

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

15TH MARCH 2018, AT 6.00 P.M.

PRESENT: Councillors M. J. A. Webb (Chairman), S. R. Colella (Vice-Chairman), R. J. Deeming, R. J. Laight, S. P. Shannon, P.L. Thomas and M. Thompson

Observers: Mr. C. Scurrrell, Councillor B. T. Cooper, Richard D Percival and Neil Preece

Officers: Ms. J. Pickering, Mrs. C. Felton, Mrs. A. Singleton, Mr. A. Bromage and Ms. J. Bayley

41/17 **APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

Apologies for absence were received on behalf of Councillors C. Allen-Jones, P. M. McDonald and S. R. Peters and it was confirmed that Councillor S. P. Shannon was attending as a substitute for Councillor McDonald.

42/17 **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

There were no declarations of interest nor of any whipping arrangements.

43/17 **TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 18TH JANUARY 2018**

The minutes of the meeting of the Audit, Standards and Governance Committee held on 18th January 2018 were submitted.

The Committee was advised that there had been a typographical error in the Monitoring Officer's report presented at the meeting of the Committee in January 2018. The reference to the Member to Member complaint involving Parish Councillors should have noted that a subject Member had resigned rather than multiple Members.

RESOLVED that the minutes of the meeting of the Audit, Standards and Governance Committee held on 18th January 2018 be approved as a correct record.

44/17

STANDARDS REGIME - MONITORING OFFICERS' REPORT

The Monitoring Officer reported that there was one formal district Member's complaint that was in the process of being discussed with the group leaders. The two general enquiries, which had been noted in the Monitoring Officer's report at the previous meeting of the Committee, had been resolved. There had been no further training delivered to Members since that meeting.

RESOLVED that the report be noted.

45/17

GRANT THORNTON - AUDIT PLAN

Richard Percival, from Grant Thornton, presented the external auditor's Audit Plan for 2017/18 and in so doing explained that it was a requirement of the auditing standards process for external auditors to submit such a plan.

A number of significant risks had been identified for the Council moving forward. Two of these, the risk that revenue could be misstated due to improper recognition of revenue and the risk of management over-ride of controls, were standard risks for many public sector organisations. There were also two specific risks of concern to Bromsgrove District Council; pension liabilities and the valuation of property.

In addition risks had been identified as part of Value for Money (VfM) work for 2017/18. This included in year financial reporting to elected Members and the financial sustainability of the Council. The external auditors had observed that progress appeared to have been made in relation to these.

The audit fee would be £38,000. Members were asked to note that the audit fee had been decreasing in recent years. The audit fee was determined by the Public Sector Audit Appointments Company (PSAA) and was comparable to the fees charged of local authorities in other parts of the country. There had been an additional fee charged by Grant Thornton during the year to help cover the costs of additional work that had been undertaken on the Housing Benefit subsidy audit.

Following presentation of the report Members requested further information about the Council's position in respect of the risks that had been identified in the report and the extent to which the authority's Medium Term Financial Plan (MTFP) would enable the Council to achieve financial sustainability. The Committee was advised that, following difficulties which had recently been experienced by Northamptonshire County Council, external auditors were monitoring Councils' use of reserves closely to ensure that budgets were maintained in a sustainable manner. However, it would not be possible for Grant Thornton to issue a VfM opinion before the audit opinion had been reported and this would occur later in the calendar year.

The Committee also briefly debated the extent to which options available to staff, in terms of accessing their pensions, was assessed by the external auditors. Members were informed that this did not form part of the scope of the audit at a district Council level where the focus was on pension liabilities only. Further investigation of the options available to staff, in terms of accessing their pensions, and where pension investments were made, would be the responsibility of the auditors reviewing the work of Worcestershire County Council.

RESOLVED that the Audit Opinion Plan 2017/18 be agreed and the content be noted.

46/17

GRANT THORNTON CERTIFICATION WORK REPORT 2016/17
(HOUSING BENEFIT SUBSIDY AUDIT)

Neil Preece, from Grant Thornton, presented the Grant Thornton Certification Work Report 2016/17 (Housing Benefit Subsidy Audit) report. During the presentation of this report the following matters were highlighted for Members' consideration:

- There was a statutory requirement for the external auditors to produce this report.
- The external auditors had to complete the audit in respect of Housing Benefit subsidy claims in accordance with guidance issued by the Department for Work and Pensions (DWP).
- The DWP also required the external auditors to undertake additional audit work in respect of any errors that were identified. The purpose of this was to try to secure consistency of approach across the country.
- The Council had been working hard to try to reduce the potential for errors to occur. As part of this process training had been provided to staff.
- In 2016/17 the Council had been approving claims that would not strictly have been permitted if the Council had complied in totality with the guidance issued by the DWP. This had resulted in the need for Grant Thornton to undertake additional work, resulting in a further audit fee.

Following the presentation of the report the Head of Customer Access and Financial Support highlighted a number of points for Members' consideration in relation to the Housing Benefit subsidy claims:

- The Council had recently received correspondence from the DWP advising that some of the issues raised in the qualification letter had since been discounted.
- The Officers working on Housing Benefits had a complicated job, and they needed to ensure that they recorded the work quickly but accurately.
- In accordance with the guidance Officers had to complete specific workbooks. Unfortunately these had not been completed exactly in line with the auditor's requirements.

- Experienced staff had been trained to complete the workbooks, which were complex to fill out. However, due to heavy workloads the experienced staff had been diverted to work on other matters so that less experienced employees had been completing the workbooks resulting in some errors.
- Training had been introduced recently in respect of accuracy and this had been welcomed by the team.
- The Housing Benefits subsidy audit enabled officers to identify areas where changes needed to be made. As a consequence the Council always introduced an Improvement Plan after the audit had taken place in order to ensure lessons were learned.

The Committee discussed the report once this had been presented and a number of matters were raised during this debate:

- The numbers of applicants and the extent to which these numbers had increased during the period.
- The data logged on the measures dashboard which revealed that the overall claim caseload had remained the same in recent years, though there had been a spike in 2010/11.
- The impact that the rollout of Universal Credit would have on the data available to the Council moving forward. Members were advised that as people moved onto Universal Credit the authority would lose sight of this data as cases would be processed by the DWP.
- The work that the Council would deliver on behalf of the DWP to ensure that customers received personal budgeting support where needed.
- The additional work that had to be undertaken by the Council following the discovery of errors during the Housing Benefits Subsidy audit.
- The average value of the errors discovered during the audit. Members were advised that the average error was valued at £3,000 at Bromsgrove District Council.
- The impact of errors with the Housing Benefit subsidy on residents' finances.
- The need for staff to consistently review entitlements to Housing Benefit subsidy due to changing circumstances.
- The reduction in the budget for the Housing Benefits subsidy and how this was calculated.
- The additional audit fee that had been charged for the Housing Benefits subsidy work and the reason this fee had been charged. Members were advised that the Council's audit fee was calculated by PSAA and was based on work undertaken by the external auditors 2 years previously. Any extra work on top of this was subject to an additional fee.
- The 2 large overpayments recorded of over £200,000. Members were advised that this would have been based on data entry errors on the system and was not paid to the customers as Officers had noticed that the fee was unrealistic.

- The error rate of 8 per cent recorded for the Council, which had been recorded as higher than expected, and the level at which the external auditors would expect to identify errors. The Committee was informed that the external auditors did not anticipate any errors.
- The performance of other Councils in terms of error rates and how this compared to Bromsgrove District Council. Members were advised that error rates varied, with some larger authorities recording an average error rate of £50,000.
- The potential to benchmark the Council's performance compared to other local authorities. Members were advised that there was no national database and the DWP did not provide statistics in respect of error rates.
- The potential for the external auditors to provide comparative data for other district Councils that it audited.

RESOLVED that

- 1) The contents of the Audit Letter be noted; and
- 2) The ongoing plans of the service to continuously improve the quality and accuracy of assessment and data input be noted.

47/17

GRANT THORNTON - AUDITING STANDARDS 2018/19

Neil Preece, from Grant Thornton, presented the Auditing Standards 2018/19 report and in so doing explained that the external auditors were required to produce this report as part of the auditing process. As part of this process the auditors asked Officers a series of questions about areas of work and action that was being taken to address this.

Members considered the report and confirmed that they were satisfied with the content and with the responses that had been received from management.

RESOLVED that the report and management responses be noted.

48/17

INTERNAL AUDIT MONITORING REPORT

The Head of the Internal Audit Shared Service presented the Internal Audit Monitoring Report. During the presentation of this report the following matters were highlighted for Members' consideration:

- The report contained updates on work that had been undertaken since the previous meeting of the Committee, together with an overview of some work that had been completed in Redditch which had implications for Bromsgrove through shared service arrangements.
- The audit in respect of records management had resulted in a number of high priority recommendations and an update had been provided in relation to the data due to the assurance that the audit had returned. It was unusual to provide a follow up position so

early in the reporting process but considered expedient so that Members could appreciate the position of the Council.

- Good progress and clear action plans had been agreed in relation to the recommendations arising from this audit of records management.
- Information had been provided in the appendices in respect of follow up audits. For the previous audit of CCTV it had been found that no further work was required.

Following presentation of the report Members discussed a number of points in detail:

- The audit of Worcestershire Regulatory Services (WRS) completed in May 2017 and the policies and procedures that had been analysed as part of this. Members were advised that Internal Audit focused on a different element of the services delivered by WRS each year and this particular audit had investigated income from licenses.
- The action that was being taken by district Councils in response to the issues that had been raised during this audit of WRS. The Committee was informed that this had been discussed at a meeting of the district Councils' Treasurers.
- The extent to which issues such as noise pollution and complaints relating to such matters would be picked up in an audit of WRS. Officers advised that the extent to which such issues would be identified would depend on the scope of the audit, though where noted these would be addressed.
- The meaning of "limited assurance". The Committee was informed that a limited assurance rating was usually issued where weaknesses in the design of the control environment had been identified.
- The limited assurance that had been issued in respect of the dashboard and the extent to which the Internal Audit team's findings in respect of the dashboard corresponded with the findings of the Measures Dashboard Scrutiny Working Group.
- The priorities identified during the internal audit of the dashboard. These related to an inconsistent approach to uploading data onto the dashboard, delays in reporting and the fact that some of the data provided was potentially compromised. Members were advised that many of these issues were in the process of being addressed.
- The identification of a need to report more effectively to Members about the data provided on the dashboard and the introduction of new corporate performance reports to enable Officers to address this.
- The findings of the audit in respect of records management and the extent to which progress had been achieved since this review was undertaken to address the problems that had been identified. Officers explained that the Corporate Management Team (CMT) had been working to address many of the issues as the audit was

taking place so it appeared that improvements were being made to services.

RESOLVED that the report be noted.

49/17

INTERNAL AUDIT PLAN 2018/19

The Head of the Internal Audit Shared Service presented the Internal Audit Plan 2018/19 and in so doing noted that the draft copy of this report had been considered by Members at the previous meeting of the Committee. A different approach had been adopted to preparing this report, when compared to previous years. The content was risk based and designed to link directly with the Council's strategic purposes. No material changes had been made since the previous meeting of the Committee, though it was possible that the plan would be altered mid-year in response to changing circumstances.

Members discussed the content of the plan and questioned which area of service delivery provided by WRS would be addressed by the Internal Audit team during the year. Officers explained that generally audits focused on the current year, though could look back if required. The potential for WRS policies and procedures to form the basis of an audit was discussed and it was noted that there were some contingency days which could be allocated for this purpose. However, concerns were raised about adding an audit of this subject to the plan without first checking how long an audit of this matter would take to complete. For this reason Members requested that Officers investigate this matter further and report back at the following meeting of the Committee.

RESOLVED that

- 1) Officers investigate the length of time that would be required to undertake an audit of WRS's policies and procedures and the extent to which this could be covered by the available contingency days and to report back about this matter at the following meeting of the Committee;
- 2) subject to Officers addressing resolution 1 above, the Audit Plan 2018/19 be approved; and
- 3) the Key Performance Indicators (KPIs) be approved.

50/17

SECTION 11 UPDATE REPORT

The Executive Director of Finance and Corporate Resources presented the Section 11 Update report. The Committee was advised that the report should have advised that the Council had received a qualified judgement in respect of Value for Money (VfM) and an unqualified judgement in relation to the accounts.

There were 2 key recommendations that remained to be addressed and Officers had developed detailed action plans to ensure this occurred. The Council was working closely with Grant Thornton and was aiming to

demonstrate financial sustainability moving forward. A final assessment as to whether this had been achieved would not be issued by the external auditors until July 2018.

RESOLVED that the Section 11 update be noted.

51/17

SAVINGS MONITORING REPORT

The Executive Director of Finance and Corporate Resources presented the Financial Savings Monitoring Report covering the period April to December 2017. This report provided Members with an opportunity to assess the Council's progress with achieving savings compared to the targets that had been set in the authority's Efficiency Plan.

The Efficiency Plan had been agreed in October 2016; 5 months later the Council had agreed the Medium Term Financial Plan (MTFP) for 2017/18 to 2020/21. Since then a number of savings had been achieved by the Council. Some of these savings corresponded with the items detailed in the Efficiency Plan whilst others had not featured in the plan. The timing of the plan's submission had made it difficult to ensure that the points detailed in the plan corresponded exactly with the items in the MTFP. However, the Efficiency Plan had had to be submitted by October 2016 to enable the Council to secure a 4 year deal with the Government in respect of the Revenue Support Grant. Officers had discussed the savings that had been achieved with Grant Thornton and the external auditors were comfortable with the situation.

A number of savings had been achieved during the period. There had been significant increases in income in some areas. For some services the baseline budget had been reset to reflect the reduced expenditure and savings that had been achieved the year before. Managers had been reviewing the authority's budgets on a line by line basis

Members noted that in some cases savings had not been achieved in areas where they had been anticipated whereas in other areas savings had been achieved unexpectedly. This would result in a projected variance that included greater total savings and additional income generation, though further work needed to be undertaken to ensure that the authority continued to make savings in future.

RESOLVED that the financial position for savings be noted.

52/17

RISK CHAMPION - VERBAL UPDATE REPORT (COUNCILLOR P. THOMAS)

Councillor P. L. Thomas, the Committee's Risk Champion, advised that there was no update to provide in respect of Council risks.

The Committee was asked to consider whether it was appropriate for Councillor Thomas to serve for a second term as the Risk Champion. Members were asked to note that in the previous two years Councillors

Thomas and M. Thompson, from the Conservative and Labour Groups respectively, had served as Risk Champion and it was suggested that it might be appropriate for a Member from the Independent Alliance to now take on this role. Members noted that Councillor S. R. Peters might be willing to assume this role, though concerns were expressed that it would not be appropriate to appoint him to this position in his absence. Members therefore concluded that a decision should be taken on this matter at the first meeting of the Committee in the 2018/19 municipal year.

RESOLVED that the Audit, Standards and Governance Committee be invited to appoint a new Risk Champion at the first meeting of the Committee in 2018/19.

53/17

ANNUAL REPORT

The Chairman presented the Audit, Standards and Governance Committee's Annual Report 2017/18. Members were advised that the report outlined the Committee's activities during the municipal year. The Chairman would present the report for Members' consideration at a meeting of Council in June 2018. In the meantime Members were asked to notify the Chairman of any changes that they felt should be made to the report and any alterations would be made in the document before it was presented to Council.

RESOLVED that the content of the Audit, Standards and Governance Committee's Annual Report 2017/18 be noted.

54/17

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME

Members noted the content of the Audit, Standards and Governance Committee's Work Programme for the 2017/18 municipal year.

RESOLVED that the content of the Audit, Standards and Governance Committee's work programme be noted.

The meeting closed at 7.20 p.m.

Chairman