



Audit, Governance and Standards Committee

Thu 3 Jul
2014
7.00 pm

Committee Room 2
Town Hall
Redditch

REDDITCH BOROUGH COUNCIL

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a
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- In addition, the public now has a right to be present when the Council determines “Key Decisions” unless the business would disclose confidential or “exempt” information.
- Unless otherwise stated, all items of business before the Executive Committee are Key Decisions.
- (Copies of Agenda Lists are published in advance of the meetings on the Council's Website:
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**If you have any queries on this Agenda or any of the decisions taken or wish to exercise any of the above rights of access to information, please contact
Debbie Parker-Jones
Democratic Services**

**Town Hall, Walter Stranz Square, Redditch, B98 8AH
Tel: 01527 881411
e.mail: d.parkerjones@bromsgroveandredditch.gov.uk**

Welcome to today's meeting.

Guidance for the Public

Agenda Papers

The **Agenda List** at the front of the Agenda summarises the issues to be discussed and is followed by the Officers' full supporting **Reports**.

Chair

The Chair is responsible for the proper conduct of the meeting. Generally to one side of the Chair is the Democratic Services Officer who gives advice on the proper conduct of the meeting and ensures that the debate and the decisions are properly recorded. On the Chair's other side are the relevant Council Officers. The Councillors ("Members") of the Committee occupy the remaining seats around the table.

Running Order

Items will normally be taken in the order printed but, in particular circumstances, the Chair may agree to vary the order.

Refreshments : tea, coffee and water are normally available at meetings - please serve yourself.

Decisions

Decisions at the meeting will be taken by the **Councillors** who are the democratically elected representatives. They are advised by **Officers** who are paid professionals and do not have a vote.

Members of the Public

Members of the public may, by prior arrangement, speak at meetings of the Council or its Committees. Specific procedures exist for Appeals Hearings or for meetings involving Licence or Planning Applications. For further information on this point, please speak to the Democratic Services Officer.

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Do Not stop to collect personal belongings.

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Do Not re-enter the building until told to do so.

The emergency Assembly Area is on Walter Stranz Square.



Audit, Governance and Standards Committee

Thursday, 3rd July, 2014

7.00 pm

Committee Room 2 Town Hall

Agenda

Membership:

Redditch Borough Councillors:

Roger Bennett (Chair)
David Thain (Vice-Chair)
Michael Braley
Natalie Brookes
John Fisher

Jane Potter
Rachael Smith
John Witherspoon
Pat Witherspoon

Independent Member:

Dave Jones (non-voting co-opted – for Audit and Governance)

Feckenham Parish Council Representative:

Vanancy (non-voting co-opted – for Standards)

Observer:

Michael Collins
(Independent Observer)

1. Introduction and Welcome to the new Audit, Governance and Standards Committee

To welcome Members to the first meeting of the newly established Audit, Governance and Standards Committee.

Future meetings of the Committee for the 2014/15 Municipal Year are scheduled to take place at 7.00pm on:

- Thursday 25th September 2014;
- Thursday 22 January 2015; and
- Thursday 23 April 2015.

There will also be an additional Statement of Accounts Briefing for all members of the Committee at 7.00pm on Thursday 11 September 2014.

2. Apologies and named Substitutes

To receive the apologies for absence and details of any Councillor nominated to attend the meeting in place of a member of the Committee.

Audit, Governance and Standards Committee

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<p>3. Declarations of Interest</p>	<p>To invite Councillors to declare any Disclosable Pecuniary Interests and/or Other Disclosable Interests they may have in items on the agenda, and to confirm the nature of those interests.</p>
<p>4. Minutes (Pages 1 - 24)</p>	<p>To confirm as correct records the minutes of the meeting of the Standards Committee held on 24th October 2013 and the Audit & Governance Committee held on 24th April 2014.</p> <p>(Minutes attached)</p>
<p>5. Monitoring Officer's Report - Standards Regime (Pages 25 - 30) Head of Legal, Equalities and Democratic Services</p>	<p>To receive a report from the Monitoring Officer on any matters of relevance to the Committee.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>6. Localism Act 2011 - Standards Regime - Dispensations Report (Pages 31 - 34) Head of Legal, Equalities and Democratic Services</p>	<p>To consider the re-granting of general dispensations previously granted by the former Standards Committee, and the grant of an additional general dispensation, under s33 of the Localism Act 2011, to enable Members to participate and vote on matters under consideration at Council and committee meetings in particular circumstances.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>7. Audit, Governance and Standards Committee - Action List and Work Programme (Pages 35 - 44) Chief Executive</p>	<p>To consider the Audit, Governance and Standards Committee's Action List and Work Programme.</p> <p>(Action List and Work Programme attached)</p> <p>(No Direct Ward Relevance)</p>

<p>8. Grant Thornton Progress Update Report (Pages 45 - 60) Executive Director, Finance and Resources</p>	<p>To receive a progress update report from Grant Thornton, the Council's External Auditors. (Report attached) (No Direct Ward Relevance)</p>
<p>9. Risk Monitoring and Reporting Head of Leisure and Cultural Services</p>	<p>To receive a presentation from the Head of Leisure and Cultural Services on the key operational risks identified within his service area. Also, to receive and additional Officer and/or Lead Risk Member (Councillor Bennett) oral updates in relation to risk monitoring activity which has taken place since the last meeting of the Audit & Governance Committee. (Presentation / oral report) (No Direct Ward Relevance)</p>
<p>10. Appointment of Lead Fraud and Risk Members on the Committee Chief Executive</p>	<p>Further to the Annual Meeting of the Council on 9th June 2014, to appoint the Lead Fraud (x1) and Risk (x2) Members on the Committee. These Members will be charged with overseeing the areas of fraud and risk on behalf of the Committee and to report back to the Committee on any training/activities which they may have undertaken as part of their Lead Member roles. (No Direct Ward Relevance)</p>
<p>11. Internal Audit - Annual Report 2013/14 (Pages 61 - 74) Executive Director, Finance and Resources</p>	<p>To consider the Internal Audit Annual Report for 2013/14 and the 2013/14 Worcestershire Internal Audit Shared Services Manager's annual opinion on the overall adequacy of the Council's internal control environment. (Report attached) (No Direct Ward Relevance)</p>

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<p>12. Annual Governance Statement 2013/14 (Pages 75 - 82) Executive Director, Finance and Resources</p>	<p>To seek Members' approval of the Annual Governance Statement for signature by the Leader of the Council and the Chief Executive, for inclusion in the Statement of Accounts 2013/14.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>13. Benefits Investigations - 1st December 2013 to 31st March 2014 (Pages 83 - 92) Executive Director, Finance and Resources</p>	<p>To advise Members on the performance of the Benefits Services Fraud Investigation Service for the period 1st December 2013 to 31st March 2014.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>14. Debt Recovery Update - Quarters 3 and 4 2013/14 (Pages 93 - 96) Executive Director, Finance and Resources</p>	<p>To advise Members on the collection and recovery processes of the Council's Income Team and update Members on outstanding debt levels.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>15. Portfolio Holder Update - 2013/14 Outturn Councillor John Fisher</p>	<p>To receive an oral update from Councillor John Fisher, Portfolio Holder for Corporate Management, on the 2013/14 Outturn Report.</p> <p>(Oral report)</p> <p>(No Direct Ward Relevance)</p>

16. Exclusion of the Public

Should it prove necessary, in the opinion of the Chief Executive, to exclude the public from the meeting at any point during the proceedings in relation to any item(s) of business on the grounds that either exempt and/or confidential information is likely to be divulged, the following resolution(s) will be moved:

"That under Section 100 I of the Local Government Act 1972, as amended, it/they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A to the Act, as amended, the relevant paragraphs of that part being (*...to be specified by the Chairman at the meeting*), and that it is in the public interest to do so.", and/or

"That under Section 100 A of the Local Government Act 1972, as amended, it/they involve the likely disclosure of confidential information which would be in breach of an obligation of confidence."

The paragraphs under Part 1 of Schedule 12A to the Act are as follows:

Subject to the "public interest" test, information relating to:

- **Para 1 – any individual;**
- **Para 2 – the identity of any individual;**
- **Para 3 – financial or business affairs;**
- **Para 4 – labour relations matters;**
- **Para 5 – legal professional privilege;**
- **Para 6 – a notice, order or direction;**
- **Para 7 – the prevention, investigation or prosecution of crime;**

may need to be considered as 'exempt'.



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STANDARDS

Committee

24th October 2013

MINUTES

Present:

Councillor Pat Witherspoon (Chair), and Councillors Michael Braley (Vice-Chair), Joe Baker, Michael Chalk, Andrew Fry, Brenda Quinney and Roger Hill (substituting for Derek Taylor)

Also Present:

Fiona Hawker (Feckenham Parish Council Representative – non-voting co-opted)
Megan Harrison (Independent Person – observing)
Councillor Juliet Brunner (observing)

Officers:

C Felton and C Flanagan

Committee Officer:

D Parker-Jones

8. APOLOGIES AND NAMED SUBSTITUTES

Apologies for absence were received on behalf of Councillors Phil Mould and Derek Taylor.

Councillor Roger Hill was confirmed as a substitute for Councillor Taylor.

An apology for absence was also received on behalf of Mr Michael Collins, Independent Observer.

9. DECLARATIONS OF INTEREST

There were no declarations of interest.

10. MINUTES

The minutes of the meeting of the Standards Committee held on 25th July 2013 were submitted.

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Chair

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A Member queried whether the user-friendly explanatory note detailing the complaint Arrangements referred to in the final paragraph of Minute No. 6 (Localism Act 2011 – Updated Arrangements for Handling Standards Complaints against Members) had yet been drafted. Officers advised that full Council had on 9th September 2013 agreed the Standards Committee's recommendation on the proposed changes to the Arrangements, and that the explanatory note would therefore be drafted and published on the Council's website as soon as practicably possible.

RESOLVED that

the minutes of the meeting of the Standards Committee held on 25th July 2013 be confirmed as a correct record and signed by the Chair.

11. MONITORING OFFICER'S REPORT

Members received a report from the Monitoring Officer (MO) outlining the current position in relation to matters of relevance to the Committee.

The Committee received the findings of the external Investigating Officer (IO), Mr Kevin Douglas, into the complaint which had been made by Borough Councillor Chance against Borough Councillors Brunner and Hopkins.

Mr Douglas concluded that whilst licence had been taken in the way Councillor Chance's (as Portfolio Holder) responses in the matter at question were reported, that was part of the political interaction in which councillors were engaged in order to gain political advantage. Mr Douglas concluded that in the absence of guidance or rules to Members about press releases and media contact generally, leaving the area unregulated, there was no breach of the Code of Conduct. He had however recommended that the Council should give consideration to agreeing a protocol for contact with the press and media by Members, in particular by senior Members of the Council. Officers had already started researching media protocols and the MO asked the Committee to agree this course of action and for this task to be included on the Committee's Work Programme.

Secondly, regarding the decision on the complaint, the MO had considered the IO's Report in consultation with the Independent Person (IP), as required by the Council's Arrangements for Managing Standards Complaints. The MO and the IP had agreed with the Report's findings and reasoning for this. The MO had written to the complaint parties to advise them of this and to confirm that she was satisfied that no further action was required and that

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the complaint was concluded. In this regard, the IP had raised the issue of the length of time it had taken from when the complaint was made until it was concluded, some 9 months later. The information detailed in the MO's report in relation to the time delays was noted and the MO tabled for Members' information a full chronology of the complaint process.

In relation to the time delay in resolving the complaint, the MO had suggested in her report to the Committee that where a complaint had been made by a Member against another Member, the Committee consider whether the Arrangements for managing complaints should be amended so that in the first instance an inter-Member complaint should be referred to the Group Leaders to resolve before any referral to the MO. This would strengthen the role of Group Leaders in inter-Member complaints, enable them to be more proactive in dealing with such complaints in the first instance and encourage their Member/s engagement in the process. It was suggested that this approach could be taken where both the subject Member and complainant were members of a political group and neither was a Group Leader. Any complaints involving non-grouped Members, Group Leaders or where the complaint had been made by a member of the public would continue to be dealt with by the MO in the normal manner.

The MO expressed a degree of caution in relation to the introduction of any prescribed timescales for dealing with complaints as this was a fluid process, with each complaint having an individual set of circumstances. It was her view that there should not be a set time limit for resolving complaints as there could be a number of reasons why it might take longer than normally desired to conclude a complaint. She hoped, therefore, that complaints would not be gauged by timescales alone.

The MO outlined the difficulties she faced in attempting to resolve complaints locally. The new standards regime had little by way of sanctions that could be imposed on a Member were a complaint upheld and the Member found to have failed to follow the Code of Conduct. It was questionable as to how much ability the MO had to resolve complaints if the parties concerned were either unable or unwilling to agree a way forward, and she was unsure as to whether she was assisting in the process in such circumstances. The referral of inter-Member complaints to the Group Leaders in the first instance might assist as if the Group Leaders were unable to resolve such complaints then it was unlikely that the MO would be in a position to resolve them. The MO was however happy to continue dealing with complaints as at present should Members deem this to be the most appropriate course of action.

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One of the key issues to be determined was where the bar of 'acceptable' Member behaviour stood. The MO stated that it was not an issue of what sanctions were in place but that there were ground rules which Members should adhere to when dealing with each other.

Members supported the suggestion that inter-Member complaints (excluding complaints involving any non-grouped Members or Group Leaders) be referred to the Group Leaders for resolution in the first instance. It was felt that if inter-Member complaints could be resolved without the MO's involvement then that would be preferable for all parties concerned. The Committee felt that there should be high standards of conduct amongst Members with appropriate sanctions in place if Members were to breach the Code of Conduct. Members also agreed that there was a need for greater knowledge of the new standards regime, including the declaration of interests, amongst Members generally.

Members and the MO agreed that complaints should be resolved as speedily as possible, with all parties needing to support the process and to have the desire to seek an early resolution where practicably possible. It would always be the MO's aim to resolve a complaint as quickly as possible. However, if there was any unwillingness on the side of either the complainant or subject Member to do so then there was little the MO could do. The MO stated therefore that the Group Leaders might be in a position to move matters along more quickly than herself.

The Feckenham Parish Council Representative suggested that an aspirational time limit for concluding complaints might be considered, with a 3-month period being mentioned. Members agreed that this might be a useful addition in order to hopefully move complaints along. The MO stated that she was happy for there to be a notional time limit for concluding complaints, whilst highlighting that she unfortunately had no control over time limits generally or the time period involved in the specific complaint detailed in her report.

The MO stated that she would speak with the Group Leaders on the inter-Member complaints issue and report back to the Committee on this at the next meeting.

The Committee did not support the idea of introducing a press and media protocol for Members, or for there to be of any form of regulation in this regard. The MO advised that the idea was for there to be general guidance in place for Members in this regard and that no protocol would be introduced until Members were happy with this, with it being envisaged that Members would assist in the

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drafting of any protocol. A view was expressed by one Member that during election periods in particular any protocol could be open to abuse as this might either help or hinder Members in what they said to the press.

Regarding Member training, the Committee agreed that it was important for Members to attend training sessions. A Member queried how many Members had attended the safeguarding and vulnerable adults training sessions which had been conducted over the previous 6 months, as it was his understanding that some Members had still not attended this.

The MO stated that statistics on training attendances were given to the Member Support Steering Group as part of their role for overseeing Member training. She added that the only current mandatory training elements of the Councillor Training Programme related to the regulatory committees (Planning and Licensing), and that it was a matter for Group Leaders to encourage their Members to attend training sessions generally. Repeat training sessions were often required as Members had different working lives, meaning it was not always possible for Members to attend at certain times. Members had the option of deciding whether or not they attended non-mandatory training sessions. It was a Member decision as to which training sessions were deemed mandatory and if Members wanted to make certain sessions mandatory then they could do so. The Committee agreed that it was inappropriate to name and shame Members who failed to attend training sessions and that it was the role of the Group Leaders and Party Whips to encourage their Members to undertake any relevant training.

RESOLVED that

- 1) the report of the Monitoring Officer be noted;**
- 2) the Committee reject the Investigating Officer's suggestion that a protocol for contact with the press and media by Members, in particular by senior Members of the Council, be developed;**
- 3) the Committee support the Monitoring Officer's suggestion that inter-Member complaints (excluding complaints where either the subject Member or complainant is not a member of a political group or is a Group Leader) be referred to the Group Leaders in the first instance to attempt resolution of these, and that the Monitoring Officer discuss this matter with the Group Leaders and report back to the Committee on any discussions at the next meeting; and**

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- 4) **Officers be thanked for their work in managing the Member complaints process.**

12. PARISH COUNCIL REPORT

Ms Hawker, Feckenham Parish Council Representative, advised that Mr Wreide Poole had resigned as a parish councillor and was therefore no longer the Deputy Parish Council Representative on the Standards Committee.

Ms Hawker added that the Parish Council would be seeking a replacement deputy representative and would advise the Committee on any developments in this regard in due course.

RESOLVED that

the position be noted.

13. LOCALISM ACT 2011 - STANDARDS REGIME - BUDGET SETTING DISPENSATION

Members received a report which sought the granting of a general dispensation under s33 of the Localism Act 2011 to enable Members with a Disclosable Pecuniary Interest (DPI) to participate and vote in the Council's budget setting process.

The Monitoring Officer advised that a general dispensation was being sought to ensure that Members were protected should any question arise as to whether or not they could participate and vote in the budget setting process.

The request followed a similar report to Members in December 2012 at which point the Committee granted general dispensations in relation to the setting of the Council Tax, Council Rents, Members' Allowances and Members' speaking rights, where Members may otherwise have a DPI which would preclude them from participating and voting in these matters. The general dispensations granted were subject to Members lodging a formal written request for dispensation as and when they were considering any relevant business at meetings.

The caveat detailed in the report in relation to the budget setting dispensation under section 106 of the Local Government Finance Act 1992, that any Member who was 2 months (or more) in arrears with their Council Tax payments could not participate in any Council meeting concerning the budget, was noted. In the event that any Members were affected by the provisions of section 106, the

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statutory rule that they be barred from taking part in the budget decisions would prevail and any general dispensation granted by the Standards Committee would not apply.

The legislative requirement for Members to make a request in writing for dispensation at the time of considering any budget setting business at meetings remained.

RESOLVED that

- 1) subject to the caveat detailed in paragraph 3.11 of the report (and as noted in the preamble above) in relation to Members who are 2 months or more in arrears with their Council Tax payments, a dispensation under Section 33 (2) of the Localism Act 2011 to allow all Members to participate in and vote at Council and committee meetings when considering setting the budget be granted;**
- 2) the dispensation referred to at 1) above take effect on receipt of a written request from Members for a dispensation and where Members may have a Disclosable Pecuniary Interest in the matter under consideration, which would otherwise preclude such participation and voting; and**
- 3) the dispensation referred to at 1) above be valid until the first Standards Committee meeting after the Borough Council elections in 2014.**

14. WORK PROGRAMME

Members considered the future Work Programme of the Committee.

As detailed under Minute No. 11 (Monitoring Officer's Report), the Monitoring Officer would be bringing back to the January meeting details of any discussions with the Group Leaders on the referral of inter-Member complaints to the Group Leaders in the first instance.

It was anticipated that a further dispensations report for Members on certain outside bodies would also be referred to the January meeting as some Members might need to apply for such dispensations. A Member queried whether his being on the Tardebigge Trust would necessitate a dispensation, which the Monitoring Officer advised he should discuss with the Deputy Monitoring Officer.

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RESOLVED that

**subject to the comments detailed in the preamble above, the
Work Programme be noted.**

The Meeting commenced at 7.00 pm
and closed at 8.22 pm

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Chair



Audit & Governance Committee

Thursday, 24 April 2014

MINUTES

Present:

Councillor Derek Taylor (Chair), and Councillors John Fisher, Mark Shurmer, Yvonne Smith and Pat Witherspoon

Dave Jones – Independent Member (non-voting co-opted)

Also Present:

Zoe Thomas (Grant Thornton – External Auditors)

Officers:

S Jones, S Morgan, D Poole, H Tiffney and L Tompkin

Democratic Services Officer:

Jess Bayley

41. APOLOGIES AND NAMED SUBSTITUTES

An apology for absence was received on behalf of Councillor Roger Hill.

42. DECLARATIONS OF INTEREST

There were no declarations of interest nor of any party whip.

43. MINUTES

Members considered the minutes from the previous meeting of the Committee held on 16th January 2014.

During the consideration of these minutes the following issues were raised:

i) Lead Fraud and Risk Member Training

Councillor Bennett had confirmed at the previous meeting that he would arrange his risk training with Officers. However,

.....
Chair

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Officers advised that they had not yet been contacted to deliver this training. Members therefore agreed that this matter should be added to the Committee's Action List.

ii) The Adequacy of Certain Planning Assumptions under the Medium Term Financial Strategy (MTFS)

Officers explained that the Council's outturn figures for 2013/14 were being considered. As part of this process Officers would seek to identify potential underspends in budgets as well as to assess budget assumptions. The Council's Corporate Management Team was in the process of developing a six month plan for the organisation which would include considering the role of service transformation in this period as well as budget assumptions for the year ahead.

RESOLVED that

the minutes of the Committee held on 16th January 2014 be confirmed as a correct record and signed by the Chair.

44. AUDIT & GOVERNANCE COMMITTEE - ACTION LIST AND WORK PROGRAMME

Action List

i) Ref 1 – Invoices for Community Meeting Rooms

Officers advised that the Council had recently introduced a new cash receipting system. This would enable the Council to receive payment for services by card from any location using the internet. This system would be used in future for bookings of the community meeting rooms.

Action: item to be removed from the Action List.

ii) Ref 2 – Valuation of Assets Service Level Agreement (SLA)

It was acknowledged that there had been some problems with valuations of Council assets in previous years, particularly with a valuation of the Abbey Stadium. However, the Council's working relationship with the Property Services team had improved and more comparable work was undertaken to ensure that valuations were reasonable.

Action: item to be removed from the Action List.

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iii) Ref 4 – Monthly Rents for Commercial Buildings

Members were advised that the standard practice remained for tenants to pay rents for commercial buildings on a quarterly basis. However, in cases where tenants were struggling to pay on a quarterly basis monthly payments could be negotiated. Members requested that the leases for commercial buildings be discussed further with Property Services in order to assess whether greater flexibility could be applied on the payment of rents.

Action: item to remain on the Action List for future monitoring and reporting.

iv) Ref 5 – Fraud Monitoring and Reporting Figures

Officers explained that fraud trends for 2013/14 would be reported for Members' consideration in a Fraud Monitoring report, due to be presented for the Committee's consideration on 3rd July 2014. This report would be followed by quarterly updates throughout the year.

Based on an initial analysis of figures available for the year it appeared that fraud referrals were reducing rather than increasing. In part the introduction of an automated system providing information from the Department for Work and Pensions (DWP) had had a significant impact on the reduction in fraud referrals as this had enabled the Council to act at an early stage to resolve problems. In addition, two trials run by the DWP, involving data matching against Experian data and against claims where earnings or tax credits hadn't changed in the previous 13 month period, had skewed fraud referral figures in 2012. Therefore the reduction in fraud referrals was considered to be a positive move in direction rather than a sign that fraud wasn't being reported.

Action: item to be removed from the Action List.

v) Ref 6 – Monitoring Use of Balances to Support Expenditure

Members noted that further updates on the Council's budgetary position would be provided by both Officers and the Portfolio Holder for Corporate Management, Councillor Fisher, later in the meeting.

Action: item to remain on the Action List for future monitoring and reporting.

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RESOLVED that

subject to the comments detailed in the preamble above, the Committee's Action List and Work Programme be noted and the amendments and updates highlighted be agreed.

45. RISK MONITORING & REPORTING

The Committee received two separate presentations from Heads of Service on the operational risks identified within the following service areas:

- Housing Services
- Business Transformation

Housing Services

The Committee was advised that risk management was a continuous and developing process within Housing Services and subject to on-going review. Twelve key operational risks had been identified as areas of current concern, though it was likely that these would change over time. Each of these risks were addressed to some extent in the performance measures for Housing Services and it was agreed that further information about these measures should be circulated for Members' consideration.

i) Risk of failure to effectively manage and achieve efficiencies through Housing Services Transformation

Housing Services had been working in different ways for some time as a result of trialling transformed ways of working within the community. This trial was due to be extended across the Borough through the work of the Locality teams and would lead to a reduction in risks to the Council as well as efficiency savings. However, Officers were not complacent and risks would continue to be monitored at a corporate level.

Councillor Shurmer, in his capacity as Portfolio Holder for Housing, commended the work of the Housing Locality teams. He urged every Member to visit the teams and to shadow them at work when they had an opportunity to do so.

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ii) Risk of failure to effectively manage Housing Repairs and Maintenance

At the start of the service transformation process the Council had employed two managers to manage the Housing Repairs and Housing Maintenance functions separately. Following staff turnover a single manager had been successfully recruited to this post, both securing efficiency savings and minimising the risks that a single manager might not be found who was capable of managing both functions. These services were in the process of being restructured subject to the outcomes of staff consultation.

iii) Risk of failure to manage the impact of welfare reform

A number of changes had already been made to the welfare system, including the introduction of the bedroom tax, and further developments were due to take place, such as the introduction of Universal Credit. This would have an impact on some residents living in the Borough, including Council tenants. The Housing Services team had been doing a lot of work to identify which customers would be affected by these changes and what help they required to remain in their homes. This had included working with tenants to help them manage their finances effectively.

iv) Risk of failure to manage the liability for Council tax on void properties

As of 1st April 2014 Councils were required to pay Council tax for void properties. In previous years there had been greater flexibility over these payments as properties could be left void for up to six months without payments needing to be made. There was the potential for this change to payment rules to have a significant impact on the Council's finances. For this reason Officers had been attempting to re-let void properties more quickly and in a better condition than previously.

v) Risk of failure to manage the impact of increasing homelessness cases

There had been an increase in homelessness cases within the Borough in recent months. In part this was due to the fact that private landlords were increasingly reluctant to accept tenants who were on benefits. Officers were, however, investigating further the root causes of homelessness and actions that could be taken to help prevent future cases of homelessness.

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To address this problem the Council was using 21 properties from its housing stock to use as temporary accommodation for people at risk of becoming homeless. Bed and Breakfast accommodation also continued to be used in emergency situations.

vi) Risk of inability to collect rent

There had been some technical problems in recent months involving processing of rent payments and the transfer of housing benefit payments using Council ICT systems. There had also been some problems with tenants who were not paying rent. As a result of service transformation Officers were, however, confident that these problems had been largely resolved.

Officers confirmed that as a result of service transformation the Council was providing direct support to people who were struggling to pay their rent. This included working with people to identify the reasons that were causing them to default on payments. These reasons could be multiple and complex, including health, mental health, education, and other causes. Where causes could be identified staff worked with partner organisations to attempt to help that customer. This approach had started to pay dividends and rent arrears owed to the Council were falling.

vii) Risk of failure to effectively manage leaseholder properties

There were a number of leaseholders who had purchased flats in blocks where Council properties were also located. The leaseholders were responsible for contributing payments towards the maintenance of communal areas. In the past the Council had not always been particularly proactive when raising bills for payment. There was also greater scope for the Council to interact with leaseholders about the works that they could undertake independently.

viii) Risk of failure to effectively manage capital projects

Housing Officers were working closely with the Council's Procurement team to ensure that contracts for capital projects were appropriate. Officers were attempting to approach expenditure of capital funding in a different way, such as in accordance with the work of the Locality teams.

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ix) Risks with data systems.

Officers recognised that appropriate systems needed to be available to staff to enable them to undertake tasks required for the delivery of Housing Services.

x) Risk of potential for an increase in demand for Right to Buy

There had been an increase in both enquiries about Right to Buy and the number of purchases that had occurred during the previous 12 months; approximately 20 properties had been purchased during this period under Right to Buy rules compared to an average of four in preceding years.

Sales to tenants under Right to Buy rules reduced the housing stock available to accommodate Council tenants. However, the Council can keep 25% of Right to Buy sales money and use up to 30% of the revenue to put towards the purchase of a property. The Council had bought approximately five properties using this funding already, though a further six properties were in the process of being purchased. The Council was specifically seeking to obtain certain types of properties, such as two bedroom houses and bungalows, in order to meet demand in the Council's allocations process. However, once an individual had been a Council tenant or (Registered Social Landlord tenant) for five years they would become eligible to purchase it under Right to Buy rules.

xi) Risk of failure to obtain the contract for Home Support Services from Worcestershire County Council

All of Worcestershire County Council's Supporting People contracts had either already expired or were due to come to an end shortly. As part of this process the Council's current Home Support Service contract with the county Council was due to end in September 2014.

The Home Support Service provided support to vulnerable and elderly people living in sheltered accommodation. Under the Supporting People contract tenants in receipt of housing benefits had received the Home Support Service for free. The Council was seeking to continue to provide some parts of this service, though it was likely to be subject to the payment of a fee. Affected tenants were in the process of being consulted about these changes and those in receipt of a free service would be asked to consider whether they would be prepared to pay for the service.

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The potential for some Home Support Services to be paid for directly through housing benefit payments was briefly discussed. Officers explained that it was not possible for tenants to pay for the Home Support Service directly through housing benefit payments. However, it was possible that a service charge could be introduced which could be paid for using housing benefit.

xii) Risk of failure to obtain payment from St David's House tenants due to changes in contracts

The Council currently had two contracts with Worcestershire County Council with implications for St David's House; the Supporting People contract, and a care contract. The county Council was seeking to procure the care contract in future from a single provider and the Council had submitted a bid to provide this service.

Under the terms of the existing contracts payments were made by tenants to Worcestershire County Council. In future payments would need to be made directly to Redditch Borough Council. Staff at St David's House were receiving training to enable them to support tenants to make payments in ways that best met their needs. This was occurring at a time when the Council was streamlining services provided at St David's House.

Business Transformation

The Business Transformation presentation detailed the operational risks within ICT Services, Human Resources and the Information Management teams. As these were all enabling services it was important to ensure that each of these services continued to transform to ensure that they met the needs of front line services.

In ICT there had been some difficulties recruiting and retaining qualified staff. This was partly as a consequence of an increase in demand for skilled workers at a time when salaries within the private sector were raising whilst they remained fairly static within the public sector. Apprentices were being recruited to fill some of the gap, though the recruitment process was being reviewed as delays in getting an individual into their post had an impacted on capacity within the team.

The ICT team was also careful to maintain and test disaster recovery arrangements to ensure that core data was not lost. In

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previous years back up tapes had been used but it was recognised that these were not particularly secure. Increasingly, therefore, virtual systems were being used to store data securely. As part of this process the Council would retain an entire copy of data for Redditch systems which was stored in Bromsgrove (and vice versa).

Public Sector Network (PSN) requirements meant that the Council needed to apply business server patches more regularly than in previous years. To ensure that the Council could fulfil this requirement effectively a roll out plan and schedule had been developed.

Support was also required within the ICT team for service transformation and system upgrades within the Council, including the introduction of Windows 7 and Word 2008. Again a strategic plan had been developed and staff were adopting a flexible approach to working in order to prioritise workloads.

With regard to Information Management there were a number of risks associated with the potential for the loss of data, storage of data and breach of data protection rules. To address these risks the Council was restricting access to some forms of data or using encryption when appropriate. Data management training was provided consistently to all staff and audits were undertaken to identify the reasons for any data breaches.

The Human Resources team needed to invest sufficient resources to support the needs of the organisation. This included investing in developing the skills of managers and team leaders particularly with regard to people management skills. This would enable the Human Resources team to focus on offering specialist support where required through service transformation.

RESOLVED that

the presentations be noted.

46. FRAUD MONITORING

Officers and Members responsible for fraud monitoring advised that they had no updates for the consideration of the Committee.

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47. ANNUAL GOVERNANCE STATEMENT 2013/2014 - PROGRESS UPDATE

The Committee was advised that Officers were in the process of reviewing the Council's accounts for the 2013/14. As part of this process the Annual Governance Statement for 2013/2014 would be addressed. However, this had not reached a stage where detailed information could be provided.

RESOLVED that

the report be noted.

48. GRANT THORNTON PROGRESS UPDATE - EXECUTIVE DIRECTOR, FINANCE AND RESOURCES

The Committee received an update report detailing the action that had been taken to address the issues raised in the External Auditors' Progress Report 2013/14 at the previous meeting of the Committee.

RESOLVED that

the Grant Thornton Progress Updates, as detailed in the report, be noted.

49. GRANT THORNTON - CERTIFICATION WORK REPORT 2012/13 AND CERTIFICATION PLAN 2013/14

The Committee considered the Claims Certification Letter for 2012/13 and the Certification Plan for 2013/14 from the Council's External Auditors Grant Thornton.

RESOLVED that

the Grant Thornton Claims Certification Letter for 2012/13 and Certification Plan for 2013/14 be noted.

50. GRANT THORNTON AUDITING STANDARDS 2013/14

The Committee received the Auditing Standards report for 2013/14 from the Council's External Auditors Grant Thornton.

Members were advised that the External Auditors were required to ask representatives of the Council certain questions concerning fraud and governance. The Executive Director for Finance and Corporate Resources had already responded to these questions.

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RESOLVED that

the report and management responses be noted.

51. GRANT THORNTON AUDIT PLAN 2013/14

Members considered the Audit Plan 2013/14 from the Council's External Auditors Grant Thornton.

RESOLVED that

the 2013/14 Audit Opinion Plan be noted and agreed.

52. GRANT THORNTON - AUDIT FEE LETTER 2014/15

The Committee considered the Audit Fee letter for 2014/15 from the Council's External Auditors Grant Thornton. It was confirmed that the proposed fee was the same as the charge for the previous year.

RESOLVED that

the proposed audit fee for 2014/15 of £76,380 be approved.

53. PORTFOLIO HOLDER UPDATE - QUARTERLY BUDGET MONITORING

Councillor Fisher, Portfolio Holder for Corporate Management, provided an update on the latest financial monitoring report that had been considered at a meeting of the Executive Committee on 11th April 2014. The content of this report had indicated that the Council was on track to achieve anticipated savings. He suggested that progress had been made and he commended staff for working hard to achieve efficiency savings during this period. Further budget savings would be achieved over the following months as a number of service reviews were due to be completed.

Members noted that at the beginning of the year Officers had notified Members that there would be approximately £500,000 of unidentified savings which would need to be made. Officers confirmed that some of these savings had subsequently been identified, though it was anticipated that further savings would be achieved following service reviews. There was also the likelihood that a number of savings would be identified through the Transformation Plan that was in the process of being reviewed at a corporate level.

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It was important for Members to appreciate how the Council had managed to achieve a balanced budget. For this reason, as well as to ensure that appropriate decisions were made about the budget, Members agreed that this subject should continue to be monitored by the Committee.

RESOLVED that

the report be noted.

54. INTERNAL AUDIT - MONITORING REPORT

The Committee considered the Internal Audit Monitoring Report as at 31st March 2014.

During consideration of this report the following issues were the subject of more detailed discussions:

i) Key Performance Indicators (KPIs) for 1st April 2013 to 31st March 2014

Some concerns were expressed about the direction of travel in terms of performance in relation to these indicators. However, Officers explained that the figures for performance indicators were not comparable as the Internal Audit Team audited different services each year as part of a three year rolling programme. In cases where problems were identified action would be taken to ensure that the risks to the Council were minimised.

ii) Council Tax - Access and Security

Concerns were expressed that an unknown system user named "Janet" had been provided with high level access to the Council tax system. Officers were asked to review this matter further and to report back for Members' consideration.

iii) Cash Collection – Suspense Account

The Internal Audit team had identified £74,000 in the Suspense Account as at 12th December 2013. Money was often paid into this account on a temporary basis whilst officers sought to identify the appropriate account that it was intended for. Sometimes the Council received large grants but no indication was provided as to the purpose of this money, though equally very small sums could be held in this account whilst attempts were made to identify the right budget.

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iv) Cash Float Management

Members noted that within the report it had been suggested that floats kept by cashiers should be checked by their managers on a “regular basis”, though no clarification had been provided regarding the definition of “regular” in this instance. Officers explained that it had been suggested there should be checks at key moments, such as prior to pay day. However, it was agreed that more specific information about timeframes should be recorded in future copies of these reports.

v) Implementation Dates

In many cases implementation dates had been recorded for the completion of tasks outlined in the report. In every case Internal Audit would check to ensure that tasks were implemented by those deadlines. Generally checks would take place within six months of the deadline unless the issue was considered to be urgent in which case it would be revisited within three months. There was also a separate report produced by Internal Audit which tracked the implementation of recommendations and this was similarly reported for the consideration of the Committee.

vi) VAT

Concerns were expressed that the Financial Services Manager, as a senior Officer, was completing all VAT returns and it was suggested that this would be a more suitable role for a junior member of staff. Officers confirmed that this role would be assumed by other Officers within the Financial Services team. However, due to the fact a number of members of staff were currently on maternity leave creating capacity issues the Manager was currently fulfilling this role on an interim basis.

vii) Cash Collection

Reference was made to the 2012/13 finding regarding the ‘Removal of Network Access for Leavers’ and further clarification was requested about the meaning of this issue. Officers explained that some former members of staff had been retained on internal systems as existing users. Work was being undertaken to resolve this problem.

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viii) Kingsley Sports Centre

Concerns were expressed about the high levels of risk that had been identified concerning the retention of credit card data at Kingsley Sports Centre. Legislative changes that had come into effect as of 1st April 2014 placed the Council at risk of being fined if it retained credit card data. Interim arrangements had been put in place to address this problem whilst internal systems were upgraded. Staff had been provided with training on taking payments, though this had been complicated by the fact that staff worked shifts at the sports centres and it was not therefore possible to train every member of staff at the same time.

Officers had been able to ascertain that problems with the management of payment data were more likely to occur when a single member of staff was working on the system. To prevent this from occurring it was considered best practice to avoid situations where only a single member of staff would be handling money. Due to the high level of risk identified for this matter it was agreed that an update on this situation should be provided for Members' consideration at the following meeting of the Committee.

ix) New Cash Receipting System

Officers explained that there had been a few initial problems with the new cash receipting system. These were in the process of being resolved.

RESOLVED that

- 1) **Members receive an update on the situation regarding credit card payments at Kingsley Sports Centre at the following meeting of the Committee; and**
- 2) **the report be noted.**

55. INTERNAL AUDIT - ANNUAL AUDIT PLAN 2014/2015

The Committee received the 2014/15 Internal Audit Report of the Services Manager of Worcestershire Internal Audit Shared Service.

There were a total of 484 audit days planned for the overall audit group for 2014/15 and a balancing figure of 148 for 2013/14. The balancing figure shown against the 2013/14 systems audits was due to the fact that audits within this section were generally

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undertaken on a three year rolling programme. The balancing figure related to audit reviews undertaken in 2013/14 which would not be undertaken in 2014/15.

RESOLVED that

the 2014/15 Audit Plan and Performance Indicators be approved.

56. REVIEW OF THE EFFECTIVENESS OF THE AUDIT & GOVERNANCE COMMITTEE 2013/14 - CHAIR'S REPORT

The Committee was invited to consider the effectiveness of the Audit and Governance Committee in 2013/14 as part of an end of year report.

Officers explained that in line with the transformation work in the Democratic Services team changes to the future operation of the Audit and Governance Committee were being considered. As part of this process it had been proposed that the Committee should be merged with the Council's Standards Committee. To minimise the risk that this merger could create lengthy meetings Officers would be working with Councillors to ensure that the content of the agenda for each meeting of the Committee was appropriate.

Councillor Witherspoon confirmed that she had also been consulted about this proposal in her capacity as Chair of the Standards Committee. She had been assured that in cases where a significant issue involving a particular Councillor arose they could be addressed during Sub-Committee meetings. However, as 50 per cent of the Standards Committee meetings had been cancelled during the year and the two meetings that had taken place had been relatively short in length it was not anticipated that the merger of the two Committees would have a significant impact on the length of Committee meetings.

RESOLVED that

the report be noted.

57. CALENDAR OF MEETINGS 2014/15

Members confirmed the dates of the meetings of the Committee that were scheduled to take place in 2014/15.

The Chair reported that he would be standing down from the Council at the local elections in May 2014. For this reason he

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would not be chairing the meetings of the Committee in the new municipal year. He thanked Members and Officers for their hard work during the two years in which he had been the Chair of the Committee and Members collectively wished him well for the future.

RESOLVED that

the dates of the meetings of the Audit and Governance Committee scheduled to take place in 2014/15 be noted.

The Meeting commenced at 7.03 pm
and closed at 8.40 pm

.....
Chair

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**

3rd July 2014

MONITORING OFFICER'S REPORT – STANDARDS REGIME

Relevant Portfolio Holder	Councillor John Fisher, Portfolio Holder for Corporate Management
Portfolio Holder consulted	
Relevant Head of Service	Claire Felton, Head of Legal, Equalities and Democratic Services and Monitoring Officer
Wards affected	All Wards
Ward Councillor consulted	N/A
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 This report sets out the position in relation to key standards regime matters which are of relevance to the Audit, Governance and Standards Committee since the last meeting of the former Standards Committee on 24th October 2013.
- 1.2 It is proposed that a report of this nature be presented to each meeting of the Committee to ensure that Members are kept updated as to any relevant developments. Any further updates arising after publication of this report will be reported orally by the Monitoring Officer at the meeting.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that

- 1) the report of the Monitoring Officer, together with any additional updates provided by the Monitoring Officer at the meeting, be noted and commented upon as appropriate; and
- 2) the membership of the Hearings Sub-Committees, as detailed at paragraph 3.7 of this report, be agreed.

3. KEY ISSUES**Financial Implications**

- 3.1 There are no financial implications arising out of this report.

Legal Implications

- 3.2 The Localism Act became law on 15th November 2011. Chapter 7 of Part 1 of the Localism Act 2011 introduced a new standards regime effective from

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1st July 2012. The Act places a requirement on authorities to promote and maintain high standards of conduct by Members and co-opted (with voting rights) Members of an authority. The Act also requires the authority to have in place arrangements under which allegations that either a district or parish councillor has breached his or her Code of Conduct can be investigated, together with arrangements under which decisions on such allegations can be made. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 were laid before Parliament on 8th June 2012 and also came into force on 1st July.

Service / Operational Implications**Member Complaints – October 2013 to June 2014**

- 3.3 Two formal complaints were made against Borough Councillors during the period October 2013 to June 2014, as detailed below.
- A complaint was made about a press release quoting a senior Member during the pre-election period. Preliminary enquiries established that this was not a Council press release but that even if it were, quoting a Member holding a key position would not necessarily be in breach of the Code of Practice for the pre-election period where the circumstances were such that an emergency, or where there was a genuine need for a Member to respond to an important event outside the authority's control (which this was).
 - A member of the public complained about a Member's conduct. A preliminary enquiry established that the issue related to a personal situation in the Member's private life. Although the Code of Conduct did not therefore apply, the Monitoring Officer spoke to the Member concerned about the matter.
- 3.4 Two further standards-related issues, which were not formal Member complaints but which the Monitoring Officer feels should be reported to the Committee to help illustrate the situations that have arisen and which will also help the Council in fulfilling its statutory duty to promote and maintain high standards of Member conduct, are detailed below.
- A member of the public complained on social media about a Member in relation to conduct in his/her personal life. This was referred to the Monitoring Officer for consideration. On the basis that the Code of Conduct did not apply to a Member when acting in their personal capacity, the matter was not pursued as a Member complaint. However, the Monitoring officer spoke to the Member's Group Leader who in turn

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raised the matter informally with the Member for information and to help prevent a recurrence.

- A query was raised with the Monitoring Officer on two separate occasions when correspondence appeared in the letters pages of the local press from members of the Planning Committee and referring to specific planning applications that had been made. The Monitoring Officer agreed that this was not appropriate conduct by those Members and raised the matter with Group Leaders, who agreed to speak to their Members to point out the risks to the Council of such actions, potentially undermining the decision and its soundness in procedural terms.

Hearings Sub-Committees

- 3.5 As part of the Council's Arrangements for Managing Standards Complaints under the Localism Act 2011, Hearings Sub-Committees exist, the membership of which needs to be agreed annually should a complaint reach Hearing stage.
- 3.6 As set out in the Committee Memberships report to the Annual Meeting of the Council on 9th June 2014, the chairing of the Hearings Sub-Committees will vary according to the circumstances of the Hearing (Labour Chair for Hearing about a Conservative Member and Conservative Chair for Hearing about a Labour Member).
- 3.7 The parent Committee of the Hearings Sub-Committees – previously the Standards Committee and now the Audit, Governance and Standards Committee – establishes membership of the Sub-Committees. Based on the same formula which was previously applied to the Sub-Committee memberships, the memberships set out are proposed, which Members are asked to consider:

Hearings Sub-Committee 1

Cllr Bennett (Chair), Cllr Brookes and Cllr Fisher.

Hearings Sub-Committee 2

Cllr P Witherspoon (Chair), Cllr Braley and Cllr Potter.

Hearings Sub-Committee 3

Cllr Thain (Chair), Cllr R Smith and Cllr J Witherspoon.

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Member Training

- 3.8 Following discussion with the Member Steering Group there was no training in the months leading up to the elections, except for support for the introduction of iPads for all Councillors. The iPads have been introduced as a means of Councillors being able to access e-mails securely. This complies with Public Service Network requirements from Central Government – since the Council shares data with the Department for Work and Pensions there are very strict requirements to ensure that this cannot be transmitted to the public. One set of introductory training has been delivered; and follow-up sessions are now being arranged for all Councillors.
- 3.9 The Steering Group agreed a programme of induction events for Councillors to follow the elections in late May. This started with a short induction evening the week after the elections where a broad overview of the main issues facing the Council and its approach to Transformation was given by the Chief Executive. The Deputy Monitoring Officer also explained the Code of Conduct and associated requirements. The evening was attended by all new Councillors.
- 3.10 The Steering Group agreed that Planning and Licensing training would be mandatory for those Councillors new to the Committees or who had not carried out mandatory training during the last municipal year. The Planning training was intensive over two evenings. It was well attended and very well received, with spare places being taken up by Councillors from other authorities. Their authorities are paying for the places on a pro rata basis, which will meet approximately a third of the costs.
- 3.11 Other sessions in the programme include: Overview and scrutiny; safeguarding; data protection and equalities. All will be delivered by the end of July.
- 3.12 Immediately prior to this evening's meeting of the Audit, Governance and Standards Committee will be an hour's general (non-mandatory) introductory/refresher training covering External Audit, Internal Audit and Standards/the Code of Conduct. This is aimed to support members of the Committee and any Members who may wish to sit as substitutes on the Committee. This will be the first time External Audit training has been included with Internal Audit training (as well as training on the new Standards element), thus providing a more comprehensive introductory/refresher session for Members.

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Feckenham Parish Council Representative on the Committee

- 3.13 The Audit, Governance and Standards Committee comprises 9 elected Members (Redditch Borough Councillors), 1 Independent Member (non-voting co-opted) for the purpose of Audit and Governance and 1 Feckenham Parish Council Representative (non-voting co-opted) for the purpose of Standards. The Parish Council also seeks to appoint a Deputy Parish Representative to substitute for the Parish Representative should they be unable to attend a meeting.
- 3.14 Officers have been notified that Fiona Hawker, Feckenham Parish Council Representative, resigned from the Parish Council in early June. The role of Deputy Parish Representative is currently vacant. Officers have therefore requested that the Parish Council Clerk include an item on the agenda for the next Parish Council meeting seeking a replacement for both Ms Hawker and the Deputy Parish Representative on the Committee.

Independent Observer on the Committee

- 3.15 At the meeting of Full Council on 24th February 2014 Members agreed that the former Audit & Governance and Standards Committees be combined to form a single Audit, Governance and Standards Committee. Tonight sees the first meeting of the new Committee.
- 3.16 When the then new standards regime was introduced in July 2012 the Council agreed that, as a transitional arrangement, a former Independent Member of the previous Standards Committee be co-opted on to the new Standards Committee as an 'Independent Observer' (a non-voting non-statutory role). This appointment was made for an initial period of 12 months in order to assist in the general monitoring of effectiveness of the new standards regime.
- 3.17 In July 2013 it was agreed that the Independent Observer arrangement continue for a further 12 months and that this again be subject to review in July 2014. Consideration will therefore need to be given to the transitional role of Independent Observer first introduced in July 2012 and the Monitoring Officer will update Members on the position with this at the meeting.
- 3.18 Members are asked to note that the role of the non-voting co-opted Independent Observer is entirely separate to that of the 'Independent Person' role; the role of Independent Person being a statutory role established under the Localism Act 2011. The Independent Person role will continue under the standards regime with the Independent Person working closely with the

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Monitoring Officer in the consideration and resolution of Member complaints. The Independent Person's views must be sought and taken into account by the authority before it makes a decision on a complaint allegation which it has decided to investigate, and their views may also be sought by the authority or a Subject Member in certain (complaint) circumstances.

Customer / Equalities and Diversity Implications

- 3.19 Any process for managing standards of behaviour for elected and co-opted Councillors must be accessible to the public. It is therefore proposed that an impact assessment will be carried out on the complaints process when established, to ensure accessibility.
- 3.20 In addition, it is proposed that the new arrangements will be publicised on the Council's website and that Officers will work to ensure that members of the public are made aware of the process for making a complaint through all existing community engagement events.

4. RISK MANAGEMENT

The main risks associated with the details included in this report are:

- Risk of challenge to Council decisions; and
- Risk of complaints about elected Members.

5. APPENDICES

None

6. BACKGROUND PAPERS

Chapter 7 of the Localism Act 2011.

Complaint papers and various reports to and minutes of meetings of the Standards Committee and Full Council, as detailed in the report.

AUTHOR OF REPORT

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AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

3rd July 2014

LOCALISM ACT 2011 – STANDARDS REGIME – GENERAL DISPENSATIONS

Relevant Portfolio Holder	Councillor John Fisher, Portfolio Holder for Corporate Management
Portfolio Holder Consulted	
Relevant Head of Service	Claire Felton, Head of Legal, Equalities and Democratic Services and Monitoring Officer
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	N/A
Non-Key Decision	

1. SUMMARY OF PROPOSALS

To consider the re-granting of general dispensations previously granted by the former Standards Committee, and the grant of an additional general dispensation, under s33 of the Localism Act 2011, to enable Members to participate and vote on matters under consideration at Council and at committee meetings in the particular circumstances set out in paragraphs 3.9, 3.10 and 3.11 of this report.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that

- 1) **subject to the caveat set out in paragraph 3.12 of this report in relation to setting the Budget, the Audit, Governance and Standards Committee grants dispensations under Section 33 (2) of the Localism Act 2011 to allow all Members to participate in and vote at Council and committee meetings when considering the setting of:**
 - a) **the Budget;**
 - b) **Council Tax;**
 - c) **Members' Allowances; and**
 - d) **Council Rents;**
- 2) **the Audit, Governance and Standards Committee grant a dispensation under Section 33 (2) of the Localism Act 2011 to allow Members to address Council and committees in circumstances where a member of the public may elect to speak;**
- 3) **the Audit, Governance and Standards Committee grant a dispensation under Section 33 (2) of the Localism Act 2011 to allow Members to participate in and vote at Council and committee meetings when considering the adoption of Non-Domestic Rates,**

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Discretionary Rate Relief Policy and Guidance affecting properties within the Borough;

- 4) **the dispensations referred to at 1), 2) and 3) above take effect on receipt of a written request from Members for a dispensation and where Members may have a Disclosable Pecuniary Interest in the matter under consideration, which would otherwise preclude such participation and voting; and**
- 5) **the dispensations referred to at 1), 2) and 3) above be valid until the first meeting of the Audit, Governance and Standards Committee after the Borough Council Elections in 2015.**

3. KEY ISSUES

Financial Implications

- 3.1 None.

Legal Implications

- 3.2 Section 33 of the Localism Act 2011 provides that Dispensations can be granted in respect of Disclosable Pecuniary Interests ("DPIs").
- 3.3 Section 33 (1) requires that a Member must make a written request for a dispensation.
- 3.4 Section 33 (3) provides that a dispensation must specify the period for which it has effect and that period may not exceed 4 years.

Service / Operational Implications

- 3.5 Under s31 (4) of the Localism Act 2011 a Member who has a DPI in a matter under consideration is not permitted to participate in the discussion or vote on the matter unless s/he has first obtained a dispensation under s33.
- 3.6 Section 33 (2) includes a number of situations where a dispensation can be considered, but should be granted "only if, after having regard to all relevant circumstances" the Committee considers that one of those situations applies.
- 3.7 The statutory grounds under s33 (2) for the granting of a dispensation are where the authority –
- "(a) considers that without the dispensation the number of persons prohibited by section 31(4) from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business,

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- (b) considers that without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business,
 - (c) considers that granting the dispensation is in the interests of persons living in the authority's area,
 - (d) if it is an authority to which Part 1A of the Local Government Act 2000 applies and is operating executive arrangements, considers that without them dispensation each member of the authority's executive would be prohibited by section 31(4) from participating in any particular business to be transacted by the authority's executive, or
 - (e) considers that it is otherwise appropriate to grant a dispensation."
- 3.8 The consideration of whether to grant a dispensation under s33 was previously delegated to the former Standards Committee. This function has now transferred to the newly established Audit, Governance and Standards Committee.
- 3.9 On 12th December 2012 the Standards Committee resolved to grant, subject to receipt of the required written request from Members, general dispensations for the setting of the Council Tax, Council Rents and Members' Allowances, and also for Members' speaking rights. On 24th October 2013 the Standards Committee granted an additional general dispensation for when Members considered setting the Budget.
- 3.10 All of the dispensations detailed at paragraph 3.9 above are valid until the first meeting of the Standards Committee – which has now been superseded by the Audit, Governance and Standards Committee – after the Borough Council Elections which took place on 22nd May 2014. Members are therefore asked to consider re-granting the Council Tax, Council Rents, Members' Allowances, Members' speaking rights and Budget Setting dispensations for the year ahead; until the first meeting of the Audit, Governance and Standards after the Borough Council elections in 2015.
- 3.11 In addition to the general dispensations set out at paragraphs 3.9 and 3.10 above, the proposal for the adoption of a Non-Domestic Rates, Discretionary Rate Relief Policy and Guidance by the Council in July 2014 has raised the prospect of a number of Members, whether in their role as a nominated Member to an outside body or in their capacity as Ward representative or otherwise, having to consider participation in the consideration and decision on the matter as a result of a DPI. The Monitoring Officer has suggested that a dispensation under s33 of the Localism Act to allow Members with a DPI to participate would be appropriate provided that Member/s make the necessary application in writing to the Monitoring Officer in the usual way. Members are therefore also asked to consider the granting of this additional dispensation.

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

3rd July 2014

- 3.12 It should be noted that under Section 106 of the Local Government Finance Act 1992 there is a caveat that any Member who is 2 months (or more) in arrears with their Council Tax payments cannot participate in any Council meeting concerning the budget. In the event that any Members were affected by the provisions of section 106, the statutory rule that they be barred from taking part in the budget decisions would prevail and any dispensation granted under this report would not apply.
- 3.13 In accordance with the general dispensations previously granted by the Standards Committee, and in order to satisfy the requirement for Members to apply for a dispensation in writing, the Monitoring Officer will circulate to all Members a request form seeking a dispensation for Members to sign prior to any relevant considerations at Council and/or committee meetings. The dispensations will then take effect upon receipt of the appropriate signed written requests from Members.

Customer / Equalities and Diversity Implications

- 3.14 None.

4. RISK MANAGEMENT

The granting of general dispensations by the Committee will, subject to receipt of a written request from Members for such a dispensation, clarify, for the avoidance of any doubt, Members' ability to participate in and vote at Council and committee meetings on certain matters as part of the Council's decision-making process.

5. APPENDICES

None.

6. BACKGROUND PAPERS

Section 33 of the Localism Act 2011.

Section 106 of the Local Government Finance Act 1992.

Reports to Standards Committee on 12th December 2012 and 24th October 2013.

AUTHOR OF REPORT

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AUDIT, GOVERNANCE & STANDARDS COMMITTEE ACTION LIST – 3RD JULY 2014 MEETING

Officers: Andy Bromage - Worcestershire Internal Audit Shared Services Manager
 Sam Morgan - Financial Services Manager
 Jayne Pickering - Executive Director, Finance and Resources
 Amanda de Warr - Head of Customer Access and Financial Support

Ref	Action/Issue	Origin	Lead Officer/ Member	Priority/ timescale	Officer Response/Action Status
1	Lead Risk Member training – Cllr Bennett	Minute 43 (Minutes) of 24.04.14 meeting refers.	Cllr Bennett Sam Morgan Jayne Pickering	03.07.14 meeting	Cllr Bennett to arrange suitable risk training – subject to decision on appointment of new Lead Risk and Fraud Members at 03.07.14 meeting.
2	Feasibility of introducing monthly rents on commercial buildings in advance via direct debit.	Minutes 12 of 27.06.13 and 44 of 24.04.14 meetings refer.	Sam Morgan Jayne Pickering	Ongoing	Officers agreed at 27.06.13 meeting to look into this. Chair rescheduled update to 24.04.14 meeting. Officers provided update on 24.04.14 and Members requested that leases for commercial buildings be discussed further with Property Services in order to assess whether greater flexibility could be applied on the payment of rents. Agreed item to remain on Action List for future monitoring and reporting.
3	Future monitoring of use of balances to support expenditure. Relates to District Auditor’s finding that in relation to Value For Money the Council could not continue to rely on using balances to support expenditure, with considerable savings being necessary over following 3 years (Annual Audit Opinion 2011/12).	Minutes 26 of 18.03.13, 38 (x) of 25.04.13, 21 of 26.09.13 and 44 of 24.04.14 meetings refer.	Sam Morgan, Jayne Pickering & Cllr Fisher	Ongoing	Officers to provide ongoing periodic updates to Committee on information referred to Executive Committee as part of quarterly Budget Monitoring reports. Cllr Fisher (as Portfolio Holder) also to provide oral updates on Financial Budget Monitoring to each meeting of the Committee (wef 16.01.14).

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

3rd July 2014

WORK PROGRAMME 2014/2015

(Note: The new Audit, Governance and Standards Committee's Terms of Reference, as agreed by the Council on 9th June 2014, are attached for Members' information.)

25th September 2014

- **Monitoring Officer's Report – Standards Regime**
- **Parish Council Representative's Report – Standards Regime**
- **Committee Action List & Work Programme (combined Audit, Governance and Standards)**
- **Risk Monitoring** (including any oral updates from those members of the Committee charged with overseeing Risk Monitoring on behalf of the Committee)
- **Benefits Investigations & Fraud Monitoring** (including any oral updates from those members of the Committee charged with overseeing Fraud Monitoring on behalf of the Committee)
- **Audited Statement of Accounts 2013/14**
- **Annual Governance Statement 2014/15 – Progress Update** (if applicable)
- **Review of Independent Member on the Committee** (initial 12-month trial appointment ends December 2014)
- **External Audit – Progress Report** (if applicable)
- **External Audit – Audit Findings Report 2013/14**
- **Portfolio Holder Update – Quarterly Budget Monitoring** (oral update)
- **Internal Audit – Monitoring Report**

22nd January 2015

- **Monitoring Officer's Report – Standards Regime**
- **Parish Council Representative's Report – Standards Regime**
- **Committee Action List & Work Programme (combined Audit, Governance and Standards)**
- **Risk Monitoring** (including any oral updates from those members of the Committee charged with overseeing Risk Monitoring on behalf of the Committee)
- **Corporate Risk Register** (if applicable for 2015)
- **Benefits Investigations & Fraud Monitoring** (including any oral updates from those members of the Committee charged with overseeing Fraud Monitoring on behalf of the Committee)
- **Debt Recovery Update Report** (for Quarters 1 and 2 – April to September)
- **Annual Governance Statement 2014/15 – Progress Update** (if applicable)

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

3rd July 2014

- **Treasury Management Strategy, Prudential Indicators and Minimum Revenue Provision Policy 2015/16** (or may go to April 2015 meeting)
- **External Audit – Progress Report** (if applicable)
- **External Audit – Annual Audit Letter**
- **External Audit – Grant Claims Certification Work Report** (or April meeting)
- **Portfolio Holder Update – Quarterly Budget Monitoring** (oral update)
- **Internal Audit – Monitoring Report**
- **Internal Audit – Annual Audit Plan 2015/16 (Draft)**

23rd April 2015

- **Monitoring Officer’s Report – Standards Regime**
- **Parish Council Representative’s Report – Standards Regime**
- **Committee Action List & Work Programme (combined Audit, Governance and Standards)**
- **Risk Monitoring** (including any oral updates from those members of the Committee charged with overseeing Risk Monitoring on behalf of the Committee)
- **Benefits Investigations & Fraud Monitoring** (including any oral updates from those members of the Committee charged with overseeing Fraud Monitoring on behalf of the Committee)
- **Accounting Standards (Statement of Accounting Policies)**
- **Annual Governance Statement 2014/15 – Progress Update** (if applicable)
- **Treasury Management Strategy, Prudential Indicators and Minimum Revenue Policy Provision 2015/16**
- **External Audit – Auditing Standards 2014/15 (Communication with the Audit and Governance Committee and Executive)**
- **External Audit – Progress Report** (if applicable)
- **External Audit – Audit Plan 2014/15**
- **External Audit – Audit Fee Letter 2015/16**
- **Portfolio Holder Update – Quarterly Budget Monitoring** (oral update)
- **Internal Audit – Monitoring Report**
- **Internal Audit – Annual Audit Plan 2015/16 (Final)**
- **Annual Review of the Operation of the Audit, Governance and Standards Committee (Chair’s Oral Report) & Annual Review of the Committee’s Procedure Rules** (Minute 4 (Audit and Governance Committee – Procedure Rules) of 28th June 2012 meeting refers)
- **Calendar of Meetings 2015/16**

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

3rd July 2014

July 2015 (meeting date not yet set)

- **Monitoring Officer's Report – Standards Regime**
- **Parish Council Representative's Report – Standards Regime**
- **General Dispensations – Standards Regime**
- **Committee Action List & Work Programme (combined Audit, Governance and Standards)**
- **Risk Monitoring** (including any oral updates from those members of the Committee charged with overseeing Risk Monitoring on behalf of the Committee)
- **Benefits Investigations (for period 1st December to 31st March) & Fraud Monitoring** (including any oral updates from those members of the Committee charged with overseeing Fraud Monitoring on behalf of the Committee)
- **Debt Recovery Update Report** (for Quarters 3 and 4 – October to March)
- **Annual Governance Statement 2014/15 (for inclusion in the Statement of Accounts)**
- **External Audit – Progress Report** (if applicable) **including oral update on Value for Money Conclusion**
- **Portfolio Holder Update – Quarterly Budget Monitoring** (oral update)
- **Internal Audit – Monitoring Report**
- **Internal Audit – Annual Report 2014/15 (including review of effectiveness of Internal Audit)**

(Note: Copies of the draft Annual Accounts and Annual Governance Statement will be sent to all members of the Committee at the same time as they are issued to the External Auditors.

There will also be a Member Briefing on the Statement of Accounts for the members of the Committee in early/mid September 2015, prior to the Committee's formal consideration of the Statement of Accounts at its meeting at the end of September 2015.)

Meeting date to be determined

- **Review of the operation of the Protocol on Member-Officer relations (following consideration by the Constitution Review Working Party).**
- **Review of the operation of the Protocol on Member-Member relations (following consideration by the Constitution Review Working Party.).**

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE TERMS OF REFERENCE

Number of members	9
Number of Co-opted, non-voting members	1 Independent non-voting Member for the purpose of Audit and Governance; 1 Parish Representative, who may not also be a Borough Councillor, for the purpose of Standards.
Politically Balanced Y/N	Y
Quorum	4 (to include at least one member of the Majority Group)
Procedure Rules applicable	Council Procedure Rules (with the exception of Council Procedure Rules 1-4, 10, 14, 18.2, 20.1 and 22)
Chair	The Chair and Vice-Chair of the Committee and any of its Sub-Committees will be a Borough Councillor.
Special provisions as to the Chair	For the sake of independence, the Chair shall not be a member of the controlling political group.
Terms of Reference	<u>Audit and Governance</u> <u>Internal and External Audit</u> a. To review and monitor the annual audit plans of both the internal and external auditors. b. To receive and comment upon the external auditors' reports. c. To monitor the adequacy and effectiveness of the Council's system of internal control by ensuring that an adequate and effective system of internal financial controls is maintained, that financial procedures are

regularly reviewed.

- d. To consider, monitor and review the Council's overall corporate governance arrangements.
- e. To enhance the profile, status and authority of the internal audit function which will demonstrate its independence.
- f. To focus audit resources by agreeing, and periodically reviewing, audit plans and monitoring delivery of the audit service.
- g. To receive and consider such internal audit reports that the Chair and/or Deputy Chief Executive considers necessary.

Risk

- h. To consider, monitor and review the effectiveness of the Council's risk strategies, policies and management arrangements and seek assurances that action is being taken to address identified risk related issues.

Finance and Value for Money

- i. To consider and approve the Council's Annual Statements of Accounts.
- j. To consider any report from the Internal Audit Manager in pursuance of Financial Regulations.
- k. .To ensure good stewardship of the Council's resources and assist the Council to achieve value for money in the provision of its services.
- l. To keep under review, and make recommendations on, proposed amendments to Financial Regulations.
- m. To consider and make recommendations if appropriate on, the Annual Governance Statement.

Standards

- n. To promote and maintain high standards of conduct by Councillors and any co-opted members of Council bodies;
- o. To assist the Councillors and co-opted members to observe the Members' Code of Conduct;

	<p>p. To advise the Council on the adoption or revision of the Members' Code of Conduct;</p> <p>q. To monitor the operation of the Members' Code of Conduct;</p> <p>r. To advise, train or arrange to train Councillors and co-opted members on matters relating to the Members' Code of Conduct;</p> <p>s. To grant dispensations to Councillors and co-opted members from requirements relating to interests set out in the Members' Code of Conduct;</p> <p>t. To deal with any report from the Monitoring Officer following an investigation into a complaint concerning the Members' Code of Conduct;</p> <p>u. To consider and determine allegations that a Councillor or co-opted Councillor may have failed to follow the Code of Conduct and where a breach of the Code is established making recommendations as to any sanctions to the appropriate person or body.</p> <p>v. The exercise of u – v above in relation to the Parish Councils in the Council's area and the members of those parish Councils;</p> <p>w. To monitor, and review the operation of the Protocols on Member-Officer and Member-Member relations.</p>
Special provisions as to membership	<p>The Committee to comprise elected Members representing all interests of the Authority, preferably with relevant areas of expertise, where possible (such areas as accountancy, audit, business and commerce.)</p> <p>Can be members of the Executive Committee, but Party Group Leaders may not be, or act as substitutes for, members of the Committee.</p>

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

3rd July 2014

GRANT THORNTON PROGRESS UPDATE - 2013/14

Relevant Portfolio Holder	Cllr John Fisher
Portfolio Holder Consulted	-
Relevant Head of Service	Jayne Pickering – Exec Director Finance and Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

1. SUMMARY OF PROPOSALS

To update Members on the progress of External Audit for the plan for 2013/14.

2. RECOMMENDATIONS

The Committee is asked to note the updates as included at Appendix 1.

3. KEY ISSUES

Financial Implications

3.1 There are no financial implications.

Legal Implications

3.2 The Council has a statutory responsibility to comply with financial regulations.

Service / Operational Implications

3.3 At present as can be seen within the progress report there are no issues of concern that have been raised by Grant Thornton.

3.4 In addition there is an update for Members in relation to emerging issues that may be of interest for Members to refer to when discussing the final accounts in September together with a number of events that are being held by the External Audit Team.

3.5 There are no issues that are not being addressed by Officers to ensure the Council meets its statutory financial obligations.

Customer / Equalities and Diversity Implications

3.7 There are no implications arising out of this report.

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

3rd July 2014

4. RISK MANAGEMENT

As part of all audit work the auditors undertake a risk assessment to ensure that adequate controls are in place within the Council so reliance can be placed on internal systems.

5. APPENDICES

Appendix 1 – Grant Thornton Progress Report.

6. BACKGROUND PAPERS

N/A

7. KEY

N/a

AUTHOR OF REPORT

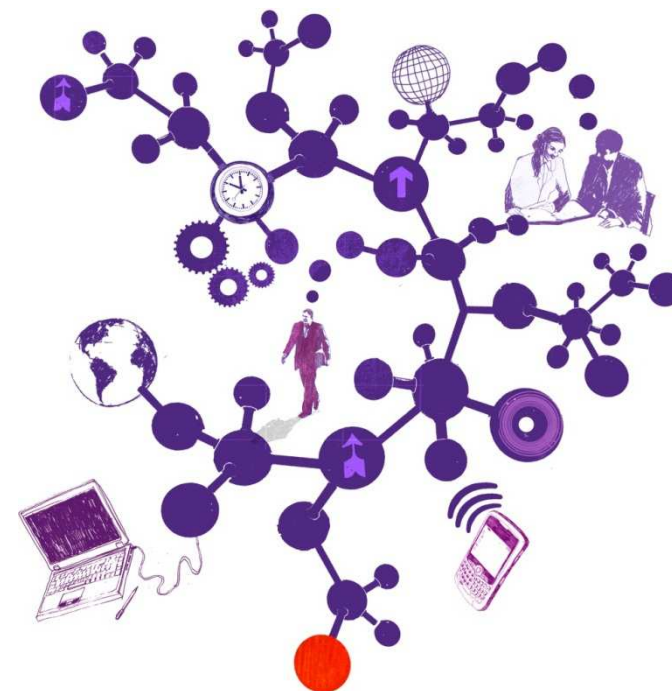
Name: Jayne Pickering
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Audit and Standards Committee Update

Redditch Borough Council
Year ended 31 March 2014
July 2014

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English local authorities
- Local Government Pension Schemes Governance Review, a review of current practice, best case examples and useful questions to assess governance strengths

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Zoe Thomas Audit Manager T 0121 232 5277 M 07880 456 119 zoe.thomas@uk.gt.com

Progress at July 2014

Work	Planned date	Complete?	Comments
<p>2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the council's 2013-14 financial statements.</p>	Submitted to the April Audit Committee	Y	<p>The audit plan sets out our strategy for addressing our identified risks for 2013/14. It sets out at high level the work we plan to undertake.</p> <p>Our Audit Findings report (ISA260) in September will summarise our findings against those risks. That report will be presented to the Audit Board.</p>
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	<p>Jan- March 2014</p> <p>June- September</p>	<p>Y</p> <p>N</p>	<p>Matters arising from our interim audit have been reported in the audit plan.</p> <p>We have completed our initial risk assessment, and will complete our work to address these risks over the summer.</p>
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July – September	N	We meet with officers regularly to discuss emerging issues and plans .

work	Planned date	Complete?	Comments
Threadneedle House Review of the Barclays Bank Lease	n/a additional work requested	Y	This work was undertaken t the request of the DOF. This work is complete and final report agreed and issued . The report contains recommendations that have been responded to by management.

Understanding your accounts – member guidance

Accounting and audit issues

Guide to local authority accounts

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. However, local authority financial statements are complex and can be difficult to understand. We have prepared a guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

The guide considers the :

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at 31st March; and
- other statements and additional disclosures

Supporting this guide we have produced two further documents to support members in discharging their responsibilities

- helping local authorities prepare clear and concise financial statements
- approving the minimum revenue provision

Copies of these are available from your engagement lead and audit manager

Accounts – our top issues

Accounting and audit issues

Top issues for the 2013/14 closedown

Based on the queries we have received from practitioners and auditors, here is a list of key issues to consider for the 2013/14 closedown.

1. Do your accounts tell the overall story of your authority's financial performance and financial position? Is the foreword a good summary of the financial year and set out future challenges. Are they clear, concise and easy to follow? Is detailed information on the most important information easy to find? Have duplicated text, non-material notes and zero entries been removed?
2. Are your accounts internally consistent? In particular, does the movement in reserves statement agree to the detailed notes?
3. Is your programme of revaluations is sufficiently up to date to ensure that the carrying value of property, plant and equipment does not differ materially from the fair value at 31 March 2014?
4. Have you accounted for provisions in accordance with IAS 37?
 - Have you considered provisions for business rates, equal pay and restoration?
 - Are your provisions the best estimate of the liability (rather than a prudent estimate or an amount that is convenient for budget purposes)?
 - Is there a robust evidence based methodology to support the estimate?
 - Are there any instances in which a provision has not been made because a reliable estimate cannot be made? If so, Is their robust evidence to support the judgement that a reliable estimate is not possible? Has a contingent liability been disclosed?
5. Have you agreed a detailed closedown plan with your auditors? Does this include:
 - how to deal with known major issues?
 - a protocol for dealing with new issues as they arise?
 - a date for a post-implementation review?
6. Have you addressed the new accounting requirements in 2013/14 for the presentation of IAS 19 pension costs

Accounts – CIPFA bulletin

Accounting and audit issues

LAAP Bulletin 98: Closure of the 2013/14 accounts and related matters

In March, CIPFA's Local Authority Accounting Panel issued [LAAP Bulletin 98](#). The bulletin provides further guidance and clarification to complement CIPFA's 2013/14 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- non-domestic rates – provision for appeals against the rateable value of business properties
- component accounting
- accounting for pension interest costs in relation to current service cost and pension administration costs
- disclosure requirements for dedicated schools grant.

With regard to future accounting periods, the Bulletin also provides an update on issues affecting 2014/15.

Not to be rubbished, £464 million potential savings

Local government guidance

Audit Commission VFM Profiles

Using data from the VFM Profile, <http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/> the Audit Commission issued a briefing on 27 March 2014, concluding that up to £464 million could be saved overall, if councils spending the most brought down their spending to the average for their authority type and waste responsibilities.

The Audit Commission Chairman, Jeremy Newman said: "It's good news that local authorities have reduced their spending on household waste by £46 million over the past four years and have reduced levels of waste sent to landfill. Councils have achieved these important improvements by working with local people and exercising choice about what works best in their own circumstances."

In the context of considering the hierarchy of waste management options - preventing the creation of waste, preparing waste for re-use, recycling, recovery and disposal to landfill - the Audit Commission Chairman also said

"in 2012/13 local authorities spent a fifth of their total expenditure on the most desirable option for household waste management: minimisation and recycling. They spent the other four-fifths on the collection and disposal of waste – the least desirable options. Councils have the power to influence and encourage residents to do the right thing and they control the levels of spending on the range of waste management options available to them. Their choices ultimately affect how well the environment is protected and the quality of waste services residents receive"

The Council could use this data to understand how;

- spending on household waste management has changed over time.
- spending is divided between waste minimisation, recycling or disposal of waste, and how this has changed over time;
- spending on different components of waste management compares with authorities that have similar or better performance?

Working in tandem – Local Government Governance Review 2014

Grant Thornton

Local Government Governance Review

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Local-Government-Governance-Review-2014/> is our third annual review into local authority governance. It aims to assist managers and elected members of councils and fire and rescue authorities to assess the strength of their governance arrangements and to prepare for the challenges ahead.

Drawing on a detailed review of the 2012/13 annual governance statements and explanatory forewords of 150 English councils and fire and rescue authorities, as well as responses from 80 senior council officers and members, the report focuses on three particular aspects of governance:

- risk leadership: setting a tone from the top which encourages innovation as well as managing potential pitfalls
- partnerships and alternative delivery models: implementing governance arrangements for new service delivery models that achieve accountability without stifling innovation
- public communication: engaging with stakeholders to inform and assure them about service performance, financial affairs and governance arrangements.

Alongside the research findings, the report also highlights examples of good practice and poses a number of questions for management and members, to help them assess the strength of their current governance arrangements.

- Our report includes a number of case studies summarising good practice in risk leadership, partnerships and alternative delivery models and public communication. Officers and Members should review these case studies and assess whether it is meeting good practice in these areas.
- Our report includes key questions for members to ask officers on risk management and alternative delivery models that officers and members should consider.

Events

Grant Thornton

Events

We are involved in organising and supporting various events for our local government clients including the following.

- We are hosting a Local Government Audit Committee Network at our Birmingham office on 30 July. The theme for this inaugural meeting will be Financial Reporting in Local Government – providing challenges to the draft financial statements including an update on current topics.
- We are also hosting an Alternative Delivery Models seminar at our Birmingham office on 16 July where practitioners will share experiences of setting up and operating various alternative delivery models.
- Following on from our recent national report on welfare reform 'Reaping the Benefits' we are continuing to gather information and examples of good practice from local government and housing around the country. We are presenting our key findings updated information on good practice to CIPFA Benefits and Revenues Network and regional CIPFA events
- We are sponsoring the Centre for Public Scrutiny (CFPS) annual Scrutiny Camp conference in London on 11 June
- We are also sponsoring The Municipal Journal's annual Growth Agenda conference on 4 June where we will be launching our Where Growth Happens report
- Paul Grady, Grant Thornton's Head of Police, will be speaking at the third Annual National Conference on Police and Crime Commissioners on 10 July, in Nottingham



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AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

3rd July 2014

INTERNAL AUDIT - ANNUAL REPORT 2013/14

Relevant Portfolio Holder	Councillor John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Sam Morgan ~ Financial Services Manager
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

1. SUMMARY OF PROPOSALS

To present to Members:

- the Internal Audit Annual Report for 2013/14; and,
- the 2013/14 Worcestershire Internal Audit Shared Services Manager’s annual opinion on the overall adequacy of the Council’s internal control environment (Appendix 3).

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that the report be noted.

3. KEY ISSUES

Financial Implications

- 3.1 There are no direct financial implications arising out of this report.

Legal Implications

- 3.2 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2011 to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

Service/Operational Implications

- 3.3 This report provides an overview of the utilisation of Internal Audit resources during 2013/14.
- 3.4 **Appendix 1** shows during 2013/2014 there were 475 productive audit days. This equates to a delivery of 98% against an agreed target for the year of 90%.

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

3rd July 2014

- 3.5 **Appendix 2** provides a breakdown of the audits completed and the overall assurance.
- 3.6 The Worcestershire Internal Audit Shared Service has achieved and delivered the full 2013/2014 audit plan.
- 3.7 For 2013/14 the Annual Audit Plan was approved by the Audit and Governance Committee on 18th March 2013. The Internal Audit Plan was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk fraud risk, and external risk) using a predefined scoring system. It included:
- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance and
 - a number of operational systems, for example, Kingsley Sports Centre, Corporate Compliments and Complaints, Playing Fields and Football Pitches, Rent Arrears, payment and Collection were looked at to maintain and improve its control systems and risk management processes or reinforce its oversight of such systems.
- 3.8 In accordance with best practice the plan is subject to review each year to ensure that identified changes, for example, external influences, risk assessment, process re-engineering and transformation are taken into consideration within the annual plan.
- 3.9 The purpose of the 2013/14 Annual Plan was to aid the effectiveness of the Internal Audit function and ensure that:
- Internal Audit assisted the Authority in meeting its objectives 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 are 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 of internal control (reported in **Appendix 3**), which feeds into the Annual Governance Statement which is presented with the statement of accounts.
- 3.10 2013/14 was a demanding year for the Internal Audit team with the loss of two Auditors early in the year, managing a return to work after long term sickness as well as training and mentoring two new auditors who joined the team. There was a need to vacancy manage posts for a significant proportion of the year in order to offset the interim resource that was used to ensure WIASS could deliver the risk based internal

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audit plan. Internal Audit has carefully managed its resource and worked with partners to deliver the full audit programme for Redditch Borough Council for 2013/14.

Quality Measures

- 3.11 Managers are asked to provide feedback on systems audits by completing a questionnaire. At the conclusion of each audit a feedback questionnaire is sent to the Responsible Manager and an analysis of those returned during the year shows very high satisfaction with the audit product – see Appendix 2.
- 3.12 To further assist the Committee with their assurance of the overall delivery the Worcestershire Internal Audit Shared Service conforms to Public Sector Internal Audit Standards 2013.
- 3.13 During 2013/14 (and up to the drafting of this report) 26 final audit reports along with 2 draft reports have been issued and one audit is at clearance stage. Summaries of these audit reports, plus the Auditors opinion on the effectiveness of the controls operating within those areas and an action plan containing recommendations to address the identified control weakness, have been reported to the Audit & Governance Committee on an ongoing basis throughout the year.
- 3.14 Based on the audits performed in accordance with the audit plan the Worcestershire Internal Audit Shared Services Manager has concluded that the internal control arrangements during 2013/14 effectively managed the principal risks identified in the audit plan.
- 3.15 Worcestershire Internal Audit Shared Service Internal Audit activity is organisationally independent. Internal Audit reports to the s151 Officer but has a direct and unrestricted access to senior management and the Audit & Governance Committee.
- 3.16 Further quality control measures embedded in the service include individual audit reviews and regular Client Officer feedback. All staff work to a given methodology and have access to the internal audit manual and Charter which has been updated to reflect the requirements of the standards.
- 3.17 The Client Officer group meet on a regular basis and consider the performance of the Shared Service including progress against the Service Plan, and, promote continuous improvement.
- 3.18 Risk Management features as part of the audit programme for the year. Reports are brought before the Audit Committee for consideration.

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- 3.19 Work is continuing in respect of the NFI exercise. Appropriate action is being taken and work is progressing to identify any potential fraudulent activity for example overpayment for housing benefits, income support, etc. The amount of fraudulent activity identified by the 2012/13 exercise as at the 29th April 2014 for Redditch Borough Council was £27,008.15.
- 3.20 We recognise there are other review functions providing other sources of assurance (both internally and externally) over aspects of the Council's operations. Where possible we seek to place reliance on such work thus reducing the internal audit coverage as required

Annual Governance Statement ~ Assurance Checklist Statements 2013/14

- 3.21 It is the responsibility of management to maintain the Authority's internal control framework and ensure that controls are being complied with.
- 3.22 In order to ascertain management's view on this and in order to identify any areas where current or emerging risks in relation to internal controls may exist all Fourth Tier Managers were asked to complete an internal control checklist covering Strategic and Operational, Human Resources, Corporate Procedure Documents, Service Specific Procedures, Risk Management and Anti Fraud, Performance Management and data Quality, Inventories and independent recommendations from outside bodies including audit.
- 3.23 Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except where reported otherwise.
- 3.24 All of the Annual Governance Statement Assurance Checklist Statements have been returned, Review of the returned statements indicates that although in a few areas control requirements are only being partially met they do not identify any areas that present a significant and material risk.

Work of interest to the External Auditor

- 3.25 To try to reduce duplication of effort we understand the importance of working with the External Auditors. The audit plan is shared with the external auditors for information. The results of the work that we perform on five systems audits will be of direct interest to External

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Audit. Audit reports are passed to the external auditor on request for their information.

External Work

3.26 The work to deliver the Hereford and Worcester Fire and Rescue Service internal audit contract was predominantly completed during 2013/14 with only management responses awaited in order to finalise two audits. Threadneedle House in Redditch was also delivered during 2013/14 along with the Bus Operators Grant which was also audited during the year for grant claim purposes. Internal Audit was able to advise there were no material mis-statements contained in the Threadneedle House accounts or grant claims.

3.27 Anti-Fraud and Corruption Survey.

The anti fraud and corruption survey was completed by Internal Audit and submitted on the 16th May 2014 in respect of financial year 2013/14. The survey examined several key anti fraud measures that exist within the Council. Further work was also completed as part of the audit programme in this area. There were some weaknesses found during the audit to which action will be taken to strengthen them.

Customer / Equalities and Diversity Implications

3.28 There are no implications arising out of this report.

4. RISK MANAGEMENT

4.1 The main risks associated with the details included in this report are:

- Non-compliance with statutory requirements.

5. APPENDICES

Appendix 1 Delivery against plan 2013/14
Appendix 2 Audits completed with Assurance 2013/14
Appendix 3 Service Managers Audit Opinion and Commentary

6. BACKGROUND PAPERS

None

7. KEY

N/a

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AUTHOR OF REPORT

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APPENDIX 1

Delivery against Internal Audit Plan for 2013/14
1st April 2013 to 31st March 2014

Audit Area	DAYS USED TO 31/03/14	2013/14 PLAN DAYS
Core Financial Systems (Note 1)	119	114
Corporate Audits(Note 2)	138	155
Other Systems Audits	160	161
TOTAL	417	430
Audit Management Meetings	20	20
Corporate Meetings / Reading	9	9
Annual Plans and Reports	10	12
Audit Committee support	12	13
Other chargeable	7	0
TOTAL	58	54
GRAND TOTAL	475	484

Note 1

Core Financial Systems are audited in quarters 3 and 4 in order to maximise the assurance provided for the Annual Governance Statement and Statement of Accounts. Small number of additional days required to deliver the full core financial programme.

Note 2

Budgets in this section were not fully required due to the areas of work and audit scoping and focus. This did not compromise the overall audit plan delivery.

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Appendix 1

Key Performance Indicators (KPIs) for 01st April 2013 to 31st March 2014.

The success or otherwise of the Internal Audit Shared Service can be measured against some of the following key performance indicators for 2013/14 i.e. KPI 3 and 4. Other key performance indicators link to overall governance requirements of Redditch Borough Council.

	KPI	Trend requirement	2012/13 Year End Position	2013/14 Position (as at March 2014)	Frequency of Reporting
1	**No. of high priority recommendations	Downward	12	*21	Quarterly
2	No. of moderate or below assurances	Downward	10	*11	Quarterly
3	No. of customers who assess the service as excellent	Upward	2	5 (8 returns; 5 excellent & 3 good)	Quarterly
4	No. of audits achieved during the year	Per target	Target = 29 Delivered =27 &(2x Draft Reports)	Target =29 Delivered = 26 Final Reports 2 Draft Report & 1 Clearance Stage	Quarterly

** Although this indicator can be used as a year on year trend indicator it must be remembered that different audit areas are examined each year and depending on particular outturns (i.e. one audit area could be attract several high priority recommendations for example 2013/14 Palace Theatre had 4 high priority recommendations) this figure can fluctuate.

*This figure only includes finalised audit report recommendations and reported assurances therefore is subject to change (i.e. increase) depending on the draft report outcomes.

WIASS operates within and seeks to conform to the Public Sector Internal Audit Standards.

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Appendix 2

Audit Opinion Analysis ~

Audits completed during financial year 2013/2014:

Audit Report / Title 2013 - 2014	Final Report Issued	Assurance Level
Dial-A-Ride	24th June 2013	Significant
Building Control	29th October 2013	Significant
DFGs	10th December 2013	Significant
Debtors	16th January 2014	Significant
Main Ledger	19th February 2014	Significant
Benefits	7th March 2014	Significant
Council Tax	24th March 2014	Significant
VAT	31st March 2014	Significant
Treasury Management	16th April 2014	Significant
Art Development	30th April 2014	Significant
Rent Verification	30th April 2014	Significant
Woodland Management - Income	1 st May 2014	Significant
Mutual Exchanges	12 th June 2014	Significant
Allotments	24th October 2013	Moderate
Cash Collection	26th February 2014	Moderate
NDR	24th March 2014	Moderate
Creditors	1st April 2014	Moderate
Payroll	20th May 2014	Moderate
Shared Services - Regulatory	30th May 2014	Moderate
Palace Theatres	25th October 2013	Limited
Kingsley Sports Centre	7th March 2014	Limited
Risk Management	30th April 2014	Limited
Sports Development	19th May 2014	Limited
Corporate Fraud	1 st May 2014	Limited
Playing Fields and Football Pitches	6th March 2014	N/a ~ Critical Review
Corporate Compliments and Complaints	4th April 2014	N/a ~ Critical Review
ICT	9 th May 2014 (D)	No (D)
Corporate Governance - Protecting the Public Purse	9 th May 2014 (D)	N/a ~ Critical Review (D)
S106 Agreements	Clearance	To be confirmed
<u>2012-2013</u>		
Corporate Governance - Shared Services 2012-13	9th May 2014	N/a Critical Review

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Summary of 2013/14 Audit Assurance Levels.

2013/14	Number of RBC Audits	Assurance	Overall %
From 29 audits	0	Full	0%
	13	Significant	45%
	6	Moderate	20%
	5	Limited	17%
	1	No	4%
	1	To be confirmed	4%
	3	N/a	10%

Client Feedback Analysis ~ IA Reporting

Feedback is sought after the issue of the final audit report either verbally or via a feedback questionnaire. The feedback is used to assess the effectiveness of internal audit and to help improve and enhance the internal audit function. Feedback during the 2013/14 financial year indicated that:

- The majority of auditees were more than happy with the process and format of the audits. This continues to be further developed.
- A Manager commented, "Audit report highlighted areas that we expected and gave the evidence to make continuing improvements".
- There is a high satisfaction rate with the audit product from the data received.

8 questionnaires received; 5 returned as 'excellent' and 3 as 'good'.

Overall Conclusions:

- 75% of the audits undertaken for 2013/14 which have received an assurance allocated returned an assurance of 'moderate' or above. This figure is inclusive of the critical friend audits i.e. 'N/A'.
- Clients are satisfied with the audit process and service from the data received.

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Appendix 3

Worcestershire Internal Audit Shared Services Manager's Opinion on the Effectiveness of the System of Internal Control at Redditch Borough Council (the Council) for the Year Ended 31st March 2014.

1. Audit Opinion

- 1.1 The internal audit of Redditch Borough Council's systems and operations during 2013/14 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit and Governance Committee on 23rd January 2013.
- 1.2 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City, for 5 district councils. The shared service operates within, and conforms to, the Institute of Internal Auditors Public Sector Internal Audit Standards and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.
- 1.3 The Internal Audit Plan for 2013/2014 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk fraud risk, and external risk) using a predefined scoring system. It included:
 - a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance and
 - a number of operational systems, for example, Kingsley Sports Centre, Corporate Compliments and Complaints, Playing Fields and Football Pitches, Rent Arrears, payment and Collection were looked at to maintain and improve its control systems and risk management processes or reinforce its oversight of such systems.
- 1.4 The required audit reports identified in the plan were delivered and have helped to provide sufficient coverage for the Service Manager to form an overall audit opinion..
- 1.5 In relation to the twenty nine reviews that have been undertaken, twenty six have been completed and three are nearing completion at clearance meeting or draft report stage. Risk management was re-

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launched during 2012/13 with a Corporate Risk Register being formulated and training being provided. However, further development and embedding is required to move towards a trustworthy system which can be relied upon. An audit in this area returned an assurance level of 'limited assurance'. Further work is required to embed this throughout the organisation with the outcomes being monitored by the Risk Management Group. Other areas which also returned an assurance level of 'limited' included Corporate Governance ~ Fraud, Palace Theatres, Kingsley Sports Centre, and Sports Development. A key area which returned a 'no' assurance level was ICT. All areas where assurance was 'limited' or below will be addressed by management and have a defined action plan in place in order to address the weaknesses and issues identified. Where audits are to be finalised a comprehensive management action plan will be required and agreed by the s151 Officer.

- 1.6 As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are 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 are responsible and confirming that those controls were operating effectively except where reported otherwise. No areas of significant risk have been identified. Any concerns raised by managers will be assessed and addressed by the Authorities Corporate Management Team.
- 1.7 The majority of the completed audits have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified during a time of significant transformation and change.
- 1.8 WIASS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance based on the audits performed in accordance with the approved plan and the scoping therein. Based on the audits performed in accordance with the approved plan, the Worcestershire Internal Audit Shared Services Manager has concluded that the internal control arrangements during 2013/14 effectively managed the principal risks identified in the audit plan and can be reasonably relied

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upon to ensure that the Council's corporate objectives have been met. However, there is a significant risk emerging which could jeopardise this in the future. With the austerity measures and the need to reduce the overall Corporate budget the transformation plan and 'unspecified' savings require greater clarity to ensure better transparency, expectation and accountability in order to ensure the Borough can work towards a sound financial footing.

Andy Bromage**Worcestershire Internal Audit Shared Services Manager**

June 2014

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
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ANNUAL GOVERNANCE STATEMENT – 2013/14

Relevant Portfolio Holder	Councillor John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering, Executive Director Finance and Resources
Wards Affected	None.

1. SUMMARY OF PROPOSALS

To seek Members' approval of the Annual Governance Statement (AGS) for signature by the Leader of the Council and the Chief Executive, for inclusion in the Statement of Accounts 2013/14.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that

subject to any Member comments, the Annual Governance Statement be recommended for inclusion in the Statement of Accounts.

3. KEY ISSUES

- 3.1 Authorities are expected to publish the Annual Governance Statement (AGS) for 2013/14 with their Statement of Accounts.
- 3.2 The CIPFA/SOLACE framework for the Annual Governance Statement requires the AGS to be signed by the most senior Officer (Chief Executive or equivalent) and the most senior member (Leader or equivalent).
- 3.3 There is an expectation in the guidance that the Head of Internal Audit, or equivalent, will provide a written annual report to those charged with governance timed to support the Annual Governance Statement. The report prepared by the Internal Audit Manager has been included in a separate report within the Agenda.
- 3.4 The AGS should be as up to date as practicable at the time of publication which will follow the completion of the final accounts audit in August.

Financial Implications

- 3.5 There are no specific financial implications.

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Legal Implications

- 3.6 The preparation and publication of an annual governance statement is necessary 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'.

Service/Operational Implications

- 3.7 The Annual Governance Statement (AGS) is a statutory document, which provides an overview of the governance arrangements within the Council.
- 3.8. The purpose of the annual governance statement is not just to be 'compliant' but also to provide an accurate representation of the arrangements in place during the year and to highlight those areas where improvement is required.

Customer / Equalities and Diversity Implications

- 3.9 There are no customer/equalities and diversity implications.

4. RISK MANAGEMENT

The Council will not meet the requirements of Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 if it fails to produce an Annual Governance Statement for publication with the Statement of Accounts.

5. APPENDICES

Appendix 1 - Annual Governance Statement 2013/14

6. BACKGROUND PAPERS

- 6.1 'Delivering Good Governance in Local Government' – CIPFA/SOLACE (Framework and Guidance Note)
- 6.2. The Annual Governance Statement – Rough Guide for Practitioners – The CIPFA Finance Advisory Network

AUTHOR OF REPORT

Name: Sam Morgan
Tel: (01527) 64252 ext: 3790

1. Scope and responsibility

Redditch Borough Council is responsible for ensuring that:

- its business is conducted in accordance with legal requirements and proper standards
- public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Redditch Borough Council is also responsible for maintaining proper arrangements for the governance of its affairs, which facilitate the effective exercise of its functions, including arrangements for the management of risk.

The Council's Executive Director of Finance and Resources is the officer with statutory responsibility for the administration of the Council's financial affairs as set out in section 151 of the Local Government Act 1972.

2. The purpose of the governance framework

The governance framework comprises the cultural values, systems and processes used by the Council to direct and control its activities, enabling it to engage, lead and account to the community. The framework allows the Council to monitor the achievement of its strategic objectives and to consider whether appropriate, cost-effective services have been delivered.

A significant part of the framework is the Council's system of internal control which is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Redditch Borough Council for the year ended 31 March 2013 and up to the date of approval of the annual report and accounts.

Redditch Borough 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 have responsibility for the development and maintenance of the Governance environment, and the Internal Audit Manager's annual report, and, by the external auditors and other review agencies and inspectorates.

3. The governance framework

The Chartered Institute of Public Finance and Accountancy (CIPFA) have identified six principles of corporate governance that underpin the effective governance of all local authorities. Redditch Borough Council has used these principles when assessing the adequacy of its governance arrangements. The main elements that contribute to these arrangements are listed below:

Core Principle 1: focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area

- Clear statement of the council's purposes is set out in the Council Plan July 2013. The authority has listened to customers in order to understand what goes on in communities and consider how to work with partners to support the issues within those communities. Through this we have produced a set of six strategic purposes to guide us; Working to these purposes will help us to understand the needs of the Borough and how together with our partners we can improve the lives of our residents and the prospects for Redditch Borough as a whole.
- The residents magazine "Redditch Matters" is available online 3 times per year
- Progress on how effective the authority is at achieving its purposes is monitored through measures at Corporate Management Team meetings. Key projects are also managed through Corporate Management Team.

- Regular staff forums are held by Senior Management Team to communicate key issues and aims of the Council
- Use of Worcestershire Viewpoint to support the measurement of resident satisfaction
- Consultation informs our Community Strategy which is available to the public
- The Council's budget monitoring statements show financial plans at a detailed level for the financial year
- Effective budgetary monitoring takes place monthly and is reported on a quarterly basis to Executive, Overview and Scrutiny and Full Council
- Service standards have been published and are available to the public
- Scrutiny task groups are supported by officers and have delivered tangible outcomes

Core Principle 2: members and officers working together to achieve a common purpose with clearly defined functions and roles

- The Council's Constitution clearly sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Executive and the other Boards operated by the Council
- Terms of reference for member working groups (e.g. Scrutiny Task Groups) are clearly defined
- Officers are appointed with clear job descriptions
- Adoption of statutory and professional standards
- Compliance with Financial Regulations and Contract Procedure Rules that are reviewed and approved by the Council
- Financial administration procedures are agreed by the Executive Director of Finance and Resources
- Appropriate segregation of duties and management supervision.
- A clear scheme of Councillor/officer delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council.
- The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme to include both mandatory and discretionary training.
- Overarching legal agreement between Redditch Borough Council and Bromsgrove District Council clearly defines the roles and responsibilities and the support from officers to deliver the joint services.

Core Principle 3: promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- The Council's priorities and aims clearly demonstrate its vision and values
- A Member/ Officer protocol is set out within the Constitution
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols.
- There is an established and effective Standards Committees

Core Principle 4: taking informed and transparent decisions which are subject to effective scrutiny and management of risk

- There is an established and effective Overview and Scrutiny Committee
- There is an established and effective Audit and Governance Committee to advise Council on the effectiveness of Internal Control arrangements
- Shared Service Board receives regular progress and benefit realisation updates
- A review of the constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions
- A formal Service level agreement is in place with Worcester City Council to ensure Internal Control arrangements are reviewed in a consistent and professional way
- Decisions taken are formally minuted
- An amended standard report template is in place which is subject to regular review by officers to ensure appropriate information is available to members in making informed decisions.
- The Executive forward plan is rolled forward and reviewed regularly at Corporate Management Team.
- Overview and Scrutiny have an annual workplan supported by any considerations from the forward plan and have the authority to pre-scrutinise any Executive decisions. During 2012/13 Overview and Scrutiny undertook pre-scrutiny of :

- Medium Term Financial Plan 2014/15-2016/17
- Housing Revenue Account
- Review of Fees and Charges Proposed 2014/15

Regular Task Groups are established to review service areas and to make recommendations for their improvement. These have included during 2013/14:

- Housing Density – Completed July 2014
- Landscaping – Completed April 2014.
- Abbey Stadium (launched September 2013, due to be completed June 2014).
- Football Provision (launched January 2014, completion date TBC).
- Voluntary and Community Sector (launched October 2013 – due to be completed July 2014).
- Redditch Overview and Scrutiny Members have also participated in the Joint WRS Scrutiny Task Group, hosted by Bromsgrove District Council. (Due to be completed June 2014).
- Formal governance arrangements are in place for the shared services. The Shared Service Board meets on a regular basis to consider the impact of shared services and the benefits realised from the transformational activities being undertaken by the Council.
- Consideration of risk implications in committee reports and the decision making process
- Audit and Governance Committee have a workplan that is reviewed at each meeting for completeness
- During 2013/14 a review of the risk register for corporate and shared service risks was undertaken, with the help of independent advice this is now fully updated.
- Active health and safety arrangements, including a robust policy, Member champion, regular consideration of issues at SMT and Health and Safety Committee
- Regular Trade Union liaison meetings with Senior Management Team
- Financial management arrangements, where managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures. Elements include:
 - monthly review of budgetary control information by Officers and the appropriate Portfolio Holder, to compare expected and actual performance
 - formal quarterly budgetary monitoring reports to the Executive and Overview and Scrutiny Committee
- The Council's Customer Feedback process has been reviewed and revised using System Thinking principles. This review found that written responses were often unnecessary and did not help to resolve the customer's problems. As a result greater direct contact is now established with customers making complaints, either over the phone or through face to face meetings. This has improved response times, reduced bureaucratic steps in the process and improved outcomes for the customer by dealing with their real problems
- A whistle blowing policy is in place and available on the Council's website
- Freedom of Information requests are dealt with in accordance with established protocols
- All committee reports include reference where relevant to the potential impact on the Council's services

Core Principle 5: developing the capacity and capability of members and officers to be effective

- The Council operates a Member Development Programme, overseen by a cross party Member Development Steering Group. The Programme is extensive and includes: induction, chairmanship training, performance training, portfolio holder training and mock Full Councils.
- Portfolio Holders meet on a monthly basis with Directors and Heads of Service to ensure they are aware of all issues within their service
- The shared services have continued to develop across Redditch Borough Council and Bromsgrove District Council to improve resilience and capacity to deliver services
- There have been numerous opportunities for staff to take part in transformation sessions to include an understanding of systems thinking methods and to review current systems to enable an awareness of how improvements could be made.
- All staff have the opportunity to attend training courses, provided through the staff training directory. Each member of staff receives a monthly one to one with their manager, at which training is also discussed.

- An induction programme is in place for Members
- Deputy s151 and Monitoring Officers are in place
- Staff Leadership Training is being developed
- Development of roles and responsibilities for staff managing the transformation of services.

Core Principle 6: engaging with local people and other stakeholders to ensure robust public accountability

- The Council has an Equalities Policy which is currently under review, convenes a Community Forum and provides support through the Stronger Communities Grants.
-
- The Council has a service level agreement with the voluntary sector infrastructure organisation, Bromsgrove and Redditch Network (BARN) to support the Compact and enable BARN to support the Compact
-
- Surveys are conducted on the Council's website, at the front of house contacts points – the Town Hall and the One Stop Shops.
-
- Resident feedback is obtained at Council events e.g. Street Theatre and other summer events if required as determined by Heads of Service.

4. Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This responsibility is in practice carried out by senior and fourth tier managers, with the s151 officer informing the Executive of any significant matters warranting their attention.

The review of effectiveness of the system of internal control is informed by three main sources: the work of Internal Audit; by managers who have responsibility for the development and maintenance of the internal control environment; and also by comments made by external auditors and other review agencies/inspectorates.

Internal Audit

Redditch has a responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2003. This responsibility is delegated to the Executive Director Finance and Resources.

The Worcester City Internal Audit 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 achievement of the Council's objectives and contributes to the proper, economic, 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 and Governance Committee receives a quarterly report of internal audit activity and approve the annual audit plan for the forthcoming year.

Managers

Individual managers are responsible for establishing and maintaining an adequate system of internal control within their own sections and for contributing to the control environment on a corporate basis. There are a number of significant internal control areas which are subject to review by internal audit. All managers acknowledge their responsibilities and confirm annually that they have implemented and continuously monitored various significant controls. This is done on a checklist covering the following areas: Council objectives and service plans, staffing issues, corporate procedure documents, service specific procedures, risk management, performance management and data quality, and action on independent recommendations. This checklist is reviewed by the Executive Director Finance and Resources.

External auditors and other review agencies/inspectorates

Our external auditors have not identified any significant weaknesses in our internal control arrangements when working with us throughout the year and in their annual audit letter.

Other external reviews during the year included:

- External Auditor work, for example subsidy claim audits and annual audit

5. Significant governance and internal control issues

During 2012/13 a total of X complaints made to the Standards Committee of alleged breaches of the Code of Conduct. These complaints related to X members.

Outcomes as follows:

- No further action without an investigation - X
- No further action following new information coming to light during an investigation – X
- Investigation on-going and not yet concluded – X
- Complaint determined at final hearing – X

The review of Redditch's system of governance and internal control has not identified any significant weaknesses.

The External Audit Annual Governance Statement and internal reviews have identified a number of actions to be undertaken to improve the governance arrangements these include (with current actions on each issue):-

Review of all Balances held

A review of General Fund, Earmarked Reserves and clear planning of HRA balances has been recommended. A full review of Earmarked Reserves has been undertaken, and this has released a number to fund 2014/15 expenditure. The General Fund Balances have been reviewed and it is believed they are still adequate and will be reviewed annually. Work is currently being undertaken to review the HRA finances with conjunction with the Capital Programme.

The Council should ensure that there is a clear mapping between the new corporate priorities and 2014/15 Budget.

Work has been undertaken to match budgets with priorities, more work is being completed during 2014/15 to assist with future years budget savings.

The HRA business plan should be reviewed and early work undertaken on componentisation as this may have a large impact when depreciation rather than MRA is reflected in the revenue account.

The Head of Housing has been made aware of this and is working with Financial Services to look at the level of work involved.

There should be better transparency in financial reports to provide the trail from budget to outturn analysis.

More detail is now included in reports prepared to finance for Members. This will make it easier for Members to understand where the budget variances are and ask more questions in the correct areas.

The Council should consider the appointment of a lay member to the Audit Committee to help broaden the experience of the Committee.

This was completed during 2013/14

Ensure that the Internal Audit plan is flexible to consider any new risks and the plan is completed to support production of the Annual Governance Statement.

Regular meetings are held between Senior Officers and the Internal Audit Manager to ensure that the plan is updated where weaknesses have arisen. The AGS has also been a standing item on the Audit and Governance agenda during 2012/13.

The Council should clarify which savings schemes are incorporated into Budget cost reduction plans, develop detailed action plans for each scheme and strengthen the

monitoring of savings delivery in-year.

More detailed monitoring reports are now in place, as well as a Transformation Plan which will feed into budget savings

.....
Cllr. Roger Bennett
Chair of Audit & Governance Committee

.....
Kevin Dicks
Chief Executive

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BENEFITS INVESTIGATIONS 1st December 2013 – 31 March 2014

Relevant Portfolio Holder	Councillor John Fisher, Portfolio Holder for Corporate Management
Portfolio Holder Consulted	√
Relevant Head of Service	Amanda De Warr, Head of Customer Access and Financial Support
Wards Affected	All Wards
Ward Councillor Consulted	
Non-Key Decision	

1. SUMMARY OF PROPOSALS

To advise Members on the performance of the Benefits Services Fraud Investigation Service. This report gives performance information for the team from 1st December 2013 and 31st March 2014

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that subject to any comments, the report be noted.

3. KEY ISSUES

Financial Implications

- 3.1 Direct expenditure for the year from 1st April 2013 until 31st March 2014 was in relation to Housing Benefits and Council Tax Support amounted to just under £20m.
- 3.2 The successful investigation of fraud also impacts on overpaid Housing Benefit and excess payments of Council Tax Support. On the files closed during the period of this report, the team identified £52,293.01 in overpaid Housing Benefit and £11,345.70 in excess Council Tax Support.

Legal Implications

- 3.3 There are no specific legal implications.

Service/Operational Implications

- 3.4 The dedicated counter fraud team's purpose is to prevent and deter fraud, in addition to investigating any suspicions of fraudulent activity against the Authority.

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- 3.5 The Benefits Service decides entitlement to Housing Benefit and Council Tax Support. During the period of this report there were 6200 live Housing Benefit claims and 7500 live Council Tax Support claims at any one time.
- 3.6 Just over half of the caseload is made up of people of working age which results in a large number of changes in circumstances when moving in and out of work and also claiming other out of work benefits.
- 3.7 Although measures have been put in place to make this transition easier for customers it remains an area of risk of fraud and error entering the system. As both Housing Benefit and Council Tax Reduction are means tested benefits there are potential financial incentives to under declare income and savings or not to report a partner who is working or may have other income
- 3.8 During the period covered by this report 216 fraud referrals were received by the team.
- 3.9 84 (39%) of these fraud referrals came from data-matching. Of these:
- 2 cases were identified through the 2012/13 National Fraud Initiative (NFI).
 - The remainder were identified through the Housing Benefit Matching Service (HBMS) which is a scheme run nationally for Local Authorities by the Department for Work and Pensions (DWP). Our live benefit caseload is submitted and cross matched on a monthly basis against DWP records relating to nationally paid benefits and private pensions, HMRC records relating to Tax Credits, work or savings as well as Post Office post redirection records.
- 3.10 Data matching continues to be an excellent tool in detecting fraud but some of the data that ours has been matched against will have changed and the matches cannot be taken to be correct without further investigation.
- 3.11 72 (33%) of the referrals were from official sources. Of these:
- 7 were received from the Department for Work and Pensions.
 - 65 were from within Redditch Borough Council (RBC), mainly within the Benefit Team, showing the value of maintaining awareness of benefit fraud with employees, particularly those dealing with benefit claims.
- 3.12 60 (28%) of the fraud referrals received during the period came from members of the public. 80% of these were made by telephone.

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- 3.13 An increase in referrals from members of the public is always experienced following reports of successful prosecutions in the local press giving details of the case and how to report suspicions of benefits fraud. This practice is understood to deter fraud as one of the main concerns of customers, who are being interviewed under caution for benefit fraud offences, is that their names will appear in the local press.
- 3.14 Many fraud referrals relate to benefits paid by both RBC and DWP. In these cases a joint approach is taken to ensure that the full extent of offending is uncovered and the appropriate action is taken by both bodies. This also maximises staffing resources and prevents the possibility of duplicate investigation work.
- 3.15 58 investigations were closed during this period and fraud or error was established in 51 of these cases. Of these:
- 5 customers were prosecuted. 2 of these were for undeclared work and the other 3 for undeclared partners.
 - Cautions were accepted by 12 customers. 9 of these were for undeclared or under-declared work, 1 for an undeclared private pension, 1 for an undeclared partner, and the other for a child becoming non-dependant.
 - 1 Administrative Penalty was accepted during the period. The offence in this case related to undeclared capital and because the overpayment pre-dated the increase to 50% of the amount overpaid introduced under the Welfare Reform Act, the penalty had to be offered at the previous rate of 30%. The practice of considering the customer's full circumstances, including ability to pay a financial penalty when deciding on the appropriate sanction in each case continues to be followed.
 - 46 cases were closed as fraud/error proven with a change to entitlement and/or an overpayment of benefit established.
 - 5 cases were closed as fraud/error proven but with no change to benefit or overpayment. Cases where payment has been prevented are included in this category.
- 3.16 In cases where an overpayment has been identified but where a full investigation is not considered worthwhile, customers are sent a letter reminding them of their duty to report changes in circumstances in order to avoid further overpayments and prevent full investigation and possible sanction on their claim in the future.

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- 3.17 Appendix 2 sets out the numbers of referrals and sources of those referrals per reporting period from April 2011.
- 3.18 The trend indicates a reduction in referrals but this is largely due to changes in the way some are recorded and also the automation of a large number of changes which has reduced the likelihood of changes not being picked up.
- 3.19 Appendix 3 shows comparative fraud data from neighbouring authorities.
- 3.20 Quite a large number of the referrals will not be taken up. This can be for a variety of reasons such as duplicate referrals where an investigation is already taking place, no benefit in payment, the information in the allegation is already correctly declared alleged or would have no effect on the claim.
- 3.21 Cases where the allegation will have no effect on the HB/CTS claim but could impact on DWP benefits or Tax Credits are referred to the appropriate organisation to investigate.
- 3.22 In some cases the initial background enquiries will not establish sufficient intelligence for there to be a reasonable likelihood of proving fraud. The majority of these cases will be passed for a review to be carried out on the claim, usually by visit.
- 3.23 Some of the investigations that are carried out will not establish fraud and our aim is to keep this number to a minimum.
- 3.24 Investigations can also have implications on Council tenancies or other areas of the Council's services. In these cases the Investigation Officers work closely with appropriate Officers in order for all aspects to be covered. Likewise, if the investigation identifies a potential impact for an external service area, the information will be shared.
- 3.25 The timescale for the implementation of the Single Fraud Investigation Service (SFIS), as announced as part of the Government's Welfare Reform plans, has now been released and despite the rest of the county joining in November this year, Redditch and Bromsgrove will not join the organisation until February 2016.
- 3.26 Information has been received and a SFIS road show presentation was held in Birmingham on 15 April 2014 giving high level details regarding the transfer process and the duties that will and will not be moving to the new organisation within DWP.

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- 3.27 The DWP has concluded that TUPE will not apply as the transfer of administrative functions between public administrative authorities is not a relevant transfer (for the purposes of TUPE). However, DWP is committed to taking employees currently assigned to welfare benefit fraud investigation work.
- 3.28 The Cabinet Office Statement of Practice for Staff Transfers in the Public Sector says that in circumstances where TUPE does not apply in strict legal terms to a transfer between different parts of the public sector, the principles of TUPE should be followed so far as possible and in accordance with business need. In order to maintain an effective fraud investigation service DWP has decided to adopt this principle.
- 3.29 Our own Human Resources Team have demonstrated their support to the staff likely to be included in the transfer and their commitment for involvement when negotiation starts approximately 6 months before the given date.
- 3.30 This date has also given the service the opportunity to develop and explore options for the future such as a continuing resource for the investigation of non-welfare fraud including Council Tax Reduction which will remain within local authorities. A shared Investigation Team between Bromsgrove District Council and Redditch Borough Council is in currently in the implementation to make best use of resources and enable informed decisions to be made.

Customer / Equalities and Diversity Implications

- 3.31 A robust mechanism for pursuing Housing Benefit and Council Tax Support Fraud is important to customers who expect to see action taken to reduce fraud and overpayment of benefits.

4. RISK MANAGEMENT

Without adequate performance monitoring arrangements there is a risk that the Benefits Service could lose subsidy and additional costs incurred. In addition, without effective counter fraud activity increased numbers of claims where no or reduced entitlement would remain in payment and add to the service cost.

5. APPENDICES

Appendix 1 – Example cases

Appendix 2 - Number of Referrals by source

Appendix 3 - County investigation and sanction comparison 1 April 2013 to 31 March 2014

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6. **BACKGROUND PAPERS**

None

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APPENDIX 1

Example cases

Case 1

A 55 year old woman accepted an administrative penalty as an alternative to prosecution after admitting offences of failing to declare capital.

This investigation was started as a result of a joint working investigation from the DWP who had received information that the customer held over £50,000 in undeclared accounts. The DWP later closed their investigation because the benefits they were paying would not be affected by the capital but the investigation into Housing Benefit and Council Tax Benefit/Support continued.

The customer repaid the overpayments of £3,434.87 Housing Benefit and £391.40 Council Tax Benefit prior to attending an interview under caution where she showed genuine remorse and fully admitted the fraud.

Taking all factors into account, it was considered appropriate to offer a financial penalty as an alternative to prosecution. The penalty was accepted and has been paid in full.

Case 2

A 23 year old woman accepted a caution for failing to declare that her wages had increased shortly after making her application for benefit, resulting in Housing Benefit of £1,212.71 being overpaid.

This case was referred for investigation after electronic notification of a change in Tax Credits was received, indicating that the customer may have increased her working hours. The customer was asked to provide details of the change but failed to do so and the claim was closed and referred for investigation.

Enquiries with the employer identified the undeclared increase in wages and the customer admitted the offences when interviewed under caution.

Case 3

A 45 year old woman was prosecuted for failing to declare that her partner had moved in with her.

This investigation began after suspicion was raised by a member of the public.

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The DWP were invited to join the investigation after sufficient evidence was obtained to indicate that the allegation was true. Overpayments of £9,713.12 Housing Benefit, £1,479.38 Council Tax Benefit and £4,548.50 Income Support were identified.

The customer pleaded guilty to dishonestly claiming benefit and was sentenced to a 12 month community order to include 200 hours unpaid work. She was also ordered to pay £85 towards the prosecution costs and a victim surcharge of £60. The case was prosecuted through the Crown Prosecution Service.

Case 4

Prosecution of a 48 year old man for claiming Housing Benefit for a property that he never moved into was rejected by the Crown Prosecution Service

The investigation into this claim started after the landlord raised suspicion that the claim was incorrectly in payment after receiving post for the customer from Birmingham City Council who also seemed to be investigating him.

The claim was stopped immediately but the customer failed to co-operate with the investigation. Overpayments of Housing Benefit were calculated as £635.14 from Redditch Borough Council and £2,367.72 from Birmingham City Council. The prosecution file was submitted requesting prosecution for all offences but the evidence held was considered insufficient to proceed and therefore the file was closed with no further action.

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APPENDIX 2

Number of Referrals by source

Period ending	Public	Data matching	Official source	Total
March 2014	49	83	46	178
December 2013	56	54	83	186
September 2013	47	62	79	188
June 2013	66	66	74	202
March 2013	46	184	89	312
December 2012	30	216	61	314
September 2012	55	242	83	380
June 2012	76	400	61	534
March 2012	78	231	103	396
December 2011	78	112	101	287
September 2011	79	131	99	309
June 2011	68	113	105	286

The number of referrals received through data-matching peaked in 2012 when the DWP identified cases where there had been no change to earnings and/or tax credits on claims for over 12 months.

The introduction of automated notification of changes to tax credits and DWP benefits has reduced the numbers of claims that would be identified if a current match was run under the same rules.

Benefit assessors are also encouraged to consider whether the change in tax credits is likely to have been triggered by a change in earnings and confirm current income.

This automation has also contributed to the reduction in official source referrals over time because these changes are being identified at the time they are taking place. Changes in DWP policy, mainly their abolition of the use of cautions as an alternative to prosecution has also resulted in a reduction in the numbers of cases DWP colleagues are investigating, meaning fewer joint working invitations being received.

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APPENDIX 3

**County investigation and sanction comparison
1 April 2013 to 31 March 2014**

Description	Number
No. of Investigations closed	
Bromsgrove	68
Malvern Hills	64
Redditch	241
Worcester	132
Wychavon	122
Wyre Forest	283
No. of Cautions accepted	
Bromsgrove	21
Malvern Hills	7
Redditch	35
Worcester	17
Wychavon	12
Wyre Forest	0
No. of Admin Penalties accepted	
Bromsgrove	1
Malvern Hills	2
Redditch	2
Worcester	6
Wychavon	5
Wyre Forest	3
No. of Prosecutions successful	
Bromsgrove	10
Malvern Hills	3
Redditch	17
Worcester	20
Wychavon	11
Wyre Forest	29

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DEBT RECOVERY UPDATE - QUARTERS 3 AND 4 2013/14

Relevant Portfolio Holder	Cllr John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Amanda de Warr, Head of Customer Access and Financial Support
Ward(s) Affected	All
Ward Councillor(s) Consulted	N/A
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 This report advises members on the collection and recovery processes of the Council's Income Team.
- 1.2 The report updates members on outstanding debt levels.

2. RECOMMENDATIONS

The Audit and Governance is asked to RESOLVE:

That the contents of the report are noted

3. KEY ISSUES

- 3.1 The role of the Income Team is a centralised invoicing and collection service for miscellaneous debts and Former Tenancy Arrears to Redditch Borough Council.
- 3.2 Alongside this the team administers and collects the residual council house mortgage scheme and staff car loans.

Financial Implications

- 3.3 Current former tenancy arrears for 2013/14 at the end of the fourth quarter total £308,850. This relates to 359 individual cases.
- 3.4 There continues to be a downward trend in Former Tenancy arrears, due to the reducing year on year as shown in the following chart.

Year	Total Debt outstanding	New debts raised
2010/2011	£476,772	£147,505
2011/2012	£375,175	£128,020
2012/2013	£333,659	£104,994
2013/2014	£308,850	£122,316

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- 3.5 All other payments due to the Council are categorised as general invoice collection and relate to a wide variety of debts, including licencing, hire of Council buildings, domestic and commercial service charges, garage rentals, lifeline charges, commercial rents and allotments.
- 3.6 A total 26,446 invoices were issued during 2013/14.
- 3.7 Each invoice that is raised has credit terms attached – this is the number of days the customers has to pay before a reminder process starts. There are numerous different recovery timescales and reminder notices dependant on the debt type.
- 3.8 The current collection rate for general debt is 84% and the number of outstanding invoices at the end of the year has reduced compared with last year.
- 3.9 The total arrears outstanding on general debt as at 31st March 2014 was £1,187,269. This compares with £991,713 in 2012/13 but equates to over 200 less outstanding invoices. As the value of the invoices varies the number of outstanding debts provides a more useful measure as the success of the debt recovery processes.
- 3.10 The following table shows the total debt outstanding at the end of each financial year for the last three years along with the total number and value of new invoices raised.

Year	Total Debt outstanding (General Debt)	Number of outstanding invoices	New invoices raised	Number Live Accounts	Number Invoices Raised
2010/2011	£1,671,180	3,694	£7,163,205	24,343	36,695
2011/2012	£2,038,243	3,266	£7,501,580	26,488	34,012
2012/2013	£991,713	2,826	£8,619,938	28,166	26,265
2013/2014	£1,186,094	2,612	£6,512,010	29,747	26,446

- 3.11 The total debt and number of outstanding debts relate to many years and these are the totals outstanding at the end of each financial year.
- 3.12 Housing Benefits Overpayments are now dealt with within the Benefits Service, by a specialist officer.
- 3.13 The team continues to challenge current procedures and develop clear guidance to customers on our recovery practices.

Legal Implications

- 3.14 The process of debt recovery is governed by various acts including County Court Act 1984, Tribunals, Courts and Enforcement Act 2007

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Service / Operational Implications

- 3.15 The recovery process taken varies depending on the debt in question. This is due to variable credit terms and recovery periods.
- 3.16 Each case can require a range of recovery paths as the customers circumstances can change during the lifetime of the debt.
- 3.17 Our income management system dates back to Oct 2006 but many of the 280 debts outstanding totalling £184,969 date back further. These are still live on the system and deemed collectable. 27 debts older than Oct 2006 relating to Former Tenancy arrears and total £22,532 are live and considered inappropriate to be written off.
- 3.18 No debt is written off until all recovery paths have been exhausted or it is deemed uneconomical for the Authority to incur additional court fees.

Customer / Equalities and Diversity Implications

- 3.19 It is important for the Council's reputation to evidence to customers that that every effort is made to recover debts to the Council.
- 3.20 The process for the recovery of debts is equitable and proportionate.
- 3.21 Efforts are made to contact customers by telephone at various stages of the recovery process depending on the circumstances or type of debt. For example, Lifeline customer are always contacted by telephone (where it is possible to do so) before we take further recovery action. Where customers are known to us, or, have a history of late payment, or require additional support to make payments the team will make contact via telephone to support the individual needs of the customer.
- 3.22 Where possible realistic arrangements are always made to help support customers in debt, and individual circumstances are taken into account.

4. RISK MANAGEMENT

Failure to have appropriate debt recovery processes in place could result in an increase in unpaid debt which would impact on the Council's finances.

5. APPENDICES

None

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6. **BACKGROUND PAPERS**

None

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