

**BROMSGROVE DISTRICT COUNCIL**

**MEETING OF THE AUDIT BOARD**

**THURSDAY, 19TH JUNE 2014 AT 6.00 P.M.**

PRESENT: Councillors S. J. Baxter, M. T. Buxton, S. J. Dudley (during Minute No's 1/14 to 12/14), H. J. Jones, R. J. Laight (substituting for Councillor P. A. Harrison and C. J. Spencer (substituting for Councillor B. T. Cooper)

Invitees: Ms Z. Thomas, Grant Thornton

Officers: Ms. J. Pickering, Mr. A. Bromage, Ms. A. De Warr, Mr. K. Hirons and Mrs. P. Ross

1/14 **ELECTION OF CHAIRMAN**

**RESOLVED** that Councillor H. J. Jones be elected as Chairman of the Board for the ensuing municipal year.

2/14 **ELECTION OF VICE-CHAIRMAN**

**RESOLVED** that Councillor M. T. Buxton be elected as Vice-Chairman of the Board for the ensuing municipal year.

3/14 **APOLOGIES**

Apologies for absence were received from Councillors B. T. Cooper, P. A. Harrison and P. M. McDonald.

4/14 **DECLARATIONS OF INTEREST**

No declarations of interest were received.

5/14 **MINUTES**

The minutes of the meeting of the Audit Board held on 20th March 2014 were submitted.

The Executive Director, Finance and Corporate Resources provided the Board with a verbal update with regard to Minute No. 42/13. There was a Human Resources approval checklist for commencement and termination forms, which included payments and annual leave entitlement. Internal Audit had recommended that the Council's Whistleblowing Policy be updated. The Executive Director, Finance and Corporate Resources to ensure that the policy details that staff would be able to raise any concerns with Councillors.

With regard to Minute No. 44/13, Members agreed to a verbal update on ICT Resilience from the Executive Director, Finance and Corporate Resources and that the Democratic Services Officer be tasked to email details of the verbal update to all Audit Board Members.

**RESOLVED** that, subject to the information as detailed in the preamble above, the minutes be approved as a correct record.

6/14

**GRANT THORNTON - AUDITING STANDARDS 2013/2014**

The Chairman welcomed Ms. Z. Thomas (Engagement Manager) from Grant Thornton to the meeting.

The Board was asked to note the Grant Thornton Auditing Standards Report 2013/2014 and the Management responses within the report.

Ms. Z. Thomas introduced the report and briefly explained the purpose of the report. Members' attention was drawn to the Fraud Risk Assessment questions, as detailed on pages 16 to 19 in the report. With regard to an unanswered question, Question 4 – "Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)". The Executive Director, Finance and Corporate Resources informed Members that with regard to financial reporting, all reports were subject to a number of validation and controls by finance and Heads of Service therefore the potential for override was of a low risk.

The Executive Director, Finance and Corporate Resources informed Members that the Council's fraud and corruption polices were in the process of being updated and that the updated polices would be presented to the next meeting of the Board.

**RESOLVED** that the Grant Thornton Auditing Standards report for 2013/2014 be noted.

7/14

**GRANT THORNTON AUDIT PLAN 2013/2014**

The Board was asked to note the Grant Thornton Audit Plan 2013/2014.

Ms. Z. Thomas introduced the report and briefly explained that in planning their audit, Grant Thornton needed to understand the challenges and opportunities the Council was facing; the challenges / opportunities had been detailed on page 42 in the report. Grant Thornton would undertake a review of the Financial Resilience as part of their Value For Money (VFM) conclusion. They would review the Council's Medium Term Financial Plan (MTFP) and consider whether improvements had been made in budgetary control to support the successful delivery of the plan. As part of the VFM conclusion they would continue to monitor the Council's path to transformation. Where savings had been specifically attributed to transformation in the MTFP they would consider how these savings were being identified and reported.

As a result of interim audit work there were some concerns that the Corporate Risk Register provided did not link directly with the Council's strategic priorities. The Executive Director, Finance and Corporate Resources informed Members that the updated Corporate Risk Register now linked to the Council's strategic priorities; and that the updated Corporate Risk Register had been included on the agenda, Agenda Item No. 15, to be discussed by the Board. The Executive Director, Finance and Corporate Resources responded to further questions from Members on the results of the interim audit work with regard to the financial services manager posting journals.

Ms. Z. Thomas further informed the Board that with regard to VFM and in view of future financial commitments to capital schemes, Grant Thornton would undertake a high level review of planning around these projects.

**RESOLVED** that the Grant Thornton Audit Plan 2013/2014 be noted and agreed.

8/14      **GRANT THORNTON PROGRESS UPDATE 2013/2014**

The Board was asked to note the Grant Thornton Audit Board Update for 2013/2014.

Ms. Z. Thomas introduced the report and drew Members' attention to page 61 in the report, Progress at June 2014. Ms. Z. Thomas agreed to provide Members with a copy of Grant Thornton's publication, 'A guide to local authority accounts'. The guide was designed to help Members of Audit Committee's discharge their responsibilities for the financial statements. It aimed to help Members to understand and challenge the accounts, supporting notes and other statements. Ms. Z. Thomas highlighted page 65 in the report – Audit Commission Value for Money (VFM) Profiles and suggested that Members viewed their Council's VFM Profile on the Audit Commission VFM Profiles website, as detailed on page 65 in the report.

With regard to page 63 in the report – Accounts – our top issues, the Chairman raised the question "How do Audit Board Members pick up the top issues"? The Executive Director, Finance and Corporate Resources responded and agreed to provide Members with an update before the next meeting of the Board.

**RESOLVED** that the Grant Thornton Audit Board Update for 2013/2014 be noted.

9/14      **DEPARTMENTAL RISK REGISTER PRESENTATION - ENVIRONMENTAL SERVICES**

The Chairman welcomed Mr. K. Hirons, Environmental Services Manager to the meeting.

Mr. K. Hirons expressed sincere apologies from Guy Revans, Head of Environmental Services. Mr. K. Hirons provided Members with a presentation

detailing operational risks for environmental services. The presentation slides detailed the services provided by environmental services, risk management principles and operational risks. Mr. K. Hirons responded to Member's questions with regard to Health and Safety for employees and members of the public. Members questioned the lack of detail in the presentation. The Executive Director, Finance and Corporate resources informed Members that each service area also completed a very detailed risk management programme. The detailed programmes would be time consuming to present to an Audit Board Meeting, due to the level of detail, but Members could meet with senior officers to look at the more detailed risk management programme for their service area. Members agreed with this suggestion and the Democratic Services Officer was tasked to coordinate requests received from Audit Board Members to view detailed risk management programmes.

The Chairman thanked the Environmental Services Manager for his presentation.

10/14

#### **ANNUAL GOVERNANCE STATEMENT 2013/2014**

The Board considered the draft Annual Governance Statement 2013/2014 for inclusion in the Statement of Accounts 2013/2014.

The Executive Director, Finance and Corporate Resources introduced the report and in doing so informed Members that authorities were expected to publish the Annual Governance Statement (AGS) for 2013/2014 with their Statement of Accounts. The preparation and publication of an Annual Governance Statement was necessary in order to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 to prepare a Statement on Internal Control (SIC) in accordance with 'proper practices'.

Appendix 1 to the report detailed the draft Annual Governance Statement 2013/2014. In response to Councillor Buxton, the Executive Director, Finance and Corporate Resources agreed that reference to staff 1-2-1- meetings and the recent staff survey be included in the Annual Governance Statement. The Executive Director, Finance and Corporate Resources drew Members' attention to page 77 in the report and informed Members that during 2013/2014 only one complaint had been made to the Standards Committee with no further action taken.

The Executive Director, Finance and Corporate Resources responded to Ms. Z. Thomas and agreed that reference to the limited assurance audits should be included within the Annual Governance Statement.

**RESOLVED** that, subject to the amendments as referred to in the preamble above, the Annual Governance Statement 2013/2014 be included in the Statement of Accounts for 2013/2014.

11/14

## **BENEFITS FRAUD INVESTIGATIONS UPDATE - QUARTER 4**

The Board considered a report which detailed the performance of the Benefits Services Fraud Investigation service for the period 1st January 2014 to 31st March 2014, Quarter 4.

As agreed at the Audit Board meeting held on 20th March 2014, information on the new benefit system and the potential for increased fraud was included in the report, along with temporal data as requested by Members.

The Head of Customer Access and Financial Support introduced the report and in doing so informed the Board that as detailed in the report, during the three month period overpayments of £189,046.77 in Housing Benefit were identified. Council Tax Reduction caused by claimant error was no longer measured.

Fraud investigation could impact upon other areas of benefit administration. The biggest impact was upon the identification of overpaid Housing Benefit and excess payments of Council Tax Benefit/Reduction. Some of these overpayments could be large and could distort the apparent recovery rate of overpayments. Overpayments on the files closed during quarter 4 totalled £8,730.38 in Housing Benefit and £4,926.07 in Council Tax Benefit/Reduction.

During Quarter 4, 39 fraud referrals were received and considered for investigation by the team. The report highlighted where the referrals had been received from, data-matching, official sources and members of the public. 17 of the 20 referrals from members of the public were allegations relating to undeclared partners.

Many fraud referrals related to benefits paid by both Bromsgrove District Council and the Department for Work 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. This also maximised staffing resources by preventing duplicate investigation work and depending on workloads either body could take the lead.

Appendix 3 to the report detailed the numbers of referrals and subsequent outcomes for 2013/14, compared with the two previous years. The trend indicated a reduction in referrals but this was largely due to changes in the way some were recorded and also the automation of a large number of changes which had reduced the likelihood of changes not being picked up.

Quite a large number of the referrals would not be taken up. This could be for a variety of reasons such as duplicate referrals where an investigation was already taking place; no benefit in payment, the information in the allegation was already correctly declared alleged or would have no effect on the claim.

Cases where the allegation would have no effect on the Housing Benefit / Council Tax Support claim but could impact on DWP benefits or Tax Credits were referred to the appropriate organisation to investigate.

The timescale for the implementation of the Single Fraud Investigation Service (SFIS), as announced as part of the Government's Welfare reform plans had now been released and despite the rest of the county joining in November this year, Bromsgrove and Redditch would not join the organisation until February 2016. Staff were being kept fully informed and work would commence six months prior to the start date of February 2016.

The Head of Customer Access and Financial Support highlighted that it was important to note that the local authority would not be responsible for monitoring fraud in the Universal Credit system. This would transfer to the Single Fraud Investigation Service. However we would retain responsibility to manage non-welfare fraud such as the Council Tax Support Scheme. Readiness planning was taking place and the team were looking at how we could help our customers, digital by default, there would be a need for support to be in place for those who absolutely needed help. The team would look at on-line offerings, voluntary sector groups and budget helping assistance.

**RESOLVED** that the Benefits Services Fraud Investigations update for 1st January 2014 to 31st March 2014, quarter 4 be noted

12/14

**INTERNAL AUDIT ANNUAL REPORT 2013/2014**

The Board considered the 2013/2014 Internal Audit Annual Report for the period 1st April 2013 to 31st March 2014 along with the Audit Opinion and Commentary.

The Service Manager, Worcestershire Internal Audit Shared Service introduced the report and in doing so informed the Board that the Annual Report was a combination of all the reports presented to the Board during the last twelve months. As detailed in Appendix 1 to the report, during 2013/2014 there were 285 chargeable audit days delivered. This equated to a delivery of 95% against a target for the year of 90%. Appendix 2 to the report provided a breakdown of the audits completed and the overall assurance. Appendix 3 to the report provided the audit opinion and commentary.

The Worcestershire Internal Audit Shared Service (WIASS) had achieved and delivered the full 2013/2014 internal audit plan.

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 a time of continued significant transformation and change.

The data received from the Client Feedback Analysis 2013/2014, showed that clients were satisfied with the audit process and service. The feedback was used to assess the effectiveness of internal audit and to help improve and enhance the internal audit function.

**RESOLVED** that the 2013/2014 Internal Audit Annual Report for the period 1st April 2013 to 31st March 2014 along with the Audit Opinion and Commentary, be noted.

13/14      **INTERNAL AUDIT MONITORING REPORT**

The Board considered a report which detailed the monitoring report of internal audit work and performance for 2013/2014.

The Service Manager, Worcestershire Internal Audit Shared Service introduced the report and in doing so informed Members that the report provided commentary on Internal Audit's performance against the performance indicators agreed for the service. The report also included the 2012/2013 audit where further work was requested and had been undertaken throughout the 2013/2014 audit year.

The Service Manager, Worcestershire Internal Audit Shared Service responded to Councillor S. J. Baxter with regard to trend analysis and implementation dates being changed. Members were informed that implementation dates were managed. The Section 151 officer would be made aware and if there was a genuine reason as to why the implementation date was to be changed the Section 151 officer would sign it off. If concerns were noted with regard to implementation dates being changed for no apparent reason the Audit Board would be made aware.

**RESOLVED** that the monitoring report of internal audit work and performance for 2013/2014 be noted.

14/14      **ICT RESILIENCE - VERBAL UPDATE**

As referred to in Minute Number 5/14 above.

15/14      **CORPORATE RISK REGISTER**

The Board received a report on the updated 2014/2015 corporate risks to be included in the Corporate Risk Register.

The Executive Director, Finance and Corporate Resources introduced the report and in doing drew Members' attention to the Corporate Risks 2014/2015 as detailed at section 3.5 in the report. As requested by the Board Corporate Fraud and Individual Election Registration had been added to the risks. The Executive Director, Finance and Corporate Resources responded to Ms. Z. Thomas and agreed that the Corporate Risks should link to the Council's strategic purposes and this would be raised with the Corporate Management Team.

**RESOLVED** that, subject to the amendment as detailed in the preamble above, the Corporate Risks 2014/2015 be agreed.

16/14 **AUDIT BOARD DRAFT ANNUAL REPORT 2013/2014**

Members considered the draft Audit Board End of Year Report 2013/2014. The report was a factual report with input from Board Members for the municipal year 2013/2014.

**RESOLVED** that the draft Audit Board Annual Report 2013/2014 be presented as the final report to the next meeting of Council for information.

17/14 **AUDIT BOARD WORK PROGRAMME 2014/2015**

The Board considered the Work Programme for 2014/2015.

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

**RESOLVED:**

- (a) that the Work Programme for 2014/2015 be noted; and
- (b) that officers be tasked to review the Work Programme for 2014/2015.

The meeting closed at 7.27 p.m.

Chairman