



# AUDIT BOARD ANNUAL REPORT

2013 / 2014



**Bromsgrove**  
District Council

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# **AUDIT BOARD ANNUAL REPORT 2013 / 2014**

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## **FOREWORD BY THE CHAIRMAN**

Chairman of the Audit Board



Welcome to this second report produced by Bromsgrove District Council Audit Board.

Once again the Board has been fairly active based on the previously developed work programme, being extremely conscious of the responsibility of the Board.

Members of the Audit Board had raised several queries with officers related to value for money, risk management and corporate fraud; all of which had been answered to the satisfaction of the Board Members.

Members of the Board take very seriously their responsibilities ensuring that any weaknesses are addressed as soon as possible.

My thanks go to all the Members of the Board and the Vice Chairman, Councillor B. Cooper, the officers who have supported the Board so efficiently with special thanks to Pauline Ross and the Democratic Services Team for their excellent support throughout the year.

Councillor Patricia Harrison

## **INTRODUCTION**

Audit Board Members are pleased to introduce the second Audit Board Annual Report. The report provides an overview of the Audit Board's activity during the municipal year 2013/2014.

The Audit Board works in partnership with the Cabinet and officers to ensure good stewardship of the Council's resources and delivery outcomes for the people of the District.

The Audit Board has a responsibility to consider the effectiveness of the Council's internal control environment. The ultimate responsibility for audit rests with the Portfolio Holder with responsibility for finance and the Council's Section 151 Officer.

The Audit Board continuously reviews Internal Audit's progress against the audit plan and considers Internal Audit performance measures.

The Audit Board receives and considers:

- Reports from the External Auditors – Grant Thornton
- A summary of work undertaken by Internal Audit
- Financial process/procedures
- Value For Money reports
- Any special investigations undertaken by Internal Audit
- Risk Management, including Departmental Risk Management Presentations
- Corporate Fraud
- Benefits Investigations

## **AUDIT BOARD MEMBERS 2013 / 2014**



Councillor H. J. Jones



Councillor J. R. Boulter



Councillor P. M. McDonald



Councillor S. J. Dudley



Councillor B. T. Cooper



Councillor M. T. Buxton

# **THE ROLE OF THE AUDIT BOARD**

## **Scope and Responsibility**

Bromsgrove District Council is responsible for ensuring that its business is conducted in accordance with legal requirements and proper standards, and that public money is safeguarded and properly accounted for. Under the Local Government Act 1999 the Council also has a duty to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Council also has a responsibility for ensuring a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk.

The Audit Board's Terms of Reference are detailed at Appendix 1.

## **Meetings of the Board**

The Council's constitution requires the Audit Board to hold quarterly meetings. During the municipal year 2013/2014 meetings were held in September, December 2013 and March 2014. The meeting scheduled for 20th June 2013 was postponed following discussions with Leading Group Members and rescheduled for 4th July 2013; this meeting was inquorate, so agenda items were included on the agenda for the meeting held on 19th September 2013. The Audit Board Work Programme for 2013/2014 was agreed at this meeting, as detailed at Appendix 2. The work programme continued to be a working document and was reviewed at every meeting with items included as and when considered and agreed by the Board.

Audit Board procedure rules permitted the use of trained substitutes with each Board Member able to appoint a trained substitute to attend on their behalf, limited to no more than two meetings in any municipal year. Trained substitutes were in attendance at the meetings held on 19th September 2013 and 20th March 2014.

## **MEMBER TRAINING**

The Council's external auditors Grant Thornton provided Audit Board Members with training on 2nd September 2013. Mr. P. Jones, Engagement Lead carried out the training session, which focussed on 'Improving your Audit Committee effectiveness'.

The two main areas of Audit Committee responsibility –

- Financial Reporting
- Risk Management / Internal Control

The training also covered 'making a difference in challenging times' –

- Where joint arrangements or shared services are being introduced
- When major organisational change is being undertaken
- and how Audit Committees can increase their effectiveness

The training concluded with top tips for effectiveness –

### During the year:

- pre-meeting (including audit) to organise and prioritise agenda
- obsessive focus on assurance gathering for the Annual Governance Statement and speaking up / call officers in if not getting what is needed
- hard challenge on anything that threatens to soak up committee time that is not key to assurance gathering (interesting distractions / too much detail)
- awareness of tendency to drift into scrutiny / executive / management roles (policing role but assurance that it is being covered in the appropriate place)
- willingness to flex work plan / additional meeting / subgroup to deal with emerging important issues and risks

### Year end:

- challenge the effectiveness of the Annual Governance Statement
- ensure explanations on the accounts are clear and satisfactory
- prepare a report on the effectiveness of the committee during the year
- feed improvement's into next year's plan



The Service Manager, Worcestershire Internal Audit Shared Service, provided refresher training for Members in September 2013. The Member Development Steering Group agreed that refresher training be made mandatory and that all Audit Board Members and named substitutes attended appropriate training prior to attending Audit Board meetings, to allow them to discharge their responsibilities.

The training highlighted the role of a functional internal audit service, with key findings and progress reported to the Audit Board:

- Service to management.
- Continuous examination of the day to day risks, transactions, systems and methods.
- Provision of independent verification, assurance of risk mitigation, accuracy of records as an indicator of effective management and governance.
- 'Managed audit' agreement: reliance placed by External Audit (EA) on Internal Audit (IA) testing of core financial systems.
- Value Added audits to include economy, efficiency and effectiveness.
- Fraud Prevention and Detection.
- Critical Friend, Consultancy and advice.



## **ANNUAL GOVERNANCE STATEMENT 2012 / 2013**

The Annual Governance Statement is a statutory document, which provides an overview of the governance arrangements within the Council.

Bromsgrove District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Members, Executive Directors, Heads of Service, and other managers of the Council, who are responsible for the development and maintenance of the Governance environment, the Internal Audit Manager's annual report, and the external auditors and other review agencies and inspectorates.

The Annual Governance Statement 2012/2013 was due to be presented to the Board at the meeting on 4th July 2013. The meeting was inquorate so the agenda items were carried forward to the meeting on 19th September 2013.

The Cabinet considered the Annual Governance Statement for inclusion in the Statement of Accounts 2012/2013 on 4th September 2013. Members were asked to note the Internal Audit Opinion for inclusion in the Annual Governance Statement, which would be included as part of the Annual Governance Statement and included in the Statement of Accounts for 2012/2013.

## **INTERNAL AUDIT**

The Worcestershire Internal Audit Shared Services Team has been in place since June 2010 and operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews, on a continuous basis the extent to which the internal control environment supports and promotes the efficient and effective use of resources. All audit reports go to the manager of the service, the appropriate Director and the Chief Executive. The Audit Board receives a quarterly report of the internal audit activity and has input and final approval of the annual audit plan for the forthcoming year.

Internal Audit continuously reviews and reports on risk and the adequacy of systems in place to ensure compliance with Council policies and procedures and assists Service Managers to add value to service areas.

Internal Audit has developed a methodology which sets out how they:

- Risk assesses the organisation in key areas.
- Engage with Senior Management
- Formulate the Audit Plan
- Scope and plan the audit
- Through fieldwork obtain evidence and assurance in a structured way
- Decide what assurance has been attained against a given criteria
- Report to management
- Follow up recommendations
- Report key findings and progress to the Audit Board

There is a clear reporting mechanism which provides assurance to the Manager and the Audit Board. The final report provides:

- The reason for the audit
- Scope and objectives of the audit
- Audit opinion and executive summary
- Detailed findings and recommendations with priority, along with a management action plan

How does Internal Audit provide a service to management?

- Highlight risk considerations
- Review and test internal controls for a particular service/function
- Use preventive controls and detective controls
- Assurance to managers, recommendations to improve
- Quality work - what the manager wants, appropriate and timely, value added, assist with transformation

### **Internal Audit Monitoring Report**

The Service Manager, Worcestershire Internal Audit Shared Service provided the Audit Board with quarterly reports detailing internal audit work and performance. The involvement of Members in progress monitoring was considered to be an important facet of good corporate governance, which contributed to the internal control assurance given in the Council's Annual Governance Statement. Individual reports for completed audits were presented to Audit Board Members.

A considerable amount of 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.

During the Audit Board meeting held on 19th September 2013, Members were informed that due to natural turnover Worcestershire Internal Audit Shared Service had three established posts vacant, one was due to be filled at the start of October 2013. Further active recruitment was planned for later in the year with interim cover being organised. Close monitoring of resource was continuing using current management demand for the remainder of the year. Worcestershire Internal Audit Shared Service was committed to delivering all audits as indicated in the 2013/2014 plan for Bromsgrove District Council and would continue to take active steps to achieve this.

### **Internal Audit Manager's Draft Audit Opinion 2012 / 2013**

The Service Manager, Worcestershire Internal Audit Shared Service presented this report to Members on 19th September 2013. The report provided Members with the proposed Worcestershire Internal Audit Services Manager opinion, which would be included as part of the Annual Governance Statement and included with the Statement of Accounts for 2012/2013.

The report highlighted that the Council was responsible for ensuring that its business was conducted in accordance with the law and proper standards and that public money was safeguarded and properly accounted for. Under the Local Government Act 1999 they also had a duty to make arrangements to secure continuous improvement in the way its functions were exercised, having regard to a combination of economy, efficiency and effectiveness. The Council also had a responsibility for ensuring a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk.

The Internal Audit Plan for 2012/2013 was a risk based plan (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk and external risk) using a predefined scoring system.

The 2012/2013 internal audit plan was delivered in full providing sufficient coverage for the Service Manager to form an overall opinion.

Based on the audits performed in accordance with the approved plan, the Worcestershire Internal Audit Shared Services Manager concluded that the internal control arrangements during 2012/2013 effectively managed the principal risks identified in the audit plan and could be reasonably relied upon to ensure that the Council's corporate objectives had been met.

In relation to the twenty one reviews that had been undertaken, seventeen audits were finalised and four were nearing completion. Risk management had been re-launched during 2012/2013 with a Corporate Risk Register being formulated and training provided. Further work was required to embed this throughout the organisation with the outcomes being monitored by the Risk Management Monitoring Group.

As part of the process of assessing the Council's control environment, senior officers within the Council were required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the area for which they were responsible were operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they were responsible and confirming that those controls were operating effectively except where reported otherwise. No areas of significant risk were identified. Any concerns raised by managers were assessed and addressed by the Council's Corporate Management Team.

The majority of the completed audits had been allocated an audit assurance of either moderate or above meaning that there was generally a sound system of internal control in place, no significant control issues had been encountered and no material losses had been identified during the time of continuing significant transformation and change.

### **Internal Audit Annual Report 2012 / 2013**

The Internal Audit Annual Report 2012/2013 was presented to Members on 19th September 2013. To aid compliance with the Regulation, the CIPFA Code of Practice for Internal Audit in Local Governance in the United Kingdom 2006 details that "Internal Audit work should be planned, controlled and recorded in order to determine priorities, establish and achieve objectives and ensure the effective and efficient use of audit resources".

The report highlighted that during 2012/2013, 284 chargeable audit days were delivered. This equated to a delivery of 94.7% against a target for the year of 90%.

In accordance with best practice the plan was subject to review each year to ensure that identified changes, for example, external influences, risk assessment and process re-engineering were taken into consideration within the annual plan.

The purpose of the 2013/2013 Annual Plan was to aid the effectiveness of the Internal Audit function and ensure that:

- Internal Audit assisted the Authority in meeting its objective by reviewing the high risk areas, systems and processes.
- Audit Plan delivery was monitored, appropriate action taken and performance reports issued on a regular basis.
- The key financial systems were reviewed annually, enabling the Authority's external auditors to place reliance on the work completed by Internal Audit.
- An opinion can be formed on the adequacy of the Authority's system on internal control, which feeds into the Annual Governance Statement which was presented with the Statement of Accounts.

2012/2013 was a demanding year for the Internal Audit Team with the loss of a Lead Auditor earlier in the year, the departure of an Auditor in November 2012 who had not been in post long, the uncertainty over the permanent appointment of the Service Manager post and a couple of office moves. There was a need to vacancy manage posts for a significant proportion of the year in order to ensure correct resourcing was available to deliver the risk based internal audit plan. In addition there was 'managed' long term sickness as well as significant unforeseen long term sickness absence within the service which placed further pressure on the service and its ability to deliver the internal audit programme.

Internal Audit had carefully managed its resource and worked with partners to deliver the full audit programme for Bromsgrove District Council for 2012/2013.

Managers were asked to provide feedback on systems audits by completing a questionnaire. At the conclusion of each audit a feedback questionnaire was sent to the responsible Manager and an analysis of those returned during the year showed a very high satisfaction with the audit product.

To further assist the Audit Board with their assurance of the overall delivery the Worcestershire Internal Audit Shared Service conform to the Public Sector Audit Standards and use the CIPFA Self-Assessment questionnaire to self-assess the service on an annual basis. The outcome indicated that there was a sound basis from which the shared service would work and which would be enhanced as certain key developments were implemented, for example the audit software, over the next twelve months and further development of the Shared Service. Any areas of non-compliance with the Standards or Code would be reported as exceptions to the Client Officer Group and Audit Board. There were no known exceptions to report.

The anti-fraud and corruption survey was completed by Internal Audit and submitted on the 17th May 2013 in respect of the financial year 2012/2013. The survey examined several key anti-fraud measures that exist within the Council. There were no significant weaknesses identified by the survey.

### **Provisional Internal Audit Plan 2014 / 2015**

The Internal Audit Plan for 2014/2015 was a risk based plan which took into account the adequacy of the Council's risk management, performance management and other assurance processes. It was based upon the risk priorities and dialogue with the Section 151 (s151) officer and Head of Service as well as an independent risk assessment of the audit universe by Internal Audit. The Internal Audit Plan for 2014/2015 was agreed with the Council's s151 officer.

At the Audit Board meeting on 12th December 2013, Members received a report detailing a provisional plan of work. By bringing a provisional plan of work before the Audit Board it allowed Members to have a positive input into the audit work programme for 2014/2015, and to make suggestions as to where Members felt audit resources may be required under the direction of the s151 officer. As with all plans it would be subject to review and update as the year progressed in consultation with the s151 officer. The report also detailed the key performance indicators for 2014/2015 as agreed with the Council's s151 officer. The success or otherwise of the Internal Audit Shared Service would be determined by the performance against the set of key performance indicators which had been developed for the service.

The operational progress against the Internal Audit Plan for 2014/2015 will be closely monitored by the Service Manager of the Worcestershire Internal Audit Shared Service and reported to the Shared Service's Client Officer Group (which comprises the s151 officers from partner organisations), and to the Audit Board on a quarterly basis.

On the 20th March 2014, Members were presented with and approved the Internal Audit Operational Plan and the key performance indicators for the Worcestershire Internal Audit Shared Service 2014/2015. The Service Manager, Worcestershire Internal Audit Shared Services highlighted that with the resource allocation of 300 chargeable days for 2014/2015, 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 and statement of accounts.



## **CORPORATE RISK REGISTER /** **RISK MANAGEMENT**

The Corporate Risk Register recognises the need to monitor the budget to ensure that the Council are able to deliver services within the budget allocated. A robust risk management framework supports the Council in delivering its services in a compliant way and therefore reducing the opportunity of legal challenge.

A joint shared approach was taken with regard to risk identification, recording and monitoring. The Corporate Level – Risk Register was presented to the Audit Board on 20th March 2014. The Corporate Risk Register was closely monitored by the Corporate Management Team (CMT). The Risk Management Monitoring Group would monitor the operational risks and where appropriate escalate these for discussion and inclusion in the Corporate Risk Register. The Risk Management Monitoring Group would also ensure on-going corporate monitoring and would challenge risks. Councillor H. J. Jones was nominated by the Board to attend meetings of the Risk Management Monitoring Group as a representative of the Audit Board.

On the 12th December 2014, Members were provided with a verbal update from the Executive Director, Finance and Corporate Resources. Members were informed that she was now responsible for developing Risk Management with support from the Financial Services Manager. The Terms of Reference for the Risk Management Monitoring Group were agreed and Insurance Claim statistics were looked at during their meeting on 10th October 2013.

### **Departmental Risk Registers**

During 2013/2014 Members received risk management presentations from:-

- Customer Services Manager
- Head of Planning and Regeneration

The presentations detailed the risk management for their specific service areas. The presentations highlighted that good management required an understanding of risks- health and safety, operational and exceptional (project related). Risk Management should provide a positive and practical way of treating and managing the risks or threats to the organisation, the service and those working in or using the service. Risk Management was a continuous and developing process within each of the service areas with an on-going review of known operational risks.



## **FRAUD PREVENTION & DETECTION**

During the meeting on 12th December 2013, Members received the following two reports from the Council's External Auditors, Grant Thornton: –

### **The Audit Findings 2012/2013 – Matters in relation to fraud:**

Grant Thornton had previously discussed the risk of fraud with the Audit Board and no material frauds had been disclosed. Grant Thornton had not been made aware of any other incidents in the period and no other issues had been identified during the course of their audit procedures.

### **Audit Board Update 2013/2014 - Potential for procurement fraud:**

The Chancellor's Spending Round announcement earlier this summer had forced authorities to make further cuts to their budgets and operate under tighter constraints.

As Chris Clements, Head of Public Sector Forensics at Grant Thornton UK LLP wrote in Local Government News, the National Fraud Authority estimated that in the wider public sector, the cost of fraud reached a staggering £19.9bn this year. Procurement fraud in local government accounted for £876m of this amount and therefore a properly functioning procurement process was key to mitigating much of this risk of loss.

'Helping ensure people are not in a position where they are tempted by an opportunistic gain is vital. Employees feeling undervalued – either financially or on account of other motivating factors – can breed an atmosphere of despondency which allows for procurement fraud. Sometimes all it takes is one exploratory incident by an individual to snowball into a culture wide acceptance of fraud, where employees not only rationalise the activity, but are spurred on by other actions.'

### **Corporate Fraud**

During the meeting on 12th December 2013, the Executive Director, Finance and Corporate Resources provided Members with a verbal update on the staff survey and the results of the staff survey, in respect of the specific questions asked on the Council's whistleblowing procedure.

The Executive Director, Finance and Corporate Resources provided Members with the following brief update:-

- Over 800 individual comments in addition to the tick box and rating responses had been received.
- Approximately 40% of staff polled responded to the survey.

- 78% felt that they were able to meet the needs of the customers (both internal and external) on a daily basis.
- 76% of the respondents felt that they had the opportunity to do what they do best on a daily basis.
- 50% said that they did not get regular feedback from their manager about how they were doing.
- 45% of respondents said that they did not have regular team meeting.

Following on from the staff survey a steering group, consisting of staff and union representatives was set up to look at the following main themes:

- Communication
- Management
- ICT
- Working Environment

The Executive Director, Finance and Corporate Resources informed Members that there was a framework in place with regard to staff supervision, which included regular team meetings and regular one-to-one staff meetings and that Managers were aware of this framework.

On the 20th March 2014 the Board received a report on the Corporate Fraud – Audit Review. As part of the Worcestershire Internal Audit Shared Service Plan 2013/2014 a review of the Councils policies and practices in relation to Corporate Fraud and Whistleblowing had been requested. This was to look at any revisions to the current policies to ensure that the Council had robust controls in place to prevent corporate fraud and was supporting staff with any concerns they wished to raise. The Council's current whistleblowing policy would be one of the policies reviewed by the Audit Team.

The review would assess whether the following control objectives of Corporate Fraud were being achieved:

- There are up to date policies for example Anti-Fraud and Corruption and Whistle-blowing within the Council and a strategic overview to ensure that the opportunity for fraud and corruption was reduced to a minimum;
- The Council was promoting awareness of fraud to all staff members;
- The Council are keeping all policies up to date and reviewing in line with new legislation to ensure that they are fit for purpose e.g. Bribery Act 2010;
- Declaration of interests and Hospitality Registers are completed by Members and officers with regular monitoring in place.

The areas covered would address current policies and procedures whilst identifying best practice across the audit environment. The results of the audit review would be presented to the June 2014 Audit Board meeting where Members would have the opportunity to consider the action plans in place to improve the controls currently in place to manage this issue.

### **Benefits Investigations**

The Benefits Service decides entitlement to Housing Benefit and Council Tax Benefit. Within the Finance and Resources Service there is a dedicated counter fraud team whose purpose was to prevent and deter fraud as well as investigate any suspicions of fraudulent activity against the Council. The Fraud Team comprises of a manager, two investigation officers and a support officer. All of the team has completed the nationally recognised best practice Qualifications in Professionalism in Security (PinS) appropriate to their role.

Members received reports on the performance of the Benefits Services Fraud Investigation Service for 2013/2014. The reports detailed the number of fraud referrals received by the team and the percentage of referrals from data-matching. The reports also detailed the actions taken: number of cautions accepted, number of administrative penalties accepted and the number of successful prosecutions. Reports also provided details of example cases.

Approximately 45% of the caseload was made up of people of working age which resulted in a large number of claims from customers who moved in and out of work and claimed other out of work benefits.

Although measures had been put in place to make this transition easier for customers, it remained an area of risk of fraud entering the system. As both Housing Benefit and Council Tax Support were means tested benefits, there were potential financial incentives to under declare income and savings or not to report a partner who may be working or have other income.

Many fraud referrals related to benefits paid by both Bromsgrove District Council and the Department for Works and Pensions (DWP). In these cases, a Joint approach is taken to ensure that the full extent of offending was uncovered and that appropriate action was taken by both bodies. This also maximised staffing resources by preventing duplicate investigation work.

Fraud investigation can impact upon other areas of benefit administration. The biggest impact was upon overpaid Housing Benefit and excess payments of Council Tax Benefit. Some of these overpayments can be extremely large and can distort the apparent recovery rate of overpayments.

At the meeting on 20th March 2014, Members raised questions with regard to files being closed without sanction and the new benefit system, Universal Credit, and the potential for increased benefit fraud.

The Head of Customer Access and Financial Support informed Members that in answer to the question regarding closing cases without sanctions. That before closing a case without sanction they would have gone as far as they could with the investigation at that time. But where they think something may come to light later on, they set up a case control on the claim for a follow up visit in three or six month's time. The situation can then be discussed again and referred back for further investigation if considered appropriate

If cases are closed with a positive outcome the full facts of the case are taken into consideration in deciding whether a sanction is appropriate. This will include things such as the period and amount of benefit overpaid, how the error/offences came to light, whether there is anything lacking in our own systems that allowed it to happen, the customer's personal circumstances, particularly any social or medical considerations and anything else identified of any relevance. All evidence would have been gathered at this stage before a decision was taken not to sanction but only to recover the overpayment.

If the case is closed with a negative outcome they would have done all that they could to obtain evidence but would have to accept that they were not going to be able to prove the allegation. They need to remain conscious that some allegations can be malicious or made with genuine intent without full knowledge of the situation. If there was any substance to the allegation it would often re-emerge either through another referral or data-matching.

The Benefits Service would not and will not be responsible for Universal Credit and will not be monitoring fraud in that system. It is the responsibility of the Department for Works and Pensions (DWP).

At the meeting on 20th March 2014, Members were provided with further information with regard to the Single Fraud Investigation Service (SFIS), as part of the Government's Welfare reform plans and announced in the Autumn Statement by the Chancellor of the Exchequer on Thursday 5th December 2013.

## **EXTERNAL AUDITORS - GRANT THORNTON** **REPORTS**

Reports presented by the Council's External Auditors, Engagement Lead and Engagement Manager, Grant Thornton:-

### **Certification Report 2011 / 2012**

This report was considered in March 2013. The report summarised the external auditor's overall assessment of the Council's management arrangements in respect of certification process and drew attention to significant matters in relation to individual claims. The report also detailed the following key messages from the Audits:

- All claims were submitted on time to audit and all claims were certified within the required deadline.
- Overall the Council is performing well and there are no significant matters arising from our certification of claims and returns. There was excellent cooperation over the housing benefits audit and savings on the audit fee accrued as a result.
- Supporting working papers were generally of a good standard, which enabled certification within the deadlines.

### **Reports received in December 2013:-**

#### **Audit Board Update**

Members received a report on the progress in delivering their responsibilities as the Council's External Auditors. The report included a summary of emerging national issues and developments that could be relevant as a District Council. The report also highlighted that the Council needed to be vigilant in their processes against fraud.

#### **Auditing Findings 2012/2013**

This report highlighted the key matters arising from their audit of the Council's financial statements for the year ended 31st March 2013. The accounts were well prepared with adequate supporting papers and officers were responsive to any questions raised. There was one significant change to the accounts that impacted on several notes. This related to the accounting for a notional capital receipt for the Council's share of receipts from the sale of former council houses. It was agreed with officers that it would be proper to reverse these entries and refer to the transaction in a separate note to the accounts. In addition to the work on the accounts preparation they assess their opinion on value for money. Their conclusion was that they were satisfied that the Council had put in place proper arrangements to secure economy, efficiency and effectiveness during 2012/2013.

## Reports received in March 2014:-

### **Certification Letter 2012/2013 and the Certification Work Plan 2013/2014**

The Certification work for the year ended 31st March 2013 detailed the two certified claims for 2012/2013 which related to £45.8 million of expenditure for Housing and Council Tax Benefit Scheme and National Non Domestic Rates. There were no significant issues arising from their certification work which the external auditors highlighted to the Board.

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, it was important that officers reviewed the errors to determine whether there were lessons to be learned that should be reflected in training and procedures operated in the department. Members were informed that training plans and checks had been put in place with Benefits Team Leaders.

The key messages from the Audits were:

- Claims were all submitted and certified on time
- Overall the Council is performing well and there are no significant matters arising
- Supporting working papers were generally good
- The use of an agency member of staff results in the analysis work being undertaken on time
- The value of the number of errors was under £20k which is small in relation to the value of the claim – less than 1%.

### **Review of Financial Resilience**

The work undertaken by Grant Thornton in their Value for Money (VfM) conclusion included a review to determine if the Council had proper arrangements in place for securing financial resilience. The review considered the following aspects of financial resilience with a judgement made in relation to each element:

<b>Area</b>	<b>Judgement</b>
Key indicators of financial performance	Arrangements meet or exceed adequate standards
Approach to strategic financial planning	Arrangements meet or exceed adequate standards
Approach to financial governance	Potential risks and/or weaknesses.
Approach to financial control.	Arrangements meet or exceed adequate standards

It was considered that the majority of the financial framework that the Council had in place was robust. The approach to financial governance had been reviewed and there were a number of improvements that have been identified. The report highlighted some areas where arrangements could be improved as detailed below and were being addressed by the Management Team:

Area	Action
Key indicators of financial performance	None Specified
Approach to strategic financial planning	<p>Ensure that the plans for the 14/15 budget make explicit links between the new strategic purposes and decisions over budget allocation and savings. This has been undertaken in 2014/15.</p> <p>Clearer forward plans should be in place around assets and workforce to underpin the MTFP – review as to the best way of providing this during 2014/15.</p>
Approach to financial governance	Improve managers' budget management skills to enable more effective forecasting of the projected financial position – training plans currently being developed.

However the External Auditors overall opinion was that the Council had made considerable changes in recent years, with the aim to focus on delivering Council priorities whilst seeking to minimise underlying costs. In addition it was considered that the Council currently had a relatively good level of general fund balances which had increased year on year, providing a buffer which was important with reducing central government grants.

There were two main concerns within the report that related to the following:-

- Significant variation to budget in the last quarter of the year
- Lack of monitoring of savings identified

The finance team was working with officers and budget holders with the aim to improve financial forecasting to ensure that a more accurate financial position was estimated for 2013/14. In addition the financial monitoring reports were more detailed than in previous years.



## **STATEMENT OF ACCOUNTING POLICIES**

The Cabinet considered the Annual Governance Statement for inclusion in the Statement of Accounts 2012/2013 on 4th September 2013. Members were asked to note the Internal Audit Opinion for inclusion in the Annual Governance Statement, which would be included as part of the Annual Governance Statement and included in the Statement of Accounts for 2012/2013.

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## **CONFIDENTIAL REPORTS**

Wherever possible the Audit Board have sought for information to be brought into open session in accordance with the principals of best practice in local government and in accordance with the Local Government Act. As previously agreed in 2012/2013 the Board had considered whether Internal Audit Monitoring Reports should be heard in their entirety within closed session as had been the past practice. In 2013/2014 the Board followed the same principal that only specific exempt information should be considered in closed session.

## **FUTURE WORK OF THE BOARD - to monitor**

- Efficiencies and savings identified through shared services delivery
- Transformation
- Delivery of the Internal Audit Plan 2014 / 2015
- Corporate Risk Register
- Fraud
- Benefits Investigations

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## **TERMS OF REFERENCE**

### **APPENDIX 1**

- a. The Audit Board is charged with monitoring the good stewardship of the Authority's resources through the work of the Internal Audit function.
- b. The Audit Board will support the profile, status and authority of the Internal Audit function and will demonstrate its independence.
- c. The Audit Board will contribute towards making the Authority, its committees and departments more responsive to the Internal Audit function.
- d. The Audit Board is charged with the responsibility for promoting internal control by the systematic appraisal of the Authority's internal control mechanisms, by the development of an anti-fraud culture and by the review of financial procedures.
- e. The Audit Board is charged with the responsibility for focusing audit resources, by agreeing the audit plans and monitoring delivery of the Internal Audit function.
- f. The Audit Board will monitor both internal and external audit performance by ensuring auditor/officer collaboration within the agreed timescales, by securing the timely preparation and response to audit reports, by ensuring the implementation of audit recommendations and by monitoring the finalisation of the annual accounts.
- g. The Audit Board will receive and consider a summary of internal audit work undertaken since the last meeting, plus the current status of this work.
- h. The Audit Board will monitor compliance with the Authority's standards, codes of practice and policies through the work of the Internal Audit function.
- i. The Audit Board will monitor compliance with relevant legislative requirements through the work of the Internal Audit function.
- j. The Audit Board will ensure that it acts within the policies and strategies of the Authority.

*June 2012*

# **AUDIT BOARD WORK PROGRAMME 2013/14**

## **APPENDIX 2**

### **19th September 2013**

- Audit Commission Annual Governance Report 2011/2012 – quarterly written report in respect of progress made on the actions.
- Grant Thornton Audit Update – responses to the Challenge questions, as detailed in their report and presented to the Audit Board on 14th March 2013.
- Further Information on – Closed Landfill Sites  
Reserves
- Internal Audit Monitoring Report
- Internal Audit Annual Report & DRAFT Audit Opinion 2012/2013
- Departmental Risk Registers – Customer Services Presentation
- Risk Management Monitoring Group – Bi-monthly meetings. Nominated Audit Member to attend bi-monthly meetings in Bromsgrove.
- Audit Board Draft End of Year Report 2012/2013
- Benefits Investigations

### **12th December 2013**

- Statement of Accounts 2012/2013
- Financial Reporting – revised quarterly monitoring report, detailing savings.
- Internal Audit Monitoring Report
- Draft Internal Audit Plan 2014/2015
  - Internal Audit 3 year plan 2012/2013 – 2014/2015 (to be included as an appendix to the Draft Internal Audit Plan)
- Benefits Investigations
- Grant Thornton Audit Opinion Recommendations

### **20th March 2014**

- Grant Thornton Certification Report 2012/2013
- Grant Thornton Auditing Standards
- Grant Thornton Audit Plan March 2014
- Grant Thornton Progress Report
- Statement of Accounting Policies
- Internal Audit Monitoring Report
- Internal Audit Plan 2014/2015
- Audit Board End of Year Report 2013/2014 (for discussion)

### **To Be Allocated To Suitable Dates**

- Departmental Risk Registers – High Level Actions, quarterly reports (to include a frontline service and a support service)
- Departmental Risk Registers – Detailed reports to be provided periodically
- Contracts Register – ‘due process’ update to be provided with regard to contracts entered into and that the Legal Services Team sees all contracts entered into.
- Corporate Fraud – staff survey results with regard to the questions asked on the Council’s whistleblowing procedure.
- Best practice – speaker from another authority on operation of their member Audit review and monitoring arrangements.

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