

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

THURSDAY, 13TH DECEMBER 2012 AT 6.00 P.M.

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

Also in attendance: Mr. P. Jones (Engagement Lead, Grant Thornton) and Ms. Z. Thomas (Engagement Manager, Grant Thornton)

Officers: Ms. J. Pickering, Mrs. T. Kristunas, Mr. A. Bromage and Ms. R. Cole.

26/12 **APOLOGIES FOR ABSENCE**

An apology for absence was received from Councillor S. J. Dudley.

27/12 **DECLARATIONS OF INTEREST**

No declarations of interest were received.

28/12 **MINUTES**

The minutes of the meeting of the Audit Board held on 20th September 2012 were approved as a correct record.

29/12 **AUDIT COMMISSION ANNUAL GOVERNANCE REPORT 2011 - 2012**

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

The Board considered a report on the responses of the Section 151 Officer to the Annual Governance Report from the Audit Commission for 2011/2012. This report had been considered by Cabinet and Council in September.

Ms. Z. Thomas briefly explained the background to the Annual Governance Report which was part of the process for auditing the final accounts for 2011/2012 and reported that the Section 151 Officer had considered and agreed the five recommendations proposed by the Audit Commission. These were:

- Review the shared service plans accounting arrangements in order to simplify the process;
- Improve risk management arrangements and reporting;
- Continue to monitor the delivery of the Internal Audit Plan;

- Review the format of the monitoring of savings as presented to officers and Members; and
- Review the benefits transformation with the aim to bring to a close.

It was reported that responses to the recommendations had been incorporated into an Action Plan which was attached as Appendix 1 to this report.

The Board discussed in particular the issue of monitoring savings arising from the shared service and transformation process. It was appreciated that it was important for the Authority to be able to demonstrate and monitor the savings achieved. The Head of Finance and Resources explained that through transformation work in a particular area, savings were sometimes achieved in other areas which may not have been envisaged at the start of the process.

The Executive Director (Finance and Resources) agreed this could make it more challenging to identify savings but explained officers were aware of this and were working towards improving the processes. It was intended that the information would be presented to Members as part of the quarterly financial monitoring reports.

Following discussion it was

RESOLVED:

- (a) that the responses to the Annual Governance Report 2011/2012 be noted; and
- (b) that officers be requested to report to the Board on a quarterly basis in respect of progress made on the actions to enable them to be monitored effectively.

RECOMMENDED that the Cabinet be requested to ensure that processes are put into place to enable savings achieved through the transformation process to be effectively monitored.

30/12 **PLANNED AUDIT FEE FOR 2012/2013**

(The Chairman agreed to the consideration of this item as an urgent matter as consideration was required before the next meeting of the Board).

At the invitation of the Chairman, Mr. P. Jones, the Council's Engagement Lead from Grant Thornton gave a brief introduction to the Company and explained how they would hope to work with the Council over the forthcoming year.

Mr. Jones then reported on the Council scale fee for 2012/2013. It was noted that this had reduced from an Audit Fee of £106,676 for 2011/2012 to £64,006 for 2012/2013 a reduction of £40%.

In response to questions from Members it was explained that this was largely due to a streamlining of processes and was not as a result of a decrease in input. In addition there would be a focus on agreed areas of high risk within

systems. The Audit Commission would maintain a supervisory role and there would be formal Client surveys undertaken to obtain feedback.

RESOLVED that the planned audit fee for 2012/2013 of £64,006 be approved.

31/12 **CORPORATE RISK REGISTER / RISK MANAGEMENT**

The Head of Finance and Resources gave the Board an update on the changes to the Risk management arrangements following the changes in processes arising from shared services and the transformation of services. A joint shared approach had been taken with regard to risk identification, recording and monitoring.

It was reported that a new risk management framework document had been produced in draft and was currently in the process of being reviewed by the Corporate Management Team. Key risks had been identified across each service and these would be managed on an on going basis using a web based system. It was reported that an officer Risk Management Group would monitor the operational risks and where appropriate escalate these for discussion and inclusion in the Corporate Risk Register.

The Head of Finance and Resources referred to some of the key risks identified so far such as:

- The need to deliver “business as usual” whilst transformation was on going;
- Failure to deliver a Local Plan could result in increased challenge over planning decisions or unwanted developments;
- Failing to work closely with the new Police and Crime Commissioner with respect of community safety;
- Failure to secure County Council funding for Lifeline services from April 2013.

Clearly actions would be put in place to mitigate the risks identified. The Head of Finance and Resources felt that use of the new risk management tool would enable risks to be monitored and addressed on a more effective and timely basis.

The Board discussed the importance of an effective risk management system and it was

RESOLVED that officers be requested to report further to the Board on the development of the new risk management system, including corporate and operational risks.

32/12 **BENEFITS INVESTIGATIONS APRIL - SEPTEMBER 2012**

The Board considered a report on Benefits Service Fraud Investigations service for April to September 2012. The Head of Finance and Resources reported on some of the background to the figures. It was reported that

referrals arose from a number of sources and that it was essential to have a joint approach to working with the Department of Work and Pensions (DWP).

It was also noted that the changes to the Benefits systems arising from the Welfare Reform Act would have significant consequences. The DWP had proposed combining the various fraud services into a Single Fraud Investigation Service (SFIS).

Members of the Board raised queries on the tables of investigations and sanctions which gave comparisons across the County. It was noted that a significant proportion of cases within the District resulted in the acceptance of a caution. In addition it was noted that in the previous financial year the number of investigations closed had peaked in quarter 2 and decreased quite significantly in quarters 3 and 4.

Members felt it would be helpful to understand the nature of the cases more fully before considering any further action which may be required.

Following discussion it was

RESOLVED:

- (a) that the report be noted; and
- (b) that the Head of Finance and Resources be requested to provide the Board with additional information on the nature and demographic profile of the cases of fraud within the District and that this be circulated prior to the next meeting of the Board in March 2013.

33/12 **INTERNAL AUDIT MANAGER'S - DRAFT AUDIT PLAN 2013 / 2014**

The Board considered a report from Mr. A. Bromage, Internal Audit Manager, Worcestershire Internal Audit Shared Service, on the draft internal Audit Operational Plan together with the key performance indicators for the Internal Audit Shared Service.

Mr. Bromage explained that the Annual Plan had been drawn up following discussions with the Section 151 Officer and Heads of Service and was a risk based plan. Mr. Bromage and the Executive Director (Finance and Resources) responded to Members' questions in relation to:

- the purpose of days allocated to Shared Service Delivery (Client)
- Section 106 Agreements
- Bromsgrove Urban and Rural Transport service
- the days allocated to catch up work from the previous year

In addition Members queried the days allocated to Transitional (Critical Friend) and the Risk Management days and whether this was the best use of the Audit days available. The Executive Director (Finance and Resources) undertook to discuss this further with the Internal Audit Manager to ensure best value was obtained from the days available.

Following discussion it was

RESOLVED:

- (a) that the report be noted subject to the discussion referred to in the preamble; and
- (b) that the key performance indicators for the Worcestershire Internal Audit Shared Service for 2013/2014 be approved.

34/12 **AUDIT BOARD WORK PROGRAMME 2012 / 2013**

The Board considered the Work Programme 2012/2013.

It was noted that the Audit Commission Annual Letter had been considered previously and could be removed from the list for the March meeting.

In addition further to the discussion on risk management earlier in the meeting, it was agreed that at the March meeting, high level risks be considered together with operational risks from the Leisure and Culture Department and that the Head of Service be invited to attend the meeting.

It was also requested that an item on Corporate Fraud and how the Authority pro-actively responds to this be added to the Work Programme

RESOLVED that subject to the amendments set out in the preamble the Work Programme be noted.

35/12 **INTERNAL AUDIT MONITORING REPORT**

The Board considered a report which detailed the monitoring of internal audit work as at 30th November 2012. It was reported that the full Audit Plan would be delivered by the end of the year.

In relation to the Key Performance Indicators, Members requested that this be broken down into quarterly targets where possible.

RESOLVED that the report be noted.

36/12 **LOCAL GOVERNMENT ACT 1972**

RESOLVED that under Section 100 I of the Local Government Act 1972, as amended, the public be excluded from the meeting during the consideration of the following item of business of the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12A to the Act, as amended, the relevant paragraph of that part being as set out below, and that it is in the public interest to do so:-

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| <u>Minute No.</u> | <u>Paragraph</u> |
| 37/12 | 7 |

37/12 **INTERNAL AUDIT MONITORING REPORT**

The Board considered the Appendices to the Internal Audit Monitoring Report.

RESOLVED that the current position be noted.

The meeting closed at 7.35 p.m.

Chairman