



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

THURSDAY 10TH DECEMBER 2015 AT 6.00 P.M.

THE COUNCIL HOUSE, BURCOT LANE, BROMSGROVE

MEMBERS: Councillors R. D. Smith (Chairman), P.L. Thomas (Vice-Chairman), S. R. Colella, M. Glass, H. J. Jones, P. M. McDonald, S. R. Peters, M. Thompson and S. A. Webb

Parish Councillors: Mr C. Surrell and Mr J Ellis

AGENDA

1. Apologies for Absence and Named Substitutes
2. Declarations of interest and Whipping Arrangements
3. To confirm the accuracy of the minutes of the Audit, Standards and Governance Committee meeting held on 17th September 2015 (Pages 1 - 16)
4. Standards Regime - Monitoring Officers' Report (Pages 17 - 20)
5. Standards Regime - Review of the arrangements for Standards Hearings (Pages 21 - 28)
6. Standards - Parish Councils' Representatives' Reports (Verbal Updates)
7. Grant Thornton Annual Audit Letter (Pages 29 - 44)
8. Grant Thornton Progress Report - Action Plan update (Pages 45 - 62)
9. Benefit Fraud - Quarter 2 Monitoring Report (Pages 63 - 76)
10. Internal Audit Monitoring Report (Pages 77 - 94)
11. Outline Internal Audit Plan 2016/17 (Pages 95 - 104)
12. Quarter 2 Financial Monitoring Report (Pages 105 - 108)

13. Corporate Risk Register - Presentation
14. Risk Champion - Verbal Update Report (Councillor Michael Thompson)
15. Audit, Standards and Governance Committee Work Programme (Pages 109 - 110)

K. DICKS
Chief Executive

The Council House
Burcot Lane
BROMSGROVE
Worcestershire
B60 1AA

2nd December 2015

Agenda Item 3

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 16th July 2015 were submitted.

RESOLVED that the minutes of the meeting of the Audit, Standards and Governance Committee held on 16th 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 15th January 2015 were a correct record it was

RESOLVED that the minutes of the meeting of the Standards Committee held on 15th 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 16th 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

Agenda Item 3

Audit, Standards and Governance Committee
17th September 2015

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.

Agenda Item 3

Audit, Standards and Governance Committee
17th September 2015

- 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 1st 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 1st 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?



MONITORING OFFICER'S REPORT

Relevant Portfolio Holder	Councillor Geoff Denaro
Portfolio Holder consulted	Yes
Relevant Head of Service	Claire Felton, Head of Legal, Equalities and Democratic Services and Monitoring Officer
Wards affected	All Wards
Ward Councillor consulted	N/A

1. SUMMARY OF PROPOSALS

- 1.1 This report sets out the position in relation to key standards regime matters which are of relevance to the Audit, Standards and Governance Committee since the last meeting of the Committee on 17th September 2015.
- 1.2 It is proposed that a report of this nature be presented to each meeting of the Committee to ensure that Members are kept updated as to any relevant standards matters.
- 1.3 Any further updates arising after publication of this report will be reported on orally by Officers at the meeting.

2. RECOMMENDATION

That the Committee NOTE the report and comment on any aspects of this, as appropriate.

3. KEY ISSUES

Financial Implications

- 3.1 There are no financial implications arising out of this report.

Legal Implications

- 3.2 The Localism Act became law on 15th November 2011. Chapter 7 of Part 1 of the Localism Act 2011 ('the Act') introduced a new standards regime effective from 1st July 2012. The Act places a requirement on authorities to promote and maintain high standards of conduct by Members and co-opted (with voting rights) Members of an authority. The Act also requires the authority to have in place arrangements under which allegations that either a district or parish councillor has breached his or her Code of Conduct can be investigated, together with arrangements under which decisions on such allegations can be made. The Relevant Authorities (Disclosable Pecuniary

Interests) Regulations 2012 were laid before Parliament on 8th June 2012 and also came into force on 1st July 2012.

Service / Operational Implications

Member Complaints

- 3.3 At the time of drafting this report one complaint had been received by the Monitoring Officer since the last meeting of the Committee. This was from a member of the public and related to declarations of interest. The complaint was investigated by the Monitoring Officer and no breach of the Members' Code of Conduct was established.

Member training

- 3.4 A further session on Chairing Skills was held in October. Whilst the attendance was a little disappointing, the feedback continued to be positive and a further session will be arranged in the new municipal year.
- 3.5 As previously reported, a planning pre-application session took place in September in order to enable those new to the Council to be involved in this process if they wished, in accordance with the pre-application policy of the Council. This was well attended and a further session is planned for early in the New Year.
- 3.6 Data Protection training has also taken place. This session provided a brief summary of Members' responsibilities under data protection law and provided details on how information could be shared legally and carefully whilst ensuring that data protection was not a barrier to helping people.
- 3.7 Members have also received an update in respect of the West Midlands Combined Authority outlining the issues specific to Bromsgrove, and a briefing about the Worcestershire Devolution proposals. Members will continue to receive updates where necessary on both these issues.

Dispensations – Budget and Council Tax Setting

- 3.8 The County Monitoring Officers' Group have recently agreed that it is no longer necessary for Members to seek dispensations for the budget or Council Tax setting. As such, the general dispensations previously granted to by the Committee for these areas are no longer required.

Customer / Equalities and Diversity Implications

- 3.9 There are no direct implications arising out of this report. Details of the Council's process for Member complaints are available from the Monitoring Officer on request.

4. RISK MANAGEMENT

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

- Risk of challenge to Council decisions; and
- Risk of complaints about elected Members.

5. APPENDICES

None.

6. BACKGROUND PAPERS

Chapter 7 of the Localism Act 2011.

Various reports to, and minutes of, Council and Committee meetings, as detailed in the report.

AUTHOR OF REPORT

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AUDIT, STANDARDS AND GOVERNANCE COMMITTEE 10th December 2015

REVIEW OF THE ARRANGEMENTS FOR STANDARDS HEARINGS

Relevant Portfolio Holder	Councillor Geoff Denaro
Portfolio Holder Consulted	No
Relevant Head of Service for Overview and Scrutiny	Claire Felton – Head of Legal, Equalities and Democratic Services
Wards Affected	All wards
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 To review the arrangements for Standards Hearings following the amalgamation of the Audit Board with the Standards Committee in June 2015 in order to determine suitable arrangements for the future.

2. RECOMMENDATIONS

Members are requested to:

- (a) consider the options for Standards Hearings as detailed in Appendix 1 and to identify suitable arrangements to be introduced in future; and
- (b) consider the options for membership appointments to any future Standards Hearings as detailed in Appendix 2 and to identify suitable arrangements to be introduced in future.

3. KEY ISSUES

Background

- 3.1 The Council was asked to consider proposed changes to the constitution arising from recommendations of the Constitution Working Group at its meeting on 17th June 2015. The recommendations included the work of the standards Committee being merged with that of the Audit Board with immediate effect and being renamed the Audit, standards and Governance Committee.
- 3.2 As highlighted in the report presented to Council in June 2015 it was recommended that the new Committee should review the arrangements for Standards Hearings at an early meeting. This report provides Members with an opportunity to carry out that review.
- 3.3 Arrangements for dealing with Standards – the Code of Conduct and Complaints about Parish and District Councillors – changed in 2012 under the Localism Act. The emphasis is now placed on early resolution of issues and fewer formal hearings being held. Therefore it

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE 10th December 2015

is not anticipated that the Standards Hearings referred to in this report would meet on a regular basis.

Financial Implications

- 3.4 There are limited financial implications to this report. The main expenditure would be in respect of officer time and Members' travelling expenses when conducting a Standards Hearing. It should be noted that this expenditure would have been required regardless of whether the Committee merger had taken place in order to deal with any complaints against district or Parish Councillors.

Legal Implications

- 3.5 The Council is required by law to maintain a constitution which sets out how the Council sets decisions and meets the appropriate legal requirements. By agreeing a particular Standards Hearing procedure the Audit, Standards and Governance Committee will be contributing towards meeting these legal requirements..

Service/Operation Implications

- 3.6 There are no direct service or operational implications to this report.

Customer / Equalities and Diversity Implications

- 3.7 There are no specific customer or equality implications arising from this report.

4. RISK MANAGEMENT

There is a risk that if the Committee does not identify suitable Standards Hearing arrangements the council could be placed open to challenge for not complying with legal requirements as detailed in this report.

5. APPENDICES

Appendix 1 – Standards Hearing Options
Appendix 2 – Standards Hearing Membership Options

6. BACKGROUND PAPERS

There are no background papers.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE 10th December 2015

AUTHOR OF REPORT

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Appendix 1: Standards Hearing Options

Option 1

The Audit, Standards and Governance Committee has the power to set up a Standards Hearings on an ad hoc basis. Standards Hearings are set up to consider complaints about District or Parish Councillors received by the Monitoring Officer.

Option 2

The Audit, Standards and Governance Committee has the power to set up Standards Hearings only in cases where complaints/concerns are raised about the conclusions reached by the Monitoring Officer regarding a complaint about a Councillor. The Standards Hearing focuses on the response to the original complaint and whether this was valid and proportionate.

Option 3

There is a permanent Standards Hearing Sub-Committee, with a set membership appointed at the beginning of the municipal year. Meetings of this Standards Hearing Sub-Committee would be arranged as and when complaints about a District / Parish Councillor are received.

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Appendix 2: Standards Hearing Membership Arrangements

Option 1:

Membership of ad hoc Standards Hearing Sub-Committees is determined on a case by case basis by the parent Committee. Any District Councillor could be appointed to serve on the Sub-Committee. (Parish Councillors may be appointed as observers in cases where the complaint is about a Parish Councillor.)

Option 2:

Membership of Standards Hearing Sub-Committees is determined on a case by case basis by the parent Committee. Members are drawn from a pool of trained District Councillors. (Parish Councillors may be appointed as observers in cases where the complaint is about a Parish Councillor.)

Option 3:

A set membership is appointed to the Standards Hearing Sub-Committee established at the start of the year. This membership should be relatively small (approximately 6 members) comprising District Councillors. (Parish Councillors may be appointed as observers in cases where the complaint is about a Parish Councillor.)

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AUDIT STANDARDS & GOVERNANCE COMMITTEE

10th December 2015

GRANT THORNTON ANNUAL AUDIT LETTER 2014/15

Relevant Portfolio Holder	Cllr. Geoff Denaro
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering – Exec Director Finance and Resources
Wards Affected	All Wards
Non-Key Decision	

1. SUMMARY OF PROPOSALS

To present to Members the Grant Thornton Annual Audit Letter which summarises the key findings arising from the work carried out at the Council for the year ended 31 March 2015.

2. RECOMMENDATIONS

The Committee is asked to NOTE the Audit Letter as included on Appendix 1.

3. KEY ISSUES

Financial Implications

- 3.1 The Grant Thornton fee for the 2014/15 audit fee is £49k. Additional work by Grant Thornton has resulted in an extra cost, to be agreed with the Public Sector Audit Appointments (PSAA).

Legal Implications

- 3.2 The Council has a statutory responsibility to comply with financial regulations.

Service/Operational Implications

- 3.3 The Annual Audit Letter 2014/15 from Grant Thornton details their findings and recommendations as a result of the work undertaken as part of the final accounts for 2014/15. This includes; Financial Statements, Value for Money Judgement and Grant Claims.
- 3.4 Unqualified opinions were given for the accounts and the Value for Money Judgement. The Audit of the benefit claims is on-going as this is undertaken in line with DWP requirements.

AUDIT STANDARDS & GOVERNANCE COMMITTEE

10th December 2015

- 3.5 The Council is required by s11 Audit Commission Act 1998 to report the recommendations contained in the Annual Audit letter at a formal council meeting, to ensure that the Council takes appropriate action to address the significant issues identified.
- 3.6 Appendix 2 shows the recommended approach of Finance Officers. The decision by Members as to the action required must be notified to Grant Thornton and published in a local newspaper as per s12(2) of the Audit Commission Act.
- 3.7 Officers will continue to work with both Internal and External Audit to ensure the recommendations are implemented as reported.

Customer / Equalities and Diversity Implications

- 3.8 There are no implications arising out of this report.

4. RISK MANAGEMENT

As part of all audit work, auditors undertake a risk assessment to ensure that adequate controls are in place within the Council so reliance can be placed on internal systems.

5. APPENDICES

Appendix 1 - Annual Audit Letter from Grant Thornton
Appendix 2 - s11 Action Plan

AUTHOR OF REPORT

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The Annual Audit Letter for Bromsgrove District Council

Year ended 31 March 2015

October 2015

Page 31

Phil Jones

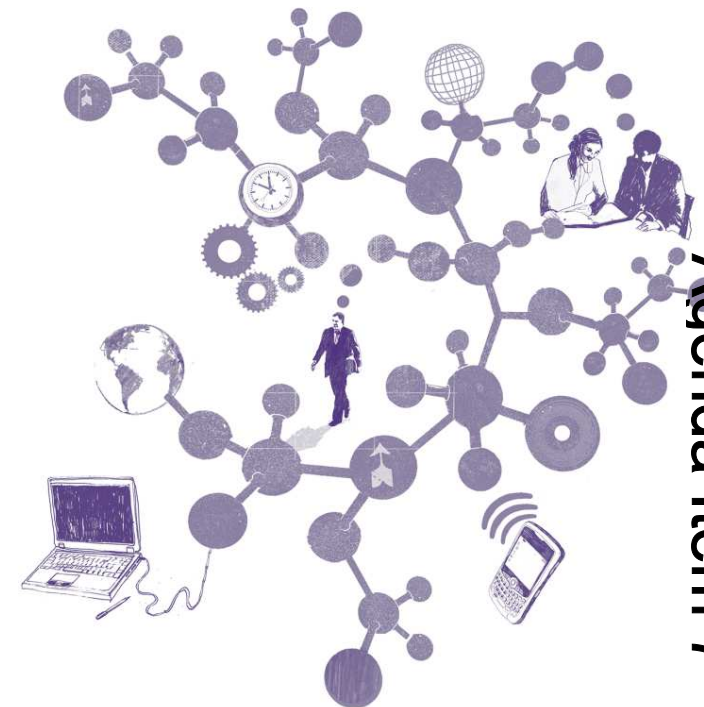
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Agenda Item 7

Contents

Section	Page
1. Key messages	3
Appendices	
A S11 recommendations	5
B Summary of reports and audit fees	9

Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Bromsgrove District Council ('the Council') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in March 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

Financial statements audit (including audit opinion)

Page 33

We reported our findings arising from the audit of the financial statements in our Audit Findings Report issued on 23 September, to the Cabinet. The key messages reported were:

- we issued an unqualified opinion on the accounts
- we issued an unqualified value for money conclusion, and
- we issued a series of Section 11 recommendations.

We issued an unqualified opinion on the Council's 2014/15 financial statements on 30 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council. The opinion on the accounts makes reference to the issue of S11 recommendations. Those recommendations are repeated in Appendix A.

The accounts were presented for audit after the statutory deadline of 30 June. The accounts were not of good quality and were restated in August, resulting in material adjustments. The arrangements in place to support the audit were not good and they should be improved for next year.

Key messages continued

<p>Value for Money (VfM) conclusion</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 34</p>	<p>We issued an unqualified VfM conclusion for 2014/15 on 30 September 2015.</p> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.</p> <p>The Council has adequate levels of reserves and has a forward financial plan which are the key reasons why we have assessed the Council as financially resilient in the medium term.</p> <p>Within our Audit findings report we raise a number of matters in relation to the Council's arrangements under the VfM assessment criteria. A number of these concerns have been raised in previous years' audit reports.</p> <p>We consider that improvements are needed in budget management arrangements. There should be improved forecasting and better analysis of the financial out-turn. In particular, a greater understanding of underspends and savings is needed.</p> <p>Performance management arrangements need to be strengthened, to both ensure that there are clear links between priorities and budget, and that services are of good quality, efficient and effective.</p> <p>A more detailed assessment is contained in our Audit Findings report and our detailed findings are not repeated here.</p>
<p>Certification of housing benefit grant claim</p>	<p>We are currently auditing the Council's 2014/15 housing benefit grant claim. As initial testing identified some errors which have triggered 40+ testing, it is probable that the opinion will be qualified. The work will be completed by the deadline of 30 November.</p>
<p>Audit fee</p>	<p>Our fee for 2014/15 set out in the audit plan was £48,680 excluding VAT. A fee variation will be requested due to the additional work involved in completing our audit. We will agree that additional fee with the Executive Director (Finance and Resources) and Public Sector Appointments (PSAA).</p>

Appendix A: Recommendations made under section 11 (3) of the Audit Commission Act 1998

We have made some detailed recommendations in our audit findings report on the accounts production process and value for money arrangements, and these are not all repeated here. The table below repeats the S11 recommendations, to which we are expecting a formal response.

No.	recommendation	Priority	Management response/ responsible office/ due date
1.	<p>The Council should put in place robust arrangements for:</p> <ul style="list-style-type: none"> the production of the 2015/16 financial statements, which meet statutory requirements and international financial reporting standards. In order to achieve this the Council should: <ul style="list-style-type: none"> ensure sufficient resources and specialist skills are available to support the accounts production introduce appropriate project management skills to the production of the financial statements 	High	<p>A qualified accountant within the team is developing a full and comprehensive timetable which will be informed by the statutory deadlines to ensure that the finance team are aware of all roles and responsibilities to undertake the production of the 2015/16 financial statements. This timetable will be supported by County Council officers in ensuring the deadlines are timely.</p> <p>Regular training for the team has already commenced following identification of the needs for the team. Officers from the County Council are supporting technical training together with external courses on final accounts production being made available to the team. Once the systems improvements have been actioned an assessment will be made of the vacant accountant posts to enable the correct resource to be made available within the team.</p> <p>The timetable and management of the production of the financial statements will be subject to a weekly review by the Director of Finance and Resources together with a monthly update to the Audit and Governance Committee.</p> <p>Responsible officer: Jayne Pickering</p> <p>Due date: by 30 June 2016, although progress against key milestones reported to each Audit Board.</p> <p>The Audit Board should provide assurance to Cabinet on progress after every Audit Board meeting.</p>

Appendix A: : Recommendations made under section 11 (3) of the Audit Commission Act 1998 (continued)

No.	recommendation	Priority	Management response/ responsible office/ due date
2.	<p>The Council should develop a comprehensive project plan for the preparation of the accounts which ensures that:</p> <ul style="list-style-type: none"> the financial statements are compiled directly from the ledger the entries in the accounts are supported by good quality working papers which are available at the start of the audit the financial statements and working papers have been subject to robust quality assurance prior to approval by the Executive Director (Finance and Resources) provides additional training, where necessary, to ensure all staff involved in the accounts production process have the necessary skills and information; the production of the financial statements is monitored through regular reporting to Directors and the Audit Board. 	High	<p>As mentioned above, a qualified accountant within the team is developing a full and comprehensive timetable.</p> <p>Alongside this work the following will be prepared:</p> <ul style="list-style-type: none"> full set of template working papers (agreed with External Audit) full set of reconciliation schedules to be approved monthly by the Director of Finance preparation of the CIPFA Toolkit with all relevant prior year figures populated ensure that the work the “system accounts recovery team “ are undertaking supports the direct preparation of the financial statements from the ledger periods within the timetable to be allocated to ensure quality checking <p>Training and monitoring is mentioned in the action point above</p> <p>Support will be sourced from the County Council to ensure the information to be provided to the Auditors is of a quality standard</p> <p>Responsible officer: Jayne Pickering</p> <p>Due date: 31 December 2015 for project plan. Progress on this and the other recommendations to be reported to each Audit Board</p>

Appendix A: : Recommendations made under section 11 (3) of the Audit Commission Act 1998 (continued)

No.	recommendation	Priority	Management response/ responsible office/ due date
3.	The Council should put in place robust arrangements to ensure that the budget preparation processes are based on sound assumptions which enable an accurate forecast to be made of budget out-turn, including realistic assessments of demand factors, service and demographic changes as well as sound assumptions around turnover and vacancy rates	High	<ul style="list-style-type: none"> • New processes have been put in place to ensure that Heads of Service propose any additional funding / income and savings with clear evidence and data as to the justification for the change to budget • All vacancies to be agreed by the Directors / Chief Exec and Portfolio Holders • Assessment of 2014/15 actual position to be used to inform any potential changes to the budget for 2016/17 <p>Responsible office: Jayne Pickering</p> <p>Due date: 31 December 2015</p>

Appendix A: : Recommendations made under section 11 (3) of the Audit Commission Act 1998 (continued)

No.	recommendation	Priority	Management response/ responsible office/ due date
4.	The Council should ensure that budget monitoring processes are timely to enable an accurate forecast to be made in-year of the likely year-end outturn and action to be taken, where necessary, to address budget variances.	High	<p>Heads of Service are to report to both CMT and Portfolio Holders their projected out-turn and the rationale as to why the projections may be different to the current position. A new system of on-line financial planning will be available in 2016 which will enable managers to review their financial position in a more timely way and therefore make more informed projections as to the year end.</p> <p>Responsible officer: Jayne Pickering</p> <p>Due: December 2015</p>

Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

Fees for audit services

	Per Audit plan £	Actual fees £
Main Audit	48,680	48,680
Additional fee		tbc
Housing benefit grant certification fee	8,760	8,760
Total audit fees	57,440	67,125

We are proposing a further fee to reflect the additional costs associated with the opinion audit, which included additional days to that planned and the additional involvement of senior staff to deal with the particular issues we faced.

The original fee was agreed based on the assumption that particular quality standards were met in relation to the quality of the accounts, working papers and access to staff. As already discussed with the Executive Director (Finance and Resources) and the Audit Board, these standards were not met. The fee will be agreed with Council officers and then be submitted for approval by Public Sector Audit Appointments.

Reports issued

Report	Date issued
Audit Plan	March 2015
Audit Findings Report	September 2015
Annual Audit Letter	October 2015



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s11 Action Plan

Recommendation	Action	Owner	Deadline
<p>1 The Council should put in place robust arrangements for the production of 2015/16 financial statements, which meet statutory requirements and international financial reporting standards. In order to achieve this, the Council should:</p>	<p>External technical support (via procurement tender) will be appointed - An assessment of the level of external support required will be carried out and communicated to provider.</p>	<p>Financial Services Manager/Technical Accountant</p>	<p>18/01/2016</p>
<p>-ensure sufficient resources and specialist skills are available to support the accounts production</p>	<p>A detailed Final Accounts closedown and production timetable will be compiled, monitored by weekly s151 officer meetings. Slippage to be escalated, explained and immediate actions implemented to rectify. Visits to be arranged for key closedown staff to observe processes at other local authorities, with the aim of sharing best practice.</p>	<p>Technical Accountant</p>	<p>15/01/2016</p>
<p>-introduce appropriate project management skills to the production of the financial statements</p>	<p>Training needs identified.</p>	<p>All Finance</p>	<p>18/12/2015</p>
	<p>Appropriate training to be provided which will include the mentoring of Technical Accountants and other key financial staff by external technical finance provider.</p>	<p>Financial Services Manager/Technical Accountant</p>	<p>15/01/2016</p>
<p>2 The Council should develop a comprehensive project plan for the preparation of the accounts which ensures that: -the financial statements are compiled directly from the ledger</p>	<p>Full set of template working papers to be compiled.</p>	<p>Technical Accountants</p>	<p>22/01/2016</p>
	<p>Meeting with external auditors to be arranged, with the aim being to agree working paper templates.</p>	<p>Financial Services Manager</p>	<p>15/02/2015</p>
<p>-the entries in the accounts are supported by good quality working papers which are available at the start of the audit</p>	<p>CIPFA Toolkit prior year figures to be populated as soon as available. Early training to be arranged with CIPFA consultant to ensure any errors are eliminated.</p>	<p>Technical Accountant</p>	<p>22/01/2016</p>

<p>-the financial statements and working papers have been subject to robust quality assurance prior to approval by the Executive Director (Finance and Resources)</p>	<p>Reconciliation schedule to be completed with clear deadlines for each reconciliation, signed off and reviewed by the Exec Director of Finance on a monthly basis.</p>	<p>Technical Accountant</p>	<p>18/12/2016</p>	
<p>- provides additional training, where necessary, to ensure all staff involved in the accounts production process have the necessary skills and information;</p>	<p>A review of the ledger system will be carried out to ensure that information required is available to download direct to the Statement of Accounts where practical</p>	<p>Technical Accountants</p>	<p>31/01/2016</p>	
<p>-the production of the financial statements is monitored through regular reporting to Directors and the Audit Board.</p>				
<p>3</p>	<p>The Council should put in place robust arrangements to ensure that the budget preparation processes are based on sound assumptions which enable forecast to be made of budget out-turn, including realistic assessments of demand factors, service and demographic changes as well as sound assumptions around turnover and vacancy rates.</p>	<p>Pressures/Savings/Bids forms on staff Orb intranet currently being updated by Heads of Service and budget holders. A detailed summary to determine gap will be prepared for Members.</p>	<p>Senior Business Support Accounting Technicians</p>	<p>14/12/2015 + ongoing till Feb Council Tax meeting</p>
		<p>Budget-holders in discussions to determine potential changes to 2016/17 budget (on assessment of 2014/15 out-turn).</p>	<p>Business Support Accounting Technicians</p>	<p>14/12/2015 + ongoing till Feb Council Tax meeting</p>
<p>4</p>	<p>The Council should ensure that budget monitoring processes are timely to enable an accurate forecast to be made in-year of the likely year-end out-turn and action to be taken, where necessary, to address budget variances.</p>	<p>New Financial Planning module to be implemented, giving managers more control and flexibility of their budgets.</p> <p>Quarterly monitoring statements are sent out to budget-holders within 5 working days of period end. Projections and explanations are required within a week of draft Committee reporting.</p>	<p>Senior Business Support Accounting Technician</p> <p>Business Support Accounting Technicians and budget-holders</p>	<p>30/06/2016</p> <p>ongoing</p>
		<p>Compilation of Monitoring reports for Members.</p>	<p>Senior Business Support Accounting Technician</p>	<p>ongoing</p>

Large variances to budget to be addressed with Head of Service prior to Committee with details fo cause and plans to mitigate any overspends

Exec Director of Finance

ongoing

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AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

10th December 2015

GRANT THORNTON UPDATE – DECEMBER 2015

Relevant Portfolio Holder	Councillor Geoff Denaro
Portfolio Holder Consulted	-
Relevant Head of Service	Jayne Pickering – Exec Director Finance and Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

1. SUMMARY OF PROPOSALS

To update members on the progress in relation to the accounts for 2015/16 from Grant Thornton together with a number of general issues and developments that may impact on the Council in the future.

2. RECOMMENDATIONS

The Committee is asked to **NOTE** the progress and updates as included on Appendix 1.

3. KEY ISSUES

Financial Implications

3.1 There are no financial implications as a direct result of this report.

Legal Implications

3.2 The Council has a statutory responsibility to comply with financial regulations.

Service / Operational Implications

3.3 The report attached at Appendix 1 presents the plans and progress from Grant Thornton in relation to the audit of the 2015/16 Statement of Accounts. Members are aware from earlier reports and the recommendations in the Audit Letter to this meeting that there are a number of actions that are to be undertaken prior to the Audit to ensure the issues raised from 2014/15 audit are not repeated.

3.4 The report also presents Members with information on a specific issues that face the Council in future years and hard copies of the individual reports are available from Grant Thornton should Members request a copy.

Customer / Equalities and Diversity Implications

3.5 There are no implications arising out of this report.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

10th December 2015

4. RISK MANAGEMENT

As part of all audit work the auditors undertake a risk assessment to ensure that adequate controls are in place within the Council so reliance can be placed on internal systems. An action plan is in place to ensure that robust processes are in place for the 2015/16 Closedown of Accounts.

5. APPENDICES

Appendix 1 – December 2015 Grant Thornton Report

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Bromsgrove District Council Audit, Standards and Governance Committee Update

Year ended 31 March 2016

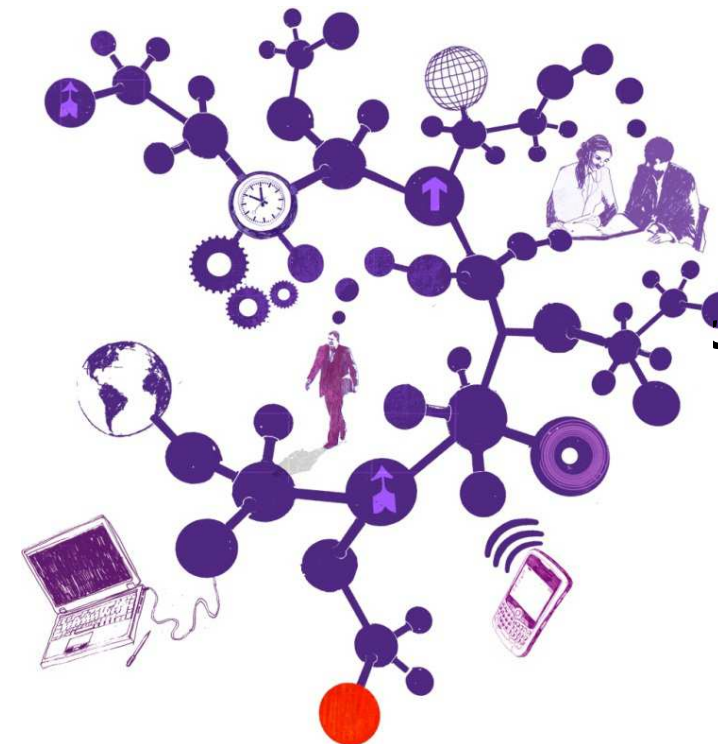
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Page 47

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Agenda Item 8

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section	Page
Introduction	4
Progress at December 2015	5
Emerging issues and developments	
Grant Thornton	7
Local government issues	10

Page 49

Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Making devolution work: A practical guide for local leaders
- Spreading their wings: Building a successful local authority trading company
- Easing the burden, our report on the impact of welfare reform on local government and social housing organisations
- All aboard? our local government governance review 2015

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

Progress at December 2015

Work	Planned date	Complete?	Comments
<p>2015-16 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on Council's 2015-16 financial statements.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 51</p>	April 2015	Y	<p>The fee letter for 2015/16 was issued in April 2015. The scale fee for the year is set at £48,680, which compares to the scale audit fee of £64,006 for 2014/15. The reduction in fees has been enabled by the procurement exercises run by the Audit Commission across both local government and health sectors.</p> <p>We anticipate a grant fee of £8,760 for audit of your housing subsidy claim.</p> <p>The fee assumes that the accounts will be prepared on time, supported by good standard working papers and staff available as agreed. If the agreed standards are not met we will discuss with you a variation to the audit fee.</p> <p>The Director of Finance has in place an action plan to address our concerns raised from our audit in 2014/15. We will consider progress against those plans as part of our interim audit work in Spring 2016.</p>
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. • Review of progress against S15 recommendations 	January and February 2016	N	<p>We plan to undertake our interim audit in January and February 2016. The findings from that report will be included in our audit plan which will be reported to the March 2016 committee. The report will include detail of risks that we will address as part of final accounts visit and detailed value for money work.</p>

Progress at December 2015

Work	Planned date	Complete?	Comments
<p>2015-16 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2015-16 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July and August 2016	N	<p>We plan to start our final accounts audit in July 2016, completing the field work in August 2016, and bringing our Audit Findings Report to the September Audit, standards and Governance committee in September. The accounts will be audited and approved by Cabinet by the statutory deadline.</p> <p>The report will also contain our Value for Money conclusion.</p>
<p>Value for Money (VfM) conclusion The National Audit Office (NAO) has now completed its consultation on the proposed Value for Money Conclusion. The NAO has very recently conformed the new criteria for the assessment of Value for Money. Grant Thornton are currently working up a methodology for auditors for their work and this is expected to be available in January 2016.</p>	March/ July 2016	N	<p>We will undertake our VfM risk assessment soon after the approach is available. The approach will be risk based. A follow up of the matters raised in the 2014/15 value for money conclusion will be incorporated in that work.</p>
<p>Other activity undertaken Housing benefits subsidy claim audit</p> <p>We attended the September Hereford and Worcester Treasurers group presenting our devolution report.</p> <p>In September we ran an event in Wychavon Council where all councillors in the county were invited covering governance issues.</p> <p>We have issued to the Executive Director of Finance with our 'Place Analytics' assessment.</p>	November 2015	N	<p>We have recently certified the Council's housing subsidy claim. As in previous year's this claim was qualified, but was certified by the deadline.</p>

Making devolution work: A practical guide for local leaders

Grant Thornton market insight

Our latest report on English devolution is intended as a practical guide for areas and partnerships making a case for devolved powers or budgets.

The recent round of devolution proposals has generated a huge amount of interest and discussion and much progress has been made in a short period of time. However, it is very unlikely that all proposals will be accepted and we believe that this the start of an iterative process extending across the current Parliament and potentially beyond.

With research partner Localis we have spent recent months speaking to senior figures across local and central government to get under the bonnet of devolution negotiations and understand best practice from both local and national perspectives. We have also directly supported the development of devolution proposals. In our view there are some clear lessons to learn about how local leaders can pitch successfully in the future.

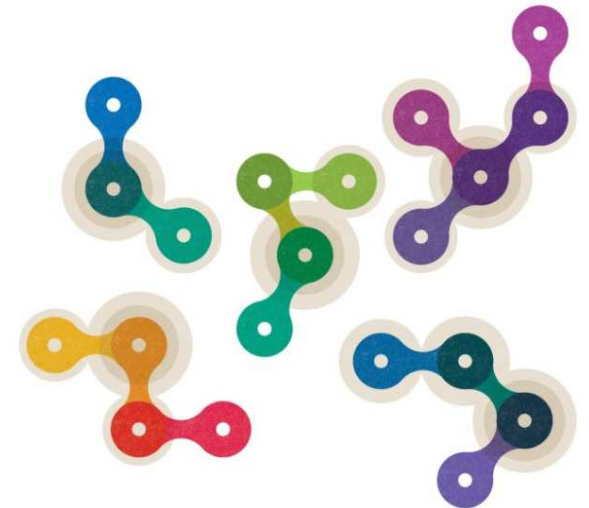
In particular, our report seeks to help local leaders think through the fundamental questions involved:

- what can we do differently and better?
- what precise powers are needed and what economic geography will be most effective?
- what governance do we need to give confidence to central government

The report 'Making devolution work: A practical guide for local leaders' can be downloaded from our website:

<http://www.grantthornton.co.uk/en/insights/making-devolution-work/>

Hard copies of our report are available from your Engagement Lead and Audit Manager



Turning up the volume: The Business Location Index

Grant Thornton market insight

Inward investment is a major component of delivering growth, helping to drive GDP, foster innovation, enhance productivity and create jobs, yet the amount of inward investment across England is starkly unequal.

The Business Location Index has been created to help local authorities, local enterprise partnerships, central government departments and other stakeholders understand more about, and ultimately redress, this imbalance. It will also contribute to the decision-making of foreign owners and investors and UK firms looking to relocate.

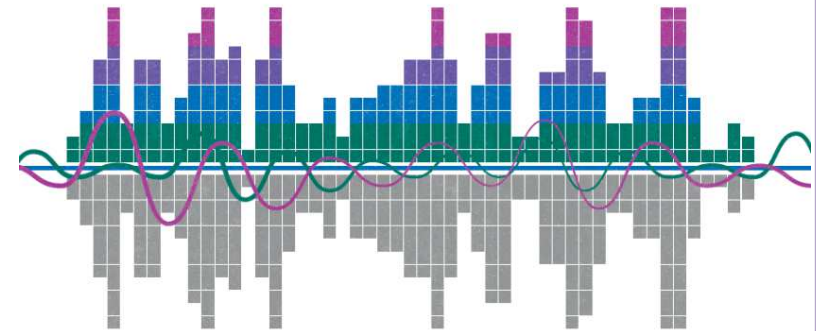
Based on in-depth research and consultation to identify the key factors that influence business location decisions around economic performance, access to people and skills and the environmental/infrastructure characteristics of an area, the Business Location Index ranks the overall quality of an area as a business location. Alongside this we have also undertaken an analysis of the costs of operating a business from each location. Together this analysis provides an interesting insight to the varied geography that exists across England, raising a number of significant implications for national and local policy makers.

At the more local level, the index helps local authorities and local enterprise partnerships better understand their strengths and assets as business locations. Armed with this analysis, they will be better equipped to turn up the volume on their inward investment strategy, promote their places and inform their devolution discussions.

The report 'Turning up the volume: The Business Location Index' can be downloaded from our website:

<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2015/business-location-index-turning-up-the-volume.pdf>

Hard copies of our report are available from your Engagement Lead and Audit Manager



Knowing the Ropes – Audit Committee Effectiveness Review

Grant Thornton

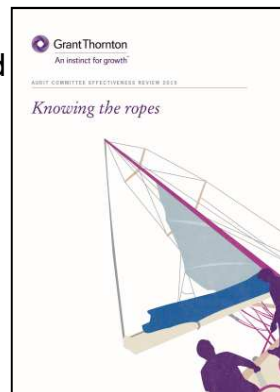
This is our first cross-sector review of audit committee effectiveness encompassing the corporate, not for profit and public sectors. It provides insight into the ways in which audit committees can create an effective role within an organisation's governance structure and understand how they are perceived more widely. It is available at <http://www.grantthornton.co.uk/en/insights/knowning-the-ropes--audit-committee-effectiveness-review-2015/>

The report is structured around four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

It raises key questions that audit committees, board members and senior management should ask themselves to challenge the effectiveness of their audit committee.

Our key messages are summarised opposite.



Size: 3-5 members is an ideal size for an audit committee

Frequency: meetings should be regular and the length should adapt to content

Relevance: audit committee members should be selected based on the skills and experience they bring

Clarity: the role of the audit committee and its relationship with other committees, should be clearly defined

Communication: papers should strike the balance between detail and length

Ability: training should be provided for audit committee members

The two key things that audit committee members should be asking are:

- 1 What is expected of the audit committee and does it reflect the specific nature of the industry in which the organisation sits?
- 2 Does the audit committee have clear terms of reference in place? Audit committees should set themselves targets for what they want to achieve and define how these will be measured to ensure they are operating effectively.

Evolution: audit committees should continually develop

George Osborne sets out plans for local government to gain new powers and retain local taxes

Local government issues

The Chancellor unveiled the "devolution revolution" on 5 October involving major plans to devolve new powers from Whitehall to Local Government. Local Government will now be able to retain 100 per cent of local taxes and business rates to spend on local government services; the first time since 1990. This will bring about the abolition of uniform business rates, leaving local authorities with the power to cut business rates in order to boost enterprise and economic activity within their areas. However, revenue support grants will begin to be phased out and so local authorities will have to take on additional responsibility. Elected Mayors, with the support of local business leaders in their LEPs, will have the ability to add a premium to business rates in order to fund infrastructure, however this will be capped at 2 per cent.

There has been a mixed reaction to this announcement. Some commentators believe that this will be disastrous for authorities which are too small to be self-sufficient. For these authorities, the devolution of powers and loss of government grants will make them worse off. It has also been argued that full devolution will potentially drive up council's debt as they look to borrow more to invest in business development, and that this will fragment the creditworthiness of local government.

Challenge question

Have members:

- been briefed by [your Chief Finance Officer] on the Chancellor's "devolution revolution" announcement and its likely impact on the Council?

Councils must deliver local plans for new homes by 2017

Local government issues

The Prime Minister announced on 12 October that all local authorities must have plans for the development of new homes in their area by 2017, otherwise central government will ensure that plans are produced for them. This will help achieve government's ambition of 1 million more new homes by 2020, as part of the newly announced Housing and Planning Bill.

The government has also announced a new £10 million Starter Homes fund, which all local authorities will be able to bid for. The Right to Buy Scheme has been extended with a new agreement with Housing Associations and the National Housing Federation. The new agreement will allow a further 1.3 million families the right to buy, whilst at the same time delivering thousands of new affordable homes across the country. The proposal will increase home ownership and boost the overall housing supply. Housing Association tenants will have the right to buy the property at a discounted rate and the government will compensate the Housing Associate for their loss.

Challenge question

Have members:

- been briefed by [your Chief Finance Officer] on the government's new homes announcements and their likely impact on the Council?

Improving efficiency of council tax collection

Local government issues

DCLG have published "Improving Efficiency for Council Tax Collection", calling for consultation on the proposals to facilitate improvements in the collection and enforcement processes in business rates and council tax. The consultation is aimed specifically at local authorities, as well as other government departments, businesses and any other interested parties. The consultation document states that council tax collection rates in 2014-15 are generally high (at 97 per cent), however the government wishes to explore further tools for use by local authorities and therefore seeks consultation from local authorities on DCLG's proposals. The consultation closes on 18 November.

The Government proposes to extend the data-sharing gateway which currently exists between HMRC and local authorities. Where a liability order has been obtained, the council taxpayer will have 14 days to voluntarily share employment information with the council to enable the council to make an attachment to earnings. If this does not happen, the Government proposes to allow HMRC to share employment information with councils. This would help to avoid further court action, would provide quicker access to reliable information, and would not impose any additional costs on the debtor. The principle of this data-sharing is already well-established for council taxpayers covered by the Local Council Tax Support scheme, and it would make the powers applying to all council tax debtors consistent. Based on the results of the Manchester/HMRC pilot, Manchester estimate that £2.5m of debt could potentially be recouped in their area alone.

Challenge question

Have members:

- been briefed by [your Chief Finance Officer] on the government's council tax collection consultation and the Council's response to it?

Code of Audit Practice

National Audit Office

Under the Local Audit and Accountability Act 2014 the National Audit Office are responsible for setting the Code of Audit Practice which prescribes how local auditors undertake their functions for public bodies, including local authorities.

The NAO have published the Code of Audit Practice which applies for the audit of the 2015/16 financial year onwards. This is available at <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Final-Code-of-Audit-Practice.pdf>

The Code is principles based and will continue to require auditors to issue:

- Opinion on the financial statements
- Opinion on other matters
- Opinion on whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the "VFM conclusion".)

The NAO plan to supplement the new Code with detailed auditor guidance in specific areas. The published draft audit guidance for consultation on the auditor's work on value for money arrangements in August 2015, which is due to be finalised in November 2015. The draft guidance includes the following.

- Definition of the nature of the opinion to be given – i.e. a "reasonable assurance" opinion as defined by ISAE 300 (revised)
- Definitions of what could constitute "proper arrangements" for securing economy, efficiency and effectiveness in the use of resources
- Guidance on the approach to be followed by auditors in relation to risk assessment, with auditors only required to carry out detailed work in areas where significant risks have been identified
- Evaluation criteria to be applied
- Reporting requirements.

Grant Thornton submitted a response to the consultation which closed on 30 September 2015.

Supporting members in governance

Grant Thornton and the Centre for Public Scrutiny

We have teamed up with the Centre for Public Scrutiny to produce a member training programme on governance. Elected members are at the forefront of an era of unprecedented change, both within their own authority and increasingly as part of a wider local public sector agenda. The rising challenge of funding reductions, the increase of alternative delivery models, wider collaboration with other organisations and new devolution arrangements mean that there is a dramatic increase in the complexity of the governance landscape.

Members at local authorities – whether long-serving or newly elected – need the necessary support to develop their knowledge so that they achieve the right balance in their dual role of providing good governance while reflecting the needs and concerns of constituents.

To create an effective and on-going learning environment, our development programme is based around workshops and on-going coaching. The exact format and content is developed with you, by drawing from three broad modules to provide an affordable solution that matches the culture and the specific development requirements of your members.

- Module 1 – supporting members to meet future challenges
- Module 2 – supporting members in governance roles
- Module 3 – supporting leaders, committee chairs and portfolio holders

The development programme can begin with a baseline needs assessment, or be built on your own understanding of the situation.

Further details are available from your Engagement Lead and Audit Manager





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Audit, Standards and Governance Committee 10th December 2015

BENEFITS FRAUD – QUARTER 2 UPDATE

Relevant Portfolio Holder	Cllr Geoff Denaro
Portfolio Holder Consulted	Yes
Relevant Head of Service	Amanda De Warr, Head of Customer Access and Financial Support
Wards Affected	All Wards
Ward Councillor Consulted	N/A
Non-Key Decision	

1. SUMMARY OF PROPOSALS

To advise Members on the performance of the Benefits Services Fraud Investigation team. This report gives performance information for the team from 1 July 2015 to 30 September 2015.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that subject to any comments, the report be noted.

3. KEY ISSUES

Financial Implications

3.1 Direct expenditure in Housing Benefit for the period from 1 April 2015 until 30 September 2015 was £7,670,099. Council Tax Support is awarded and paid directly onto the Council Tax account for existing claims at the start of each financial year for the whole year's entitlement. Council Tax Support for any new claim awarded throughout the year is paid onto the account at the time the claim is decided. Reporting expenditure for Council Tax Support on part yearly basis is not meaningful but direct expenditure in Council Tax for the year ending 31 March 2015 was just under £4.5 million.

3.2 During this quarter Housing Benefit overpayments of £204,570 were identified. These were made up as follows:

Customer error/fraud	£173,599.80
Local Authority error	£9,242.99
Overpayments caused by administration delay	£21,727.21

Overpayments can only be classified as fraud after a customer has been prosecuted, accepts an administrative penalty or formal caution or has made an admission of fraud during an interview under caution.

Audit, Standards and Governance Committee 10th December 2015

Any overpayment that the customer has contributed to, for example by not reporting a change in their circumstances on time, is recorded as customer error. Overpayments caused through mistakes made by staff are recorded as Local Authority error and administration delay overpayments arise when changes that have been reported cannot be processed immediately.

- 3.3 The following table sets out the total overpayments recovered or written off during this quarter.

Payments received	£93,062
Overpayments written off	£11,218

- 3.4 Overpayments on fraud investigations closed during the period of this report totalled £38,732 in Housing Benefit, £1,404 in Council Tax Benefit and £6,007 in Council Tax Support. Some of these overpayments will be included in the totals identified as shown in 3.2 but because investigations sometimes continue for a considerable time after the overpayment is calculated, many of these will have been calculated in prior to 1 July 2015.

Legal Implications

- 3.5 There are no specific legal implications.

Service/Operational Implications

- 3.6 The Benefits Service decides entitlement to Housing Benefit and Council Tax Support in the local area. A shared dedicated counter fraud team is currently in place and their main purpose is to prevent and deter fraud in addition to investigating any suspicions of fraudulent activity on Housing Benefit and Council Tax Support claims. All members of the team have completed the nationally recognised best practice qualifications in Professionalism in Security (PinS) appropriate to their role.
- 3.7 As at 30 September 2015 there were 5,299 live Housing Benefit claims and 4,814 Council Tax Reduction claims in payment. Almost exactly half the caseload is made up of working age customers and this results in a large number of changes on claims when people move into or out of work and claiming various benefits and tax credits.
- 3.8 Although measures have been in place for some time to make these changes easier for both the customer to manage and the authority to process, it continues to be an area of risk of fraud and error entering the system. Also as both Housing Benefit and Council Tax Support are means tested benefit there are potential financial incentives for

Audit, Standards and Governance Committee 10th December 2015

customers to under declare income and savings or not to report a partner or other adult living in the property with them.

- 3.9 During this quarter 86 fraud referrals were received and considered for investigation by the team.
- 3.10 13 of the referrals were received from members of the public, continuing to demonstrate the value of maintaining a high level of fraud awareness within the local community.
- 3.11 6 referrals were received from the Department for Work and Pensions (DWP) as joint working invitations or for consideration of investigation into Housing Benefit/Council Tax Support alone if either they have no benefits in payment or if the alleged offence would have no effect on any they are paying.
- 3.12 5 referrals came from employees within Bromsgrove District Council (BDC) Benefit Team, showing the value of maintaining a high level of fraud awareness within the team.
- 3.13 1 referral came via the police.
- 3.14 61 referrals were received as a result of data matching. 44 of these through the HBMS, 16 through the DWP Real Time Information programme (RTI) and 1 through the National Fraud Initiative (NFI). Appendix 4 gives more detail on these referral sources for further information.
- 3.15 Whenever possible if fraud referrals relate to Housing Benefit and benefits paid by the DWP, a joint approach is taken to ensure that the full extent of offending is uncovered and the appropriate action is taken by both bodies. This maximises staffing resources as depending on workloads either body can take the lead and also prevents duplicate investigation work.
- 3.16 24 investigations were closed during the period with fraud or error established.
- 3.17 1 customer accepted a caution for offences relating to an undeclared partner. Further details of this case are given in appendix 1.
- 3.18 An administrative penalty was accepted by 1 customer for offences relating to undeclared capital. Details of this case are also included in appendix 1.
- 3.19 No prosecutions were completed during the period of this report, although at the time of writing this report 6 cases are currently either booked into court or awaiting hearing dates.

Audit, Standards and Governance Committee 10th December 2015

- 3.20 All aspects of a case are taken into consideration at each stage of an investigation from the referral stage through to the decision on whether prosecution or an alternative sanction is appropriate.
- 3.21 When deciding whether investigation is appropriate initially, the potential loss to public funds is the primary consideration which is then balanced against resources available to investigate. This ensures that the cases most likely to result in a large overpayment and therefore most appropriate for prosecution are prioritised. If however it is decided that full investigation is not possible but there is still a risk that benefit is incorrectly in payment, the case will be referred back to the Benefit Team for the matter to be addressed and the claim corrected.
- 3.22 The case is reviewed during each stage of the investigation and again when deciding whether prosecution or an alternative sanction is appropriate on conclusion of the investigation. The offence that has been committed is measured alongside the amount of benefit obtained and evidence available. Any mitigation that the customer has given during interview is taken into consideration along with their co-operation with the investigation and whether there have been any previous investigations into their claim. The cases most likely to be recommended for prosecution are those with the longest period of offending. Any opportunities for the customer to have reported the true facts themselves or the Authorities ability to have possibly identified the offences sooner are also considered.
- 3.23 It is appropriate to consider alternative sanctions to prosecution, generally where the offences do not warrant the costs and consequences involved in prosecution as a first option. In making this decision the customer's full circumstances will be considered including their financial situation. The main purpose of a caution or administrative penalty is to ensure that the customer understands the seriousness of their offending and to prevent any further fraud being committed.
- 3.24 The minimum administrative penalty payable is £350 and this usually only offered when there is a realistic chance of recovering this amount and the overpayment within a reasonable period of time. This practice has been in place for some time and cautions are usually offered when an administrative penalty is not considered appropriate for this reason.
- 3.25 Very few repeat investigations are carried out on customers who have accepted either a caution or administrative penalty which demonstrates the deterrent value of each as an alternative sanction.
- 3.26 Fraud investigations often identify large overpayments which can distort the apparent recovery rate of overpayments. For example, 7 of the Housing Benefit overpayments on cases closed during this period

Audit, Standards and Governance Committee 10th December 2015

were each over £2,000 and therefore some are likely to take a considerable time to recover.

- 3.27 The overpayments identified on Council Tax Support continue to increase, as the period of this report is the start of the scheme's third year of operation. The total identified in the first six months of this year is double the amount identified during the whole of the previous year.
- 3.28 The discussions and plans for transferring the investigation of Housing Benefit fraud to the DWP under the Single Fraud Investigation Service in February 2016 have now begun. Meetings are currently taking place to arrange the practicalities of the transfer and working arrangements post transfer for making fraud referrals and the exchange of data needed to enable the DWP to successfully investigate suspected Housing Benefit fraud.
- 3.29 Although this authority will no longer have control over fraud investigations into Housing Benefit claims from February 2016, we will still have responsibility for recovering any overpayments identified. Prevention and deterrence of fraud is the only area where there will be any influence. Risk based verification of claims will be introduced in the early part of 2016 and increase assurance at the onset of new claims and when changes of circumstances are being notified.
- 3.30 The formation of SFIS has made any meaningful benchmarking on fraud investigation performance virtually impossible on a wider scale, however some investigation data for Redditch Borough Council has been included in Appendix 3 for comparison. The difference in the way HBMS referrals have previously been processed between the 2 sites, as referred to in 3.9 is the reason for the historic variation in cases closed without sanction.
- 3.31 The service has been instructed to not take on any further Housing Benefits fraud cases from December in readiness for the transfer of responsibility..
- 3.32 Following the transfer of Housing Benefit fraud responsibility to the DWP, the investigation team will transfer their skills within the authority, initially concentrating on areas where full financial compliance would generate significant income, e.g. properties recorded as empty for Council Tax purposes when they have been brought back into use.
- 3.33 It will no longer be possible to provide Housing Benefit Fraud information from December 2015. The next report to the Committee will round up activity for quarter 3. There will be no quarter 4 report and it is proposed to bring an update report on the activity of the new Fraud and Compliance team with effect from quarter one of the new financial year. This will allow time for the necessary data and measures to be put in place on which to report.

Audit, Standards and Governance Committee 10th December 2015

Customer / Equalities and Diversity Implications

- 3.34 A robust mechanism for pursuing Housing Benefit and Council Tax Support Fraud is important to customers who expect to see action taken to reduce fraud and keep overpayment of benefits to a minimum.

4. RISK MANAGEMENT

- 4.1 Without adequate performance monitoring arrangements there is a risk that the Benefits Service could lose subsidy and additional costs could be incurred. In addition, without effective counter fraud activity increased numbers of claims where no or reduced entitlement would remain in payment and add to the service cost.

5. APPENDICES

Appendix 1 -	Example cases
Appendix 2 -	Demographic information
Appendix 3 -	Trends data
Appendix 4 -	Data match information

6. BACKGROUND PAPERS

None

7. KEY

AUTHOR OF REPORT

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APPENDIX 1

EXAMPLE CASES

Case 1

A woman from Sidemoor received a caution for failing to declare to both BDC and DWP that her partner was living with her. This was a joint working exercise with DWP fraud investigators.

In her interview, the customer admitted that she didn't report her partner moving in and she received money she was not entitled to.

This resulted causing an overpayment of Housing Benefit of £720, and an overpayment of Income Support of £2000. The caution was authorised as it was a first time offence and customer complied with the investigation in full.

Deductions are being taken from the customer's current benefit entitlement until all of the money is repaid.

Case 2

A woman from Beoley accepted an Administrative Penalty for failing to declare to BDC that she received inheritances totalling £100,000, and did not report this change to the Council. The information was obtained from an anonymous telephone call which alleged she had received a substantial sum of money.

The decision was made to offer the penalty as the customer made no attempt to pay her full council tax, and used the monies on a day to day basis, despite originally claiming in interview it was set aside for her children.

This resulted in an overpayment of Council Tax Support of £1100, and the Administrative Penalty was £550. The overpayment and penalty was repaid in full which was a condition set for the offer of an Administrative Penalty.

Case 3

A 92 year old man from Catshill failed to declare a return to work and a small pension increase, which was identified through an RTI match. After careful consideration it was decided not to pursue the case at a criminal level due to the customer's age, The customer has been reminded of his duty to report changes and the potential for criminal action should he fail to do so in the future.

This resulted in an overpayment of Housing Benefit of £4,314.04 and Council Tax Support of £867. The Housing Benefit overpayment in this case is also being recovered through deductions from ongoing benefit entitlement.

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Agenda Item 9

APPENDIX 2

This table gives additional information on the nature and demographic profile of cases of benefit fraud where sanctions were applied during the period covered by this report.

Gender	Status	No. dep children	Tenancy type	Area	Fraud type	Outcome
f	single	3	Owner occupier	Beoley	Undeclared capital	Admin penalty
f	single	2	Housing Association	Sidemoor	Undeclared partner	Caution

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APPENDIX 3

Fraud Trends 2011 to 30 September 2015

Referrals

Referral source	2011/12	2012/13	2013/14	2014/15	2015/16
Members of public	54	32	65	64	26
Data matching	114	66	52	47	126
<u>Official source</u>	59	65	48	35	36
Total referrals	227	163	165	146	188

The increase in data matching referrals during 2015/16 is due to the way in which HBMS matches are now recorded. All matches are now managed through the fraud management computer system and therefore each is recorded as a referral. This also increases the number of fraud referrals that are recorded as not taken up.

Closure by fraud type	2014/15	2015/16
undeclared income	10	4
working and drawing	29	30
contrived tenancy		
employer fraud		
landlord fraud		
living together	5	4
non-commercial tenancy		
non-dependants	2	6
non-residency	1	4
other	1	
property owner		
student award	4	
<u>undeclared capital</u>		2
Total closures	52	50

Closure by referral source	2014/15	2015/16
Members of public	2	3
Data matching	34	35
<u>Official source</u>	16	12
Total referrals	52	50

Outcomes Bromsgrove	2011/12	2012/13	2013/14	2014/15	2015/16
Administrative Penalty	7	6	1	1	2
Caution	45	32	21	5	9
Prosecution	3	9	10	10	3
No sanction	Not available	26	17	15	36
Total	Not available	73	49	31	50

Agenda Item 9

The increase in the number of cases closed without sanction during 2015/16 is also mainly due to the way in which data matching is now recorded. Although this work has always been carried out within the investigation team, the amount of work involved was not captured.

Outcomes Redditch	2011/12	2012/13	2013/14	2014/15	2015/16
Administrative Penalty	3	0	2	0	1
Caution	43	47	35	15	12
Prosecution	17	10	17	7	3
No sanction	263	26	173	163	103
Total	326	237	227	185	119

Data Match information

The Housing Benefit matching service (HBMS) is a scheme run nationally for Local Authorities by the DWP. Our live benefit caseload is matched on a monthly basis against records relating nationally paid benefits and tax credits, records relating to private pensions and HMRC records to identify undeclared work or savings.

The number of referrals received varies each month depending on the matching rules that the DWP run against our data. From time to time a new match is trialled, such as cases where there has been no change made to the wages included in our claim for over 12 months, or matching against Credit Reference Agency data in order to identify undeclared partners or other residents. These trials can distort both the numbers of referrals received during some years and the success rate in identifying fraud and error because generally a much higher percentage result in no change to the claim.

The National Fraud Initiative (NFI) is a scheme originally run by the Audit Commission to identify fraud and error within and between Local Authorities across a variety of data sets. The scheme is now run by the Cabinet Office as the Audit Commission is no longer exists as an organisation. The Investigation Team have access only to the matches relating to benefit claims and the remainder are processed by the Shared Internal Audit Team.

The majority of the benefit matches relate to either earnings or pensions in payment to Housing Benefit and Council Tax Support customers. As no filtering can be carried out to identify only the cases where there are no earnings or pensions included in the claim, processing these matches is a very labour intensive exercise. The opportunity is however taken to identify from this cases where increases in income have not previously been declared.

Examples of other matches processed by the Investigation Team include cases where benefit customers are receiving student income, cases where there are 2 benefit claims for the same customer are in payment at different authorities, benefit customers holding taxi licences and cases where Housing Benefit customers have previously purchased a property under the Right to Buy scheme.

Locta is a scheme run by a company called Mag:net Solutions and is endorsed by the DWP. The scheme is mainly aimed at enabling Local Authorities to trace customers when recovering debts such as Housing Benefit overpayments. Our data is shared in order for any cases where there is also another live claim at another authority to be identified at an early stage.

Although the scheme does not generate many data matches the real benefits are found in overpayment recovery, particularly in identifying a customer's employer in

Agenda Item 9

order to apply for a Direct Earnings Attachment when there has been no response to invoicing and payment reminders.

Real Time Information (RTI) is the most recent data matching scheme to be introduced and is also administered by the DWP. Housing Benefit data is matched against the real time information that employers and pension providers are now required to submit to HM Revenue and Customs (HMRC), then Local Authority are notified of cases where the claims could be in payment incorrectly.

The scheme was introduced toward the end of 2014, initially as a trial but due to the success in identifying fraud and error, it has recently been announced that it is to be extended and that matches will soon recommence.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th December 2015

THE INTERNAL AUDIT MONITORING REPORT OF THE SERVICE MANAGER OF THE WORCESTERSHIRE INTERNAL AUDITSHARED SERVICE.

Relevant Portfolio Holder	Councillor Geoff Denaro
Portfolio Holder Consulted	Yes
Relevant Head of Service	Sam Morgan, Financial Services Manager
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

1. SUMMARY OF PROPOSALS

1.1 To present:

- the monitoring report of internal audit work and performance for 2015/16.

2. RECOMMENDATIONS

2.1 **The Committee is asked to RESOLVE that the report be noted.**

3. KEY ISSUES

Financial Implications

3.1 There are no direct financial implications arising out of this report.

Legal Implications

3.2 The Council is required under the Accounts and Audit Regulations 2015 to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

Service / Operational Implications

3.3 The involvement of Members in progress monitoring is considered to be an important facet of good corporate governance, contributing to the internal control assurance given in the Council’s Annual Governance Statement.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th December 2015

This section of the report provides commentary on Internal Audit's performance for the period 01st April 2015 to 31st October 2015 against the performance indicators agreed for the service.

AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST PROGRESS REPORT (17th September 2015):

2015/16 AUDITS COMPLETED AS AT 31st OCTOBER 2015

Private Sector Housing; Step up Private Tenancy Scheme

The audit found there is generally a sound system of internal control in place but Internal Audit testing has identified isolated weaknesses in the design of controls and / or inconsistent application of controls in a small number of areas.

The review found the following areas of the system were working well:

- Changes arising from the transformation review has resulted in less complicated financial assessments being completed in house as opposed to the local Citizens Advice Bureau and this has helped to improve/speed up the process for the applicant.
- Advances made for rent are promptly recorded on the debtors system.

However, the following areas of the system where controls could be strengthened included:

- The retaining of evidence (e.g. photographic) in relation to rent guarantee bond any property damage claims
- Debt recovery arrangements

Audit Type: Full System Audit

Final Report Issued: 15th September 2015

Assurance: Moderate

Members Allowances

The audit found generally there is a sound system of control in place over the annual review and approval of the Members Scheme operating in Bromsgrove and also the subsequent implementation of Members Allowances. Members Allowances were found to be compliant with the Scheme and Members are remunerated at the appropriate rate and in respect of eligible duties only.

The review found the following areas of the system were working well:

- Planning and execution of the annual review cycle
- Communication and guidance to Members on their Allowances Scheme, as part of a programme of Members induction.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th December 2015

- Compliance with the Members Allowances Scheme and its eligibility rules
- Payment of Members Allowances Basic and Special Responsibility Allowances in accordance with the Members Scheme.
- Processing of Travel Allowances, with modest expenditure evidenced and checks consistently applied.

However, the following areas of the system where controls could be strengthened included:

- Inclusion of Broadband Allowances within the scope of the main Scheme of Allowances to provide greater transparency.
- Greater transparency over payments for data and mobile phone charges associated with Members use of iPads and Blackberry mobile phones.
- Improved control of changes in allowances data as a basis for Payroll input

Audit Type: Full System Audit
 Final Report Issued: 2nd October 2015
 Assurance: Significant

Summary of Assurance Levels:

<u>Audit</u>	<u>Assurance Level</u>
2015/2016	
Private Sector Housing ~ Step Up Private Tenancy Scheme	Moderate
Members Allowances	Significant

2015/16 AUDITS ONGOING AS AT 31st October 2015.

Audits that were continuing as at the 31st October 2015 but at draft report stage included:

- Community Services; Safeguarding
- Treasury Management,
- Allotments
- s106's
- Leisure Consumables, Equipment and Goods for Resale

Other audits that were on going as at the 31st October 2015 included:

- Community Services; CCTV
- Mapping of Interfaces to the Ledger

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th December 2015

- Council Tax
- NNDR
- Benefits
- Website Security
- System Administration
- Performance management Framework
- Corporate Governance – Annual Governance Statement

The outcome of the above audits will be reported to Committee in due course when the audits have been completed and management have confirmed an action plan.

3.4 AUDIT DAYS

Appendix 1 shows that progress continues to be made towards delivering the Internal Audit Plan and achieving the targets set for the year. As at 31st October 2015 a total of 130 days had been delivered against a target of 250 days for 2015/16.

Appendix 2 shows the performance indicators for the service. These indicators were agreed by the Audit Board (now the Audit, Standards and Governance Committee) on the 19th March 2015 for 2015/16 and include two additional indicators.

Appendix 3 shows a summary of the 'high' and 'medium' priority recommendations for those audits that have been completed and final reports issued.

Appendix 4 provides the Committee with an analysis of audit report 'Follow Ups' that have been undertaken to monitor audit recommendation implementation progress by management.

3.5 OTHER KEY AUDIT WORK

Much internal audit work is carried out "behind the scenes" but is not always the subject of a formal report. Productive audit time is accurately recorded against the service or function as appropriate. Examples include:

- Governance for example assisting with the Annual Government Statement
- Risk management
- Transformation review providing support as a critical review
- Dissemination of information regarding potential fraud cases likely to affect the Council
- Drawing managers' attention to specific audit or risk issues

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th December 2015

- Audit advice and commentary
- Internal audit recommendations: follow up review to analyse progress
- Day to day audit support and advice for example control implications, etc.
- Networking with audit colleagues in other Councils on professional points of practice
- National Fraud Initiative.
- Investigations

There has been on going work undertaken in regard to the National Fraud Initiative. This year is the 2 yearly cycle of data extract and uploading to the Audit Commission to enable matches to be reported. The 2014/15 data extract has been completed and uploaded the results of which have been received and are now being investigated. Worcestershire Internal Audit Shared Service (WIASS) has a coordinating role in regard to the investigative exercise. The single person discount and electoral registration upload is currently being coordinated and the upload is to be completed in December 2015.

WIASS is committed to providing an audit function which conforms to the Public Sector Internal Audit Standards.

WIASS recognise there are other review functions providing other sources of assurance (both internally and externally) over aspects of the Council's operations. Where possible we will seek to place reliance on such work thus reducing the internal audit coverage as required.

WIASS confirms it acts independently in its role and provision of internal audit.

Monitoring

- 3.6 To ensure the delivery of the 2015/16 plan there is close and continual monitoring of the plan delivery, forecasted requirements of resource – v – actual delivery, and where necessary, additional resource will be secured to assist with the overall Service demands. The Service Manager remains confident his team will be able to provide the required coverage for the year over the authority's core financial systems, as well as over other systems which have been deemed to be 'high' and 'medium' risk.

Customer / Equalities and Diversity Implications

- 3.7 There are no implications arising out of this report.

4. RISK MANAGEMENT

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

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th December 2015

- failure to complete the planned programme of audit work for the financial year; and,
- the continuous provision of an internal audit service is not maintained.

These risks are being managed via the 4Risk risk management system within the Finance and Resources risk area.

5. APPENDICES

- Appendix 1 ~ Internal Audit Plan delivery 2015/16
Appendix 2 ~ Key performance indicators 2015/16
Appendix 3 ~ 'High' and 'Medium' priority recommendations summary for finalised reports
Appendix 4 ~ Follow up summary

6. BACKGROUND PAPERS

Individual internal audit reports held by Internal Audit.

7. KEY

N/a

AUTHOR OF REPORT

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AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th December 2015

APPENDIX 1

Delivery against Internal Audit Plan for 2015/16 1st April 2015 to 31st October 2015

Audit Area	DAYS USED TO 31/10/2015	FORECASTED DAYS TO END OF Q3 ~31 st December 2015	2015/16 PLANNED DAYS
Core Financial Systems (see note 1)	20	46	71
Corporate Audits	0	0	5
Other Systems Audits(see note 2)	90	104	138
TOTAL	110	150	214
Audit Management Meetings	12	12	15
Corporate Meetings / Reading	3	3	5
Annual Plans and Reports	2	6	8
Audit Committee support	3	6	8
Other chargeable(see note 3)	0	0	0
TOTAL	20	27	36
TOTAL	130	177	250

Notes:

Note 1: Core Financial Systems are audited predominantly in quarter 3 in order to maximise the assurance provided for Annual Governance Statement and Statement of Accounts.

Note 2: Full number of budgeted days may not be used due to small 'call off' budgets, e.g. consultancy, investigations, not being fully utilised due to fluctuation in demand.

Note 3: 'Other chargeable' days equate to times where there has been, for example, significant disruption to the ICT provision resulting in lost productivity.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th December 2015

KEY PERFORMANCE INDICATORS 2015/16

APPENDIX 2

Key Performance Indicators (KPIs) for 01st April 2015 to 31st October 2015.

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2015/16 i.e. KPI 3 and 4. Other key performance indicators link to overall governance requirements of Bromsgrove District Council.

	KPI	Trend requirement	2012/13 Year End Position	2013/14 Year End Position	2014/15 Year End position	2015/16 position as at 31 st October 2015	Frequency of Reporting
1	No. of 'high' priority recommendations	Downward	8	12	7	0	Quarterly
2	No. of moderate or below assurances	Downward	3	8	7	1	Quarterly
3	No. of customers who assess the service as 'excellent'	Upward	2	4 (5 issued: 4x Excellent & 1x Good)	4 (12 issued: 5 returns 4x excellent, 1x good)	0 (2 Issued: 2 returns 2x'good')	Quarterly
4	No. of audits achieved during the year	Per target	Target = 21 Delivered = 21	Target = 15 (minimum) Delivered = 19	Target = 17 (minimum) Delivered = 20	Target =15 (minimum) Delivered = 2 (with 3x draft reports)	Quarterly
5	Percentage of plan delivered	100% of the agreed annual plan	N/A	N/A	N/A	52%	Quarterly
6	Service Productivity	Positive direction year on year (Annual target 74%)	N/A	N/A	N/A	75%	Quarterly

WIASS operates within and conforms to the Public Sector Internal Audit Standards 2013.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

APPENDIX 3

Definition of Audit Opinion Levels of Assurance

Opinion	Definition
Full Assurance	<p>The system of internal control meets the organisation’s objectives; all of the expected system controls tested are in place and are operating effectively.</p> <p>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.</p>
Significant Assurance	<p>There is a generally sound system of internal control in place designed to meet the organisation’s objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Moderate Assurance	<p>The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet its objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Limited Assurance	<p>Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation’s objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
No Assurance	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation’s objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Definition of Priority of Recommendations

Priority	Definition
High	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.</p> <p>Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.</p>
Medium	<p>Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.</p>
Low	<p>Control weakness that has a low impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation is desirable as it will improve overall control within the system.</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

APPENDIX 3

‘High’ & ‘Medium’ Priority Recommendations Summary for finalised audits.

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Private Sector Housing – Step Up Private Tenancy Scheme 2015/16					
Assurance: Moderate					
1	Medium	<p><u>Rent Guarantee Bond</u></p> <p>Payments made under the Bond scheme are not adequately supported and evidenced.</p>	<p>Reimbursements for damage may be inappropriately made/lack of adequate management trail.</p> <p>Financial loss for payment against potentially false claims.</p>	<p>Inspections carried out to support claims for payments made under the bond guarantee scheme must be recorded and evidence (e.g. photographic) retained to support a claim for property damage.</p>	<p>Responsible Manager:</p> <p>Housing Strategy & Enabling Team Leader</p> <p>Implementation date:</p> <p>Immediately</p>
2	Medium	<p><u>Debt Recovery</u></p> <p>There has been a delay in the recovery of debts due to system issues experienced with cash receipting and the interface with the Councils Financial system.</p> <p>Internal Audit acknowledges that the risk to the Council reputationally and financially by chasing debts on inaccurate information is greater than waiting for accurate and up to date debt reports.</p>	<p>Potential loss of income / Reputational damage.</p>	<p>Debt recovery to become a priority once the issues with the Council's Financial system have been resolved.</p> <p>Update : recovery is now underway following remainders being sent to customers in November</p>	<p>Responsible Manager:</p> <p>Revenue Services Manager</p> <p>Issues regarding suspense transactions are to be resolved and recovery action to recommence.</p> <p>Implementation date:</p> <p>31 October 2015</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Members' Allowances 2015/16					
Assurance: Significant					
1	Medium	<p>Broadband/ Data Allowances</p> <p>Expenditure on Broadband Allowances, Data Allowances and Mobile Phone Allowances and the allocation of phones and iPads for members all sit outside of the Scheme of Members Allowances and are therefore less transparent than Allowances paid through the main Scheme.</p>	<p>Potential for weak financial control of this area of Members' activity leading to reputational damage in the event of excessive expenditure.</p>	<p>To include Broadband Allowances within the scope of the Members' Schemes and publish information on payments for data and mobile phone charges associated with Members use of iPads and Blackberry phones.</p>	<p>Agree that bringing broadband payments into the scheme from the IT provision policy will increase their transparency. Council reviews the allowances scheme each year and proposals to include this will be made at the same time as Council considers the IRP report with recommendations for next year's scheme (2016-17 with effect from 1st April)</p> <p>If it is proposed to merge the broadband allowance with the basic allowance to simplify payment this will need to be considered by the IRP and their recommendations, if any, taken into account.</p> <p>Information on payments made each financial year is already published, and includes data above that required by law to be published. This information will be extended to include the details about iPads and telephones etc. as recommended.</p> <p>Responsible Manager: Sheena Jones, Democratic Services Manager</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
					Implementation date: April 2016
2	Medium	<p>Change control process for Members Data</p> <p>In 100% of cases sampled, Members received allowances appropriate to their office, at the correct rate. The process for tracking changes to member appointments and notifying Payroll of the Allowances due to members is ad hoc and not always authorised.</p>	<p>Start and end dates of Members appointments are overlooked with Members remaining on the Payroll and in receipt of allowances they are no longer eligible/due. This would lead to financial loss.</p>	<p>To implement a more formal change request process for starters/movers/leavers. This would ensure change is captured accurately and on a timely basis and authorised in Legal and Democratic Services for Payroll input This could form part of a flow management process incorporating other Human Resources and IT Procurement activity linked to new or departing members.</p>	<p>Legal and Democratic Services will explore, with the Managers identified below, the potential to notify payroll of changes to allowances whilst ensuring efficient inputting of data (i.e. no duplication or requirements to complete multiple forms)</p> <p>Responsible Manager: Democratic Services Manager, Financial Services Manager and IT Services Manager, ICT Transformation Manager</p> <p>Implementation date: By April 2016</p>
end					

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

APPENDIX 4

Follow Up

Planned Follow Ups:

In order to continue to monitor progress of implementation, 'follow up' in respect of audit reports is logged. The table provides an indication of the action taken against those audits and whether further follow up is planned. Commentary is provided on those audits that have already been followed up and audits in the process of being followed up to the end of October 2015. Exceptions will be reported to the Committee.

For some audits undertaken each year follow-ups may not be necessary as these may be undertaken as part of the full audit. Other audits may not be time critical therefore will be prioritised as part of the overall work load so to minimise resource impact on the service area.

Follow up in connection with the core financials is undertaken as part of the routine audits that are performed during quarter 3.

Follow Up Assurance:

In summary:

- the majority of 2013/14 audit recommendations have been implemented; monitoring of the outstanding ones is continuing;
- 2014/15 recommendations are being monitored and reported for information;
- 2015/16 recommendations will be followed up commencing March 2016.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up or outcome</u>	<u>2nd</u>
					High and Medium Priorities 6mths after final report issued as long as implementation date has passed	High and Medium Priorities still outstanding 3mths after previous follow up as long as implementation date has passed
2013-14 Audits						
Risk Management	30th April 2014	Executive Director (Finance and Resources)	Limited	6 'medium' priority recommendations in relation to Risk management strategy and training, risk register reviews and entries, Consistency of Risk Management approach and 4Risk systems administration.	Follow-up of 2013/14 and 2014/15 audit being undertaken fourth quarter 2015/16	
Depots and Stores	8 th August 2014	Head of Environmental Services and Environmental Services Manager	Significant	1 'medium' priority recommendation in relation to inventory control.	Followed up February 2015, An interim measure has been implemented until business transformation is complete in June 2015 when the recommendation will be fully addressed as part of the transformation.	June 2015 Follow up taking place as part of the stores transformation audit 2015.
ICT	2 nd September 2014	Head of Business Transformation and Organisational Development and ICT Transformation Manager	Limited	1 'high' and 5 'medium' priority recommendations to follow-up in regard to starters, leavers and user accounts, procedures, inventory management, contracts and disposals.	Followed up in March 2015. 3 recommendations have been implemented (authorisation of new users, clearing of inactive accounts, disposal of equipment), 1 recommendation has been superseded by changes to processes (disposal contracts). 2 medium recommendations are part implemented/ on-going (procedure documents, inventory reviews).	The follow up in October 2015 found that the 2 remaining 'medium' priority recommendations in relation to procedure documents and inventory reviews were in progress. The risk to the Council has been reduced and both recommendations should be implemented by January 2016 therefore a further follow up will take place in February 2016.

Page 21

Agenda Item 10

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

2014-15 Audits						
Equality and Diversity	28 th August 2014	Corporate Senior Management Team	Moderate	1 'high' and 2 'medium' priority recommendations made in relation to training, policy and terms of reference.	Followed up March 15- Policy Manager have confirmed that all recommendations are currently outstanding and not fully implemented but are in progress. Given the impending completion date it would not be appropriate to follow the recommendations up until July 2015.	November 2015 ~ currently in progress
Data, Security and Publication	9th September 2014	Head of Transformation and Organisation Development/Executive Director (Finance and Resources)	Moderate	1 "medium" priority recommendation re local government transparency code	November 2015 ~ currently in progress	
DFGs and HIAs	12th November 2014	Housing Strategy Manager	Significant	1 "medium" priority recommendations re the need to ensure documents are stored correctly	Followed up in September 2015. Implementation of the 1 medium recommendation is still in progress, whereby an electronic HIA filing system has been integrated, and paper files are being transferred to a single location for managing more effectively, completion expected end of October 2015 as part of the move to the new Parkside office. Further follow up required December 2015.	
Asset Management	20th November 2014	Head of Customer Access and Financial support	Significant	1 "medium" priority re terms of reference for Joint Asset Management Group	Followed up in October 2015. The 1 'medium' priority recommendation relating to the terms of reference has been implemented. No further follow ups are required.	
Waste Management	9th January 2015	Head of Environmental Services	Moderate	1 "high" priority recommendations to ensure effective stock control of wheelie bins.	Followed up June 2015 and all recommendations have been fully implemented.	
Cash Receipting	29th January 2015	Head of Customer Access and Financial support	Moderate	1 "high" priority recommendation to ensure the council obtains a PCIDSS certificate.	To be picked up in the Main Ledger audit during 2015/16	
Risk Management	30th June 2015	Executive Director (Finance and Resources)	Critical Review	Action Plans were agreed and progress feedback will be sought in line with agreed implementation dates.	Follow-up of 2013/14 and 2014/15 audit being undertaken fourth quarter 2015/16	

Page 92

Agenda Item 10

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Budget Setting	30th June 2015	Executive Director (Finance and Resources)	Critical Review	Action Plans were agreed and a progress feedback will be sought in line with agreed implementation dates.	Dec-15	
ICT	16th July 2015	Head of Transformation and Organisational Development, ICT Transformation Manager, ICT Operations Manager	Critical Review	Action Plans were agreed and progress feedback will be sought in line with agreed implementation dates.	Dec-15	
Worcester Regulatory Services	24 th August 2015	WRS Management	Limited	Two high and one medium priority recommendations; reconciliation, payments and performance. Action plan agreed.	Feb-16	
2015-16 Audits						
Private Sector Housing - Step-up Private Tenancy scheme	15th September 2015	Head of Community Services, Strategic Housing Manager and Housing Strategy and Enabling Team Leader.	Moderate	2 "medium" priority recommendations were made in relation to Rent Guarantee Bond and Debt Recovery.	Mar-16	
Members Allowances	2nd October 2015	Head of Legal Equalities and Democratic Services and Democratic Services Manager	Significant	2 "medium" priority recommendations were made in relation to Broadband/Data Allowances and Change control process for Members Data	Apr-16	
end						

Page 95 of 95

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BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th DECEMBER 2015

THE 2016/17 INTERNAL AUDIT PLAN REPORT OF THE SERVICE MANAGER OF THE WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.

Relevant Portfolio Holder	Councillor Geoff Denaro
Portfolio Holder Consulted	Yes
Relevant Head of Service	Sam Morgan, Financial Services Manager
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non-Key Decision

1. SUMMARY OF PROPOSALS

1.1 To present:

- the Bromsgrove District Council Internal Audit Draft Operational Plan for 2016/17
- the key performance indicators for the Worcestershire Internal Audit Shared Service for 2016/17

2. RECOMMENDATIONS

- 2.1 **The Committee is asked to consider the Audit Plan and subject to any comments / proposed changes the Plan be noted**
- 2.2 **The Committee is asked to consider and note the Key Performance Indicators.**

3. KEY ISSUES

Financial Implications

- 3.1 There are no direct financial implications arising out of this report.

Legal Implications

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th DECEMBER 2015

- 3.2 The Council is required under the Accounts and Audit Regulations 2015 to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

To aid compliance with the regulation, the Institute of Internal Auditors Public Sector Internal Audit Standards 2013 details that “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”.

Service / Operational Implications

Internal Audit Aims and Objectives

- 3.3 The aims and objectives of the Worcestershire Internal Audit Shared Service are to:
- examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the council and recommend arrangements to address weaknesses as appropriate;
 - examine, evaluate and report on arrangements to ensure compliance with legislation and the council's objectives, policies and procedures;
 - examine, evaluate and report on procedures to check that the council's assets and interests are adequately protected and effectively managed;
 - undertake independent investigations into allegations of fraud and irregularity in accordance with council policies and procedures and relevant legislation; and
 - advise upon the control and risk implications of new systems or other organisation changes e.g. transformation.

Formulation of Annual Plan

The Internal Audit Plan for 2016/17, which is included at Appendix 1, is a risk based plan which takes into account the adequacy of the council's risk management, performance management and other assurance processes. It has considered the corporate strategic purpose, risk priorities per discussions with

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th DECEMBER 2015

the s151 Officer and Corporate Management Team(CMT), and, the results of an independent risk assessment by Internal Audit using the audit universe.

By bringing a provisional plan of work before the Audit, Standards and Governance Committee in December 2015 which had been formulated with the aim to ensure Bromsgrove District Council meets its strategic purposes it allows Members to have a positive input into the audit work programme for 2016/17 and make suggestions as to where they feel audit resources may be required under direction of the s151 Officer. As with all plans it may be subject to review and update as the year progresses in consultation with the s151 Officer. To give an indication as to when the audit work will take place the quarters have been identified, however, these may be subject to review and change as the year progresses.

Resource Allocation

The Internal Audit Plan for 2016/17 has been based upon a resource allocation of 230 chargeable days, a resource allocation which has been agreed with the council's s151 officer. The Service Manager of the Worcestershire Internal Audit Shared Service is confident that, with this resource allocation, he can provide management, external audit and those charged with governance with the assurances and coverage that they require over the system of internal control, annual governance statement and statement of accounts. The 230 day allocation is based on transactional type system audits and has been reduced from the 250 days delivery during 2015/16; a saving of 20 days.

Due to the changing internal environment, ongoing transformation and more linked up and shared service working between Bromsgrove and Redditch the plan has been organised in a smarter way in order to exploit the efficiencies that this type of working provides. Although the audit areas will have an allocation of audit days after discussion at CMT on the 25th November 2015 the audits will be more cross cutting than before and will encompass the different service perspectives that the Services need to deliver (e.g. Customer Services impacts on the majority of service areas so the audit will reflect this). All or part of the budgeted days will be used on a flexible basis depending on the risk exposure the end result being better corporate coverage and ownership of the audit outcomes.

The provisional Internal Audit Plan for 2016/17 is set out at Appendix 1.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th DECEMBER 2015

Monitoring and reporting of performance against the Plan

Operational progress against the Internal Audit Plan for 2016/17 will be closely monitored by the Service Manager of the Worcestershire Internal Audit Shared Service and will be reported to the Shared Service's Client Officer Group (which comprises the s151 officers from partner organisations), and, to the Audit, Standards and Governance Committee on a quarterly basis.

The success or otherwise of the Internal Audit Shared Service will be determined by the performance against a set of key performance indicators which have been developed for the service. These have been agreed with the council's s151 officer and are included at Appendix 2.

Customer / Equalities and Diversity Implications

There are no implications arising out of this report.

4. RISK MANAGEMENT

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

failure to complete the planned programme of audit work within the financial year;
and,

the continuous provision of an internal audit service is not maintained.

These risks are being managed via the 4Risk risk management system within the Finance and Resources risk area.

5. APPENDICES

Appendix 1 ~ Outline Internal Audit Plan 2016/17
Appendix 2 ~ Key performance indicators 2016/17

6. BACKGROUND PAPERS

None

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th DECEMBER 2015

7. **KEY**

N/a

AUTHOR OF REPORT

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BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th DECEMBER 2015

APPENDIX 1

DRAFT INTERNAL AUDIT PLAN FOR BROMSGROVE DISTRICT COUNCIL 2016/17

Audit Area	*Source (max 45)	Planned days 2015/ 16	Planned days 2016/ 17	Difference = + or -	Agreed 1/4 for delivery
A – CHARGEABLE AND PRODUCTIVE					
Core Financial Systems					
Benefits	Risk assessment score 36	15	15	0	Q3
NDR	Risk assessment score 34	12	12	0	Q3
Council Tax	Risk assessment score 33	12	12	0	Q3
Cash, General Ledger, Budget Control & Bank Reconciliations	Risk assessment score 32	10	10	0	Q3
Treasury Management	Risk assessment score 28	7	7	0	Q3
Creditors	Risk assessment score 28	8	8	0	Q3
Debtors	Risk assessment score 28	7	7	0	Q3
Asset Management	Risk assessment score 24	0	0	0	Q3
Sub Total		71	71	0	
#Corporate					
Risk Management	Risk assessment score 28	5	5	0	Q1
Sub Total		5	5	0	
Other Systems Audits					
Human resources	Risk assessment score 31	0	10	10	Q1
Parkside	Risk assessment score 29	0	9	9	Q2
Customer Services	Risk assessment score 31	0	9	9	Q4

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th DECEMBER 2015

Bereavement Services	Risk assessment score 28	0	8	8	Q2
Insurance	Risk assessment score 31	0	5	5	Q4
Worcestershire Regulatory Services	Risk assessment score 27	14	14	0	Q4
Planning & Regeneration		10		-10	
Housing	Risk assessment score 26	7	10	3	Q1
Community Services		14		-14	
Environmental		14		-14	
Leisure & Culture		14		-14	
Legal Equalities and Democratic		12			
ICT	Risk assessment score 32	10	8		Q4
Sub Total		95	73	-22	
				0	
Completion of Prior Year's work	N/A	8	8	0	
Statement of Internal Control	N/A	3	3	0	
Follow Up on recommendations	N/A	10	10	0	
Fraud and Special Investigations	N/A	11	12	1	
Advisory / Consultancy / Contingency	N/A	11	12	1	
Sub Total		43	45	2	
TOTAL PRODUCTIVE (A ONLY)		214	194	-20	
B – CHARGEABLE AND NON-PRODUCTIVE					
Audit Management Meetings	N/A	15	15		
Corporate Meetings / Reading	N/A	5	5		
Annual Plans and Reports	N/A	8	8		
Audit Committee support	N/A	8	8		
TOTAL CHARGEABLE AND NON-PRODUCTIVE (B)		36	36	0	
TOTAL CHARGEABLE (A + B)		250	230	-20	

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th DECEMBER 2015

Explanatory Notes:

* Risk assessment scores are indicators derived from an internal audit assessment based on local knowledge and risk assessment using various factors including materiality, impact of failure, system risk, resource risk, fraud risk and external risk.

A number of corporate audit budgets have been reallocated to service areas so that the audit budgets can be used more flexibly and include elements including transformation, health and safety and shared service working.

Customer access and support will be considered overall as part of the service audits.

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th DECEMBER 2015

KEY PERFORMANCE INDICATORS 2016/17

APPENDIX 2

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2016/17 i.e. KPI 3 and 4. Other key performance indicators link to overall governance requirements of Bromsgrove District Council.

	KPI	Trend requirement	2015/16 Year End position	2016/17	Frequency of Reporting
1	No. of 'high' priority recommendations	Downward	XX	XX	Quarterly
2	No. of moderate or below assurances	Downward	XX	XX	Quarterly
3	No. of customers who assess the service as 'excellent'	Upward	XX	XX	Quarterly
4	No. of audits achieved during the year	Per target	Target = 15 (minimum) Delivered =	Target = 14 (minimum) Delivered =	Quarterly
5	Percentage of plan delivered	100% of the agreed annual plan	XX %	XX %	Quarterly
6	Service Productivity	Positive direction year on year (Annual target 74%)	XX %	XX %	Quarterly

WIASS considers it operates within, and conforms to, the Public Sector Internal Audit Standards 2013.

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APRIL – SEPTEMBER FINANCIAL SAVINGS MONITORING REPORT 2015/16

Relevant Portfolio Holder	Councillor Geoff Denaro
Portfolio Holder Consulted	-
Relevant Head of Service	Jayne Pickering – Exec Director Finance and Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

1. SUMMARY OF PROPOSALS

To report to the Committee the monitoring of the savings for 2015/16. This report includes the delivery of savings and additional income for the period April 2014 – September 2015.

2. RECOMMENDATIONS

The Committee is asked to NOTE the final financial position for savings as presented in the report for the period April - September 2015/16.

3. KEY ISSUES

- 3.1 This report provides a statement to show the savings for April – September 2015/16 for each strategic purpose and the delivery of the saving for the financial year. This report is separate to the main financial monitoring report that is presented to Cabinet and Overview and Scrutiny as it focuses on the delivery of savings rather than the overall financial position of the Council.
- 3.2 The External Auditors, Grant Thornton, have recommended that the delivery of savings be monitored more closely to ensure that the Council is meeting savings in the way that was expected when the budget was set. This monitoring is recommended to be undertaken by this Committee and the statement attached at Appendix 1 details the savings to be achieved and the current financial position of each area.
- 3.3 As members may be aware during the budget process, heads of service propose savings that are to be delivered during future financial years. The budget allocation is then reduced to reflect the proposed saving and officers meet on a monthly basis to ensure that all estimated reductions to budget are being delivered.
- 3.4 Appendix 1 shows that for April – September 2015/16 savings to budgets have been delivered. 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 have been realised from vacant posts and other service savings to ensure the level of cost reduction is still achieved.

Legal Implications

3.5 None as a direct result of this report.

Service/Operational Implications

3.6 Timely and accurate financial monitoring ensures that services can be delivered as agreed within the financial budgets of the Council.

Customer / Equalities and Diversity Implications

3.7 None, as a direct result of this report.

4. RISK MANAGEMENT

Effective financial management is included in the Corporate Risk Register.

5. APPENDICES

Appendix 1 – Saving monitoring 2015/16

6. BACKGROUND PAPERS

AUTHOR OF REPORT

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Email: j.pickering@bromsgroveandredditch.gov.uk
Tel: (01527) 881400

REVENUE SAVINGS APRIL - SEPTEMBER 2015/16

APPENDIX 1

Strategic Purpose	2015/16 £'000	Budget April - Sept 2015/16 £'000	Actual April - Sept 2015/16 £'001	Variance 2015/16 £'000	Comments General / Service Redesign / Additional Income
Enabling					
Customer Acces & Financial Support - Service review - Fraud / Customer Services & General Savings	-126	-63	-63	0	Savings generated from the service review
Elections	-60	-60	-60	0	Income realised from the General Election
Parkside	-250	-125	-77	48	General Savings have been made by ensuring the current Council House expenditure is on essential items only. It is anticipated that the overall overspend of £130k will be partially offset by the current reserve of £110k to reduce the impact of the shortfall to £20k
Enabling - HR, Legal & Democratic, Finance, IT , Business Transformation	-135	-68	-68	-1	Service review and holding vacant posts to ensure redeployment opportunities are available
Keep my Place, Safe and Looking Good					
Environmental Services - Redesign of service delivery " Place "	-144	-72	-72	0	Savings are all expected to be delivered as part of the new way of working across a "place" rather than in distinct functional service areas
Provide Good Things for me to See, Do and Visit					
Sports Development Partnership - changes to delivery model	-6	-3	-3	0	Change in delivery model has resulted in the savings being delivered
Dolphin Centre - general savings	-40	-20	-20	0	General Savings within the contract

Page 107

Agenda Item 12

REVENUE SAVINGS APRIL - SEPTEMBER 2015/16

APPENDIX 1

Strategic Purpose	2015/16 £'000	Budget April - Sept 2015/16 £'000	Actual April - Sept 2015/16 £'001	Variance 2015/16 £'000	Comments General / Service Redesign / Additional Income
HELP ME LIVE MY LIFE INDEPENDENTLY					
Service review	-20	-10	-10	0	Service review has resulted in savings being delivered
Community Transport - renegotiation of contract	-16	-8	-8	0	The saving has been realised by a renegotiation of the contract payments with the service remaining the same
TOTAL	-797	-429	-381	48	

Page 108

Agenda Item 12

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

WORK PROGRAMME 2015/16

10th December 2015

- Monitoring Officers' Report
- The Audit, Standards & Governance Committee to review the arrangements for Standards Hearings
- Parish Councils' Representatives Report
- Grant Thornton Annual Audit Letter
- Grant Thornton Progress Report – Action Plan update
- Quarter 2 (April – September 2015) Financial Monitoring Report
- Risk Management Champion – Verbal Update
- Benefit Fraud – Quarter 2 Monitoring Report
- Corporate Risk Register
- Internal Audit Monitoring Report
- Draft Internal Audit Plan 2016/2017 – (to include Internal Audit 3 year plan)
- Audit, Standards & Governance Work Programme 2015/2016

24th March 2016

- Annual Review of Operation of the Audit, Standards & Governance Committee
- Monitoring Officer's Report
- Parish Councils' Representatives Reports
- Benefits Investigations
- Grant Thornton Annual Audit Letter
- Grant Thornton Certification Work Report 2014/2015
- Grant Thornton Audit Plan 2015/2016
- Grant Thornton Progress Report – Action Plan Update
- Benefit Fraud Quarter 3 Monitoring Report
- Quarter 3 (April – December 2015) Financial Monitoring Report
- Risk Management Champion – Verbal Update
- Internal Audit Monitoring Report
- Internal Audit Plan 2016/2017
- Audit, Standards & Governance Work Programme 2015/2016

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