

Audit & Governance Committee

25th April 2013

MINUTES

Present:

Councillor Roger Hill (Vice-Chair, in the Chair) and Councillors Joe Baker (during Minute No.'s 35 to 39, 40 (part of) and 43 to 46), Roger Bennett, John Fisher (during Minute No's 38 to 49), Alan Mason and Yvonne Smith

Also Present:

Phil Jones and Zoe Thomas (Grant Thornton – External Auditors – for Minute No.'s 35 to 37 and 43 to 46)

Officers:

A Bromage, T Kristunas and J Pickering

Committee Services Officer:

D Parker-Jones

35. APOLOGIES

An apology for absence was received on behalf of Councillor Derek Taylor (Chair).

36. DECLARATIONS OF INTEREST

There were no declarations of interest.

37. MINUTES

In relation to the second paragraph of Minute No.27 (i) (Action List – Fraud monitoring) of the 18th March 2013 minutes, the Democratic Services Officer advised that, following consultation with the Chair of the Committee and the Leader of the Labour Group, it had been agreed that the name of the Labour Group Member who would have responsibility for fraud monitoring on behalf of the Committee (along with Councillor Roger Hill) would be confirmed at the Annual Meeting of the Council on 20th May 2013, under the Appointment of Committees item.

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Chair

RESOLVED that

the minutes of the meeting of the Committee held on 18th March 2013 were confirmed as a correct record and signed by the Chair.

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

Members considered the Committee's Work Programme for the 2013/14 Municipal Year, which had been circulated as additional papers prior to the meeting, and ongoing Action List.

Action List

Officers provided the following updates:

(i) Ref 1 – National Fraud Initiative

Officers explained the background to the National Fraud Initiative, which provided matches on fraud data. A similar exercise had been undertaken by the Council whereby all single persons had been written to by the authority and had been required to respond confirming whether they still were still eligible for the single person's Council Tax discount. If no reply was received the discount would automatically stop.

The South Worcestershire Councils used the Experian credit reference agency to obtain further information on individuals. Officers were currently in talks with other councils and would look at whether the authority should undertake similar data matching, the take up of which depended on the costs involved.

Action: It was agreed that Officers would provide a further update on their discussions and the current position in this regard at the next meeting.

(ii) Ref 2 – Benefits Investigations April – September 2012

Officers advised that it was difficult to calculate the recovery level of overpayments as there were a number of factors which affected this. Subject to any relevant change in a debtor's circumstances, collections were restricted to a maximum repayment rate of £10.60p per week. This was irrespective of the amount of overpayment and it was not possible to take any additional recovery action over and above this. Overall, approximately 30% of overpayments were recovered each year. However, repayments could take

a significant length of time to recover in view of the £10.60p maximum weekly restriction. In total approximately 80% of overpayments were recovered from start to finish.

The authority automatically received a subsidy from central government for any overpayments which were not the fault of the Council, i.e. as a result of staff error. Any overpayments which were then recovered by the authority and which had not been due to staff error went towards staffing costs in the recovery process.

Action: It was agreed that this item be removed from the Action List and that details of the recovery level of overpayments be included in future Benefits Investigations reports.

(iii) Ref 3 – Budgetary Control

Officers confirmed that expired bids were now excluded from the following year's budget and that the '4Risk' management system was now managing this as part of the current process.

Action: Remove from Action List.

(iv) Ref 4 – Effectiveness of controls for monies collection and use for stated purposes

Officers advised that they would report back on this at a future date.

Action: Remain on Action List for future Officer reporting.

(v) Ref 5 – Cumulative effect of no Council Tax increases over next 7 years

Officers advised that this would incur a £700,000 loss to the Council.

Action: Remove from Action List.

(vi) Ref 6 – District Auditor's comment for attention of accounting policies for shared services

It was noted that a separate report on this appeared later in the agenda.

Action: Remove from Action List.

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- (vii) Ref 7 – District Auditor’s recommendation regarding timetable for receipt of reports detailing progress with shared services and transformation

It was noted that a separate report on this appeared later in the agenda.

Action: Remove from Action List.

- (viii) Ref 8 – Update on land registry charges

Officers advised that the slight weakness which had previously been identified within the Internal Audit monitoring report had now been addressed and no longer remained an issue. The resulting control which had been put in place by the Council ensured that any charges to be made would be dealt with in a timely manner, with there being no possibility of any charges being overlooked.

Action: Remove from Action List.

- (ix) Ref 9 – Audit Management Software

It was noted that a final update in this regard would be provided at the next meeting of the Committee.

Action: Remain on Action List for reporting at 27th June 2013 meeting.

- (x) Ref 10 – Future monitoring of use of balances to support expenditure

Officers advised that the (standing) Chair of the Committee had highlighted this issue at the last meeting of full Council. The External Auditors had also raised this as a concern. This would be looked at in the future as part of the Council’s financial resilience arrangements and Officers agreed to provide periodic oral updates on this to the Committee.

Action: Remain on Action List for future periodic Officer updates.

Work Programme

The draft Work Programme for the 2013/14 Municipal Year and ongoing, which was circulated as additional papers prior to the meeting, was noted.

The External Auditors had commented that they were happy with the Work Programme.

The Chair asked Officers to explain the future procedure for Members seeing the draft accounts prior to their being signed off as final.

Officers explained that the S151 Officer was required to sign off the accounts, as draft, by the end of June – for submission to the External Auditors. Members were then required to sign off the final Statement of Accounts (SoA) by the end of September.

Officers had spoken with the (standing) Chair in this regard and it had been agreed that when the draft accounts were submitted to the External Auditors in late June all members of the Committee would also be sent a copy of these. This would provide an opportunity for Members to look at the draft accounts prior to the SoA Member Briefing scheduled for 12th September 2013. The Committee would formally consider and approve the final SoA at its meeting on 26th September 2013. Officers confirmed that they aimed to issue the draft SoA by 28th June.

The Member Briefing, which it was agreed would take place at 7.00pm on 12th September 2013, would allow Officers to update the Committee members on any issues raised by the External Auditors, and would also provide an opportunity for Members to raise any queries they might have on the SoA. Members were advised that they could also contact Officers at any time following receipt of the draft SoA with any questions they might have on this.

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.

39. OPERATIONAL RISK APRIL 2013 & RISK MONITORING

The Committee received a report on the operational risks which were considered as high. Officers advised that extra activity had taken place since the issue of the report in the agenda papers and an updated report was therefore tabled at the meeting.

The updated report showed that no risks were currently considered high, with 23 of the original high risks having been recategorised as medium residual risks and 4 as low residual risks.

Further information was tabled which advised that there were 40 risks in total emerging from the risk registers with a medium (amber)

rating. Staff had received training on the 4Risk software to enable any gaps in information to be added and for a risk update to be provided at the end of quarter 1 (June 2013).

The Risk Management Monitoring Group would look more closely at the medium risks. Only those operational risks considered as high would be included in the Corporate Risk Register. Between now and the next meeting of the Committee the risks would be looked at and where Officer actions were listed these would be checked and reported back on at the June meeting.

Officers would liaise with the two members of the Committee charged with overseeing risk monitoring on behalf of the Committee. Additional information would be provided to the Members in relation to the controls in place to reduce, treat or mitigate against identified risks. Officers suggested that the Members concerned might wish to look at a sample of the risks and consider the key issues, and then ask the relevant Officers what specific actions were being taken to address any issues.

RESOLVED that

the report, as updated at the meeting, be noted.

40. BENEFITS INVESTIGATIONS APRIL 2012 - MARCH 2013 & FRAUD MONITORING

The Committee received a report which advised on the performance of the Benefits Services Fraud Investigation Service during 2012/13.

Officers highlighted the key elements of the report. In relation to future plans, Officers advised that it was likely staff would remain in the employ of the Council and work to the Department for Work and Pensions new working practices.

Members queried why the authority was the only authority in the County not to have offered any Administrative Penalties. Officers advised that Administrative Penalties put people further into debt, which often meant that the recovery rate on these was very low. A Member commented that comparisons with other authorities could not be made as there was no supporting background data on which to draw a conclusion.

Members queried whether, in view of the current difficult economical climate, there were any additional measures in place to counteract further possible fraud. Officers responded that press articles which had reported on successful prosecutions had had a positive impact, with people contacting the Council to either report

possible cases of fraud or to clarify or update the authority on their particular circumstances. Additional Benefits Officers had also been employed to provide front line assistance on benefits matters.

Officers responded to further questions from Members in relation to the government's new spare room subsidy scheme. Most people who had contacted the authority in this regard had advised Officers that they would pay the extra money required, with few people having said that they would need to move home as a consequence. The implications of the Council Tax Reduction Scheme, as highlighted in the report, were also noted.

In relation to the comment contained in the report under the 'Risk Management' heading, one of the Members responsible for risk monitoring queried whether there were sufficient staff numbers to undertake the required counter fraud activity and performance monitoring. Officers highlighted additional Benefits Officers employed to undertake the new welfare work, and stated that whilst some members of staff were currently on maternity leave and there had been some staff illness, the required workload was being managed.

It was queried whether any training on the new benefits system had taken place. Officers confirmed that some sessions had been run in-house and they agreed to forward copies of the training slides for this to Members for information.

RESOLVED that

the report be noted.

**41. AUDIT COMMISSION ANNUAL GOVERNANCE REPORT
2011/12 - RESPONSES**

Members were provided with an update in relation to the S151 Officer responses to the recommendations contained in the Audit Commission's Annual Governance Report for 2011/12.

Officers highlighted the actions undertaken in response to the recommendations and provided an explanation of the legal issues in relation to the ownership and trust arrangements for the Paolazzi murals. Clarity on this matter would be required for the Statement of Accounts and Officers agreed to bring any further available update on this to the next meeting of the Committee.

RESOLVED that

the report be noted.

42. ACCOUNTING STANDARDS

The Committee received a report which sought approval of the proposed Accounting Standards in preparation for the 2012/13 Statement of Accounts.

Officers confirmed that the Statement of Accounting Policies appended to the report recognised Chartered Institute of Public Standards and Accountancy (CIPFA) standards.

RESOLVED that

the Accounting Standards be approved.

43. GRANT THORNTON - AUDITING STANDARDS 2012/13

Members were presented with the 'Auditing Standards – Communication with the Audit and Governance Committee and Executive' report for the 2012/13 audit year from Grant Thornton, the Council's External Auditor. Phil Jones, Engagement Lead at Grant Thornton, introduced the report.

Mr Jones advised Members that this was a new report, the purpose of which was to ensure that there was an effective two-way communication between 'Those Charged with Governance' (the Audit Committee) and himself as the Engagement Lead.

The external auditors had a responsibility under professional auditing standards to ensure there was effective communication with the Committee, which in turn helped Members to fulfil their financial reporting responsibilities in the following areas:

- Fraud;
- Law and regulation;
- Going concern;
- Related parties; and
- Accounting for estimates.

The report summarised the Committee's, management's and external auditor's responsibilities in each of the above areas, the overall aim of which was to consider and reduce the risk of material misstatement. The report asked Members to consider management's responses to questions raised by Grant Thornton in the report and for Members to confirm that they were satisfied with the arrangements.

A Member commented that as the membership of the Committee was fairly new there were some areas which they did not have experience in. Mr Jones commented that it was fair to say that

Members would not have detailed knowledge of all the areas in question, and that provided they understood the general workings of each area that was sufficient to provide Grant Thornton with the necessary assurances. Officers commented that regular updates were brought to Members on both fraud and risk monitoring.

RESOLVED that

the report and management responses be noted.

44. GRANT THORNTON - AUDIT PLAN 2012/13

The Committee received, for approval, the External Auditor's Audit Plan for the authority for 2012/13.

The Audit Plan was presented to the Committee in order that Members had a broad understanding of the work that Grant Thornton proposed to undertake in relation to the audit of the financial accounts for 2012/13.

It was noted that the audit fee had reduced by 40% over the 2011/12 fee. The revised Audit Fee Letter 2013/14 which appeared later in the agenda was also noted, which has seen a further reduction in the billing for Grant Certification work.

The External Auditors highlighted the key areas detailed in the Audit Plan and Grant Thornton's audit approach, which was risk-based. In response to a Member request an explanation was provided of the process involved with substantive testing. Members were advised of the interim work undertaken by Grant Thornton and the External Auditors stated that they would bring to the next meeting any issues arising from this work.

Members' attention was drawn to the Value for Money element of the Audit Plan and the work to be undertaken in that regard, the final results and messages of which would be reported in the External Auditor's Audit Findings report and in the Annual Audit Letter.

RESOLVED that

the Audit Plan 2012/13 be noted and approved.

45. GRANT THORNTON - AUDIT UPDATE

The Committee received a report from Grant Thornton on work undertaken to date by the External Auditor team and which highlighted issues that it was felt the Committee needed to consider.

A number of key questions had been raised as a result of emerging issues, both financial and operational, that might impact on the Council, which it was proposed be responded to by the Executive Director, Finance and Resources, as part of future agenda. It was further noted that no concerns had been raised by Grant Thornton in the aspects of their work to date.

The External Auditors highlighted the 'Local Government Governance Review 2013' which it had published in February 2013, details of which were set out on page 9 of their report. There were a number of questions arising from the findings of this and it was therefore agreed that this be referred to the June meeting of the Committee for consideration.

Members' attention was also drawn to the 'Councillors on the frontline' section on page 11 of the report, in relation to elected Members. This raised a number of issues in relation to improving the role played by councillors in the community and issues for new councillors in particular, which it was felt the Committee might wish to consider at some stage in the future.

RESOLVED that

- 1) **the report be noted; and**
- 2) **the Committee consider Grant Thornton's 'Local Government Governance Review 2013' at its meeting on 27th June 2013.**

46. GRANT THORNTON - AUDIT FEE LETTER 2013/14

The Committee received, for approval, the Audit Fee letter for 2013/14 from Grant Thornton, the Council's External Auditors. An updated Audit Fee letter had been circulated as additional papers prior to the meeting, which detailed a reduction in the billing schedule in relation to the Grant Certification work and overall total fee.

Members noted that there was a 40% saving on the previous year's fee as levied by the Audit Commission. Members queried the reason for the reduction in fee, which the External Auditors confirmed was as a consequence of a number of audit elements having changed from when the Audit Commission were the Council's External Auditors, with some of the former overheads no longer being applicable.

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RESOLVED that

the Audit Fee for 2013/14 be approved.

47. INTERNAL AUDIT MONITORING REPORT

Members considered the Internal Audit Monitoring Report as at 31st March 2013.

Officers advised that a number of the audits in progress as detailed in the report had moved on since publication of report as follows:

Audit	Current status
Abbey Stadium	Final Report Stage
Crematorium & Cemeteries	Final Report Stage
Workshop and Fleet	Final Report Stage
Waste	Final Report Stage
Main Ledger including Budget Control	Final Report Stage
Council Tax	Clearance Meeting Stage
Non Domestic Rates	Clearance Meeting Stage
Housing and Council Tax Benefits	Daft Report Stage

Confirmed Assurance levels for the finalised audits would be confirmed at the next meeting of the Committee.

Officers highlighted the key elements of the report and responded to Members' questions.

In relation to IT Services, Officers advised that there would be an annual inventory review, which would be followed up and reported on by Internal Audit. Examples of the types of issues raised as part of the Stores Depot & Small Plant review were confirmed. It was also noted that the current weaknesses with the control environment under the Payroll review, which were increasing the financial risk to the Council, would be dealt with as part of Internal Audit's follow-up work and their next Payroll visit.

Regarding delivery against the Internal Audit Plan, Members queried why the figure for the target days used for the year was set at 90% and not 100%. Officers advised that this was to allow for flexibility in the event of issues such as staff absences and deferred audits and that 90% was the minimum, which would allow delivery of the Audit Plan. Officers advised that they could look at setting an alternative measure for the 2013/14 Audit Plan and that they would bring any thoughts on this to the next meeting.

A Member highlighted a concern in relation to Maintenance Contracts. Officers advised that they were due to undertake follow

up work in this area in June and confirmed that they would include the issue raised as part of their review.

It was also queried whether Procurement – Contract Compliance was an area which the two members of the Committee charged with overseeing risk monitoring on behalf of the Committee should monitor as part of their roles. Officers confirmed it was not the role of the procurement team to look at this and that this fell to the different services areas, meaning Internal Audit would look at this as part of their general monitoring. Members queried whether they should look at contracts generally, which Officers advised was a huge area. It was therefore agreed that Internal Audit would in future look to include contract compliance and value for money in their reports/audits.

RESOLVED that

the report be noted.

48. REVIEW OF THE EFFECTIVENESS OF THE AUDIT & GOVERNANCE COMMITTEE - CHAIR'S REPORT

The Committee was asked to review the effectiveness of the Audit & Governance Committee during the 2012/13 Municipal Year.

It was noted that the Committee had been an all-new Member Committee since the start of the current municipal year, which had involved a steep learning curve for all Members and which was still continuing.

Given the technical nature of the Committee the (standing) Chair hoped that the membership of the Committee would, as far as possible, remain the same following the Annual Meeting.

Two of the ongoing key priority areas identified by the Committee over the last year were risk monitoring and fraud monitoring, with specific members of the Committee having been charged with overseeing these areas on the Committee's behalf.

The (standing) Chair had requested that the feasibility of co-opting non-elected independent members onto the Committee be considered at the next meeting. Officers advised that government had gone quiet on the issue of appointing independent members onto audit committees and that no formal legislation had been forthcoming in this regard. Training which some of the members of the Committee had undertaken at the University of Birmingham had suggested that audit committees should be looking at this issue and Officers agreed to bring an update on this to the June meeting.

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A Member queried 'what would make a suitable independent member'. They also stated that any system of appointment should be open and transparent and that any roles for this should be advertised.

RESOLVED that

the position be noted.

49. CALENDAR OF MEETINGS 2013/14

Members were asked to note the meeting dates of the Committee for the 2013/14 Municipal year. The additional Member Briefing for the members of the Committee on the Statement of Accounts on 12th September 2013 was also noted.

RESOLVED that

the meeting and Member Briefing dates be noted.

The Meeting commenced at 7.00 pm
and closed at 9.04 pm

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Chair