

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

THURSDAY, 29TH MARCH 2012 AT 6.00 P.M.

PRESENT: Councillors L. C. R. Mallett (Chairman), Ms. M. T. Buxton,
Dr. B. T. Cooper and Miss P. A. Harrison

Also in attendance: Ms. Z. Thomas, Audit Manager Bromsgrove, Audit
Commission

Observers: Councillor C. J. Bloore

Officers: Ms. J. Pickering, Ms. T. Warwick and Mrs. P. Ross

28/11 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors J. S. Brogan, S. J. Dudley and Mrs. H. J. Jones

29/11 **DECLARATIONS OF INTEREST**

No declarations of interest were received.

30/11 **MINUTES**

The minutes of the meeting of the Audit Board held on 2nd February 2012 were submitted.

RESOLVED that the minutes be approved as a correct record.

31/11 **AUDIT COMMISSION ANNUAL AUDIT LETTER 2010/2011**

A copy of the Audit Commission, Annual Audit Letter for 2010/2011 was considered. The Chairman welcomed Ms. Z. Thomas, Audit Manager for Bromsgrove from the Audit Commission to the meeting.

Ms. Z. Thomas highlighted that the Council faced significant financial challenges exacerbated by reductions in central grants so the Audit Commission had focused on the level of savings the Council would be facing in the future. The following areas were covered by the report, with the current and future challenges discussed in detail with Members.

- Key Messages
- Current and future challenges
- Financial Statements and annual governance statement
- Value for Money

Members were informed that they had a key role to closely monitor the shared services programme, the business transformation project and the town centre redevelopment and that this had been reflected in the 3 recommendations made by the Audit Commission, namely that:

Council Members should ensure:

- All savings for 2012/2013 were indentified before the start of the financial year.
- Current Council performance was maintained during the business transformation process.
- Risks and progress of the town centre redevelopment were monitored closely to minimise risk to the Council.

The Executive Director, Finance and Corporate Resources responded to Members' questions with regard to the recommendations and monitoring of the recommendations. The Executive Director, Finance and Corporate Resources agreed to include all savings and the town centre redevelopment within the Corporate Risk Register in order for the Audit Board to receive updates and to monitor. It was agreed that the annual required savings figures would be included in future reports as the cumulative required savings figures shown had caused some confusion. Ms. Z. Thomas informed Members that the Audit Commission would report back to the Audit Board on the monitoring of savings.

Further discussion followed on the financial statements and annual governance statement. The Executive Director, Finance and Corporate Resources responded to Members' questions with regard to the VAT receipt and the £400,000 premium paid to the Council by Aldi which had been treated as a capital receipt.

RESOLVED that the recommendations included in the Annual Audit Letter 2010/2011 be noted.

32/11 **AUDIT COMMISSION ANNUAL GRANTS REPORT 2010/2011**

Ms. Z. Thomas presented the Audit Commission Certification of Claims and Returns Annual Report undertaken during 2010/2011. Members were informed that a review had been undertaken on all grant related claims that the Council submitted. There were 3 claims that were subject to External Audit: Housing Benefits Claim, National Non domestic rates (NNDR) claim and Disabled Facilities Grant. This year the Council had further improved its arrangements to ensure that claims and returns that required certification were prepared in accordance with the grant paying bodies' relevant terms and conditions. The work carried out by officers had reduced the amount of external audit time spent which had resulted in a reduced fee and was a positive for the Council.

The Executive Director, Finance and Corporate Resources responded to Members questions' with regard to NNDR arrears and informed Members that internal audit had discussed NNDR arrears with the Revenue Services Manager and information was provided at agenda item number 14, Appendix

4. The Revenue Services Manager was currently working through aged debt and would continue to provide updated information on NNDR arrears to future meetings of the Audit Board through the Internal Audit, Action Tracker.

RESOLVED:

- (a) that, subject to the updated information on NNDR arrears as referred to in the preamble above, the Certification of Claims and Returns – Annual Report be noted; and
- (b) that officers respond to the Recommendations as set out in the report.

33/11 **AUDIT COMMISSION OPINION PLAN**

Ms. Z. Thomas presented the Audit Commission Opinion Audit Plan 2011/2012. Members were informed that with regard to the Accounting statements and Whole of Government Accounts no significant risks had been identified. The 3 specific risks that had been identified by the Audit Commission were:

- Proposed changes to the accounts format from Word to Excel
- Shared service allocation of costs between the Councils
- Disclosure of Heritage Assets

The Executive Director, Finance and Corporate Resources responded to Members' questions with regard to Table 2: Proposed work as detailed in the report. Members were informed that Worcestershire Regulatory Services Joint Committee would be audited, by Clement Keys, as a Smaller Relevant Body and this would result in a simple Annual Return being prepared and therefore an anticipated reduction in fee.

Further discussion took place on value for money and the identification of significant risks as detailed in the report. Ms. Z. Thomas responded to the Chairman with regard to how the savings to be delivered through shared services and the Council's overall project plan for transformation would be monitored. Members were informed that a robust system was in place to ensure that all relevant recharges between Bromsgrove and Redditch were logged and charged.

RESOLVED that the Audit Opinion Plan 2011/2012 be approved.

34/11 **AUDIT COMMISSION PROGRESS REPORT**

Ms. Z. Thomas presented the report and in doing so informed Members that the report reflected the work undertaken in relation to the audit of the 2011/2012 accounts and general information on the national issues that may impact on the Council. Members were informed that the key areas where fraud was detected:

- Housing benefits and council tax benefits
- False claims for student and single person council tax discounts
- Procurement fraud

The Audit Commission had developed a single person discount comparator tool that allowed local authorities to compare their levels of council tax single person discount with their predicted levels, based on a national average.

The Executive Director, Finance and Corporate Resources responded to Members' questions with regard to fraud monitoring and whether the Key Considerations as detailed in the report had been addressed by officers. Members were informed that the fraud prevention checklist was being developed and that the relevant Key Considerations would be picked up by officers and included in the Internal Audit Recommendation Tracker and monitored quarterly. Bromsgrove District Council held no housing stock so no response was required to the Department for Communities and Local Government (DCLG) consultation exercise.

RESOLVED that the Audit Commission Progress 2011/2012 be noted.

35/11 **AUDIT COMMISSION - TRANSFER OF THE AUDIT PRACTICE - VERBAL UPDATE**

In the absence of Ms. E. Cave, District Auditor, Ms. Z. Thomas, Audit Manager, Bromsgrove had provided Members with a verbal update on this item during Minute No 34/11.

(Members were reminded that the following two items of business had been deferred due to the Audit Board meeting on 2nd February 2012 being inquorate. In the absence of the Fraud Services Manager the Executive Director, Finance and Corporate resources presented the reports).

36/11 **NATIONAL FRAUD INITIATIVE UPDATE**

The Executive Director, Finance and Corporate Resources presented the report and in doing so informed Members that information contained in the report related to the bi-annual Datamatching exercise with the Audit Commission. The National Fraud Initiative was a mandatory piece of work that the Council needed to undertake.

RESOLVED that the contents of the National Fraud Initiative Update be noted.

37/11 **OVERPAYMENTS UPDATE**

Consideration was giving to a report as requested by Members during its meeting held on 15th December 2011.

The Executive Director, Finance and Corporate Resources presented the report and in doing so drew Members attention to page 80 of the report and the following amendments:

- Total overpayments raised during the year, to read Total overpayments to the end of March 2011.
- % of overpayments recovered as a % of total overpayments outstanding – Redditch – to read 48% and not 28% as shown.

Members were informed that an overpayments officer was now in place whose sole role was to look at overpayments. Members agreed that in order to obtain an understanding of the processes and procedures with regard to the Overpayment Recovery policy and Write off procedures, officers be tasked to provide the following information to the next meeting of the Audit Board:

- Case Studies
- Fraudulent Claims
- Overpayment Write off figures
- Overpayment Write off – comparison with other authorities
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RESOLVED that, subject to future additional information as referred to in the preamble above, the Overpayments Update be approved.

38/11 **PROVISIONAL AUDIT ANNUAL PLAN 2012-2013**

In the absence of Mr. A. Bromage, Internal Audit Manager, Worcestershire Internal Audit Shared Service, the Chairman welcomed Ms. T. Warwick, Lead Auditor, Bromsgrove and Redditch, Worcestershire Internal Audit Shared Service to the meeting.

Ms. Warwick explained the formulation of the Annual Plan to Members and that the report provided Members with an opportunity to look at and contribute to the Annual Plan. Ms. Warwick responded to Members' questions with regard to information on planned days for 2012/2013 as detailed at Appendix 1 to the report:

- the considerable reduction in 'Other Systems Audits inc follow up';
- shared services;
- transitional arrangements (critical friend); and
- advisory / consultancy / contingency

The Executive Director, Finance and Corporate Resources and Ms. Warwick responded to concerns expressed by the Chairman with regard to the number of planned days shown for Shared Services.

Following discussion it was agreed that officers be tasked to include figures for both planned days and actual days in future reports to the Audit Board and details on how contingency days had been used.

Members' attention was drawn to the revised recommendations.

RESOLVED:

- a) that, subject to the additional information as detailed in the preamble above, the Bromsgrove District Council Provisional Internal Audit Operational Plan for 2012/2013 as detailed at Appendix 1 to the report be approved; and
- b) that the Internal Audit Shared Service's set of key performance indicators for 2012/2013 as detailed at Appendix 2 to the report, be approved.

39/11 **STATEMENT OF ACCOUNTING POLICIES**

The Committee considered a report on the proposed Accounting Standards in preparation for the 2011/2012 Accounts.

The Executive Director, Finance and Corporate Resources presented the report and in doing so informed Members that the Statement of Accounts presented the overall financial position of Bromsgrove District Council for the year ended 31st March 2012. Members were asked to note that the main change this year was Heritage Assets as detailed at page 103 to the report.

RESOLVED that the Accounting Policies as detailed at Appendix 1 to the report be approved.

40/11 **LOCAL GOVERNMENT ACT 1972**

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

<u>Minute No.</u>	<u>Paragraphs</u>	
41/11	7	
42/11	2 and 7	
43/11	7	"

41/11 **PROTECTING THE PUBLIC PURSE**

Members were reminded that this report had been deferred due to the Audit Board meeting on 2nd February 2012 being inquorate. In the absence of the Fraud Services Manager the Executive Director, Finance and Corporate Resources presented the report.

The report provided information in relation to the recently issued Audit Commission publication 'Protecting the Public Purse 2011: Fighting Fraud against Local Government'. Members were informed Members that in the absence of the Fraud Services Manager the Internal Audit Shared Services Manager would be tasked to update the report and the self assessment checklist.

Following further discussion on the report and the need for the self assessment checklist to be updated, it was

RESOLVED that officers be tasked to provide an updated report and self assessment checklist to the next meeting of the Audit Board.

42/11 **FRAUD INVESTIGATION - VERBAL UPDATE**

The Executive Director, Finance and Corporate Resources provided Members with a verbal update on the one case referred to in the Corporate Anti-Fraud Performance Report 2010/2011 presented to the Board on 15th December 2011 and 2nd February 2012.

RESOLVED that a further update be provided to the next meeting of the Audit Board.

43/11 **INTERNAL AUDIT MONITORING REPORT**

Members considered a report which detailed the monitoring report of the internal audit work as at 24th February 2012.

Ms. T. Warwick presented the report and in doing so provided Members with an additional update on the audits in progress as at 5th March 2012. Further discussion followed on Appendix 4 to the report – Action Tracker Outstanding Actions. Ms. T. Warwick provided Members with an additional update on the outstanding actions and Members agreed that the following items be taken off the Action Tracker Outstanding Actions:

Resources / Payroll -

- Establishment List
- Procedures and/or guidance notes

Further discussion followed on Appendix 3 to the report, particularly with regard to Marlbrook Tip with ensuing consideration of the conditions applied to the Longbridge development site planning application. Ms. T. Warwick informed Members that the recommendations contained within the internal audit report on the Marlbrook Tip had been included within the Planning Policy Task Group report.

RESOLVED:

- a) that officers seek further advice in relation to any potential loss of revenue and cost to the Council with regard to the Marlbrook Tip and report back to the next meeting of the Audit Board;
- b) that the Internal Audit Service retain the monitoring of the conditions applied with regard to the Longbridge development site and any future developments to ensure effective and robust monitoring arrangements are in place; and
- c) that the Internal Audit Monitoring Report be noted.

The meeting closed at 7.51 p.m.

Chairman