

**BROMSGROVE DISTRICT COUNCIL**

**MEETING OF THE AUDIT BOARD**

**THURSDAY 11TH DECEMBER 2014 AT 6.00 P.M.**

PRESENT: Councillors M. T. Buxton (Vice-Chairman, in the Chair), S. J. Baxter, B. T. Cooper, S. J. Dudley (during Minute No's part of 33/14 to 39/14), P. A. Harrison and P. M. McDonald

Invitees: Mr. P. Jones and Ms. Z. Thomas, Grant Thornton

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

29/14 **APOLOGIES**

An apology for absence was received from Councillor H. J. Jones.

30/14 **DECLARATIONS OF INTEREST**

Councillor S. J. Baxter declared an other disclosable interest in respect of agenda item number 4, Grant Thornton Progress Update, as a Member of The National Association of Local Councils.

31/14 **MINUTES**

The minutes of the meetings of the Audit Board held on 19th June 2014 and 18th September 2014 were submitted.

**RESOLVED** that the minutes of the meetings of the Audit Board held on 19th June 2014 and 18th September 2014, be approved as a correct record.

32/14 **GRANT THORNTON PROGRESS UPDATE (TO NOVEMBER 2014)**

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

The Board was asked to note the Grant Thornton Progress Report Update to November 2014.

Mr. P. Jones introduced the report and in doing so informed Members that the report provided the Audit Board with details of the progress made in delivering their responsibilities as the Council's external auditors. The report provided a summary of emerging national issues and a number of challenge questions in respect of those emerging issues for the Board to consider. These included:-

- Chartered Institute of Public Finance and Accountancy (CIPFA), Local Authority Accounting Panel (LAAP) updates.
- Managing Council property assets.
- Grant Thornton Vision for 2020.
- Anti-fraud and corruption - the National Fraud Initiative.
- Auditing of Parish Councils – the complexity of the governments new arrangements for parish council audits.

The Executive Director, Finance and Resources informed the Board that with regard to the Auditing of Parish Councils, officers had raised this at the recent Worcestershire County Association of Local Councils (CALC) meeting held on 10th December 2014 to ensure that parishes were made aware of the government's new arrangements for parish council audits with effect from 2017.

Councillor S. J. Baxter expressed her concern in respect of the impact on smaller parish councils. They would not be required to carry out an audit, but if challenged an audit would need to be undertaken, hence her concern.

Mr. P. Jones drew Members' attention to page 23 of the report. Grant Thornton's national report "2020 Vision". The report provided a thorough analysis of the current political and economic context and explored a range of potential policies and outcomes. The report had been solely commissioned by Grant Thornton.

The Executive Director, Finance and Resources informed the Board that with regard to the National Fraud Initiative and the "Challenge Question", as posed on page 28 of the report. Officers had undertaken a considerable amount of work with the data matching team and a robust mechanism was in place for the National Fraud Initiative data matching exercise.

**RESOLVED** that the Grant Thornton Progress Update report to November 2014, be noted.

33/14

### **GRANT THORNTON ANNUAL AUDIT LETTER**

The Board was asked to consider and note the Grant Thornton Annual Audit Letter 2013/2014.

Mr. P. Jones introduced the report and in doing so informed Members that the Annual Audit Letter 2013/2014 summarised the key findings arising from the work they had carried out at the Council for the year ended 31st March 2014.

An unqualified opinion on the accounts had been issued and an unqualified Value for Money (VFM) conclusion given. Appendix A to the report summarised the significant recommendations identified during the 2013/2014 audit.

The Executive Director Finance and Resources responded to Councillor S. J. Baxter with regard to the slowness of financial reporting to Council. Members were informed that a new accounting system would be installed and in use by

January / February 2015. The new accounting system would allow managers on line access to their budgets and therefore enable the accounting team to close the accounts earlier than in previous years. Forth tier managers would receive a presentation to help them develop more robust forecasting and monitoring of budgets.

Mr. P. Jones responded to Councillor P. M. McDonald in respect of the £900 audit fee, as detailed on page 38 in the report. Mr. P. Jones informed the Board that, as detailed in their report, the Audit Commission set the scale fee on which the Council's audit fee was based; Grant Thornton did not determine the scale fee.

The Executive Director Finance and Resources responded to Councillor P. M. McDonald in respect of the recommendation as detailed on page 39 of the report:-

“The revisions to the 2014/2015 budget and 2015/2016 budget setting should include a review of vacancies and whether these should be included in the budgets going forward”.

In response, the Executive Director Finance and Resources informed the Board that there would always be a period during a financial year when vacancies occurred. She was responsible for the finances but had to rely on Heads of Service, as it was their responsibility to ensure that the finance team was made aware of all vacancies within their departments. Going forward the budget programme for 2014/2015 would not include any key post vacancies.

Councillor P. M. McDonald raised questions in respect of the recommendation, as detailed on page 41 of the report:-

“We noted that there wasn't a clear approval of the Council House / Parkside project supported by a business case prior to a commitment being made”.

In response, the Executive Director Finance and Resources assured Members that approval had been sought, there was an initial clear statement on the first proposal presented to Council in February 2012, which detailed the associated costs of £3.5 million from the 2012/2013 capital project bid, to jointly redevelop the former Parkside Middle School with Worcestershire County Council. A further report which detailed the financial arrangements for the joint facility with Worcestershire County Council was presented to the Cabinet on 6th February 2013. The Executive Director Finance and Resources agreed that Members would not have received a business case when initial approval was sought in February 2012.

**RESOLVED** that the Board note the Grant Thornton Annual Audit Letter year ended 31st March 2014.

34/14

## **BENEFIT FRAUD - QUARTER 2**

The Board considered a report on performance information in respect of the Benefits Fraud Investigation Service for the period 1st July 2014 to 30th September 2014, Quarter 2.

The Head of Customer Access and Financial Support introduced the report and in doing informed Members that during the three month period, total overpayments of £180,000 in Housing Benefit had been identified; and that overpayments on investigations closed during the same period totalled £51,000 in Housing Benefit, £8,500 in Council Tax Benefit and £1,400 in Council Tax Support.

A shared dedicated counter fraud team was in place and their purpose was to prevent and deter fraud in addition to investigating any suspicions of fraudulent activity against the Authority. The team have completed the nationally recognised best practice qualifications in Professionalism in Security (PinS) appropriate to their role.

During quarter 2, 28 fraud referrals were received and considered for investigation by the team. 22 referrals were received from members of the public. More than half of these were allegations of fraud that were often difficult to identify through data-matching and not easily identified by staff, most related to:-

- occupancy of properties.
- undeclared partners or non-dependants.
- allegations that the customer was not residing at the address.

Publicity in the local press which followed successful prosecutions continued to encourage members of the public to report their suspicions of benefit fraud and reminded customers to report changes in their circumstances as they take place in order to avoid overpayments and prevent investigations into their claims.

The Head of Customer Access and Financial Support responded to Members' questions in respect of customers being prosecuted, accepting a caution or an administrative penalty. The Head of Customer Access and Financial Support reiterated that there had to be sufficient evidence to prosecute for any sanction to be considered. The Head of Customer Access and Financial Support suggested that the Benefits Fraud Manager would be able to provide the Board with more detailed information in order for Members to understand the processes behind prosecution, cautions and administrative penalties and the parameters applied in relation to the timescales allocated to repay overpayments.

Following on from further discussions it was agreed that the Head of Customer Access and Financial Support be tasked to include the following information in future reports to the Board:-

- Council Tax Support overpayments information.
- "Real Time Information" received from HM Revenues and Customs.

**RESOLVED:**

- (a) that the information as detailed in the preamble above be provided to the next meeting of the Board;
- (b) that the Benefits Fraud Services Manager be invited to attend the next meeting of the Board to provide information on the caution/prosecution/administrative penalty process; and
- (c) that the Benefits Services Fraud Investigations update for the period 1st July 2014 to 30th September 2014, quarter 2 be noted.

35/14

**2014/2015 APR - SEPT FINANCIAL SAVINGS MONITORING**

The Board were asked to note a report which detailed the monitoring of projected savings for 2014 / 2015. The report included the delivery of savings and additional income for the period April 2014 to September 2014.

The Executive Director Finance and Resources introduced the report and informed the Board that as recommended by the Council's External Auditors, Grant Thornton, the delivery of the savings were being monitored more closely to ensure the Council was meeting savings in the way that was expected when the budget had been set.

Appendix 1 to the report detailed the savings generated from the service review and efficiencies within Worcestershire Regulatory Services. The transformation slight shortfall would be achieved. The estimated six month saving with regard to the Director of Planning had been met in full. The post had not been recruited to and savings were expected to continue to accrue. The review of accountancy, payroll and payments had been completed and was expected to deliver the total saving by the end of the financial year. In response to the questions raised by Councillor P. M. McDonald, the Executive Director Finance and Resources agreed to provide information on the additional market income and any potential loss of income now that the Farmers Market was being held at Webbs Garden Centre.

**RESOLVED:**

- (a) that the Executive Director Finance and Resources to provide Audit Board Members with the information, as detailed in the preamble above, in respect of the market income; and
- (b) that the current financial position for projected savings as presented in the Finance Monitoring Report for April to September 2014/2015, be noted.

36/14

**RISK MANAGEMENT MONITORING GROUP - VERBAL UPDATE**

The Executive Director Finance and Resources provided the Board with a brief verbal update with regards to the Risk Management Monitoring Group. Internal Audit had included Risk Management within their 'other key audit work'. Their recommendations would be included at the next Risk Management Monitoring Group meeting in January 2015. The Audit Board Chairman and the Portfolio Holder for Finance were invited to attend the Risk Management Monitoring Group meetings.

37/14 **INTERNAL AUDIT MONITORING REPORT**

The Board considered the monitoring report of internal audit work and performance for 2014 / 2015.

Mr. A. Bromage, Service Manager, Worcestershire Internal Audit Shared Service introduced the report which provided commentary on Internal Audit's performance for the period 1st April 2014 to 31st October 2014 against the performance indicators agreed for the service.

The report detailed audit reports issued / completed since the last internal audit report. There had been five delivered audits all moderate and above so no high priorities. The two outstanding audits from 2013 / 2014, as detailed on page 62 of the report; Transformation – Corporate Anti-Fraud and Section 106 Agreements would be included in the next internal audit monitoring report. With regard to Asset Management the Terms of Reference for Asset Management would be presented to the next meeting of the Board.

**RESOLVED** that the report be noted.

38/14 **2015/2016 PROVISIONAL INTERNAL AUDIT PLAN**

The Board considered a report which detailed the Council's Internal Audit Operational Provisional Plan and the key performance indicators for the Worcestershire Internal Audit Shared Service for 2015/2016.

Mr. A. Bromage, Service Manager, Worcestershire Internal Audit Shared Service introduced the report and in doing so informed Members that the Internal Audit Plan for 2015/2016, as detailed at Appendix 1 to the report, was a risk based plan which took into account the adequacy of the Council's risk management, performance management and other assurance processes. The plan was based upon the service risk priorities and on-going dialogue and agreement with the Section 151 officer. Dialogue with the Heads of Service would commence in 2015 to agree a more detailed plan delivery, with the outcome reported back to the Board in March 2015.

Due to the changing internal environment, on-going transformation and more linked up and shared service working between Bromsgrove District Council and Redditch Borough Council, the plan had been organised in a smarter way in order to exploit the efficiencies that this type of work provided. Heads of Service would have an allocation of audit days with suggested audit areas of coverage linked to them, with an option that all or part of the budgeted days could be used on a flexible basis dependent on their service risk exposure. The end result would deliver flexible audit coverage based on the highest risk assessed areas within their service.

In response to Members' questions, the Service Manager reiterated that operational progress against the Internal Audit Plan for 2015/2016 would be closely monitored and reported back the Audit Board on a quarterly basis. Payroll had been transferred to Redditch Borough Council, but any outcomes from the annual audit of payroll would be reported back the Board.

**RESOLVED:**

- (a) that the Internal Audit Operational Provisional Plan for 2015/2016 be noted; and
- (b) that the key performance indicators for the Worcestershire Internal Audit Shared Service for 2015/2016 be noted.

39/14

**AUDIT BOARD WORK PROGRAMME 2014/2015**

Members considered the Board's Work Programme for the remainder of 2014/2015 municipal year.

As previously noted in the minutes of the meeting held on 18th September 2014, there were a number of reports due to be considered at the 19th March 2015 meeting. In consultation with the Chairman it was agreed that an additional meeting in March 2015 was no longer required.

**RESOLVED** that the Work Programme for 2014/15 be noted.

The meeting closed at 7.15 p.m.

Chairman