



Audit, Governance and Standards Committee

Thu 22 Jan
2015
7.00 pm

Committee Room 2
Town Hall
Redditch

REDDITCH BOROUGH COUNCIL

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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 Officer**

**Town Hall, Walter Stranz Square, Redditch, B98 8AH
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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.

Do Not use lifts.

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, 22nd January, 2015

7.00 pm

Committee Room 2 Town Hall

Agenda

Membership:

Cllrs:	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:	Kevin White (non-voting co-opted – for Standards)	

<p>1. Apologies and named Substitutes</p>	<p>To receive the apologies for absence and details of any Councillor nominated to attend the meeting in place of a member of the Committee.</p>
<p>2. 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>3. Minutes (Pages 1 - 12)</p>	<p>To confirm as a correct record the minutes of the meeting of the Audit, Governance and Standards Committee held on 25th September 2014. (Minutes attached)</p>
<p>4. Monitoring Officer's Report - Standards Regime (Pages 13 - 16) 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. (Report attached) (No Direct Ward Relevance)</p>

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<p>5. Feckenham Parish Council Representative's Report - Standards Regime</p>	<p>To receive a report from the Feckenham Parish Council Representative on any matters of relevance to the Committee.</p> <p>(Oral report)</p> <p>(Astwood Bank & Feckenham Ward)</p>
<p>6. Audit, Governance and Standards Committee - Action List and Work Programme</p> <p>(Pages 17 - 26)</p> <p>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>7. Grant Thornton - Annual Audit Letter</p> <p>(Pages 27 - 40)</p>	<p>To present to Members the Grant Thornton Annual Audit Letter which summarises the key findings and responses to the recommendations arising from the work that Grant Thornton have carried out at the Council for the year ended 31st March 2014.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>8. Grant Thornton - Certification Work Report 2013/14</p> <p>(Pages 41 - 46)</p>	<p>To present to Members the Grant Thornton Certification Letter for work carried out for the Council for the year ended 31st March 2014.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>9. Grant Thornton - Progress Update January 2015</p> <p>(Pages 47 - 62)</p>	<p>To update Members on Grant Thornton's progress as at January 2015 in delivering their responsibilities as the Council's external auditors.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>

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<p>10. Portfolio Holder's update - Quarterly Budget Monitoring</p>	<p>To receive an oral update from Councillor John Fisher, Portfolio Holder for Corporate Management, on the latest Finance Monitoring Report referred to the Executive Committee.</p> <p>(Oral report)</p> <p>(No Direct Ward Relevance)</p>
<p>11. Internal Audit - Progress Report (Pages 63 - 88)</p>	<p>To consider the progress report of internal audit work with regard to the residual 2013/14 audit work and the 2014/15 year.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>12. Internal Audit - Provisional 2015/16 Audit Plan (Pages 89 - 98)</p>	<p>To present to Members the Council's Provisional Internal Audit Operational Plan for 2015/16, and to confirm Internal Audit's key performance indicators for 2015/16.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>13. Risk Monitoring and Reporting</p>	<p>To receive any Officer and/or Lead Risk Member (Councillor John Witherspoon and Mr Dave Jones), Independent Member) oral updates in relation to risk monitoring activity which has taken place since the last meeting of the Committee.</p> <p>(Oral report(s))</p> <p>(No Direct Ward Relevance)</p>

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<p>14. Fraud Monitoring and Reporting</p>	<p>To receive any Officer and/or Lead Fraud Member (Councillors Braley and Thain) oral updates in relation to fraud monitoring activity which has taken place since the last meeting of the Committee.</p> <p>(Oral report(s))</p> <p>(No Direct Ward Relevance)</p>
<p>15. Benefits Investigations - 1st July 2014 to 30th September 2014</p> <p>(Pages 99 - 108)</p> <p>Executive Director, Finance and Resources</p>	<p>To advise Members on the performance of the Benefits Services Fraud Investigation Service during the period 1st July 2014 to 30th September 2014.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>
<p>16. Debt Recovery Update - Quarters 1 and 2 2014/15</p> <p>(Pages 109 - 112)</p> <p>Executive Director, Finance and Resources</p>	<p>To advise Members on the collection and recovery processes of the Council's Income Team and to update Members on outstanding debt levels.</p> <p>(Report attached)</p> <p>(No Direct Ward Relevance)</p>

17. 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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Thursday, 25 September 2014

MINUTES

Present:

Councillor Roger Bennett (Chair), Councillor David Thain (Vice-Chair) and Councillors Michael Braley, Andrew Brazier (substituting for Councillor Jane Potter), Natalie Brookes, John Fisher (during Minute No's 23 to 29), Andrew Fry (substituting for Councillor Pat Witherspoon), Rachael Smith and John Witherspoon

Dave Jones – Independent Member for Audit & Governance (non-voting co-opted member of the Committee)

Kevin White – Feckenham Parish Council Representative for Standards (non-voting co-opted member of the Committee)

Also Present:

Phil Jones and Zoe Thomas (Grant Thornton – External Auditors)

Officers:

Andy Bromage, Clare Flanagan, Shona Knight and Sam Morgan

Committee Services Officer:

Debbie Parker-Jones

16. APOLOGIES

Apologies for absence were received on behalf of Councillors Jane Potter and Pat Witherspoon.

It was also noted that Megan Harrison, Independent Person under the Standards regime, would not be observing the meeting that evening.

17. DECLARATIONS OF INTEREST

There were no declarations of interest.

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Chair

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18. MINUTES

The minutes of the meeting of the Audit, Governance and Standards Committee held on 3rd July 2014 were submitted.

As detailed in the agenda listing it was noted that, following referral of the draft minutes to the meeting of Full Council on 15th September 2014, the final sentence of Minute No.15 (Portfolio Holder Update – 2013/14 Outturn) was subject to an amendment and should have read: “Officers responded that a large number of Bromsgrove District Council staff had relocated to the Town Hall, with the rental income for this for the last financial year being £100k.”

RESOLVED that

subject to the amendment of Minute No.15 as detailed in the preamble above, the minutes of the meeting of the Audit, Governance and Standards Committee held on 3rd July 2014 be confirmed as a correct record and signed by the Chair.

19. MONITORING OFFICER'S REPORT - STANDARDS REGIME

Members received a report from the Monitoring Officer outlining the current position in relation to standards regime matters of relevance to the Committee.

Officers advised that the Chaining Skills training scheduled to take place on 17th September had unfortunately had to be postponed as the trainer had been taken ill and hospitalised on the day of the training.

In response to a Member query on how complaint numbers currently compared with previous figures, Officers advised that complaint levels were very good with low numbers of complaints now being received.

RESOLVED that

the report of the Monitoring Officer and the additional updates provided by the Deputy Monitoring Officer at the meeting be noted.

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**20. FECKENHAM PARISH COUNCIL REPRESENTATIVE'S REPORT
- STANDARDS REGIME**

Feckenham Parish Councillor Kevin White, the new Parish Representative on the Committee, was present at the meeting and advised that he had nothing to update Members on.

RESOLVED that

the position be noted.

**21. AUDIT, GOVERNANCE AND STANDARDS COMMITTEE -
ACTION LIST AND WORK PROGRAMME**

Action List

- i) Ref 1 – Feasibility of introducing monthly rents on commercial buildings in advance via direct debit

Further to Minute No. 7. i) of the 3rd July 2014 meeting of the Committee, Officers confirmed that they had reported as far as they could on this item, and that it suited some tenants to pay their rent on a quarterly basis. Members agreed therefore that this item could now be removed from the Action List.

Action: item to be removed from Action List.

- ii) Ref 2 – Future monitoring of use of balances to support expenditure

It was noted that this remained an ongoing item on the Action List and that a separate Portfolio Holder Quarterly Budget Monitoring update item appeared later in the agenda.

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

Work Programme

Following the addition of standards regime business to the work of the newly introduced Audit, Governance and Standards Committee, Members noted the Committee's heavy workload together with the fact that the Committee met only 4 times a year.

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It was suggested and agreed that Officers explore with all members of the Committee, and the political Group Leaders, the possibility of meetings commencing earlier in the evening to ensure there was sufficient time to conduct all required business in a timely manner.

RESOLVED that

- 1) 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; and**
- 2) Officers explore with the members of the Committee and the political Group Leaders the possibility of meetings of the Committee commencing earlier in the evening.**

22. REVIEW OF THE INDEPENDENT MEMBER ROLE ON THE COMMITTEE

Following the appointment of Mr Dave Jones to the role of Independent Member on the Committee for a 12-month trial basis in December 2013, Members considered whether they wished for the role of Independent Member to continue and, if so, whether this should on a permanent basis or for a set term of office, and how the position should be appointed to. Mr Jones was asked to leave the meeting during the consideration of this item.

Members supported the role of the Independent Member and the External Auditors commented that it was good for audit committees to have Independent Members, with the Committee having discretion as to the terms of any such appointments. It was further noted that Mr Jones's original appointment had been subject to a formal recruitment and selection process.

Members felt that Mr Jones had played an active part on the Committee, with his also having been appointed as one of the Committee's Lead Risk Members at the previous meeting. Members agreed that Mr Jones was an asset to the Committee and that his appointment should therefore be extended without the need for re-advertisement.

Members agreed that the Independent Member role be subject to a four-year term of office and that Independent Members be permitted

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to serve a maximum of two consecutive four-year terms of office. Mr Jones's term of office would take immediate effect and would cover the period July 2014 to July 2018. His appointment would be reviewed in 2018, prior to the expiry of his term of office, in order for the Committee to ascertain whether the position should be subject to re-advertisement at that stage.

Members wished to ensure that safeguards were built into the process in the event of poor attendance at meetings by Independent Members. Officers were therefore asked to take back to the Committee suitable proposals in this regard, which might include a requirement for Independent Members to attend a minimum number of meetings per year and for there to be either an annual or bi-annual review of Independent Member performance.

RESOLVED that

- 1) the role of Independent Member on the Audit, Governance and Standards Committee be made permanent, with the role being subject to a four-year term of office and Independent Members being permitted to serve a maximum of two consecutive four-year terms of office;**
- 2) Mr Jones be appointed to the role of Independent Member on the Committee for a four-year term of office with immediate effect, and that his appointment be subject to review during his fourth year of office; and**
- 3) Officers take back to the Committee proposals relating to required attendance at meetings by Independent Members and arrangements for reviewing Independent Member performance.**

23. GRANT THORNTON - AUDIT FINDINGS REPORT

Members were asked to consider Grant Thornton's Audit Findings report for the Council for the year ended 31st March 2014. A revised Letter of Representation was tabled by Officers which included an additional 'Specific Representation' section on the final page.

It was noted that the External Auditors had issued a qualified opinion on the Value for Money conclusion in the report. This was

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due to concerns being raised around financial resilience. The main issues leading to this conclusion being:

- weaknesses in medium-to long-term financial planning, specifically the absence of an up-to-date, sustainable 3-5 year medium-term financial plan;
- lack of robust plans to deliver savings required to balance the budget; and
- planned use of reserves to fund recurrent expenditure that was not, for example, part of planned invest to save initiatives.

Officers were currently working though a number of the report recommendations and would be bringing back an action plan for these at a later date. Heads of Service and budget holders were working through the detail of their budgets across the Council's strategic purposes, with a number of costs having already been identified for further detailed work. Managers were also developing savings which were as a result of reducing waste in their systems (unnecessary procedures and processes which currently cost the Council money), and were reducing the cost of the enabling services (services that did not add value to the Council's customers). Heads of Service were also looking at how they could deliver their services differently by bringing in alternative service providers or providing more service for a reduced cost.

Significant concerns were raised by some Members on the Value for Money conclusion and lack of a current medium-to long-term financial plan, together with unfilled vacancies and the grouping together of ICT costs. In relation to unfilled vacancies, the Portfolio Holder stated that there was a push to remove these and that this issue would also be addressed by the service reviews which were taking place. Officers agreed to check if they could provide Members with information on the number of unfilled vacancies and how long these had been vacant for. Officers added that all savings would need to be considered, with the majority of the Council's costs being staff-related and with voluntary redundancy being offered through a formal process.

The Portfolio Holder for Corporate Management highlighted the positive elements of the External Auditors report and explained the approach which was being taken with the Council's financial planning. He had requested that Officers bring an update on the external auditor's recommendations and progress on actions

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against these to each meeting of the Committee. Service reviews were ongoing and it was felt prudent to develop a 3-year financial plan based on the outcomes of the work currently being undertaken as this would allow for an informed and sustainable budget based on new and improved ways of working. Up-front savings could easily be identified by simply cutting jobs or closing community centres, however such hasty cuts could impact on services which residents relied on and create more issues in the future.

The Independent Member, who was also one of the Lead Risk Members on the Committee, queried whether the Council had a robust process for managing change and whether there was a strategic change team in place who managed performance measures. Officers advised that the Vanguard model for re-design was being used by the Council as part of the transformation process, and that the Corporate Management and Senior Management Teams were responsible for driving change and managing measures at strategic level. In order to gain more of an insight into the process it was agreed that the Independent Member would meet with the Portfolio Holder and relevant Officers to further discuss this.

Officers advised that they would be reporting to the Executive Committee in October with outline plans on how future savings would be achieved. The External Auditors commended the work which was currently being undertaken by Officers on the medium-term financial plan, and added that any savings as a consequence of systems thinking and transformation needed to be clearly deliverable and transparent.

RESOLVED that

the Audit Findings Report 2013/14 from Grant Thornton be approved.

24. RISK MONITORING AND REPORTING

The Independent Member queried whether some aims/goals could be established in relation to the Lead Risk Members' monitoring roles. He added that this would link into the discussion under the previous agenda item regarding his attending a meeting with the Portfolio Holder and relevant Officers to explain the workings of the Vanguard model for re-designing the Council's services.

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Officers advised that the Risk Management Monitoring Group had been re-established and that a date for its members, which would include the Lead Risk Members on the Committee, to meet was due to be arranged. The Group could then give consideration to the aims/goals of the Lead Risk Members. Members took this opportunity to formally thank Mr Jones for his work in this regard.

RESOLVED that

the position be noted.

25. FRAUD MONITORING AND REPORTING

One of the Lead Fraud Members on the Committee advised that he was due to meet with Officers from the Fraud Team the following week to discuss his role and learn more about the work of the team. He added that Members had also recently received a very good presentation from the Trading Standards Illegal Money Lending Team on loan sharks.

Officers stated that, as referred to under the previous agenda item, a Fraud Management Monitoring Group was also due to be established, the membership of which would include the Lead Risk Members on the Committee.

RESOLVED that

the position be noted.

26. BENEFITS INVESTIGATIONS - 1ST APRIL 2014 TO 30TH JUNE 2014

The Committee received a report which advised on the performance of the Benefits Services Fraud Investigation Service from 1st April to 30th June 2014.

Officers highlighted the key elements of the report and responded to Members' questions. A percentage error was noted at paragraph 3.11 of the report, which should have stated 15% and not 27%.

Regarding paragraph 3.27 of the report and the benchmarking information previously requested by the Committee comparing the Council's performance against other authorities in the county, a Member queried whether comparison data with like-for-like councils

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such as Harlow in Essex could be provided. Officers explained that whilst this might be possible in the short term, the rolling programme of change for all authorities to the Single Fraud Investigation Service meant that ultimately councils would not be running a fraud service. Some monitoring of sorts might however be possible further down the line once the new system had been introduced and had settled down.

RESOLVED that

the report be noted.

27. STATEMENT OF ACCOUNTS 2013/14

The Committee received the Council's Statement of Accounts 2013/14 for approval and signature by the Chair at the meeting.

Officers circulated a table of changes to the printed version of the Statement. Members queried whether the External Auditors were happy with the table of changes, which they confirmed they were.

RESOLVED that

subject to the amendments detailed in the table of changes circulated at the meeting, the 2013/14 Statement of Accounts be approved.

28. INTERNAL AUDIT - MONITORING REPORT

The Committee considered a progress report on internal audit work for the residual of 2013/14 and the 2014/15 year to date.

Officers advised that no monitoring report had been referred to the previous meeting of the Committee as Members had received the Annual Report at that meeting, which could have led to confusion if receiving both.

Officers highlighted the three limited assurances set out in the summary of assurance levels table at page 48 of the report. These related to Risk Management, Sports Development and ICT audits.

Whilst a large amount of work had been carried out by Officers on risk registers and the 4Risk system over the past year, the processes involved with this now needed to be fully embedded.

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The recently re-introduced Risk Management Monitoring Group would take forward this and the other issues highlighted by the audit.

Insufficient controls around cash collection and reconciliation processes as part of the Sports Development audit were noted. Members felt that cash control was a common theme running through the report and that the Council should, where possible, aim to avoid cash transactions as they were clearly a weak point. Finance Officers/Cashiers had been to visit relevant staff to train them on the best methods of dealing with cash however Redditch was quite a cash-based economy. A Member suggested the possibility of using a mobile phone app for payments. Officers responded that there was the option for some mobile working with the new cash receipting system. The package for this had not been purchased at this stage but the feasibility of this would be considered moving forward.

Officers confirmed that they had taken on board the comment made by a Member under the Audit Findings Report item earlier in the evening regarding the different strands associated with ICT. Members were advised that there was a clear action plan in place to address the weaknesses identified as part of the recent audit and that ICT was included on the Audit Plan every year. Officers further agreed to include the auditing of product licences in the audit programme.

Officers highlighted the remaining elements of the report and confirmed that any issues of concern raised during audits would be followed-up as part of the audit tracker section of the report.

RESOLVED that

the report be noted.

29. PORTFOLIO HOLDER'S UPDATE - QUARTERLY BUDGET MONITORING

The Committee received an oral update on budget monitoring from the Portfolio Holder for Corporate Management.

The Portfolio Holder stated that, as mentioned earlier in the meeting under the Audit Findings Report, the Council had, in February, set the budget for 2014/15. The budget had included unidentified

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savings which the Portfolio Holder stated the Council was currently on track to make.

The Portfolio Holder stated that he was in regular discussions with Officers on the monitoring of savings.

RESOLVED that

the position be noted.

The Meeting commenced at 7.00 pm
and closed at 8.45 pm

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Chair

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

22nd January 2015

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 Committee on 25th September 2014.
- 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 (MO) at the meeting.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that

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.

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 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

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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 since last meeting of the Committee**

- 3.3 There have been no complaints received against members (Borough or Parish) since the last meeting of the Committee on 25th September 2014.

Member Training

- 3.4 At the last meeting it was reported that chairing skills training would be held on 17th September 2014. Unfortunately the training had to be postponed as the trainer was taken ill. The rearranged session took place on 16th December, hosted by Bromsgrove District Council, and was attended by two Borough Councillors alongside Councillors from Worcester City. Feedback on the course and its content was very positive.
- 3.5 A planned training event on media awareness has had to be postponed as Councillors had a number of other commitments. Officers are looking to rearrange this for a more convenient date.
- 3.6 The Member Support Steering Group met in October and has agreed an overall approach to induction following the elections in May. It will meet again shortly to agree the detail and enable dates to be put into diaries at an early stage.

Customer / Equalities and Diversity Implications

- 3.7 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.
- 3.8 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.

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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 & STANDARDS COMMITTEE ACTION LIST – 22ND JANUARY 2015 MEETING

Officers: Andy Bromage - Worcestershire Internal Audit Shared Services Manager
 Sam Morgan - Financial Services Manager
 Debbie Parker-Jones - Democratic Services Officer
 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	<p>Future monitoring of use of balances to support expenditure Relates to District Auditor’s finding in the Annual Audit Opinion 2011//12 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 the following 3 years.</p>	<p>Minutes – 26 of 18.03.13 38(x) of 25.04.13 21 of 26.09.13 44 of 24.04.14 meetings refer.</p>	<p>Sam Morgan, Jayne Pickering & Cllr Fisher</p>	<p>Ongoing / all meetings</p>	<p>Officers to provide ongoing periodic updates to Committee on information referred to Executive Committee as part of quarterly Budget Monitoring reports.</p> <p>Cllr Fisher, Portfolio Holder for Corporate Management, also to provide oral updates on Financial Budget Monitoring at each meeting of the Committee (wef 16.01.14).</p>
2	<p>Meeting start times In view of the large volume of business for consideration at meetings, Officers were asked to explore with all members of the Committee and the political Group Leaders the possibility of meetings commencing earlier in the evening to ensure there was sufficient time to conduct all business.</p>	<p>Minute 21 of 25.09.14 meeting refers</p>	<p>Debbie Parker- Jones</p>	<p>No set date</p>	<p>As the 25.09.14 meeting concluded at 8.45pm, Officers propose that any action in this regard be delayed in order to monitor the end time of future meetings. This will establish whether there is a clear need for the start time of meetings to be brought forward.</p> <p>With Members’ agreement it is therefore suggested that this issue be re-visited at a later date.</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE ACTION LIST – 22ND JANUARY 2015 MEETING

3	<p>Independent Member attendance and performance Officers were asked to take back to the Committee proposals relating to required attendance at meetings by Independent Members and arrangements for reviewing Independent Member performance.</p>	Minute 22 of 25.09.14 meeting refers	Jayne Pickering / Sam Morgan	No set date	To be actioned.
4	<p>Audit Findings Report 2013/14 – Officer update on progress against external auditor recommendations An Officer Action Plan is due to be presented to Members in due course on actions undertaken / planned against a number of the recommendations contained in the Audit Findings Report.</p> <p>The Portfolio Holder for Corporate Management requested that Officers provide an update on progress in this regard at each meeting of the Committee.</p>	Minute 23 of 25.09.14 meeting refers	Jayne Pickering / Sam Morgan	Ongoing / all meetings	Officers to provide update at each meeting of the Committee.
5	<p>Audit Findings Report 2013/14 – Unfilled vacancies Officers agreed to check if they were able to provide Members with information on the number of unfilled vacancies and how long these had been vacant for.</p>	Minute 23 of 25.09.14 meeting refers	Sam Morgan	No set date	Officers to advise.

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**

22nd January 2015

WORK PROGRAMME

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

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**

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)**

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

22nd January 2015

- **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.)

September 2015 (meeting date not yet set)

- **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 2014/15**
- **Annual Governance Statement 2015/16 – Progress Update** (if applicable)
- **External Audit – Progress Report** (if applicable)
- **External Audit – Audit Findings Report 2014/15**
- **Portfolio Holder Update – Quarterly Budget Monitoring** (oral update)
- **Internal Audit – Monitoring Report**

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**22nd January 2015

January 2016 (meeting date not yet set)

- **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)
- **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 2015/16 – Progress Update** (if applicable)
- **Treasury Management Strategy, Prudential Indicators and Minimum Revenue Provision Policy 2016/17** (if applicable – may go to April 2016 meeting or to Executive Committee depending on timings)
- **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 2016/17 (Draft)**

January or April 2018

- **Review of Independent Member Appointment (prior to expiry of current 4-year term of office in July 2018)** minute 22 of 25th September 2014 meeting refers

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

	<p>regularly reviewed.</p> <p>d. To consider, monitor and review the Council's overall corporate governance arrangements.</p> <p>e. To enhance the profile, status and authority of the internal audit function which will demonstrate its independence.</p> <p>f. To focus audit resources by agreeing, and periodically reviewing, audit plans and monitoring delivery of the audit service.</p> <p>g. To receive and consider such internal audit reports that the Chair and/or Deputy Chief Executive considers necessary.</p> <p><u>Risk</u></p> <p>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.</p> <p><u>Finance and Value for Money</u></p> <p>i. To consider and approve the Council's Annual Statements of Accounts.</p> <p>j. To consider any report from the Internal Audit Manager in pursuance of Financial Regulations.</p> <p>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.</p> <p>l. To keep under review, and make recommendations on, proposed amendments to Financial Regulations.</p> <p>m. To consider and make recommendations if appropriate on, the Annual Governance Statement.</p> <p><u>Standards</u></p> <p>n. To promote and maintain high standards of conduct by Councillors and any co-opted members of Council bodies;</p> <p>o. To assist the Councillors and co-opted members to observe the Members' Code of Conduct;</p>
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	<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>

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE & STANDARDS COMMITTEE 22ND JANUARY 2015****GRANT THORNTON ANNUAL AUDIT LETTER**

Relevant Portfolio Holder	Cllr John Fisher
Portfolio Holder Consulted	Yes
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

- 1.1 To present to Members the Grant Thornton Annual Audit Letter which summarises the key findings and responses to the recommendations arising from the work that Grant Thornton have carried out at the Council for the year ended 31March 2014.

2. RECOMMENDATIONS

- 2.1 **The Committee is asked to note the Audit Letter as included on Appendix 1.**

3. KEY ISSUES**Financial Implications**

- 3.1 The Grant Thornton fee for the 2013/14 audit fee is £81k. The Audit Commission sets the scale fee on which the audit fee is based.

Legal Implications

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

Service / Operational Implications

- 3.3 The Annual Audit Letter 2013/14 from Grant Thornton details their findings and recommendations as a result of the work undertaken as part of the final accounts for 2013/14. This includes; Financial Statements, Value for Money Judgement, Whole of Government Accounts (WGA) and Grant Claims.
- 3.4 An unqualified opinion was given for the financial accounts with additional narrative being recommended to be included in relation to supporting the going concern judgement within the accounts. A qualified opinion was given on the Value for Money conclusion due to there being insufficient evidence of a robust financial plan to secure financial resilience. As Members are aware this issue has been discussed at length at a number of meetings and

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE & STANDARDS COMMITTEE 22ND JANUARY 2015**

officers are currently working on ensuring a sustainable financial plan is in place for the period 2015/16 – 2017/18.

3.5 There were 5 recommendations arising from their work which are detailed with the officer recommendations in the report. These include:

- Provision of a robust financial plan
 - *Officers are working on the delivery of a sustainable financial plan to include identification of savings over the 3 year period.*
 - *Review of vacancies and outturn savings to be undertaken*
- Improvements to Financial Monitoring particularly forecasting and outturn savings being identified
 - *Further training is being undertaken with budget holders. New Finance system will enable on-line access to budget monitoring..*
- Performance Management arrangements to be in place
 - *Management Team currently considering options for development of reporting framework of measures to enable members to consider the information.*
- Financial Ledger implementation needs to be resourced and planned effectively
 - *Financial Services Manager leading the project and regular updates to be given to Executive and Audit Committee . Project Group set up with stakeholder and technical input.*
- Assessment of Financial Projects
 - *Improvements have already been made around the reporting arrangements in relation to capital asset decisions*
- Going Concern Assessment
 - *An assessment needs to be made as part of the final accounts for 2014/15 and reported to Audit Committee prior to production of the accounts.*

3.6 Officers will continue to work with both Internal and External Audit to ensure the recommendations are implemented as reported.

Customer / Equalities and Diversity Implications

3.7 There are no implications arising out of this report.

4. RISK MANAGEMENT

4.1 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.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE 22ND JANUARY 20155. APPENDICES

Appendix 1 – Annual Audit Letter Grant Thornton 2013/14

AUTHOR OF REPORT

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Tel: 01527-881207

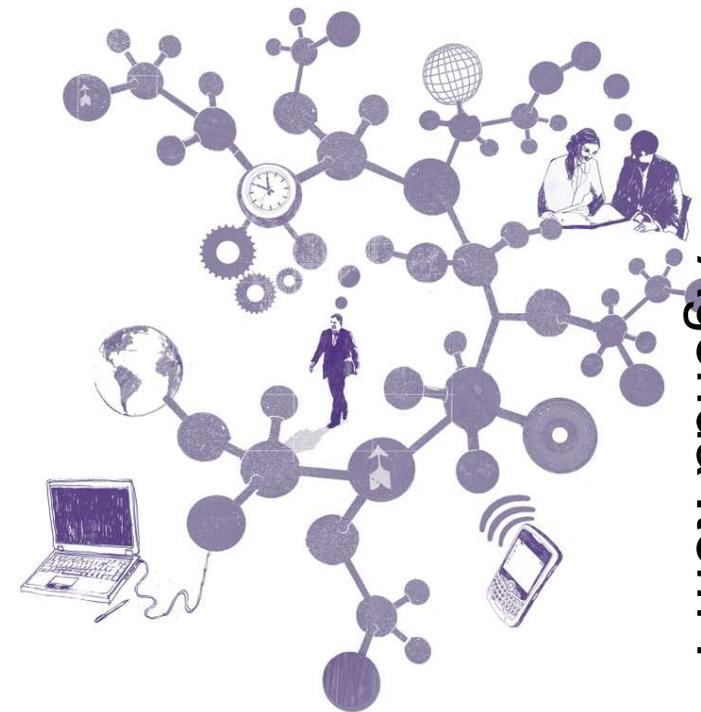
The Annual Audit Letter for Redditch Borough Council

Year ended 31 March 2014

September 2014

Phil Jones
Director
T 0121 232 5232
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Zoe Thomas
Audit Manager
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Contents

Section

1. Key messages

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Appendices

A Key issues and recommendations

B Summary of reports and audit fees

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

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.

Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Redditch Borough Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in June and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

<p>Financial statements audit (including audit opinion)</p>	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 25 September, to the Audit and Governance Committee. The key messages reported were:</p> <ul style="list-style-type: none"> • An unqualified opinion on the accounts was issued • The Whole of Government accounts work was completed and the necessary return made to the NAO. No matters arose from that work. <p>We issued an unqualified opinion on the Council's 2013/14 financial statements on 30 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.</p> <p>In view of the current financial position of the Council, we asked the S151 Officer to add additional narrative to support the going concern judgement within the accounts. This is something that should be considered by management as part of the 2015/16 preparation of the accounts.</p>
<p>Value for Money (VfM) conclusion</p>	<p>We issued a qualified VfM conclusion for 2013/14 on 30 September 2014.</p> <p>The VfM conclusion is based on our assessment of arrangements against two criteria specified by the Audit Commission:</p> <ul style="list-style-type: none"> • The Council has proper arrangements to secure financial resilience • The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness <p>On the basis of our work, and having regard to the guidance, we concluded there is insufficient evidence that the Council has adequate arrangements against the first criteria, securing financial resilience. A modified value for money conclusion was therefore issued. Appendix A sets out more detail.</p>

Key messages

Whole of Government Accounts	We reviewed the consolidation pack prepared by the Council to support the production of the Government's Whole of Government Accounts. In line with our instructions we reported that the Council was below the audit threshold level set by the National Audit Office and reviewed the worksheets specified for bodies below the audit threshold. We confirmed that the closing figures for Property, Plant and Equipment and Pensions liabilities in the consolidation pack were consistent with those in the Council's financial statements on the 30 September 2014 in advance of the deadline.
Certification of grant claims and returns	Work is currently on-going for the certification of the housing benefits subsidy claim. This work is being undertaken on behalf of Department for Work and Pensions. We have also completed the audit of the Capital Receipts Return.
Audit fee	Our fee for the 2013/14 audit fee is £77,280, excluding VAT. The Audit Commission sets the scale fee on which your audit fee is based. This scale fee was increased by £900, to reflect the additional work required around the changes this year to the accounting for business rates. There were no other matters that impacted on the planned fee. The planned fee was consistent with that billed the previous year. Further detail is included within appendix B.

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>Current Financial position The Council has a history of setting budgets that contain unidentified savings. This is not good practise and puts the Council at risk. This was the case in 2013/14 and the 2014/15 budget has again been set with £600k of unidentified savings. Despite this, the Council has a track record of broadly delivering the budget out-turn. In 2013/14 £166k was in fact added to general fund balances. However from 2014/15, the financial position becomes increasingly pressured. Over £1.2m is planned to be released from earmarked reserves to support general expenditure. In future years there is some scope to review and potentially release further earmarked reserves, however the level of general fund balances is nearing the minimum set by the S151. Clearly reliance on balances is an unsustainable position.</p> <p>Medium Term Financial Plan There is no medium term financial plan in place. The Council has recognised that significant levels of recurring savings need to be identified to prepare such a plan. A decision was made to set a one-year budget for 2014/15 and to work towards putting in place a medium term financial plan by autumn 2014. Without a medium term financial plan, and taking into account that the level of balances available to fill any budget gaps is now below the level that sufficiently mitigates risks, we are unable to conclude that the Council is financially resilient for the foreseeable future. This was the main matter that led to a qualified VFM conclusion.</p> <p>Recommendations Give high and urgent priority to the production of the 2015/16 budget and medium term financial plan, with the full commitment of the management team. Revision of the 2014/15 budget should accurately reflect information from review of the 2013/14 out-turn.</p>	high	<p>A 3 year plan is to be in place from 2015/16. Unidentified savings within the plan will be reduced from the current levels.</p> <p>Officers are currently working on the 3 year plan, to be in place from 2015/16.</p> <p>A detailed review of 2013/14 outturn savings is being undertaken to identify all recurring savings with Heads of Service.</p> <p>There will be a review of vacancies as part of the budget process</p> <p>Responsible office: Jayne Pickering / Sam Morgan Due date: January 2015</p>

Appendix A: Key issues and recommendations (cont)

no	issue	priority	Management response
2.	<p>Financial monitoring: The Q3 forecast out-turn was once again significantly different to the actual out-turn. Production of the in year financial reports is not timely and this means that it has limited benefit as a management tool</p> <p>Recommendation: The in year financial reports production should be speeded up, in particular to get the Quarter 1 report out more promptly and accuracy should be improved.</p>	high	<p>Presentation to 4th Tier to develop more robust forecasting and monitoring of budgets.</p> <p>Finance system to be used by budget holders to reflect more informed position on monitoring of financial position</p> <p>Responsible office: Jayne Pickering / Sam Morgan /HOS Due date: January 2015</p>
3	<p>Performance management arrangements: The Council does not have a properly functioning performance management framework. This is in part caused by the on-going development of relevant performance (outcome) measures to support the strategic ambitions published in July 2013. Whilst the Council has agreed strategic ambitions, this was not translated into service plans for 2013/14.</p> <p>Recommendation: Accelerate the work around developing performance measures and embedding these into routine operational and committee reporting, to support consistent and effective performance management arrangements. A 2015/16 service plan should be prepared in parallel with the 2015/16 budget.</p>		<p>Management Team currently considering options for development of reporting framework of measures to enable members to consider the information.</p> <p>Management Team currently considering development of a corporate plan to address reporting of measures together with delivery of strategic purposes</p> <p>Responsible officer: Deb Poole / Rebecca Dunne Due date: March 2015</p>

Appendix A: Key issues and recommendations (cont)

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
4	<p>Threadneedle House. We were asked to review the decision to curtail the lease with Barclays Bank on Threadneedle House. Our review identified weaknesses in the decision making process, in particular, how the proposal was evaluated and how information was communicated to members. We made recommendations for how improvements could be made in the decision making process in any future decisions of this type A detailed report was prepared and an action plan agreed.</p> <p>Recommendation Decisions having significant financial consequences, including future capital projects, must be supported by a clearly communicated business case that is considered before approval is given.</p>	High	<p>Improvements have already been made to the reporting arrangements around decisions on major capital items.</p> <p>Responsible office: Jayne Pickering/ HOS Due date: on-going</p>
5	<p>In view of the current financial position of the Council, we asked the S151 Officer to add additional narrative to support the going concern judgement within the accounts. This is something that should be considered by management as part of the 2015/16 preparation of the accounts.</p> <p>Recommendation Prior to production of the accounts a formal going concern assessment should be made and considered by members.</p>	High	<p>Will be prepared and considered at Audit Committee.</p> <p>Responsible officer: Jayne Pickering Due April 2015</p>

Appendix B: Reports issued and fees

We confirm below the fee charged for the audit.

Fees

	Per Audit plan £	Actual fees £
Audit Fee	76,380	77,280
Grant certification fee	3,872	3,872
Total fees	80,252	81,152

An additional £900 has been added to the scale fee, as reported in the AFR. This has yet to be confirmed as a scale variation by the Audit Commission.

Fees for other services

Service	Fees £
Review of Threadneedle House	5,250

Reports issued

Report	Date issued
Audit Plan	June 2014
Audit Findings Report	September 2014
Certification report	To be issued on completion of work
Annual Audit Letter	September 2014



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AUDIT, GOVERNANCE & STANDARDS COMMITTEE 22nd JANUARY 2015**GRANT THORNTON – CERTIFICATION WORK REPORT 2013/14**

Relevant Portfolio Holder	Councillor 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

1.1 To present Members with the Grant Certification Letter for 2013/14.

2. RECOMMENDATIONS

2.1 **The Committee is asked to note the letter for 2013/14.**

3. KEY ISSUES**Financial Implications**

3.1 The budget 2013/14 included the assumption of this fee being charged to include the additional fee in relation to the Housing Benefit work.

Legal Implications

3.2 Grant Thornton have a statutory responsibility to certify the claims submitted by the Council. The Council has a legally binding contract with Grant Thornton to provide the External Audit service for at least the next 5 years.

Service / Operational Implications

3.3 External Auditors have a duty to carry out all work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. This includes certification of grant claims.

3.4 The auditors have certified 2 claims for 2013/14 relating to over £27m of expenditure. These are detailed at Appendix 1 and relate to:

- Housing Benefit Scheme
- Capital Receipts Return

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE & STANDARDS COMMITTEE 22nd JANUARY 2015**

- 3.5 The key messages from the Audits are;
- Claims were all submitted and certified on time
 - There were relatively few errors found. Where there were errors they were relatively insignificant
 - Due to the issues relating to the complex nature of the Benefits Audit an improvement plan has been agreed with the team to address any issues for future audits.
- 3.6 The delivery of the plan will ensure that both the Auditors and the Council meet their statutory responsibilities in preparing and verifying the grant claims

Customer / Equalities and Diversity Implications

- 3.7 There are no implications arising out of this report.

4. RISK MANAGEMENT

- 4.1 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 Certification Letter 2013/14

6. BACKGROUND PAPERS

Individual internal audit reports.

7. KEY

N/a

AUTHOR OF REPORT

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Grant Thornton

Jayne Pickering
 Director of Finance and Resources
 Redditch Borough Council
 Walter de Strand Square
 Redditch

9 January 2015

Dear Jayne

Grant Thornton UK LLP
 The Canterbury Business Centre
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 GL20 8BT

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Certification work for Redditch Borough Council for year ended 31 March 2014

We are required to certify certain claims and returns submitted by Redditch Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

We have certified two claims and returns for the financial year 2013/14 relating to expenditure of £27,223,811.

Capital receipts return

This claim was certified without amendment and no qualification letter was issued. There are no matters of concern arising from the audit. However, we expect to be billing more for the audit than stated in our audit plan. The certification instruction refers to 'part a' minimum testing and extended 'part b' testing. Part 'b' testing is undertaken where we consider that there may be some weakness in controls, otherwise once every 3 years. This is the third year of the cycle and therefore 'part b' testing was completed. The additional fee has been agreed with your officers but has yet to be approved by the Audit Commission. The fee will reduce again next year, reflecting testing for 'part a' only. See Appendix B for detail of fee.

Housing Benefits Subsidy

The claim was amended by £944 and the claim was also qualified. The qualification letter provides detail of the errors identified and the extrapolated impact. Whilst errors were identified in our testing, the extrapolated impact on the subsidy claimed was relatively insignificant in relation to the value of the claim.

Chartered Accountants

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Benefit subsidy is a relatively complex area and the amount of testing that we are required to undertake is extensive. There were a number of issues encountered in conducting the audit and as a result the amount of time we spent was greater than expected. We have provided some detailed feedback to your team on areas of improvement and an action plan has been agreed. As a result of the additional work we are proposing a fee greater than the indicative fee in the audit plan. The need for an additional fee has been accepted and agreed by your officers, but has yet to be approved by the Audit Commission. See Appendix B for further detail.

Overall we are satisfied that the Council has appropriate arrangements to compile complete, accurate and timely claims/returns for audit certification, although improvements need to be made around supporting the audit process.

The indicative fee for 2013/14 for the Council is based on the final 2011/12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed. The fees for certification of housing benefit subsidy claims have been reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme. The indicative scale fee set by the Audit Commission for the Council for 2013/14 is £12,298 This is set out in more detail in Appendix B.

Yours sincerely

Zoe Thomas
Audit Manager
For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2013/14

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	24,972,388	Y	944	Y	errors were found on several individual claims and these have been reported in detail in the qualification letter issued to the DWP on 27 November 2014.
Pooling of Housing Capital Receipts	2,251,423	N	N/a	N	part a and b testing completed this year – no issues arising.

Appendix B: Fees for 2013/14 certification work

Claim or return	2012/13 fee (£)	2013/14 indicative fee (£)	2013/14 actual fee (£)	Maximum Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	15,569	11,752	no greater than 14,038	2,286	additional work required to complete the audit due to inadequate working papers
Pooling of housing capital receipts	256	546	no greater than 1,403	857	part 'a' and 'b' testing required this year.
National non-domestic rates return (NNDR3)	1,221	N/a	N/a		no requirement to certify this return in 2013/14
Total	17,046	12,298	No greater than 15,441	3,143	fee variations yet to be approved by the Audit Commission.

AUDIT, GOVERNANCE & STANDARDS, COMMITTEE 22nd JANUARY 2015**GRANT THORNTON PROGRESS UPDATE - JANUARY 2015**

Relevant Portfolio Holder	Cllr John Fisher
Portfolio Holder Consulted	Yes
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

- 1.1 To update members on the progress of External Audit for the plan to November 2014.

2. RECOMMENDATIONS

- 2.1 **The Committee is asked to note updates as included on 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 The report from Grant Thornton details their progress in delivering their responsibilities as external auditors. The report outlines that as at January 2015 the 2014/2015 Accounts Audit Plan would be completed in line with the agreed timetable. With regards to the interim accounts audit, the detailed timing would be agreed with the Director of Finance and Resources in due course, as will the work for the value for money conclusion. The Value for Money progress will be focus in line with the recommendations made by Grant Thornton last year.
- 3.4 In addition to the update on the account progress for the Council the report includes a summary of emerging national issues and developments that may be relevant and a number of challenge questions in respect of these emerging issues which Members may wish to consider. These include:

AUDIT, GOVERNANCE & STANDARDS, COMMITTEE 22nd JANUARY 2015

- Financial Health of Local Government
- Exploring Finance and Policy Futures
- Grant Thornton Vision for 2020
- Better Care Fund;
- Financial Reporting

Customer / Equalities and Diversity Implications

3.5 There are no implications arising out of this report.

4. RISK MANAGEMENT

4.1 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 – Progress Report Grant Thornton Report

AUTHOR OF REPORT

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Audit Committee Update

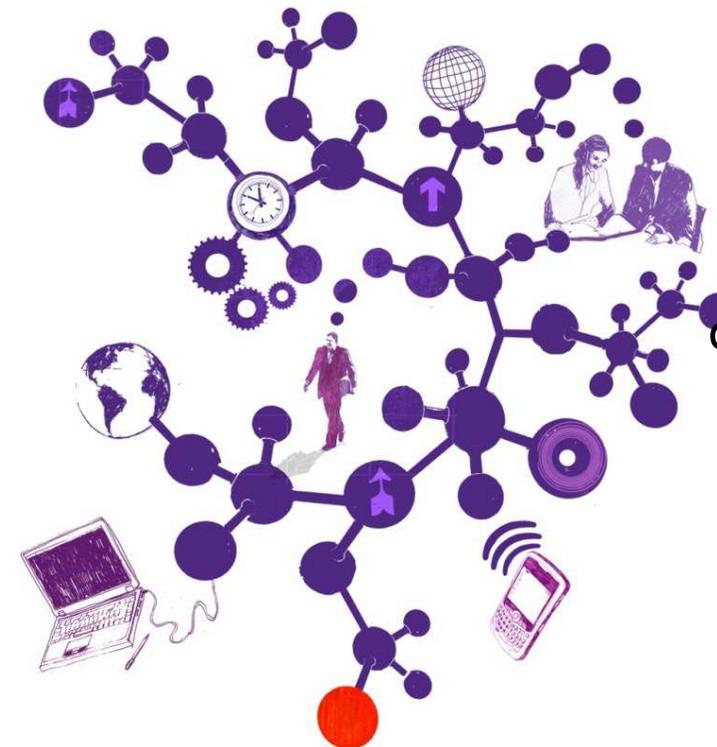
Year ended 31 March 2015

January 2015

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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:

- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England

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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Progress at 12 January 2015

Work	Planned date	Complete?	Comments
<p>2014-15 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 <i>Council's</i> 2014-15 financial statements.</p>	April 2015	N	We will bring our audit plan to the next Standards and Audit Committee.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council 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. 	January and February 2015	N	We have agreed the dates of our interim visit with your officers.
<p>2014-15 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • proposed opinion on the Council 's accounts 	July to September 2015	N	We will undertake the majority of the work on your accounts during August 2015.

Progress at 12 January 2015

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2014/15 VfM conclusion comprises review of the following criteria:</p> <p>Financial resilience – focussing on:</p> <ul style="list-style-type: none"> • <i>Financial governance</i> • <i>Financial planning</i> • <i>Financial control</i> <p>Economy, efficiency and effectiveness –focussing on:</p> <ul style="list-style-type: none"> • <i>Prioritising resources</i> • <i>Improving efficiency and productivity</i> 	February – September 2015	N	<p>We will start our work on the VFM conclusion during our interim visit. We will undertake a detailed risk assessment against the VFM criteria specified by the Audit Commission. It is likely that our work will focus on the progress being made towards preparing a robust medium term financial plan and how the Council is addressing the matters raised in our 2013/14 VFM conclusion.</p> <p>At post-statements we will consider the out-turn position against budget and review any new risks arising during the year.</p>
<p>Other areas of work</p> <p>No other areas of work have been agreed with the council</p>	n/a	n/a	
<p>Other activity undertaken</p> <ul style="list-style-type: none"> • We have met with the Leader and the finance portfolio holder – to discuss progress towards the medium term financial plan and plans to develop robust savings schemes to support that plan. • At the request of officers and members we have run a member training session. 	November 2014	Y	

Rising to the challenge

Grant Thornton

Our national report, Rising to the Challenge, the Evolution of Local Government, was published in December and is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Rising-to-the-challenge---The-evolution-of-local-government/>

This is the fourth in our series of annual reports on the financial health of local government. Like previous reports, it covers key indicators of financial performance, strategic financial planning, financial governance and financial control. It also includes case studies of best practice and a comparison to the NHS. This year it has been extended to use benchmarking information on savings plans and budget performance.

The overall message is a positive one. What stands out is how well local authorities have navigated the first period of austerity in the face of ever increasing funding, demographic and other challenges. Many authorities are forecasting financial resilience confidently in their medium term financial strategy. This reflects an evolution in financial management that would have been difficult to envisage in 2010. However, there remains much to be achieved if the sector is to become sustainable in the long term, and authorities should consider if their:

- medium- to long-term strategy redefines the role of the authority creatively
- operational environment will adapt, working in partnership with other authorities and local organisations
- strategy looks beyond the traditional two- to three-year resource planning horizon
- organisational culture is aligned to where the authority needs to be in the medium to long term
- senior leadership teams – both officers and members – have the necessary skills and capacity to ensure delivery against the medium-term challenges
- corporate governance arrangements ensure effective oversight and scrutiny of the organisation as it adapts to the challenges it faces.

The importance of these actions will be magnified if local government devolves further, particularly in relation to fiscal devolution. The new-found confidence of local government in responding to the medium-term challenges will be tested significantly by the second phase of austerity.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

2020 Vision

Grant Thornton

Our national report '2020 Vision' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/2020-Vision-Exploring-finance-and-policy-futures-for-English-local-government-as-a-starting-point-for-discussion/>

In a time of unprecedented challenge for English local government, how can the sector develop towards 2020 if it is to have a sustainable future? Our latest report provides a thorough analysis of the current political and economic context, explores a range of potential policies and outcomes, and suggests several scenarios to facilitate an open debate on the future for the sector.

Produced in collaboration with the University of Birmingham's Institute for Local Government Studies (INLOGOV), our report suggests that fundamental changes to local government are both operationally necessary and constitutionally inevitable, for the sector to remain relevant by 2020. The report offers a thorough analysis of the current political and economic context and explores a range of potential future policies and outcomes that English local government will need to adopt and strive towards as they seek to adapt and overcome these challenges.

Placed in the context of enhanced devolution, following the Scottish independence referendum, 2020 Vision maintains a wary eye fixed on the 2015/16 Spending Round and looks ahead to the life time of the next government. It highlights that the economic and financial situation remains increasingly untenable, with an expanding North/South divide arising from the pattern of funding reductions and economic growth.

It highlights that English local authorities continue to face unprecedented challenges, relating to the pressures of austerity and central government funding reductions, and demographic and technological change. Our report highlights the vital role of a successful local government sector and encourages it to think hard about how it will cope in the future.

Informed by the views of a broad range of local authority leaders, chief executives and other sector stakeholders, the report offers a set of six forward-looking scenarios* in which councils could be operating within by 2020. Though not mutually exclusive, we suggest that key stakeholders need to take urgent action to avoid a potential slow and painful demise for some councils by 2020.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

Pulling together the Better Care Fund

Grant Thornton

Our national report 'Pulling together the Better Care Fund' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Pulling-together-the-Better-Care-Fund/>.

The reports asks 'Do local authorities and clinical commissioning groups (CCGs) have effective arrangements to develop joint Better Care Plans for agreement by the health and wellbeing boards (HWBs) and how ready are they for the pooled fund in April 2015?'

Our report draws on our review of the introduction of draft Better Care Fund (BCF) plans for both the February and April submissions. It is based on a sample of our findings from 40 HWB localities. It considers the partnership arrangements across a HWB planning area and is supported by discussions with the sector, across the country. The result is a snap shot of progress as at 30 June 2014, prior to the issue of revised planning guidance by NHS England and the Local Government Association on 25 July 2014.

It provides you with:

- an understanding of how your approach to introducing BCF compares to others across the country
- assistance in identifying the key issues to delivering Better Care Fund plans effectively
- insight into current best practice
- practical areas for consideration for improving arrangements in the future.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

Earlier closure and audit of accounts

Accounting and audit issues

DCLG is consulting on proposals to bring forward the audit deadline for 2017/18 to the end of July 2018. Although July 2018 is almost 4 years away, both local authorities and their auditors will have to make real changes in how they work to ensure they are 'match-fit' to achieve this deadline. This will require leadership from members and senior management. Local government accountants and their auditors should start working on this now.

Top tips for local authorities:

- make preparation of the draft accounts and your audit a priority, investing appropriate resources to make it happen
- make the year end as close to 'normal' as possible by carrying out key steps each and every month
- discuss potential issues openly with auditors as they arise throughout the year
- agree key milestones, deadlines and response times with your auditor
- agree exactly what working papers are required.

Challenge questions

- Has your Executive Director of Finance and Resources put in place a plan to address the earlier close date?

Financial sustainability of local government

Local government guidance

In November the National Audit Office published their report on the [Financial Sustainability of Local Government](#).

The report concludes that Local authorities have coped well with reductions in government funding, but some groups of authorities are showing clear signs of financial stress. The Department for Communities and Local Government has a limited understanding of authorities' financial sustainability and the impacts of funding cuts on services, according to the National Audit Office.

The Government reduced its funding to local authorities by an estimated 28% in real terms between 2010-11 and 2014-15. Further planned cuts will bring the total reduction to 37% by 2015-16, excluding the Better Care Fund and public health grant. Although there have been no financial failures in local authorities in this period, a survey of local auditors shows that authorities are showing signs of financial pressure. Over a quarter of single tier and county councils had to make unplanned reductions in service spend to deliver their 2013-14 budgets. Auditors are increasingly concerned about local authorities' capacity to make further savings, with 52% of single tier and county councils not being well-placed to deliver their medium-term financial plans.

There are significant differences in the scale of funding reductions faced by different authorities. Authorities that depend most on government grant are the ones most affected by funding reductions and reforms. This was an outcome of policy decisions to tackle the fiscal deficit by reducing public spending, and for local authority funding to offer incentives for growth.

Local authorities have tried to protect spending on social care services. Other service areas such as housing services and culture and leisure services have seen larger reductions. While local authorities have tried to make savings through efficiencies rather than by reducing services, there is some evidence of reduction in service levels.

According to the NAO, however, the Department does not monitor in a coordinated way the impact of funding reductions on services, and relies on other departments and inspectorates to alert it to individual service failures. In consequence, the Department risks becoming aware of serious problems with the financial sustainability of local authorities only after they have occurred.

The Department's processes for assessing the capacity of authorities to absorb further funding reductions are also not sufficiently robust.

Local government financial reporting remains strong

Local government guidance

The Audit Commission published its report, [Auditing the Accounts 2013/14: Local government bodies](#), on 11th December.

Financial reporting was consistently strong for most types of principal local authority in 2013/14 when compared to the previous financial year. This year the Commission has congratulated 16 bodies where auditors were able to issue an unqualified opinion and a VFM conclusion on the 2013/14 accounts by 31 July 2014, and the body published audited accounts promptly. Although, as only 21 principal bodies have managed to publish their audited accounts by 31 July since 2008/09, a move to bring the accounts publication date forward is likely to cause significant challenges for the majority of public bodies.

The Commission reports that auditors were able to issue the audit opinion by 30 September 2014 at 99 per cent of councils, 90 per cent of fire and rescue authorities, 97 per cent of police bodies, all other local government bodies and 99 per cent of both parish councils and internal drainage boards. This is consistent with last year for most groups, but an improvement for councils and small bodies compared to 2012/13.

Eight principal authorities were listed where the auditor was unable to issue an opinion by the 30th September deadline.

Grant Thornton events

Grant Thornton events

Events

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

Local Events – Grant Thornton Colmore Plaza Offices, Birmingham

- **Local Government Audit Committee Member Network – Wednesday 25th February 2015**

The theme for this meeting will be Governance Challenges and Priorities for 2015. Covering financial integrity, reinforcing audit quality, improving information quality and focusing on assurance are all key roles for an effective Audit Committee in Local Government. All Audit Committee members are welcome to attend.

- **Better Care Fund Seminar – Friday 27th February 2015**

This event is aimed at officers in both local government and health involved in planning for and implementing integrated arrangements in health and social care. The presenters will include practitioners from both sectors. The event is partnered with Browne Jacobson who will provide their insight into the legal challenges around planning and implementing joint arrangements including pooled budgets.

If you are interested in attending any of these events, please contact your Engagement Lead or Manager for further details, or book directly with Penny Bassnett on 0121 232 5356 or penny.l.bassnett@uk.gt.com



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Date: 22nd January 2015**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****THE INTERNAL AUDIT PROGRESS REPORT OF THE SERVICE MANAGER OF THE WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.**

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

1.1 To present:

- The progress report of internal audit work with regard to the residual 2013/14 audit work and the 2014/15 year.

2. RECOMMENDATIONS2.1 **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”.

Date: 22nd January 2015**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Service / Operational Implications

- 3.3 The involvement of Members in progress monitoring is considered to be an important facet of good corporate governance, contributing to the internal control assurance given in the Council's Annual Governance Statement.

This section of the report provides commentary on Internal Audit's performance for the period 01st April 2014 to 31st March 2015 against the performance indicators agreed for the service and further information on other aspects of the service delivery.

AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST PROGRESS REPORT (25th September 2014):

2014/2015 AUDITS FINALISED**Disabled Facilities Grants and Home Repairs Assistance**

The audit found a sound system of internal control in place for the approval and payment of Disabled Facilities Grants and Home Repairs Assistance Lifetime Loans in line with statutory requirements and local policies. There were no 'high' priority recommendations reported.

Current Status: Final Report issued 12th November 2014
Assurance: Significant

Rent Guarantee and Deposit Scheme

The audit found a sound system of internal control in place over the assessment of applications and the general utilisation of the scheme as a means for preventing homelessness by issuing either loans or acting as guarantor for private tenants. There were no 'high' priority recommendations reported.

Current Status: Final Report issued 5th November 2014
Assurance: Significant

Rent Arrears and Payment Collection (including 2012/13 draft audit report)

The audit found a sound system of internal control in place over the management of rent arrears, including identification of arrears, and actions taken to monitor and recover monies in a manner which meets the locality service objectives. There were no 'high' priority recommendations reported.

Date: 22nd January 2015**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Current Status: Final Report issued 27th October 2014
Assurance: Significant

Elections

The audit found a sound system of control in place. The Electoral Services team is meeting statutory requirements, and is deemed by the Electoral Commission's Performance Standards to do this successfully in all areas, exceeding expectations in some, for electoral registration and undertaking elections. There were no 'high' or 'medium' priority recommendations reported.

Current Status: Final Report issued 27th October 2014
Assurance: Significant

Treasury Management

The audit found a sound system of internal control in place. There were no 'high' priority recommendations reported.

Current Status: Final Report issued 28th November 2014
Assurance: Significant

Asset Management

The audit found a sound system of internal control in place and the current Service Level Agreement between Redditch District Council and Worcestershire Joint Property Services is working well and it is hoped that the introduction of the new Joint Property Vehicle Initiative in 2015 will provide added benefits.. There were no 'high' priority recommendations reported.

Current Status: Final Report issued 20th November 2014
Assurance: Significant

Procurement

The audit found a sound system of internal control in place The organisation was found to be actively engaging with local suppliers, holding public events and discussions on how to do business with the Council and regularly advertising contracts on a local Worcestershire business website. There were no 'high' priority recommendations reported.

Date: 22nd January 2015**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Current Status: Final Report issued 18th December 2014
Assurance: Significant

Debtors

The audit found a sound system of internal control in place over the management of debtors, including debtors income and actions taken to monitor and recover monies in a manner which meets the locality service objectives. There were no 'high' priority recommendations reported.

Current Status: Final Report issued 5th January 2015
Assurance: Significant

Golf Course

The Pitcheroak Golf Course is currently seeing an improved usage of the facilities, with an increase in income compared to the same period last year, albeit this is likely to have been assisted with improved weather conditions during 2014. The financial performance of the site is monitored by the Leisure Services team. There were no 'high' priority recommendations reported, however, there were six 'medium' priority recommendations.

Recent developments have included implementation of procedures for improving the audit trail of transactions, and work is on-going on the development of a booking system which currently cannot be used to manage customer sessions in advance. Implementation of this function should assist in providing a more beneficial service to customers, although expected completion of this has been moved back from July 2014 to later in the financial period.

Current Status: Final Report issued 18th December 2014
Assurance: Limited

Summary of assurance levels:

2014/15	
Disabled Facilities Grants and Home Repairs Assistance	Significant
Rent Guarantee and Deposit Scheme	Significant
Rent Arrears and Payment Collection	Significant
Elections	Significant
Treasury Management	Significant

Date: 22nd January 2015**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Asset Management	Significant
Procurement	Significant
Debtors	Significant
Golf Course	Limited

2014/15 AUDIT WORK WHICH IS ONGOING

Although work on the following audits is continuing draft reports have been issued. As soon as a management response is received and the audits finalised notification of their outcome will be brought before committee for consideration. Audits include:

Forge Mill Museum
 Reddicard Fees/Concessions,
 Housing Repairs and Maintenance
 Council Tax
 NNDR
 Payroll (inc allowances, starters, leavers)
 Creditors
 Cash Collection

Audit work continuing but drawing to a close in respect of the core financials includes:

Benefits
 Main Ledger inc Budgetary Control & Bank Reconciliation

The outcomes of these audits will be reported to the April 2015 Committee.

3.4 AUDIT DAYS

The table in Appendix 1 shows the progress made towards delivering the 2014/15 Internal Audit Plan and achieving the targets set for the year. As at 31st December 2014 a total of 370 days had been delivered against an overall target of 484 days for 2014/15. The target days to the end of the quarter are in line with the target figure for the year as part of the key performance indicators for the service.

Appendix 2 shows the performance indicators for the service. These indicators were agreed by the Committee on the 24th April 2014 for 2014/15 and include management indicators as well.

Appendix 3 shows the tracking of completed audits.

Date: 22nd January 2015**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

Appendix 4 shows the 'high' and 'medium' priority recommendations for finalised which are reported to the Committee for information.

3.5 OTHER KEY AUDIT WORK

Much internal audit work is carried out "behind the scenes" but is not always the subject of a formal report. Productive audit time is accurately recorded against the service or function as appropriate. Examples include:

- Governance for example assisting with the Annual Government Statement
- Risk management
- Transformation review providing support as a 'critical appraisal'
- Dissemination of information regarding potential fraud cases likely to affect the Council
- Drawing managers' attention to specific audit or risk issues
- Audit advice and commentary
- Internal audit recommendations: follow up review to analyse progress
- Day to day audit support and advice for example control implications, etc.
- Networking with audit colleagues in other Councils on professional points of practice
- National Fraud Initiative.
- Investigations

The Worcestershire Internal Audit Shared Service (WIASS) is committed to providing an audit function which conforms to the Public Sector Internal Audit Standards.

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 will seek to place reliance on such work thus reducing the internal audit coverage as required.

WIASS confirms it acts independently in its role and provision of internal audit.

Customer / Equalities and Diversity Implications

3.6 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:

Date: 22nd January 2015**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

- Failure to complete the planned programme of audit work within the financial year; and,
- The continuous provision of an internal audit service is not maintained.

These risks are being managed via the 4Risk risk management system within the Finance and Resources risk area.

5. APPENDICES

Appendix 1 ~ Internal Audit Plan delivery 2014/15
Appendix 2 ~ Key performance indicators 2014/15
Appendix 3 ~ Tracking analysis of previous audits
Appendix 4 ~ 'High' and 'Medium' priority recommendations

6. BACKGROUND PAPERS

Individual internal audit reports.

7. KEY

N/a

AUTHOR OF REPORT

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REDDITCH BOROUGH COUNCILDate: 22nd January 2015**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

APPENDIX 1

Delivery against Internal Audit Plan for 2014/15
1st April 2014 to 31st December 2014

Audit Area	DAYS USED TO 31/12/14	Forecasted days to the 31 st March 2015	2014/15 PLAN DAYS
Core Financial Systems (see note 1)	89	112	112
Corporate Audits(see note 2)	85	160	160
Other Systems Audits	154	158	158
TOTAL	328	430	430
Audit Management Meetings	16	20	20
Corporate Meetings / Reading	7	9	9
Annual Plans and Reports	11	12	12
Audit Committee support	6	13	13
Other chargeable	2	0	0
TOTAL	42	54	54
GRAND TOTAL	370	484	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.

Note 2

A number of the budgets in this section are 'on demand' (e.g. consultancy, investigations) so the requirements can fluctuate throughout the quarters

REDDITCH BOROUGH COUNCILDate: 22nd January 2015**AUDIT, GOVERNANCE & STANDARDS COMMITTEE****APPENDIX 2****Key Performance Indicators (KPIs) for 01st April 2014 to 31st March 2015.**

The success or otherwise of the Internal Audit Shared Service can be measured against some of the following key performance indicators for 2014/15 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 Year End Position	2014/15 Position (as at December 2014)	Frequency of Reporting
1	No. of high recommendations	Downward	12	*21	2	Quarterly
2	No. of moderate or below assurances	Downward	10	12	4	Quarterly
3	No. of customers who assess the service as excellent	Upward	2	5 (8 returns; 5 excellent & 3 good)	3	Quarterly
4	No. of audits achieved during the year	Per target	Target = 29 Delivered =28 Final Reports & 1 Draft Report	Target =29 Delivered =27 Final Reports &2 Draft Reports	Target = 24 (minimum) Delivered = 13 (and 8 at Draft stage)	Quarterly

*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.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

APPENDIX 3

Planned Follow Ups:

In order to continue to monitor progress of implementation, 'follow up' in respect of audit reports is logged. The table provides an indication of the action that is planned going forward in regard to the more recent audits providing assurance that a programme of follow up is operating.

To provide the Audit Board with assurance we are following a comprehensive 'follow up' programme to ensure recommendations and risks have been addressed from previous audits. Commentary has been provided on audits as part of the normal reporting process. Previous audit year updates in regard to 'follow ups' will be provided every six months to avoid duplication of information. Any exceptions will be reported to the Committee immediately.

For some audits undertaken each year 'follow-ups' may not be necessary as these may be undertaken as part of the full audit. Other audits may not be time critical therefore will be prioritised as part of the over all work load and are assessed by the Lead Auditors.

Follow up in connection with the core financials is undertaken as part of the routine audits that were performed during quarter 3.

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AUDIT, GOVERNANCE & STANDARDS COMMITTEE

<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up</u>	<u>2nd</u>
					High and Medium Priorities 6mths after final report issued as long as implementation date has passed	High and Medium Priorities still outstanding 3mths after previous follow up as long as implementation date has passed
2014-15 Audits						
Land Charges	18th July 2014	Head of Legal, Democratic and Equality Services	Moderate	2 "high" priority recommendations in relation to fees and charges and income reconciliation	Jan-15	
Planning Fees	3rd September 2014	Head of Planning and Regeneration	Moderate	2 "medium" priority recommendations in relation to security of cheques and pre planning application advice charges	Mar-15	
Planning Enforcement	3rd September 2014	Head of Planning and Regeneration	Significant	1 "medium" priority recommendation re the need to update the Planning Enforcement policy	Mar-15	
Data Security, Publication and Disposal	9 th September 2014	Executive Director Finance and Resource, Head of Transformation and	Moderate	! 'medium' priority recommendation regarding transparency code	Mar-15	

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AUDIT, GOVERNANCE & STANDARDS COMMITTEE

<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up</u>	<u>2nd</u>
		Organisational Development				
Rent Arrears	27th October 2014	Housing Services Manager	Significant	1 'medium' priority recommendation re the need to update policies and procedures.	Apr-15	
Elections	11th September 2014	Head of Legal, Democratic and Equality Services	Significant	For information only ~ No 'medium' or 'high' priority recommendations made.		

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

APPENDIX 4

Definition of Audit Opinion Levels of Assurance

Opinion	Definition
Full Assurance	<p>The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively.</p> <p>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.</p>
Significant Assurance	<p>There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Moderate Assurance	<p>The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet it's objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Limited Assurance	<p>Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
No Assurance	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Definition of Priority of Recommendations

Priority	Definition
High	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.</p> <p>Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.</p>
Medium	<p>Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.</p>
Low	<p>Control weakness that has a low impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation is desirable as it will improve overall control within the system.</p>

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AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Disabled Facility Grants and Home Repairs Assistance					
Assurance: Significant					
Summary: The review was a full system audit concentrating on grants/loans provided by the shared private sector housing service. This included both Disabled Facilities Grants and Home Repairs Assistance Lifetime Loans but did not cover the re-commissioning of the Home Improvement Agency, which is being undertaken outside of the Private Sector Housing team as a separate exercise across the Worcestershire council partners.					
1	Medium	<p>Redditch Borough Council –</p> <p><u>File Management</u></p> <p>There continues to be an issue with the resource required to manage the historic hard copy files held within the councils. There is no longer space for newly completed case files. The Private Sector Housing Team Leader is aware of the risk of maintaining personal information for longer than needed and has produced Document Retention requirements for the files, but time and resources are now needed to physically sort these.</p>	<p>There is a risk that personal information the council does not need to keep is still held, leading to legal challenge.</p>	<p>Housing Strategy Manager to consider means of bringing the storage of client data relating to Disabled Facilities Grants and Homes Repair Assistance Lifetime Loans in line with Document Retention requirements.</p>	<p>Agreed. The file cleanse will dovetail with the move to Parkside.</p> <p>Responsible Manager: Housing Strategy Manager</p> <p>Implementation date: 31st March 2015</p>
Audit: Rent Guarantees and Deposit Scheme					
Assurance: Significant					
Summary: The review was a full system audit concentrating on the Rent Guarantees & Deposits system. The scope of the audit did not cover Rent payments or recovery transactions.					
1	Medium	<p><u>Debtor Accounts</u></p> <p>From a random sample of 15 Rent Deposit/ Guarantee applications made</p>	<p>Lack of debt recovery action, leading to financial</p>	<p>A process to be implemented to review all applications made on a</p>	<p>The issue with the one deposit has now been resolved and the Officer has rectified</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>during 2014, 1 was accepted for processing in part through this scheme and in part through the Essential Living Fund grant process. A debtor account should have been raised for the repayment of £495. However there is no record of an invoice account being requested or processed through Sundry Debtors.</p> <p>There is no regular review of completed applications and new Sundry Debtor accounts to ensure repayment schedules have been set up where necessary.</p>	loss to the authority.	monthly basis, to ensure debtor accounts have been requested by Housing Options staff and created by the Income Recovery team in a timely manner.	<p>by ensuring the account is set up.</p> <p>To eliminate this happening again I have implanted a checking system whereby the Housing Options team will receive a monthly list from the Income Recovery team which will be checked against records of all deposit loans granted for the same month. A Housing Options Prevention Officer will be responsible for checking this information and bring to my attention if there are any anomalies.</p> <p>Responsible Manager: Housing Options Team Leader</p> <p>Implementation date: Immediate</p>
Audit: Rent Arrears					
Assurance: Significant					
Summary: The review was a full system audit and concentrated on the Rent Arrears, Payments and Collection process and covered controls in place at the time of the audit. The audit did not cover Rent Verification Statements as this is a separate audit.					
1	Medium	<p><u>Guidance Documentation</u></p> <p>The guidance document for the Rent Arrears process has not been updated since 2007. This document does not take into account the current working arrangements for the recently implemented Locality scheme.</p>	Current working practices are not fully documented, potentially leading to inconsistent managing of tenant accounts, resulting in reputational damage.	All procedure guidance documents to be updated to take account of new working practices.	<p>Responsible Manager: Housing Services Manager</p> <p>Implementation date: April 2015</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Treasury Management					
Assurance: Significant					
Summary: The review was a full system audit of Treasury Management. The audit did not cover the rate of interest obtained for individual investments/loans or the ratings of the financial institutions used to invest in or obtain loans from.					
1	Medium	<p>Reconciliations</p> <p>Since the previous finding which identified that there was no dating or initialling of reconciliations by the preparer or the independent officer who checks the reconciliation, it was found that reconciliations have not been consistently completed.</p>	<p>There is a reputational risk if the Council is called into question over investments or borrowings.</p>	<p>Reconciliations to be carried out at least quarterly and must be dated and initialled by the preparer and the independent reviewer.</p>	<p>Responsible Manager: Agreed. One 18 hour post still to be filled before the restructure is complete. Staff are being trained at the moment and it is envisioned that they will all be trained and up and running by the implementation date.</p> <p>Implementation date: 1st March 2015</p>
Audit: Asset Management					
Assurance: Significant					
Summary: The review was a full system audit of Asset Management as operated by Redditch Borough Council. The review concentrated on the strategic aspect of Asset Management and covered the procedures in place at the time of the audit. The audit did not cover the Asset Register, repairs and renewals or management of facilities.					
1	Medium	<p>Terms of Reference</p> <p>The existing asset management groups for Redditch and Bromsgrove have been replaced with one group to cover both authorities.</p> <p>The current Asset Management Plan/Strategy for Redditch Borough Council is out of date. However it should be noted that Local authorities are no longer required to have Asset</p>	<p>Financial loss and reputational risk if the assets are not used to the best advantage.</p>	<p>The Council uses the tools that it has already created via the formation of the joint Asset Management Group and agrees 'Terms of Reference' for the group.</p> <p>This will help to guide the actions of the group, which may or may not decide that Asset</p>	<p>Responsible Manager: Head of Customer Access and Financial Support.</p> <p>As this new group has taken over from the two previous authority specific groups it is timely to agree new Terms of Reference.</p> <p>Implementation date: 28th February 2015</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>Management Plans in place.</p> <p>Within the process of transformation and the current challenges Redditch Borough Council faces with shared services it is not always clear how the management of assets are aligned to the strategic purposes of the Council.</p>		<p>Management Plans/Strategies are required, share knowledge and align all decisions with the strategic purposes of the authority.</p>	
Audit: Procurement					
Assurance: Significant					
<p>Summary: The review was a full system audit of the Procurement process as requested by the Audit, Governance and Standards Committee. The corporate procurement process covers all procurement activity taking place across the authority, including the contractor selection process and the procedures in place for monitoring the quality of the service delivery and payments for services provided. The audit did not cover the specifications of individual contract arrangements.</p>					
1	Medium	<p>Contract Publication and Formal Recording</p> <p>Of the sample of 25 random contracts reviewed during audit testing, details for 3 were not published on the Council website when they should be. This has been attributed to the Procurement team not being informed of the contracts by Service Managers.</p> <p>Additionally, of this same random sample, 7 of the contracts which should have been registered with Legal Services have not been.</p>	<p>Lack of publication and formal recording of Council contracts, leading to a lack of corporate monitoring, resulting in potential financial loss by not ensuring best value.</p>	<p>The Procurement team to be informed of all contracts which can then be published on the Council website. All tendered contracts to be registered with Legal Services.</p>	<p>Responsible Manager:</p> <p>Financial Services Manager</p> <p>Implementation date:</p> <p>1st December 2014</p> <p>A reminder to be sent to all 4th Tier Managers</p>
2	Medium	<p>Procurement Strategy/ Procedure</p> <p>The Corporate Procurement Strategy</p>	<p>Lack of clear guidance</p>	<p>The Corporate Procurement</p>	<p>Responsible Manager:</p> <p>Financial Services Manager</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>2009/12 was agreed in 2009. There are no known updates to this document.</p> <p>The Contract Procedure Rules document was updated in January 2012.</p> <p>The EU limits for procuring goods & services have not been updated in the documents with the value changes in January 2014.</p> <p>These documents are not available on the staff Orb intranet site, although the Strategy document could be found on the Redditch Borough Council public website.</p>	<p>potentially leading to procurement activities which are not in accordance with corporate or legislative requirements, resulting in financial penalty and reputational damage.</p>	<p>Strategy and Contract Procedure Protocols to reflect current corporate priorities, protocols and EU legislative requirements, and to align procedures with the new Local Government Transparency Code 2014.</p> <p>Documentation to be made available to all staff in a format that is easily accessible (e.g. Orb). Where appropriate training to be provided to staff on important changes to processes and procedures.</p>	<p>Implementation date:</p> <p>1st April 2015</p> <p>This task will be given to the new post of Control Accountant due to start January 2015</p>
3	Medium	<p>Contract Tendering and Management</p> <p>From a randomly selected sample of 25 contractor payments used to assess contract tendering and monitoring practices undertaken during the 2014/15 financial period across the authority:</p> <ul style="list-style-type: none"> One contract was found to be outside of the Contract Period, i.e. beyond the period of the initial arrangement plus extension periods, where arrangements are continuing with the contractor in accordance with the initial 	<p>Failure to adhere to corporate procurement requirements and a lack of transparency in achieving best value through competition, resulting in reputational damage and financial loss to the authority.</p>	<p>To ensure that value for money is maximised for the Authority using the procurement process, Officers need to remain mindful of contract cessation dates, compounded charges and the lifecycle costs of purchases. Appropriate reminders as well as contract clause inclusions need to be established to ensure the Authority effectively monitors all its contractual arrangements.</p>	<p>Responsible Manager:</p> <p>Financial Services Manager</p> <p>Implementation date:</p> <p>1st June 2015</p> <p>Once Recommendation 2 has been completed a training programme for managers will commence</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>contract terms, including an increase in costs which has been agreed with the Service.</p> <ul style="list-style-type: none"> • One payment was found to have been for goods which were purchased prior to raising a purchase order on the financial system. • Quotes for 1 piece of printing work under £5,000 in value were obtained, but only the successful quote for the works was retained on file. • One of a sample of payments was to a contractor that provides security work to the authority. The value of the on-going services over a 4 year period is estimated as being over £20,000. A tender/ quotation process has not been suitably followed in accordance with procurement procedures. <p>A vehicle purchased by the Highways cleaning team requires regular maintenance, which is currently provided by the supplier of this asset. The maintenance is specialised and has to be done by this supplier, so the service work cannot be published for quotation/ tender. However, these service maintenance costs were not included in the initial purchase tender process.</p>			

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Debtors					
Assurance: Significant					
Summary: The review was a full system audit concentrating on the debtors system from the point where the invoice was raised to entry onto the main ledger. The audit did not look at the cash collection procedures as this was being completed as part of another audit.					
1	Medium	<p>Arrears Reports</p> <p>Arrears reports are not being produced for all Service Managers with exception to Commercial Rents, Community Centre and Lifeline teams.</p>	<p>Incorrect figures may be used in the budgetary control process which may lead to the risk of financial loss to the council</p>	<p>The Income team must produce and supply arrears reports to relevant service managers on at least a quarterly basis to ensure that they are aware of their financial position when making decisions that impact the Council.</p>	<p>Arrears reports will be produced and circulated.</p> <p>Responsible Manager:</p> <p>Income Team Leader</p> <p>Implementation date:</p> <p>31st January 2015</p>
Audit: Pitcheroak Golf Course					
Assurance: Limited					
Summary: The review was a full systems audit concentrating on income and costs relating to activities undertaken on behalf of Redditch Borough Council at Pitcheroak Golf Course. The audit did not cover Income relating to coaching activities, which is not managed on behalf of the Council or the management of the Café which is managed by a separate company.					
1	Medium	<p>Banking Reconciliations</p> <p>At the time of the audit fieldwork there were a number of banking discrepancies between bank statement records and information provided by NKL Golf Ltd.</p> <p>Most discrepancies have now been resolved, and banking reconciliations at the Pitcheroak Golf site are more</p>	<p>Failure to examine inaccuracies or losses in bankings, resulting in a financial cost to the authority.</p>	<p>Reconciliations to be completed within a timely manner by the contractor NKL Golf Ltd., and full reconciliation records to be maintained.</p>	<p>Responsible Manager:</p> <p>Leisure Services Manager</p> <p>Ongoing. This is down to improved training and communication between the NKL Golf Manager and his staff who operate the till system.</p> <p>The NKL Golf Manager has been asked to e-mail the Sports Services Manager to confirm that the banking has been carried</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		timely and regular. Some discrepancies have been attributed to handling and systems errors which resulted in payments not being correctly processed. However there is a lack of an audit trail held by NKL Golf Ltd. to enable a comprehensive posthumous review.			out each week and provide an explanation for anything over/under by £10. Implementation date: December 2014 Sports Services to inspect a sample of records during quarterly contract meetings. From January 2015.
2	Medium	<p><u>Business Continuity Arrangements – Manual Handling</u></p> <p>Redditch Borough Council has standardised procedures in place which can be utilised by a contractor for managing systems at the Pitcheroak Golf Course. At the time of the audit, these procedures were not being followed at the site for managing the service during an incident which impacts on continuity of business operations, e.g. a power cut.</p> <p>There was no key to open the cash register for manual control of monies, and there is no manual receipting process in place. Since the audit work commenced, a cash register key has now been provided.</p>	Lack of business continuity procedures leading to a failure to provide a suitable on-going service to customers, leading to potential reputational damage. There is also a risk that cash payments will not be correctly recorded resulting in a lack of an audit trail for tracing income, which could result in a financial loss.	<p>Agreed arrangements to be followed for the management of the service during periods where normal operations are detrimentally affected by external factors.</p> <p>Training needs to be assessed, and provided to staff on the operation of systems where appropriate.</p>	<p>Responsible Manager: Leisure Services Manager</p> <p>Implementation date: Training to be provided in January 2015. Staff will be issued with procedures and will be signed off as competent.</p>
3	Medium	<p><u>Till Management</u></p> <p>The cash register system in use at the</p>	Lack of distinction	To implement different user	Responsible Manager: Leisure Services Manager

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>Pitcheroak Golf Course site is able to provide each user with a unique login. However this is not currently being utilised, with only a single user login active on the system for all staff to use.</p> <p>A single 4-digit passcode is used, which when observed by Audit was deemed to be too simplistic to provide sufficient security.</p> <p>The key for the fireproof safe is also kept in the cash register overnight.</p>	<p>between cash register users, resulting in reduced responsibility over accuracy of transactions.</p> <p>Lack of security over financial transactions, leading to potential theft of cash register monies.</p>	<p>accounts on the cash register system and to require staff to sign in on their own user accounts when the cash register is in use, to enable a clear user audit trail.</p> <p>To request that the contractor uses more complex passcodes in order to provide more security over cash register usage.</p> <p>To require quarterly changes to passcodes to enable greater security over till monies.</p>	<p>Implementation date: New users/ passwords to be set up at same time as the training takes place – January 2015.</p> <p>Codes to be changed every quarter and reviewed via contract meetings. From April 2015.</p>
4	Medium	<p><u>Till Management & Procedures</u></p> <p>The end-of-day till closedown process summarises the till entries and prepares the records for processing through the Haven system.</p> <p>During a period where the till system experienced a number of crashes, the till closedown process was enacted prior to the end of day. This resulted in transactions being banked on one day, but recorded as entries through the till on the following day. These discrepancies have not been clearly documented on the Daily Cash Sheets completed by NKL Golf Ltd.</p> <p>There is no process in place for documenting all instances of till failure</p>	<p>Lack of an audit trail to identify processing error, leading to a potential financial loss and reputational damage to the contractor in the event of unexplained discrepancies.</p> <p>Failure to report issues, resulting in continued affect on effective service provision.</p>	<p>A log to be kept of all systems issues, and reported to the Leisure Service for monitoring on a weekly basis.</p> <p>Issues that could affect financial transactions to be reported to the Finance team for ensuring reasons for discrepancy are fully documented.</p> <p>A refund process to be implemented which maintains a full audit trail of refunded transactions, identifying the authorising officer and the reason for the refund.</p>	<p>Responsible Manager: Leisure Services Manager</p> <p>Implementation date: Log to be set up from January 2015. The NKL Golf Manager to be asked to inform finance team (and Sports Services Manager) of any issues that may affect cash reconciliation, and to inform the Sports Services Manager of refunds and the reason for these.</p> <p>Log to be reviewed to ensure completion during each quarterly audit.</p>

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>or other systems issues, and for notifying a responsible officer who could monitor these issues to ensure problems are resolved.</p> <p>In addition there is no process in place for documenting refunds given to customers. There is no requirement to sign for authorisation to confirm the validity of the refund.</p>			
5	Medium	<p><u>Performance Monitoring</u></p> <p>At the time of the audit, quarterly performance reviews were not being documented in accordance with the Service Level Agreement.</p> <p>Templates have been created for directing the review meetings, and to provide a comparable structure review process going forwards. Informal discussions have been held on the performance of the contractor; however these had not been formally documented.</p>	<p>Management not being held to account for unmonitored poor performance, resulting in reputational damage for the authority.</p>	<p>Performance reviews to be documented in accordance with the agreed approach in the Service Level Agreement.</p> <p>Regular scheduled performance meetings to be held going forwards, in accordance with the Service Level Agreement requirements.</p>	<p>Responsible Manager: Leisure Services Manager</p> <p>Implementation date: The contract template has been populated from October 2014. This will be completed during each quarterly contract meeting. A number of audit checks will be added to the template and added to the Quarterly meeting reviews.</p>
6	Medium	<p><u>Card System Access</u></p> <p>At the start of the audit fieldwork the manager of the Pitcheroak Golf Course did not have access to the Cardnet system, which shows details of credit card payments processed during the day, i.e. amounts and time</p>	<p>Discrepancies between till records and actual payments processed through the credit card system cannot be compared, resulting in</p>	<p>The manager of the NKL Golf Ltd to be given access to the Cardnet system, to enable a full and effective review of processed card payments.</p>	<p>Responsible Manager: Leisure Services Manager</p> <p>Implementation date: Completed.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		of day. This access has now been given following the suggestion of Internal Audit, prior to the completion of the audit fieldwork.	discrepancies not being identified, leading to a potential financial loss to the authority.		
end					

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**Date: 22nd January 2015**THE PROVISIONAL 2015/16 INTERNAL AUDIT PLAN REPORT OF THE SERVICE
MANAGER OF THE WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.**

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

1.1 To present:

- the Redditch Borough Council Provisional Internal Audit Operational Plan for 2015/16;
- to confirm the key performance indicators for the Worcestershire Internal Audit Shared Service for 2015/16

2. RECOMMENDATIONS2.1 **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

REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**Date: 22nd January 2015

accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

Service / Operational Implications**Internal Audit Aims and Objectives**

3.3 The aims and objectives of the Worcestershire Internal Audit Shared Service are to:

- examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the council and recommend arrangements to address weaknesses as appropriate;
- examine, evaluate and report on arrangements to ensure compliance with legislation and the council's objectives, policies and procedures;
- examine, evaluate and report on procedures to check that the council's assets and interests are adequately protected and effectively managed;
- undertake independent investigations into allegations of fraud and irregularity in accordance with council policies and procedures and relevant legislation; and
- advise upon the control and risk implications of new systems or other organisational changes e.g. transformation.

Formulation of Annual Plan

The Internal Audit Plan for 2015/16, which is included at **Appendix 1**, is a risk based plan which takes into account the adequacy of the council's risk management, performance management and other assurance processes. It has considered the corporate strategic purposes, risk priorities per discussions with the s151 Officer and the results of an independent risk assessment of the audit universe by Internal Audit. Dialogue is continuing with and Heads of Service in regard to the audit plan and the risk exposure in their areas. The draft internal audit plan for 2015/16 has been considered by the council's section 151 officer and has been formulated with the aim to ensure Redditch Borough Council meets its strategic purposes.

With the increasing amount of closer working arrangements with Redditch Borough Council and Bromsgrove District Council we have used the 2015/2016 financial year as a year of realignment in regard to audit assignments. By taking this approach it will ensure that both Councils benefit from the efficiencies that

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can be derived from an even better coordinated approach of audit delivery in regard to joint systems and shared services. By bringing a provisional plan of work to Members at this stage of the planning process it allows Members to have a positive input into the audit work programme for 2015/16 and make suggestions as to where they feel audit resources should be directed. As with all plans it may be subject to review and change as the year progresses in consultation with the s151 Officer.

Resource Allocation

To reflect the changing environment in regard to joint working and shared services the internal audit plan for 2015/16 has been based upon a resource allocation of 400 chargeable days, a resource allocation which has been agreed with the council's s151 officer. This is a reduction of 84 days against last years plan resulting in a reduction in contribution by Redditch Borough Council in regard to the Internal Audit Shared Service. The Service Manager of the Worcestershire Internal Audit Shared Service is confident that, with this resource allocation, he can provide management, external audit and those charged with governance with the assurances and coverage that they require over the system of internal control, annual governance statement and statement of accounts.

The draft Internal Audit Plan for 2015/16 is set out at **Appendix 1**.

Monitoring and reporting of performance against the Plan

Operational progress against the Internal Audit Plan for 2015/16 will be closely monitored by the Service Manager of the Worcestershire Internal Audit Shared Service and will be reported to the Shared Service's Client Officer Group, which comprises the s151 officers from client organisations, on a quarterly basis and to the Audit Committee on a quarterly basis.

The success or otherwise of the Internal Audit Shared Service will be determined by the performance against key performance indicators which have been developed for the service and management. These have been agreed with the council's s151 officer and are included at **Appendix 2**.

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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:

Failure to complete the planned programme of audit work within the financial year; and,

the continuous provision of an internal audit service is not maintained.

These risks are being managed via the 4Risk risk management system within the Finance and Resources risk area.

5. APPENDICES

Appendix 1 ~ Draft Internal Audit Plan 2015/16
Appendix 2 ~ Key performance indicators 2015/16

6. BACKGROUND PAPERS

None

7. KEY

N/a

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REDDITCH BOROUGH COUNCIL**AUDIT, GOVERNANCE AND
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Audit Area	Audit Risk Assessment Score (Max 45) *	Planned days 2014/15	Planned Days 2015/16	Difference = + or -
Core Financial Systems Service Area Finance				
Council Tax	Risk assessment score 34	12	12	0
Benefits	Risk assessment score 34	15	15	0
NNDR	Risk assessment score 32	12	12	0
Payroll (inc allowances, starters, leavers)	Risk assessment score 33	15	15	0
Creditors	Risk assessment score 31	12	10	-2
Cash Collection	Risk assessment score 30	12	0	-12
Debtors	Risk assessment score 29	12	10	-2
Treasury Management	Risk assessment score 28	7	7	0
Cash, General Ledger, Budgetary Control & Bank Reconciliations	Risk assessment score 28	15	13	-2
SUB TOTAL		112	94	-18
Corporate #				
Shared Service Client	Risk assessment score 29	16	0	-16
IT Services (budget moved to Service area)	Risk assessment score 29	15	0	-15
Procurement / Contract Compliance/Tendering (budget moved to Service area)	Risk assessment score 28	17	0	-17
Risk Management	Risk assessment score 26	15	7	-8
Transformation Arrangement (Critical Friend) (budget moved to Service area)	s151	10	0	-10
Corporate Governance (Health & Safety, Media & Comm's, Performance measures & data quality) (budget moved to Service area)	n/a	17	0	-17
Anti Fraud, Special Investigations and National Fraud Initiative (NFI)	n/a	25	15	-10

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Advisory and Consultancy / Contingency	n/a	14	12	-2
Completion of prior years work	n/a	10	8	-2
Statement of Internal Control	n/a	5	3	-2
Follow Up on recommendations	n/a	16	15	-1
SUB TOTAL		160	60	-100
Other Systems Audits (2014/15)				
Rent Arrears /Rent Payment & Collection	Risk assessment Score 33	15	0	-15
Housing Repairs & Maintenance	Risk assessment Score 32 & HoS	18	0	-18
Planning Enforcement	Risk assessment Score 31	16	0	-16
Golf Course	Risk assessment Score 29	10	0	-10
Countryside Centre & Arrow Valley Park	Risk assessment Score 29	17	0	-17
Reddicard/Fee Concessions	Risk assessment Score 28	12	0	-12
Forge Mill Museum	Risk assessment Score 28	10	0	-10
Planning Fees	Risk assessment Score 28	13	0	-13
Land Charges Fees	Risk assessment Score 26	13	0	-13
Rent Guarantee/Rent Deposit Scheme	Risk assessment Score 27	11	0	-11
DFG's	Risk assessment Score 23	15	0	-15
Threadneedle House	n/a	0	0	0
Bus Service Operators Grant	n/a	8	8	0
SUB TOTAL		158	8	-150
Service Area: Planning and Regeneration	Risk assessment Score 29	0	25	25
Development and Building Control				
Land Charges				
Service Area: Housing	Risk assessment Score 29	0	28	28
Welfare Reform impact				
Tenants Rechargeable works				
Equipment and adaptations				
Void property control and lettings				
Service Area: Community Services	Risk assessment Score 26	0	14	14

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Safeguarding				
Service Area: Environmental	Risk assessment Score 26	0	20	20
Street scene				
Refuge chargeable collections				
Service Area: Leisure and Culture	Risk assessment Score 29	0	30	30
Community Centres				
Leisure facilities				
Haven system				
Service Area: (Corporate) Including Legal and Democratic	Risk assessment Score 33	0	40	40
Individual Electoral Registration				
Delegations				
Strategic Purposes and partnerships				
Procurement ~ Purchase Card use				
Service Area: IT	Risk assessment Score 30	0	27	27
Transformation assistance				
SUB TOTAL (Service Areas)		0	184	184
CHARGEABLE SUPPORT				
Audit Management Meetings	n/a	20	20	0
Corporate Meetings / Reading	n/a	9	9	0
Annual Plans and Reports	n/a	12	12	0
Audit Committee support	n/a	13	13	0
SUB TOTAL		54	54	0
TOTAL CHARGEABLE		484	400	-84

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*Risk assessment scores are indicators derived from an internal audit assessment based on local knowledge and risk assessment using various factors including materiality, impact of failure, system risk, resource risk, fraud risk and external risk.

A number of corporate audit budgets have been reallocated to service areas so that the audit budgets can be used more flexibly and include elements including transformation, health and safety and shared service working taking into consideration the risk exposure for the service.

Customer access and support will be considered overall as part of the service audits.

Summary of Days per Overall Audit Group for 2015/16.

Planned Days for 2015/16	2014/15	2015/16
Core Financial Systems	112	94
Corporate Work	160	60
Other Systems Audits	158	192
Sub Total	430	346
Audit management meetings	20	20
Corporate meetings / reading	9	9
Annual plans and reports	12	12
Audit Committee support	13	13
	54	54
TOTAL Audit Days	484	400

**AUDIT, GOVERNANCE AND
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The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2015/16 i.e. KPI 3 and 4. Other key performance indicators link to overall governance requirements of Redditch Borough Council.

	KPI	Trend requirement	2014/15 Year End Position	2015/16 Position (as at xxxxxxxx)	Frequency of Reporting
1	No. of 'high' priority recommendations	Downward	XX		Quarterly
2	No. of moderate or below assurances	Downward	XX		Quarterly
3	No. of customers who assess the service as 'excellent'	Upward	XX		Quarterly
4	No. of audits achieved during the year	Per target	Target = (minimum) Delivered =	Target = 16(minimum) Delivered =	Quarterly

WIASS considers it operates within, and conforms to, the Public Sector Internal Audit Standards 2013.

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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

This report provides information on the performance of the Benefits Services Fraud Investigation Service for the period from 1st July 2014 to 30th September 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 to 31st March 2014 in relation to Housing Benefit and Council Tax Support amounted to just under £20m.
- 3.2 The successful investigation of fraud can impact upon other areas of benefit administration. On the files closed during the period of this report, the team identified £71,583.86 in overpaid Housing Benefit and £9,476.53 in excess Council Tax Support.

Legal Implications

- 3.3 There are no specific legal implications.

Service/Operational Implications

- 3.4 The purpose of the dedicated counter fraud team is to prevent and deter fraud as well as investigating any suspicions of fraudulent claims against the Authority.

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- 3.5 The Benefits Service determines entitlement on claims to Housing Benefit and Council Tax Support in the Borough. At the end of this quarter there were 6,097 live Housing Benefit claims and 7,187 live Council Tax Support claims in payment.
- 3.6 Around 56% 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, when wages and/or tax credits fluctuate and also claiming other out of work benefits.
- 3.7 Although measures have been in place for some time to make some of these changes easier for customers, it still remains an area of risk for fraud and error to enter the system. As both Housing Benefit and Council Tax Support are means tested benefits there are potential financial incentives not to declare true circumstances, such as all of their 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 covers 231 fraud referrals were received by the team.
- 3.9 148 (64%) of these fraud referrals came from data-matching through the Housing Benefit Matching Service (HBMS). This is a scheme run nationally for Local Authorities by the Department for Work and Pensions (DWP) which matches our live benefit caseload 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 An increased number of referrals from HBMS were received during this period but around 60 of these were recalled by the DWP after they had been entered onto the fraud management system as they had been issued in error. 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 50 (22%) of the fraud referrals received during the period were from official sources. Of these
- 40 were received from within Redditch Borough Council (RBC), mainly from within the Benefit Team.
 - 6 from staff in Housing Teams
 - 3 were received from the Department for Work and Pensions (DWP)
 - The other came from another local authority

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- 3.12 33 (14%) of the referrals came from members of the public.
- 3.13 An increase in referrals received from members of the public is still experienced following reports of successful prosecutions in the local press. The opportunity is taken to provide brief details of the case and also how suspicions of benefits fraud can be reported. 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 which indicates that the practice of publicising prosecutions does deter others who may be contemplating offending.
- 3.14 A joint approach is taken on fraud referrals which relate to benefits paid by both RBC and the DWP to ensure that the full extent of offending is uncovered and the appropriate action is taken by both bodies. This maximises staffing resources and prevents the possibility of duplicate investigation work.
- 3.15 43 cases were closed during this period and fraud or error was established in 41 of these cases. Of these:
- 1 customer was prosecuted for undeclared work (detailed further in Appendix 1).
 - 38 cases were closed as fraud/error proven with a change to entitlement and/or an overpayment of benefit established.
 - 2 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.
- 3.17 The numbers of referrals and sources of those referrals from April 2011 are set out in Appendix 2.
- 3.18 Taking the recalled HBMS referrals into consideration, referrals have remained at a similar quarterly level to the same reporting period in 2013/14 although there has been variation in the numbers from each source. The reduction in referrals since June 2011 is mainly due to the automation of a large number of changes which has reduced the likelihood of fraud and error entering the system and changes in the way some referrals are recorded.

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- 3.19 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.
- 3.20 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.
- 3.21 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.
- 3.22 Some of the investigations that are carried out will not establish fraud but our aim is to keep this number to a minimum.
- 3.23 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.
- 3.24 A shared Investigation Team working across both Bromsgrove District and Redditch Borough is now in place. A Senior Investigation Officer has been recruited to lead the team until February 2016 when they are due to transfer to the Single Fraud Investigation Service (SFIS).
- 3.25 The team will continue to investigate claims for Council Tax Support until the transfer in order for decisions to be made on the future of this function which is not transferring to SFIS.

Customer / Equalities and Diversity Implications

- 3.26 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

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payment and add to the service cost.

5. APPENDICES

Appendix 1 – Example cases

Appendix 2 - Number of Referrals by source

6. BACKGROUND PAPERS

None

AUTHOR OF REPORT

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APPENDIX 1

Example cases**Case 1**

A 64 year old woman was prosecuted for offences of failing to declare work.

The customer had claimed Housing Benefit and Council Tax Benefit in February 2010 and was paid on the basis of her entitlement to Guaranteed Pension Credit.

In January 2011 the claim was suspended after notification was received from the Pension Service advising that Pension Credit entitlement had ended but was put back into payment after the customer made declarations that her only income was then State Pension.

In August 2013 the claim was again suspended when notification was received that Working Tax Credit had been awarded. The customer then advised that she had been doing a bit of work to help a friend out but the position was not viable so had ended.

The Benefit Team then referred the case for investigation and it was established that the customer had actually been working continuously since March 2010, resulting in overpayments of £6,425.79 Housing Benefit and £1,557.31 Council Tax Benefit between March 2010 and August 2013.

The customer pleaded guilty to the offence and was given a 12 month community order with 100 hours unpaid work, victim surcharge of £60 and £85 costs. In sentencing magistrates stated that it was a substantial amount of money taken which was compounded by a previous conviction for benefit fraud.

The overpayment is being repaid through an instalment arrangement.

Case 2

The prosecution proceedings against a 28 year old woman for failing to declare that she was living with a partner were ended by the Crown Prosecution Service (CPS) due to problems with DWP witness availability.

This investigation was begun by the DWP who invited Redditch Borough Council to work together after sufficient evidence had been obtained to indicate that Housing Benefit/Council Tax Support would be affected.

The customer denied the offences during interview under caution but the evidence was considered sufficient to prove the case. Prosecution was authorised after overpayments of £2,804.26 Housing Benefit and £505.70 Council Tax Benefit were identified in addition to overpaid Income Support of £2,194.00.

The customer pleaded not guilty to all offences at the 1st court hearing held in September 2013. A trial date of 25.11.13 was set but adjourned until 31.3.14. Unfortunately the court ran out of time on that date so couldn't hear the case and rebooked it for 30.6.14.

The DWP Investigation Officer who had been called as a witness was unavailable to attend the hearing on 30.6.14 due to sickness and the case was withdrawn by the CPS as no further date could be arranged.

Action is currently being taken to recover the overpaid Housing and Council Tax Benefit.

Case 3

A 36 year old man was sent the letter reminding of his responsibility to report changes in circumstances as they take place and the consequences of not doing so after a Housing Benefit overpayment of £421.86 was identified due to an undeclared increase in Tax Credits.

This investigation began after the customer queried his award of benefit when he made a new claim as he had previously received a higher amount. Investigation established that the claim had previously paid incorrectly as the Benefit Team had not been notified of the increase in Tax Credits.

The overpayment is being recovered by monthly instalments.

Referrals by source

¼ ending	Public	Data matching	Official source	Total
September 2014	50	148	33	231
June 2014	47	102	27	176
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

A high number of referrals received through data-matching during this quarter were recalled by the DWP as they had been issued in error, but has increased number recorded from this source during the period.

Fraud awareness training for appropriate staff is planned in order to increase official source referrals to previous levels.

An electronic fraud referral form has now been made available on the website enabling customers to report suspicions anonymously online which may increase referrals from the public in the next reporting period.

REDDITCH BOROUGH COUNCIL**AUDIT , GOVERNANCE AND
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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 Council's Income Team.
- 1.2 The report updates members on outstanding debt levels

2. RECOMMENDATIONS

The Audit and Governance is asked to RESOLVE:

- 2.1 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 Former tenancy arrears, whilst relatively low in numbers, create the most work for the Income Team of any individual debt type. This is due to the debt recovery process in relation to these debts being extremely labour intensive.
- 3.4 Current former tenancy arrears for 2014/15 at the end of the second quarter totals £332,911. This relates to 381 individual cases.
- 3.5 This is slightly higher than the number of cases at the end of 2013/14, but lower than at the same point in 2013/14 when there were 395 individual outstanding debts, totalling £336,723.

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- 3.6 Following a high in 2010/11 we are consistently seeing a year on year reduction in the value of former tenancy arrears.

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

- 3.7 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.
- 3.8 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.
- 3.9 The total outstanding general debt as at 30th September 2014 was £1,153,916. This compares with £917,962 at the same point last year. It is important to remember that this includes all invoices raised and therefore not necessarily overdue. Many people will pay by instalments over the year and therefore there is never a point at which the true figure of out
- 3.10 Members will recall that at the July 2014 meeting, Officer agreed to report data showing outstanding debt against credit terms. Unfortunately it has not been possible to extrapolate this data in a useable format, and the work necessary to provide it is considerable. A new system is being introduced in the first quarter of 2015 and it is hoped that this will enable officers to pull such reports more easily.
- 3.11 However we do know that the vast majority of money owed is paid within the expected terms and that the number of outstanding invoices is low. The following table shows the total debt outstanding at the end of each financial year for the last four years along with the total number and value of new invoices raised. The total debt and number of outstanding debts relate to numerous years and these are the totals outstanding at the end of each financial year.

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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

Legal Implications

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

Service / Operational Implications

- 3.13 The recovery process taken varies depending on the debt in question. This is due to variable credit terms and recovery periods.
- 3.14 Each case can require a range of recovery paths as the customers circumstances can change during the lifetime of the debt.
- 3.15 Our income management system dates back to Oct 2006 and at that time 264 outstanding debts totalling £159,812 were carried forward. These are still live on the system and deemed collectable. 23 debts older than Oct 2006 relating to Former Tenancy arrears and totalling £18,781.80 are also live and considered inappropriate to be written off.
- 3.16 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

- 3.17 It is important for the Council's reputation to evidence to customers that that every effort is made to recover debts to the Council.
- 3.18 The process for the recovery of debts is equitable and proportionate.
- 3.19 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

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payments the team will make contact via telephone to support the individual needs of the customer.

- 3.20 Where possible realistic arrangements are always made to help support customers in debt, and individual circumstances are taken into account.

4. RISK MANAGEMENT

- 4.1 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

6. BACKGROUND PAPERS**AUTHOR OF REPORT**

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