

**BROMSGROVE DISTRICT COUNCIL**

**MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

**17TH SEPTEMBER 2015 AT 6.00 P.M.**

PRESENT: Councillors R. D. Smith (Chairman), P.L. Thomas (Vice-Chairman),  
S. R. Colella, M. Glass, C.A. Hotham, K.J. May, M. Thompson and  
S. A. Webb

Observers: Ms. Zoe Thomas and Philip Jones (Grant Thornton)

Officers: Ms. J. Pickering, Ms. A. De Warr, Mrs. C. Felton, Mr. G. Revans,  
P. Stephenson, Mr. A. Bromage and Ms. A. Scarce

19/15 **APOLOGIES AND NAMED SUBSTITUTES**

Apologies for absence were received from Councillors H. J. Jones and S. R. Peters with Councillors K. J. May and C. A. Hotham confirmed as attending as substitutes respectively.

Apologies for absence were also received from Councillor P. M. McDonald, and Parish Councillors C. Scurrall and J. Ellis.

20/15 **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

There were no declarations of interest.

21/15 **MINUTES**

The minutes of the Audit, Standards and Governance Committee held on 16<sup>th</sup> July 2015 were submitted.

**RESOLVED** that the minutes of the meeting of the Audit, Standards and Governance Committee held on 16<sup>th</sup> July 2015 be approved as a correct record.

22/15 **MINUTES - STANDARDS COMMITTEE**

Following receipt of confirmation from Councillor B. T. Cooper that the minutes of the Standards Committee held on 15<sup>th</sup> January 2015 were a correct record it was

**RESOLVED** that the minutes of the meeting of the Standards Committee held on 15<sup>th</sup> January 2015 be approved as a correct record.

23/15

### **STANDARDS REGIME - MONITORING OFFICERS' REPORT**

The Head of Legal, Equalities and Democratic Services presented the Monitoring Officer's report and in so doing highlighted the following:

- There had been no registered complaints since the last report.
- A number of training events had been held with positive feedback being received in respect of the three Code of Conduct training sessions which had been well attended by the parishes.
- A presentation had been given by KPMG on 16<sup>th</sup> September in respect of the proposed West Midlands Combined Authorities and a further presentation was being arranged which would cover the Worcestershire devolution discussions, in order for Council to determine its position.
- The Committee was able to recommend to the Member Development Steering Group any further training needs which it might consider necessary in the future.
- Confirmation of the Parish Council representatives.
- Review of the Standards Hearings arrangements as a consequence of the merge of the standards responsibilities into this new Audit, Standards and Governance Committee. In view of the work load of the Committee these arrangements would be considered its December meeting.

**RESOLVED** that the Monitoring Officer's Report be noted.

24/15

### **STANDARDS - PARISH COUNCILS' REPRESENTATIVES' REPORTS**

As the Parish Council representatives had given apologies for the meeting and not provided a written update, there were no updates on this occasion.

25/15

### **GRANT THORNTON PROGRESS REPORT**

The Executive Director, Finance and Resources explained that the covering report provided details as to why the Statement of Accounts for 2014/15 had been submitted late to the External Auditors and the issues relating to carrying out the Audit were detailed within Grant Thornton's report. The accounts had been submitted on Monday 6th July as opposed to the deadline of Wednesday 30th June. There had been a number of queries outstanding following the Audit which required resolving prior to an opinion on the accounts being presented to Cabinet and Council on 23rd September, it was anticipated that with support from all officers this deadline would be achieved. Members were assured that the accounts would show a true and fair reflection of the Council's financial position.

The Executive Director, Finance and Resources went on to highlight that the report contained a number of detailed recommendations which would form part of a wider action plan in relation to addressing the issues identified. This would be considered and discussed in more detail at the Cabinet meeting and then full Council meeting. It was proposed that the action plan be received by the Audit, Standards and Governance Committee at future meetings and that

Members of the Committee receive email updates on a monthly basis in respect of progress being made.

Mr. Phil Jones, Engagement Lead, Grant Thornton summarised the report and assured Members that the Council had good financial resilience, whilst highlighting that there were a number of areas which needed to be addressed to ensure the difficulties which had occurred this year, did not occur in the future. For example, progress needed to be made in respect of strengthening budget arrangements, which was something that Grant Thornton had raised in the previous years. These were now subject to a Section 11 Recommendation, the aim of which was to strengthen and underpin the initial recommendations and assist with their implementation.

During consideration of this report the following items were discussed:

- The significant variances between prior year accounts and this.
- Lack of consistency of approach and different staff preparing the accounts.
- The working papers request document provided earlier in the year not being considered and the working papers produced not meeting the required standard.
- The changes which had been made and the reasons for the variances and the need for the accounts to be re-stated.
- The timescales in respect of discovering the errors and the accounts being resubmitted.
- The complexities of local authorities' accounts as opposed to those of a private company.
- The inclusion of town centre improvements as capital expenditure.
- An appeal on business rates for GPs and the impact on the collection fund and general fund.
- Lessons learned from the difficulties experienced this year.
- It was confirmed that similar problems had also arisen with the year-end accounts for Redditch Borough Council.
- The use and significance of a Section 11 Recommendation. Mr. Jones confirmed that the issues within that recommendation needed to be addressed and the use of a Section 11 provided guidelines on how to take those issues forward.
- The overall value for money conclusion and areas for consideration.

Members were concerned at the staffing issues which had arisen within the Finance Team and led to the current position and questioned whether there were sufficient resources within the team to ensure that the Council was not in a similar situation in the future. Both the Executive Director, Finance and Resources and Mr. Jones confirmed that these were exceptional circumstances and a culmination of a number of events which had brought about this year's problems. The Executive Director, Finance and Resources had not appreciated the problems which the introduction of a new financial ledger would bring, particularly when the staffing problems had then occurred and the introduction of a new chart of accounts and changes to the coding issues had occurred. The high level action plan which would be put in place

would be created with the support of Ms. Zoe Thomas, Manager, Grant Thornton, to ensure that all the issues raised would be addressed. The Executive Director, Finance and Resources was also in discussions with colleagues at Worcestershire County Council and other districts in respect of possible secondments from other Finance Teams prior to vacant posts being filled.

The Grant Thornton report made reference to a Guide to Local Authority Accounts which they had produced and Members requested a copy of this to assist with their understanding of the local authority accounting process.

**RESOLVED that**

- (a) Members receive a monthly email update in respect of the Action Plan with the Action Plan also being considered at future meetings of the Audit, Standards and Governance Committee; and
- (b) the Grant Thornton Update Report be noted.

26/15

**SINGLE FRAUD INVESTIGATION SERVICE**

The Head of Customer and Financial Services introduced this item and provided background information. The presentation (attached at appendix 1) covered the future of fraud investigation within the local authority and the Single Fraud investigation Services (SFIS) together with the options available to the Council going forward. The aim was to give Members a better understanding of the changes which the Council would be subject to in order to assist with what action it would want to take moving forward.

The Government had announced the introduction of a new Integrated Single Fraud investigation Service in 2010, which would be solely responsible for investigating all welfare benefit fraud across the DWP and HMRC and local authorities (housing benefit). Pilots had commenced in 2012 with a national roll out from April 2013, due to delays the DWP extended the pilot schemes and the rollout commenced in October 2014 and was due to be completed in March 2016.

The Senior Fraud Investigation Officer covered the following areas within the presentation:

- Staff potentially affected by the changes – the DWP had confirmed that local authority staff that had been assigned primarily to investigating housing benefit fraud should be transferred to the new service.
- Funding – both Redditch Borough and Bromsgrove District Council received an administration grant from DWP to cover Council Tax Reduction Scheme administration, with approximately £38,000 allocated to Bromsgrove.
- The impact on local authorities – including investigation of housing benefit and residual council tax benefit fraud moving to SFIS. It was highlighted that a large amount of work would remain with the Council.
- Transfer of information to SFIS – including staff and the reduction in housing benefit administrative grant.

- Impact on the Council – for example a reduction in the identified Housing Benefit overpayments, no resource to protect the Council Tax Reduction Scheme.
- The cost to the Council – SIFS will only investigate historic council tax benefit cases and not local council tax discount schemes, which would suggest that only 5% of fraud committed against the local authority would be identified.
- There was a significant amount of work which would remain with the local authority including compliance and risk based verification, Council Tax Reduction Scheme investigation and police requests for information/liaison.
- Areas of investigation – including council tax empty property discounts, and council tax discounts, it is estimated that 32% of properties received the single person's discount. The Audit Commission estimate a 6% error rate for this.
- By having a fraud resource within the Council there is the possibility of expanding in future to cover other areas within the Council such as procurement and employee fraud for example.

Officers advised Members that there were a number of options open for consideration by the Council following the changes:

- Transfer all the staff working with the Fraud team to SFIS – the impact of this would generate a staff cost saving, but would leave the Council at greater risk of fraudulent activity and loss of revenue, which would be countered by a reduction in the administration grant. This would also mean there would be no capacity to undertake investigations or prosecutions relating to fraud within the local authority and no resource to ensure compliance within benefits and revenues.
- The option was available to retain all officers in house and create a corporate fraud team that would focus initially on protecting and maximising income by undertaking thorough investigations for Council Tax discount fraud, housing benefit compliance and other areas of fraud within the Council. The team would be responsible for protecting the public purse, deterrence and investigation of fraud, corruption and bribery. In the future there would be the potential to expand such a team's role by investigating other areas of fraud.
- The third option would be to have a mixture of both, retaining some members of the team to do the essential work. However, it is felt it would reduce the overall effectiveness of the team in protecting the public purse as its work would be solely compliance based and not focused on crime prevention, detection or punishment.

Following the presentation Members discussed the following areas in more detail:

- The impact on the Council, including the financial implications of the removal of the grants.
- Whether the funds which the team recovered covered the costs of the actual team.

- What income other areas of investigation would bring in to the Council, should the team expand as suggested in option 2.
- The incorrect classification of properties and the impact on the receipt of funding from for example, New Homes Bonus.

**RECOMMENDED** that during the budget process the Cabinet consider the option for the Council to create a Corporate Fraud Team.

**RESOLVED** that the Future of Fraud Investigation presentation be noted.

27/15

**RISK MANAGEMENT MONITORING GROUP UPDATE - ENVIRONMENTAL SERVICES**

The Head of Environmental Services gave a presentation covering the operational risks within this service. He began by highlighting the areas which were covered by Environmental Services and explained that good management required an understanding of risk, whether it be operational, project or health and safety. The management team met quarterly with risk management being a regular item on the agenda for those meetings. It was confirmed that there were no “high” risk areas within Environmental Services. Those areas which were classed as “medium” included effectively managing the Environmental Services transformation programme, adequately maintain and manage car parking and on street enforcement and ensuring adequate health and safety was in place across the service. It was important that health and safety was high on the agenda as there were inherent risks associated with the use of heavy machinery for example. The Council also carried out work with Worcestershire County Council regarding land associated with highways maintenance. The impact of such work could have an effect on people’s perception of the District and Environmental Services were therefore working towards a more joined up approach to partnership working.

Following the presentation Members discussed the following areas in more detail:

- The impact of fly tipping across the District and the type of materials tipped and areas most affected.
- The role of the Enforcement Officers within the new Place teams.
- The success of the bulky waste collections service.
- Increased cost to the brown bin services – the Head of Environmental Services confirmed that the charges for the District continued to be the lowest within Worcestershire and the increased charge had not deterred people from taking up the service.
- The impact of poorly kept highways and the ability to influence Worcestershire County Council’s management of the risk.
- The work of the new Place teams and the transformational work which has been carried out.
- The overall budget for Environmental Services and anticipated savings.
- The risk involved in growth from both housing developments and business developments and how this would be dealt managed.

**RESOLVED** that the Risk Management Monitoring Presentation for Environmental Services be noted.

28/15 **RISK CHAMPION VERBAL UPDATE REPORT - COUNCILLOR MICHAEL THOMPSON**

Councillor M. Thompson confirmed that he had met with the Executive Director, Finance and Resources to discuss his role as Risk Champion and would meet with Heads of Service as necessary and report back to the Committee on his findings.

29/15 **BENEFITS FRAUD MONITORING REPORT - QUARTER 1**

The Head of Customer Access and Financial Support presented the Quarter 1 Benefit Fraud Report, highlighting the following areas:

- Direct expenditure in Housing Benefit and Council Tax Support which was awarded and paid directly to the Council Tax account.
- The robust fraud investigation service the Council had in place.
- Over payments which were often due to customer error rather than local authority and the classification of fraud only being applicable when a prosecution has occurred.
- The recovery of over payments and fraud investigations which had taken place.
- The use of write off as a last resort.
- The number of referrals from various sources and the number of investigations closed during the period with fraud or error established.

Following the presentation Members had received under Minute No. 26/15 the Committee was reminded that Officers would be unable to report the benefit data following the Single Fraud Investigation Scheme (SFIS) being put in place. It was noted that Members had previously asked whether it was possible to provide benchmarking data and Officers confirmed that with the introduction of SFIS any meaningful benchmarking of fraud investigation performance was virtually impossible on a wider scale. Investigation data had been included for Redditch Borough Council for comparison purposes, together with a number of example cases and a demographic profile.

**RESOLVED** that the Benefit Fraud Quarter 1 Update Report be noted.

30/15 **FINANCIAL MONITORING REPORT**

The Executive Director, Finance and Resources presented the Monitoring of Savings report for 2014/15, which included savings and additional income for the period April 2014 to March 2015. The statement detailed the savings broken down into each of the Council's strategic purposes and was separate from the report presented to Cabinet, as it focused on the delivery of savings rather than the overall financial position of the Council. The Committee were informed that the production of this report had been recommended by the External Auditors, Grant Thornton to ensure the delivery of savings was monitored more closely.

It was highlighted that savings had been made through Worcestershire Regulatory Services following a service review and efficiencies. Members were reminded that the savings anticipated within both Environmental Services and Leisure Services had not been achieved, but the impact of the restructure and shared services would be made in 2015/16. This was an area which would need to be addressed in future years when setting budgets by the relevant Heads of Service.

Members discussed concerns around whether setting unrealistic savings targets was detrimental to the budget process and Officers confirmed that whilst the savings anticipated had not yet been achieved it was hoped that by the end of 2015/16 those savings would have been made. Officers reminded Members that the Council continued to face an estimated 15% reduction in its general budget.

**RESOLVED** that the April – March 2014/15 Finance Monitoring Report be noted.

31/15     **INTERNAL AUDIT MONITORING REPORT**

Mr. Andy Bromage, Services Manager, Worcestershire Internal Audit Shared Service presented the Internal Audit Report for consideration by the Committee.

The report contained summary updates on a number of areas and Mr. Bromage highlighted the section which referred to Worcestershire Regulatory Services (WRS) in particular. Members were informed that due to the inconsistencies and weaknesses identified in the receipting of income the WRS Management Board had agreed that all partner Section 151 officers explore options to resolve the issues raised. A number of other reviews had been completed for 2014/15 with a summary of assurance levels provided. The report also contained information in respect of the ongoing audits and the number of audit days delivered and the target for 2015/16. Information in respect of key performance indications was also included in order to give an indication of how a service was performing, together with definitions of Audit Opinion levels.

Following presentation of the report Members discussed the following points in detail:

- The sample of invoices where a significant number had been received without an order being placed and processes in place to minimise this happening in the future.
- The procurement process.
- The role of the payments team and controls which are adhered to.
- The implementation and monitoring of recommendations

**RESOLVED** that the Internal Audit Monitoring Report be noted.



32/15

**AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME**

The Committee considered its work programme and at the suggestion of the Chairman it was agreed that this would be considered at the end of each meeting to allow for inclusion of any additional reports which may have been discussed during the meeting. It was also agreed that the Chairman would discuss the order of the agenda with Officers prior to its publication.

As discussed at Minute No. 25/15 the Executive Director, Finance and Resources would provide Members with a monthly emailed update on progress in respect of the Action Plan and the item would also be added to future meetings of the Committee for consideration.

**RESOLVED** that subject to the preamble above the Audit, Standards and Governance Committee's work programme be noted.

The meeting closed at 8.06 p.m.

Chairman

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# SFIS and Local Authorities - The Future of Fraud Investigation

Amanda De Warr – Head of Customer & Financial Services  
Paul Stephenson – Senior Fraud Investigation Officer



## Background

- What is SFIS?
- Staff potentially affected by the transfer
- Funding



### **Impact on Local Authorities**

- Housing & Council Tax Benefit Fraud will move to SFIS
- Local Authorities remain responsible for Council Tax Reduction Scheme investigation
- Housing Benefit & Council Tax Support administration (including calculating and recovering overpayments) will remain with Local Authorities
- SFIS require a Local Authority liaison resource
- A large amount of work will remain with the council



### **SFIS Transfer information**

- Date of transfer will be 1<sup>st</sup> February 2016.
- LA have the power to decide who is in scope for transfer.
- Contracts will be transferred to DWP for all officers deemed in scope
- Reduction in Housing Benefit administration grant from DWP



### **Impact on Bromsgrove District Council**

- Reduction in identified Housing Benefit overpayments
- No resource to protect Council Tax Reduction Scheme
- Increase in undetected fraud
- Loss of subsidy
- Increase in written off Housing Benefit overpayments
- Reduction in identified fraud and error related subsidy
- Reduction in Housing Benefit Administration Grant



### **At what cost?**

- Audit Commission/TEICAFF recommendations –  
Protecting the Public Purse
- Fraud estimated against local government
- Fraud detected against local government
- Only 5% identified



### **Work that will not transfer**

The following work will remain with the local authority:

- . Compliance & Risk Based Verification
- . Council Tax Reduction Scheme investigation
- . HBMS referrals
- . NFI matches
- . Police requests for information / liaison



### **Areas for Investigation**

- . Council Tax Discounts
  - *Empty Properties*
  - *Long Term Empties & New Homes Bonus*
  - *Single Person Discounts*
  - *Other exemptions*
- . Business Rates Avoidance
- . Council Tax Penalties



### **Areas for Investigation**

- . Future Expansion
  - *Procurement fraud*
  - *Employee fraud*
  - *Application fraud*
  - *Tenancy fraud*



### **Departmental considerations**

1. Transfer all affected staff to SFIS on 1<sup>st</sup> Feb 2016
2. Retain all affected staff within the Local Authority and create a CAFS Counter Fraud Team responsible for investigation of fraud and a maximisation of tax base within Redditch and Bromsgrove.
3. Transfer some of the staff to SFIS



**Final Question**

Can we afford not to investigate?

