had identified VFM risks which would be investigated further with a review of the Medium Term Financial Plan (MTFP), discussion with officers and a review of relevant documentation.

Interim audit work was started in January 2015. Grant Thornton planned to complete that interim visit in April 2015. The findings of their first interim audit work, and the impact of their findings on the accounts audit approach were summarised on pages 56 to 58 in the report.

Councillor M. T. Buxton questioned if the staff survey results would be shared with Grant Thornton, as Audit Board Members had expressed some concerns with regard to some of the results in the staff survey.

RESOLVED:

- (a) that the Grant Thornton Audit Plan 2014/2015 be noted;
- (b) that the Audit Opinion Plan 2014/2015 be agreed.

46/14

GRANT THORNTON PROGRESS UPDATE REPORT - MARCH 2015

The Board was asked to note the Grant Thornton Progress Report Update to March 2015.

The report outlined that as of March 2015 the 2014/2015 Accounts Audit Plan would be completed in line with the agreed timetable. The report also included a summary of emerging national issues and developments that may be relevant and a number of challenge questions in respect of these emerging issues that Members may want to consider:-

- Independent Commission into Local Government Finance
- Inspection into the Governance of Rotherham Council Department for Communities and Local Governments (DCLG) Build to rent scheme
- Local Government Governance Review 2015
- Stronger futures: developing of the Local Government Pension Scheme (LGPS)

Members were informed that with regard to the emerging issues, officers would ensure Parish Councils were made aware of the new arrangements due to be in place in 2017.

The report highlighted other activity undertaken by Grant Thornton which included providing Council officers with technical training in conjunction with

Chartered Institute of Public Finance and Accountancy (CIPFA), Finance Advisory Network (FAN) and adhoc technical support to the Council's finance team.

Further discussion followed with regard to the Local Government Review 2015, Governance in working with others, in respect of Worcestershire Regulatory Services (WRS). Councillor R. J. Laight requested that the Board had sight of the accounts for WRS for transparency purposes. Several questions were raised with Members debating if the WRS accounts should be presented to the Overview and Scrutiny Board, as highlighted in Grant Thornton's report; there was an urgent need for scrutiny to exercise good governance over the complex array of partnerships in which local authorities were now involved. Scrutiny committees could bring a new level of transparency and accountability to areas of contracted out activities and joint operations or ventures.

RESOLVED that the Grant Thornton Progress Report Update to March 2015, be noted.

47/14

PRESENTATION FROM THE INVESTIGATION OFFICER

Following on from the meeting held on 11th December 2014 and in response several questions from Members with regards to benefit fraud, the Head of Customer Access and Financial Support had suggested that the Benefits Fraud Manager be invited to a future meeting of the Board. The Benefits Fraud Manager would be able to provide Members with more detailed information in order to help Members gain an understanding of the processes behind prosecution, cautions and administrative penalties and the parameters applied in relation to the timescales allocated to repay overpayments.

The Chairman welcomed Mr. P. Stephenson, Benefits Fraud Manager, to the meeting.

The Benefit Fraud Sanctions presentation was to provide clarity for Members with regard to benefit fraud sanctions and covered:-

- Sanction Cases
- Evidence Test
- Public Interest Test
- Formal Caution
- Administrative Penalty
- Prosecution
- No Sanction

Further discussion followed with Members seeking further clarification on information detailed in the presentation slides. The Board confirmed that the presentation had provided them with the clarification they had required.

The Chairman thanked Mr. Stephenson for his presentation.

48/14 **BENEFITS FRAUD - QUARTER 3 UPDATE**

The Board considered a report on performance information in respect of the Benefits Fraud Investigation Service for the period 1st October 2014 to 31st December 2014, Quarter 3.

The Revenue Services Manager introduced the report and in doing informed Members that during the three month period, total overpayments of £162,315 in Housing Benefit had been identified; and that overpayments on fraud investigations closed during the same period totalled £58,250 in Housing Benefit, £7,870 in Council Tax Benefit and £2,531 in Council Tax Support.

During quarter 3, sixty fraud referrals were received and considered for investigation by the team. This was more than double the number received in quarter 2, and was due largely to a new process that was in place for data matching with HMRC records. Ten investigations were closed during the period with fraud or error established. Four customers were prosecuted. The offences related to undeclared work in two cases, an undeclared private pension in one case and both work and undeclared private pension in the other.

RESOLVED that the Benefits Services Fraud Investigations update for the period 1st October 2014 to 31st December 2014, Quarter 2 be noted.

49/14 **IMPLEMENTATION OF A NEW FINANCIAL MANAGEMENT SYSTEM - UPDATE REPORT**

The Board were asked to note a report that provided Members with an update regarding the implementation of a New Financial Management System for Bromsgrove District Council (BDC).

The Finance Services Manager introduced the report and informed the Board that during August 2014 BDC had agreed to change its current supplier for a Financial Management System and upgrade to a version of software called Efinancials supplied by Advanced Computer Software.

As the project was a joint project with Redditch Borough Council this had enabled savings to be made for both authorities in software costs and staff requirements. The project was split into several sections with the main ledger. The Accounts Payable and Debtors ledger were now live were successfully migrated to the new software and balanced back to the Agresso system.

The next phase of the project had commenced and had involved a stakeholder group of managers designing a budget monitoring system to assist with the financial planning of the authority. This was due to go live at the end of April 2015.

Discussion followed with questions from Members about the potential savings to be realised with regard to staff time and software. The Finance Services Manager confirmed that this was part of the current restructure but savings would not be realised until 2016/2017.

RESOLVED that the update on the current position on the New Financial Management System for Bromsgrove District Council be noted.

50/14

TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY 2014/2015 TO 2016/2017

The Board was asked to consider a report which detailed the Treasury Management Strategy Statement and Investment Strategy 2014/2015 to 2016/2017 in order to comply with the Local Government Act 2003.

The Finance Services Manager introduced the report and in doing informed Members that the Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public services (CIPFA TM Code) and the Prudential Code required local authorities to set the Treasury Management Strategy Statement (TMSS) and Prudential Indicators each financial year.

Discussion followed on borrowing and where sourced. The Finance Services Manager agreed to provide Audit Board Members with more detailed information on borrowing and where sourced.

RESOLVED:

- (a) that the Strategy and Prudential Indicators shown at Appendix 1 to the report;
- (b) that the Authorised Limit for borrowing at £12 million if required;
- (c) that the maximum level of investment to be held within each organisation (i.e. bank or building society) as detailed at £3 million, subject to market conditions;
- (d) that an unlimited level of investment in Debt Management Account Deposit Facility (DMADF); and
- (e) that the updated Treasury Management Policy, as detailed at Appendix 2 to the report, be approved.

51/14

QUARTER 3 - FINANCIAL MONITORING REPORT (APRIL - DECEMBER 2014)

The Board were asked to note a report which detailed the monitoring of projected savings for 2014 / 2015. The report included the delivery of savings and additional income for the period April 2014 to December 2014.

The Finance Services Manager introduced the report and informed the Board that as recommended by the Council's External Auditors, Grant Thornton, the delivery of the savings were being monitored more closely to ensure the Council was meeting savings in the way that was expected when the budget had been set.

Appendix 1 to the report showed that for the period April to December 2014 there were no concerns in the delivery of the savings to budget. A number of the projections were based on reductions in cost following service reviews and due to the timing of the restructures a number of savings had been realised

from vacant posts and other service savings to ensure the level of cost reduction was still achieved.

Members sought clarification on the savings identified for the Town Centre Manager. The Finance Services Manager agreed to provide further detailed information to the next meeting of the Board.

RESOLVED:

- (a) that the Finance Services Manager provides Audit Board Members with further information, as detailed in the preamble above, in respect of the Town Centre Manager; and
- (b) that the current financial position for projected savings for 2014/2015, as presented in the Finance Monitoring Report for April to December 2014, be noted.

52/14 **RISK MANAGEMENT MONITORING GROUP - VERBAL UPDATE**

The Finance Services Manager provided the Board with a brief verbal update with regards to the Risk Management Monitoring Group. Members were informed that the Risk Management Monitoring Group meeting scheduled for January 2015 had been postposed pending the issue of an Internal Audit report on some routine audit work that had been carried out in respect of risk management. A draft copy of the report was received at the end of January 2015 and the Risk Management Monitoring Group were now considering the report in order to form an action plan.

53/14 **INTERNAL AUDIT MONITORING REPORT**

The Board was asked to consider the monitoring report of internal audit work and performance for 2014 / 2015.

Mr. A. Bromage, Service Manager, Worcestershire Internal Audit Shared Service introduced the report which provided commentary on Internal Audit's performance for the period 1st April 2014 to 28th February 2015 against the performance indicators agreed for the service.

The report detailed audit reports issued / completed since the last internal audit report. There had been seven delivered audits as detailed on page 122 in the report. Members were asked to consider the 'High' and 'Medium' Priority Recommendations, as detailed on pages 131 to 138 in the report and the follow up audits as reported.

The Chairman suggested that a breakdown of the service areas reported to have 'high' priority recommendations be provided to the next meeting of the Board.

Councillor M.T. Buxton commented on the revised content of the report and expressed her thanks to Mr. Bromage.

RESOLVED that the monitoring report of internal audit work and performance for 2014 / 2015, be noted.

54/14 **INTERNAL AUDIT PLAN 2015/2016**

The Board considered a report which detailed the Internal Audit Operational Plan for 2015/2016 and the key performance indicators for the Worcestershire Internal Audit Shared Service 2015/2016.

Mr. A. Bromage, Service Manager, Worcestershire Internal Audit Shared Service introduced the report and in doing reminded Members that a provisional plan of work was presented to the Board in December 2014. The provisional plan had provided Members with the opportunity to have a positive input to the audit work programme for 2015/2016.

Mr. Bromage highlighted that with the resource allocation of 250 chargeable days for 2015/2016, as agreed with the Council's s151 officer; he was confident that he could provide management, external audit and those charged with governance with the assurances and coverage that they required over the system of internal control, annual governance statement and statement of accounts.

The 250 day allocation was based on transactional type system audits and had been reduced from the 300 days delivered during 2014/2015, providing a saving of 50 days. Due to the changing internal environment, on-going transformation and more linked up and shared service working between Bromsgrove District Council and Redditch Borough Council the plan was organised in a smarter way in order to exploit the efficiencies that this type of working provided.

RESOLVED:

- (a) that the Internal Audit Operational Plan 2015/2016; and
- (b) that the Key Performance indicators for the Worcestershire Internal Audit Shared Service 2015/2016 be noted.

55/14 **AUDIT BOARD - END OF YEAR REPORT 2014/2015 (FOR MEMBER DISCUSSION)**

Audit Board Members were asked to consider if they wanted to follow on from the success of the last municipal year and produce an Audit Board End of Year Report for 2014/2015.

RESOLVED that the Chairman and Vice-Chairman work with the Democratic Services Officer to produce a draft Audit Board End of Year Report 2014/2015, to be presented to the next meeting of the Audit Board.

56/14 **AUDIT BOARD WORK PROGRAMME**

The Board considered the Work Programme for 2014/2015.

Councillor B. T. Cooper raised the point that he felt with such a heavy agenda and the size of the reports it was difficult to devote the time to some of the important issues. He acknowledged that all the papers were important but

requested that feedback as sought with regard to achieving fewer items on the agenda.

In response the Chairman agreed that she would raise his concerns with the Council's Section 151 officer and the Democratic Services officer.

RESOLVED:

- (a) that the Audit Board Work Programme for 2014/2015 be noted; and
- (b) that as detailed in the preamble above the Chairman liaises with officers to review the Audit Board Work Programme.

The meeting closed at 7.40 p.m.

Chairman