

# Audit & Governance

## Committee

18th March 2013

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### MINUTES

**Present:**

Councillor Derek Taylor (Chair), Councillor Roger Hill (Vice-Chair) and Councillors Roger Bennett, John Fisher and Yvonne Smith

**Also Present:**

Zoe Thomas (Grant Thornton – External Auditors)

**Officers:**

A Bromage, A De Warr and T Kristunas

**Committee Services Officer:**

D Parker-Jones

**23. RISK MANAGEMENT TRAINING AND CHAIR'S OPENING REMARKS**

Immediately prior to the meeting the Head of Finance and Resources provided the members of the Committee with a training session on the Council's Approach to Risk Management.

Following the conclusion of the training session the Chair opened the meeting and set out some general meeting arrangements.

Members were reminded that if they were unable to attend a meeting of the Committee they were required to tender their apologies for absence to the Democratic Services Officer, either via telephone or email, as soon as they became aware of this. This would assist in ensuring that meetings were not inquorate and would help reduce any wasted Officer time in rearranging meetings at a time when resources were stretched and were likely to become more stretched in the future.

The Chair stated that he was happy with Christian names being used at meetings and that addresses through the Chair were not necessary. He requested that any Members wishing to speak raise their hand and Officers would maintain a list of speakers.

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Chair

He hoped that meetings would last no longer than two hours and that, whilst relying on Members to ensure that they had read through the agenda papers prior to a meeting, a strict timetable would need to be adhered to at meetings as the Committee was only scheduled to meet four times a year and had a substantial amount of business to conduct.

The Chair made reference to the Committee's ongoing Action List which appeared at Agenda Item 4 on the agenda that evening. The areas detailed in the Action List had, where possible, been given a high or low priority as it was not possible to deal with all matters immediately.

#### **24. APOLOGIES**

Apologies for absence were received on behalf of Councillors Joe Baker and Alan Mason.

#### **25. DECLARATIONS OF INTEREST**

There were no declarations of interest.

#### **26. MINUTES**

In relation to the fourth paragraph of Minute No. 16 (Annual Audit Opinion 2011/12) of the 26th September 2012 minutes, and the District Auditor's finding that in relation to Value For Money the Council could not continue to rely on using balances to support expenditure, with considerable savings being necessary over the next 3 years, the Chair requested that this be added to the Committee's Action List for future monitoring of the situation.

Officers responded that they would provide an oral update to the (Audit & Governance) Committee on what had been referred to the Executive Committee under the quarterly budget monitoring reports.

#### **RESOLVED that**

**the minutes of the meetings of the Committee held on 26th September 2012 and 27th November 2012 were confirmed as correct records and signed by the Chair.**

#### **27. AUDIT & GOVERNANCE COMMITTEE - WORK PROGRAMME AND ACTION LIST**

Members considered the Committee's Work Programme for the remainder of the 2012/13 Municipal Year and ongoing Action List.

### Action List

The following updates were provided:

(i) Ref 1a-1c – Fraud monitoring & Ref 3a-3d – Risk monitoring

The Chair proposed, and it was agreed, that two members of the Committee be appointed to monitor fraud related issues on behalf of the Committee. This was similar to the two Members who had previously been appointed by the Committee for risk monitoring. The appointed Members would report back to the Committee on a quarterly basis on their monitoring activities and associated findings.

Councillor Roger Hill volunteered for one of the fraud positions and it was agreed, at the request of one of the Labour Councillors present, that a Labour councillor fill the second position. The Labour councillors present agreed to take this matter back to their group and to provide the name of their chosen Councillor for fraud monitoring to the Democratic Services Officer within two weeks following the meeting.

Officers would provide any further fraud and/or risk monitoring updates to each meeting of the Committee. These items would therefore become standing items on the Committee's Work Programme and as such could be removed from the Action List.

(ii) Ref 2 – Response to Department of Communities and Local Government (DCLG) and Audit Commission on lack of supporting evidence relating to housing numbers

In relation to the qualification on the subsidy claim from DCLG, Officers advised that the DCLG had initially expected a detailed survey of the Council's housing stock. However, once Officers had explained the required work in completing this the DCLG had agreed that such a survey was no longer necessary. This item could now be removed from the Action List.

(iii) Ref 4 – Audit Management software

Officers advised that there had been a couple of pilots with the software for this, with roll-out taking place during April/May time and final implementation by June 2013. Further implementation update to be provided at June meeting.

(iv) Ref 7- Update on the Council's debt collection agency contract

Officers updated Members on work which was being undertaken in this regard. This item could now be removed from the Action List.

### Work Programme

The items listed for the 25th April meeting were noted, as was the fact that a full Work Programme for the new 2013/14 Municipal Year would be referred to the April meeting of the Committee.

The Internal Audit – Annual Audit Plan 2013/14 would not be referred to the April meeting as Members would instead be finalising the proposed Plan which appeared later in the agenda that evening.

### **RESOLVED that**

**subject to the comments detailed in the preamble above, the Committee Work Programme and Action List be noted and the amendments and updates raised in relation to these be agreed.**

## **28. REVIEW OF RISK MANAGEMENT ARRANGEMENTS**

Further to the training provided earlier in the evening which set out the Council's approach to risk management, the Head of Finance and Resources gave a Member presentation on the current risk management position within the Council.

This included the methods of recording and monitoring risks which had been identified within the Council and the appointment of RSM Tenon, an external risk management company who had been engaged to facilitate this work. The key risks identified to date were outlined, together with the next steps to be undertaken in the process.

The Head of Customer Services then gave a presentation on the risk management position in relation to Customer Services, including the key operational risks and exceptional risks that had been identified and the measures and actions in place to reduce, treat or mitigate against those risks.

In relation to future risk reporting, the Committee requested that a report detailing all of the operational risks identified within the Council which were currently considered as high be referred to the April meeting.

### **RESOLVED that**

**the presentations be noted and that a report on all of the operational risks identified within the Council which were currently considered as high be referred to the April meeting of the Committee.**

### 29. **BENEFITS INVESTIGATIONS APRIL - SEPTEMBER 2012**

The Committee received a report which advised on the performance of the Benefits Services Fraud Investigation Service from 1st April to 30th September 2012.

Officers responded to Members' questions on aspects of the report. In doing so they advised that prosecutions were carried out in conjunction with the Department for Work and Pensions (DWP), with the DWP taking forward any such prosecutions and sometimes opting instead for a caution.

In relation to paragraph 3.16 of the report (Impact on other areas), a Member queried how much of the overpayments highlighted, which totalled in excess of £160,000, had been recovered. Officers agreed to check the position and to report back to the Committee on this at the next meeting.

It was noted that the Welfare Reform Act would have far reaching consequences, with significant changes to both Housing Benefit and Council Tax Benefit due to be introduced. From October 2013 Universal Credit would replace a number of existing benefits. To support these changes the DWP proposed combining the various existing fraud services into a Single Investigation Service (SFIS), which would combine local authority benefit fraud investigation staff with those of the DWP and Revenues and Customs. The Committee noted that it would need to monitor the position as and when significant changes were introduced to see what direct impact these had on the authority.

#### **RESOLVED that**

**the report be noted and that Officers report back at the next meeting on the recovery level of overpayments.**

### 30. **TREASURY MANAGEMENT STRATEGY, PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION POLICY FOR 2013/14**

The Committee received the Treasury Management Strategy, Prudential Indicators and Minimum Revenue Provision Policy for 2013/14 for scrutiny prior to approval by full Council.

Officers advised that there was a requirement for the authority to agree these annually for the year ahead. Officers reported that the economy had remained fairly similar to 2012/13, with interest rates having seen some change.

It was noted that the Capital Expenditure figures detailed at paragraph 3.24 of the report contained an error. Officers confirmed that the Approved Programme HRA 2012/13 Estimate amount should have stated 8,657.0 (£'000), as opposed to 6,597.0 (£'000), and that the Total Approved Programme figure stated of 14,544.0 was correct.

**RECOMMENDED that**

**the Treasury Management Strategy, Prudential Indicators and Minimum Revenue Provision Policy for 2013/14 be approved.**

**31. GRANT THORNTON - AUDIT FEE LETTER 2012/13**

Members were presented with the Audit Fee letter for 2012/13 from the Council's External Auditors Grant Thornton and asked to approve the level of fee.

It was noted that there was a 40% saving on the previous year's fee as levied by the Audit Commission and that the Council had a legally binding contract with Grant Thornton to provide the External Audit service for at least the next 5 years.

The External Auditor explained some of the reasons for the reduction in the fee, which it was noted had previously included a surcharge payable to the Audit Commission which no longer applied.

**RESOLVED that**

**the Audit Fee for 2012/13 be approved.**

**32. GRANT THORNTON - CERTIFICATION WORK REPORT 2011/12**

Members were presented with the Grant Certification report for 2011/12 from the Council's External Auditors Grant Thornton.

It was noted that there was a 40% saving on the previous year's fee for grant claim work as levied by the Audit Commission, and that the Council had a legally binding contract with Grant Thornton to provide the External Audit service for at least the next 5 years.

The Key Messages detailed in the report were noted.

Certification of the Housing Benefits Claim was the largest piece of work involved and required considerable time on the part of the External Auditors. Council staff had undertaken increased testing in this area on behalf of the External Auditors, which had assisted in reducing the fee. However some problems had been encountered

in this regard, mostly as a result of conflicting priorities with Council staff. The External Auditors were therefore recommending that the approach to undertaking the audit testing work be reconsidered by Officers if the External Auditors were to rely on the Council's work in this area in 2012/13.

**RESOLVED that**

**the Grant Certification report and Action Plan be noted.**

**33. INTERNAL AUDIT MONITORING REPORT**

Members considered the Internal Audit Monitoring Report as at 31st December 2012.

Officers advised that as the report had been written for what was to have been the January meeting a number of the audits in progress as detailed in the report had since moved on as follows:

<b>Audit</b>	<b>Current status</b>
Debtors	Final Report Stage
Payroll	Draft Report Stage
Arrow Vale Sports Centre	Draft Report Stage
IT Services	Draft Report Stage
Stores Depot & Small Plant	Final Report Stage
Regulatory Services – Licensing Income	Clearance Meeting Stage
Procurement – Contract Compliance	Clearance Meeting Stage

It was reported that approximately 80% of the Audit Plan had been delivered as there had been some staff illness in December.

Members queried whether the Council's car parking machines which were no longer in use were due to be sold. Officers advised that these could be sold however further electrical, plant and tool work was first required before this could happen. Officers would also be speaking with Wychavon District Council, who was now responsible for the Borough's on-street parking, in this regard.

Officers responded to Members' questions on different aspects of the audit processes, audit staff training, the quality standards for audits and what impact transformation was having on those processes.

Regarding the effect of transformation, Internal Audit worked with service areas as a critical friend, looking at their systems and advising where it was felt improvements could be made. Any

suggestions for improvement could then be considered as part of new processes arising as a consequence of transformation.

Members queried whether, if they so wished, they would be permitted to shadow an audit, which Officers advised they were welcome to do.

In response to a verification issue highlighted at Reference 1 (Exception Reports) of Creditors 2012/13 of the High and Medium priority recommendations at confidential Appendix 4 to the report, Officers advised that this was currently being looked into and would be followed up by Internal Audit as a matter of course.

### **RESOLVED that**

#### **the report be noted.**

(During consideration of this item Members discussed matters that necessitated the disclosure of exempt information. It was therefore agreed to exclude the press and public prior to any debate on Appendix 4 to the report on the grounds that information would be revealed relating to the prevention, investigation or prosecution of crime. However, there is nothing exempt in this record of the proceedings.)

### **34. DRAFT INTERNAL AUDIT PLAN 2013/14**

The Committee received a report on the Provisional Internal Audit Operational Plan for 2013/14 and the key performance indicators for the Worcestershire Internal Audit Shared Service for the same period.

As the report was originally due to have been considered at the meeting in January, which had had to be rescheduled to the meeting that evening, Officers advised that the Operational Plan was no longer provisional and should be taken as the final version for approval.

Officers referred to the Plan at Appendix 1 and the comparisons detailed on planned days for 2013/14 against 2012/13. It was noted that the total overall planned days for 2013/14 remained at 484 chargeable days; the same as for 2012/13.

In relation to the zero days planned for Procurement/Contract Compliance in 2013/14 Officers advised that these areas were now included within individual audits. It was not therefore a case of these not being actioned.



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Officers responded to Members' questions in relation to certain of the planned days' allocations and on the methodology, processes and cycles used for audits. Officers explained how audit days were divided into planning, fieldwork (which covered the majority of days for any audit) and report writing.

If an unexpected issue arose which had not been included in the Audit Plan and any significant risks uncovered as a consequence, the issue would immediately be raised with the relevant service manager and the Internal Audit Service Manager would liaise with the Council's S151 Officer to determine the best way forward in this regard. The Audit Plan would be adapted as appropriate to deal with any such urgent significant risks, which would in turn be reported to the Committee as an exception.

**RESOLVED that**

**the Internal Audit Operation Plan for 2013/14, attached at Appendix 1 to the report, be approved as final, and the key performance indicators for the Worcestershire Internal Audit Shared Service for the same period at Appendix 2 be noted.**

The Meeting commenced at 7.00 pm  
and closed at 8.41 pm

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Chair