

**BROMSGROVE DISTRICT COUNCIL**

**MEETING OF THE AUDIT BOARD**

**THURSDAY, 20TH MARCH 2014 AT 6.00 P.M.**

PRESENT: Councillors B. T. Cooper (Vice-Chairman), J. R. Boulter, M. T. Buxton, S. J. Dudley, H. J. Jones and C. J. Spencer (substituting for P. A. Harrison)

Invitees: Councillor M. J. A. Webb, Portfolio Holder for Finance, Customer Services and Economic Development

Officers: Ms. J. Pickering, Mr. A. Bromage and Mrs. P. Ross

The Chairman welcomed Councillor M. J. A. Webb to the meeting as Portfolio Holder for Finance, Customer Services and Economic Development.

34/13 **APOLOGIES**

Apologies for absence were received from Councillors P. A. Harrison and P. M. McDonald. Councillor C. J. Spencer confirmed she was attending as a substitute Member.

35/13 **DECLARATIONS OF INTEREST**

No declarations of interest were received.

36/13 **MINUTES**

The minutes of the Audit Board meeting held on 12th December 2013 were submitted.

**RESOLVED** that the minutes be approved as a correct record.

37/13 **GRANT THORNTON - CERTIFICATION WORK REPORT 2012/2013**

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

The Board was asked to note the Grant Thornton Grant certification letter 2012/2013 and the Grant certification work plan 2013/2014.

Ms. Z. Thomas introduced the report and informed Members that they had certified two claims for 2012/2013 which related to £45.8 million of expenditure. The two claims, as detailed at Appendix 1 to the report were:

- Housing and Council Tax Benefit Scheme
- National Non Domestic Rates

There were no significant issues arising from their certification work which they wished to highlight for the Board's attention. They were satisfied that the Council had appropriate arrangements to compile complete, accurate and timely claims/returns for audit certification and were satisfied that any recommendations raised in previous years had been addressed.

There were a number of errors identified in the housing benefits testing. There were 8 cells for which 40+ testing was required. The value of the errors were extrapolated and reported to the Department for Work and Pensions (DWP) in line with the Audit Commission certification instructions. The total extrapolated value of amendments was less than £20,000 and was therefore small relative to the total value of the claim. It was important that officers reviewed the errors to determine whether there were any lessons to be learned that should be reflected in training and procedures within the department.

In response the Executive Director, Finance and Corporate Resources informed Members that she accepted there had been slightly more errors than in previous years. Training plans and checks were now in place with Benefits Team Leaders.

**RESOLVED** that the Grant Thornton Grant certification letter 2012/2013 and the Grant certification work plan 2013/2014 be noted.

### 38/13 **GRANT THORNTON - REVIEW OF FINANCIAL RESILIENCE**

The Board was asked to note the Grant Thornton Review of the Council's Arrangements for Securing Financial Resilience.

Mr. P. Jones, Engagement Lead, Grant Thornton introduced the report and in doing so drew Members' attention to page 31 in the report, which detailed the RAG (Red/Amber/Green) rating used by Grant Thornton. The Executive Summary detailed the four risk areas:

- Key Indicators of Performance
- Strategic Financial Planning
- Financial Governance
- Financial Control

Three of the risk areas had been RAG rated green, Financial Governance was RAG rated amber, due to the significant unplanned underspends in its revenue and capital budgets for the last two years. The Council had taken these large underspends seriously. Mr. Jones felt that there needed to be clear communication between the budget holders and their designated

accountants. Financial reports in the past had not been explicit enough about savings, the Board needed to ensure that transformation was delivering savings. Overall the financial position was reasonably sound.

The Chairman expressed his concerns with regard to over estimating on the budget, which had been contentious and questioned what plans were now in place. In response the Executive Director, Finance and Corporate Resources informed Members that the current underspend was £50,000. Each department now had a dedicated accountant. The 2014/2015 budget was being scrutinised with every single spend versus budget checked and any underspend drawn down and extracted to meet future budget savings. A financial management training package for budget holders was currently being developed and Grant Thornton would be asked for their comments on the financial training package. Members were further informed that a detailed report on financial resilience, as detailed at agenda item 13, would be presented to Members later in the meeting.

Councillor M. T. Buxton commented that she was pleased to see that the concerns raised by Members with regard to unplanned underspends had been taken into account and addressed.

**RESOLVED** that the Grant Thornton Review of the Council's Arrangements for Securing Financial Resilience and the actions to be undertaken by the Council, be noted.

39/13 **BENEFITS SERVICES FRAUD INVESTIGATION**

The Board considered a report which detailed the performance of the Benefits Services Fraud Investigation service for the period 1st October 2013 to 31st December 2013.

The Executive Director, Finance and Corporate Resources introduced the report and in doing so informed the Board that as detailed in the report, during this period there had been 3677 live Housing Benefit claims and 5102 Council Tax Support claims at any one time. Direct expenditure for the period from 1st April 2013 until 31st December 2013 was £15,667,212 in Housing Benefit and £5,666,630 in Council Tax Support.

47 fraud referrals had been received and considered for investigation by the team. Many fraud referrals related to benefits paid by both Bromsgrove District Council and the Department of Works and Pensions (DWP). In these cases, a joint approach was taken to ensure that the full extent of offending was uncovered and the appropriate action was taken by both bodies.

The Executive Director, Finance and Corporate Resources responded to Members' questions with regard to files being closed without sanction. The Chairman questioned as to why cases were closed without sanction and not left open, pending information that could be received at a later date, therefore providing enough evidence to prosecute. The Executive Director, Finance and Corporate Resources agreed to raise his question with the Head of Customer Access and Financial Support and report back to the Board.

Following further discussion on the new benefit system, Universal Credit, the Executive Director, Finance and Corporate Resources suggested that information on the new benefit system and the potential for increased fraud be reported to a future meeting of the Board.

The Chairman suggested and asked Members if they would prefer to see temporal data in future reports. Members were in agreement.

**RESOLVED:**

- (a) that the Benefits Services Fraud Investigation for 1st October 2013 to 31st December 2013 be noted;
- (b) that future reports include temporal data; and
- (c) that information on Universal Credit and the potential for increased fraud be reported to a future meeting of the Board.

40/13 **TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY 2013-2014 TO 2015-2016**

The Board was asked to consider a report which detailed the Treasury Management Strategy Statement and Investment Strategy 2013/2014 to 2016/2016 in order to comply with the Local Government Act 2003.

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

**RESOLVED:**

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

41/13 **CORPORATE FRAUD - AUDIT REVIEW**

The Board was asked to note the Worcestershire Internal Audit Shared Services review currently being undertaken in relation to Corporate Fraud 2013/2014.

The Executive Director, Finance and Corporate Resources provided Members with brief details of the Staff Mood Survey and the questions included within the survey in respect of the Council's Whistleblowing Policy:

- I understand that I have a responsibility to raise any concerns I may have over possible fraud, crime, danger or other serious risk that could threaten customers, colleagues, the public or the organisation's reputation –

• Yes      97.18% (276)      No      2.82% (8)      284

- I know how to raise such a concern –

• Yes      83.22% (238)      No      16.78% (48)      286

- I feel confident about raising any such concerns –

• Yes      78.95% (225)      No      21.05% (60)      285

Councillor Buxton felt that a more direct question "Are you aware of the Council's Whistleblowing Policy" should have been included in the Staff Mood Survey in order to identify any training issues. Members agreed that this should be included in the Audit Brief to ensure staff were aware of the Council's Whistleblowing Policy.

The Executive Director, Finance and Corporate Resources drew Members' attention to Appendix 2 to the report that detailed the Objectives of the Audit; which had been determined by Internal Audit and would address current policies and procedures whilst identifying best practice across the audit environment. The results of the Corporate Fraud 2013/2014 audit review would be reported to a future meeting of the Board. Members had noticed that the policy was out of date and in need of review. The Executive Director, Finance and Corporate Resources informed Members that this would be picked up by Internal Audit during the audit review.

Members raised the following questions:-

- Employee commencement and termination forms, what checks were in place to ensure that the staff member completing these forms was authorised to do so and to ensure there was no fraud taking place?
- Could it be included in the revised Whistleblowing policy that staff can raise concerns with Councillors?

The Executive Director, Finance and Corporate Resources agreed to raise both questions with the Council's Human Resources department and report back to the Audit Board.

**RESOLVED** that, as detailed in the preamble above the Corporate Fraud Audit Brief, in relation to Corporate Fraud be amended and noted.

#### 42/13 **INTERNAL AUDIT MONITORING REPORT**

The Board considered a report which detailed the monitoring report of internal audit work and performance as at 28th February 2014

Mr. A. Bromage, Service Manager, Worcestershire Internal Audit Shared Service introduced the report and in doing so drew Members' attention to the audit reports issued and completed as at 28th February 2014, as detailed on page 104 and 105 in the report. There were no high priorities for the audits completed. Mr. Bromage responded to the Chairman and highlighted that he was confident that the planned programme of audit work would be completed.

**RESOLVED** that the monitoring report of internal audit work and performance as at 28th February 2014 be noted.

43/13 **INTERNAL AUDIT OPERATIONAL PLAN 2014/2015**

The Board considered a report which detailed the Internal Audit Operational Plan 2014/2015 and the key performance indicators for the Worcestershire Internal Audit Shared Service 2014/2015.

Mr. A. Bromage, Service Manager, Worcestershire Internal Audit Shared Service introduced the report and in doing reminded Members that a provisional plan of work was presented to the Board in December 2013. The provisional plan had provided Members with the opportunity to have a positive input to the audit work programme.

Mr. Bromage highlighted that with the resource allocation of 300 chargeable days for 2014/2015, as agreed with the Council's s151 officer; he was confident that he could provide management, external audit and those charged with governance with the assurances and coverage that they required over the system of internal control, annual governance statement and statement of accounts.

**RESOLVED:**

- (a) that the Internal Audit Operational Plan 2014/2015; and
- (b) the Key Performance indicators for the Worcestershire Internal Audit Shared Service 2014/2015 be approved.

44/13 **ICT RESILIENCE UPDATE**

Following on from the meeting held on 12th December 2013 where Members had requested further information on ICT Resilience. At the suggestion of the Chairman and with the agreement of all Members it was

**RESOLVED** that Executive Director, Finance and Corporate Resources would provide the brief information on ICT Resilience to the Democratic Services Officer to forward onto all Audit Board Members.

45/13 **CORPORATE RISK REGISTER**

The Board was asked to note and propose any additional items to be included in the Corporate Risk Register 2014/2015.

The Executive Director, Finance and Corporate Resources introduced the report and in doing so drew Members' attention to the Corporate Level – Risk Register, as detailed at Appendix 1 to the report.

The Corporate Risk Register was currently in the process of being updated and Members were requested to consider and propose any additional risk areas or changes to the Corporate Risk Register that were deemed to be of a strategic nature. The risks contained within the Corporate Register were deemed as strategic as they had the following impact:-

- If realised, could fundamentally affect the way in which the Council existed or provided services in the next five years.
- These risks would have a detrimental effect on the Councils' achievement of the key purposes
- Risk realisation would lead to material failure, reputation damage, loss or lost opportunity across the Council

The Executive Director, Finance and Corporate Resources informed Members that an additional corporate risk has been identified by the Head of Legal and Democratic services in relation to the implementation of the Individual Electoral Registration. The controls and actions in place were discussed with Members. Members agreed that Corporate Fraud be added as an additional corporate risk.

Risks were monitored on a quarterly basis and actions were undertaken to ensure adequate and robust controls were in place to mitigate any risk.

Following further discussion it was

**RESOLVED:**

- (a) that, as detailed in the preamble above the implementation of the Individual Electoral Registration and Corporate Fraud be included as additional corporate risks; and
- (b) that subject to these amendments the Corporate Risk Register be noted.

46/13 **QUARTER 3 - FINANCE MONITORING REPORT 2013/2014**

The Board was asked to consider a report which detailed the Council's summary financial position for Quarter 3, April to December 2013.

The Executive Director, Finance and Corporate Resources introduced the report and in doing so informed Members that the detail was presented to Cabinet and Overview and Scrutiny Board to enable Members to discuss the reasons for the variances in expenditure and income on the services provided. The main summary was included within the report to enable Members to be assured that relevant information was provided.

**RESOLVED:**

- (a) that the current summary financial position on Revenue and Capital be noted; and

(b) that the savings delivered 2014/2015 as reported and the approach taken to report the savings be approved.

47/13 **AUDIT BOARD END OF YEAR REPORT 2013/2014**

The Democratic Services Officer sought confirmation from the Board as to whether or not Members wanted to follow on from the success of the last municipal year and produce an Audit Board End of Year Report for 2013/2014.

**RESOLVED** that the draft Audit Board End of Year Report 2013/2014 be presented to the next meeting of the Audit Board.

48/13 **AUDIT BOARD WORK PROGRAMME MARCH 2014**

The Board considered the Work Programme for 2013/2014.

Following a brief discussion on the number and volume of reports presented to Audit Board meetings, the Board agreed that the Portfolio Holder for Finance, Customer Services and Economic Development and officers be tasked to review the Work Programme for 2014/2015.

**RESOLVED:**

- (a) that the Work Programme for 2013/2014 be noted; and
- (b) that the Portfolio Holder for Finance, Customer Services and Economic Development and officers review the Work Programme for 2014/2015.

The meeting closed at 7.14 p.m.

Chairman