REDDITCH BOROUGH COUNCIL

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Audit, Governance and Standards Committee

Thursday, 22 January 2015

MINUTES

Present:

Councillor Roger Bennett (Chair), Councillor David Thain (Vice-Chair) and Councillors Michael Braley, Natalie Brookes, Jane Potter and Mark Shurmer

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

Also Present:

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

Officers:

Andy Bromage, Claire Felton, Sue Hanley, Sam Morgan and Amanda de Warr

Committee Services Officer:

Debbie Parker-Jones

30. CHAIR'S OPENING REMARKS

The Chair stated that it was his responsibility to ensure that the meetings of the Committee ran smoothly. Whilst it was important to hear all Members' points of view he would not allow Members to talk across each other. He requested that Members who wished to speak raise their hand to register their intent, following which they would then be given the opportunity to speak. If a meeting could not be controlled this would be suspended as meetings had to be conducted in a controlled and organised manner.

31. APOLOGIES

Apologies for absence were received on behalf of Councillors John Fisher, Rachael Smith, John Witherspoon and Pat Witherspoon. Councillor Mark Shurmer substituted for Councillor Fisher.

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Chair

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

32. DECLARATIONS OF INTEREST

There were no declarations of interest.

33. MINUTES

The minutes of the meeting of the Audit, Governance and Standards Committee held on 25th September 2014 were submitted.

RESOLVED that

the minutes of the meeting of the Audit, Governance and Standards Committee held on 25th September 2014 be confirmed as a correct record and signed by the Chair.

34. 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.

It was noted that no complaints had been received against Members (Borough or Parish) since the previous meeting of the Committee in September 2014.

As the end of the current municipal year was approaching Member training had reduced and the Member Support Steering Group would be meeting shortly to discuss upcoming issues.

RESOLVED that

the report of the Monitoring Officer be noted.

35. FECKENHAM PARISH COUNCIL REPRESENTATIVE'S REPORT - STANDARDS REGIME

Mr Kevin White, Feckenham Parish Council Representative, was not present at the meeting to provide any update on behalf of the Parish Council.

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

Action List

i) Ref 1 – Future monitoring of use of balances to support expenditure

It was noted that this item had remained on the Committee's Action List for some time and that any relevant updates in this regard would in future be incorporated into budget/savings reports and the Portfolio Holder updates. Members therefore agreed that this item could be removed from the Action List.

Action: item to be removed from Action List.

ii) Ref 2 – Meeting start times

Members agreed with the Officer suggestion in the Action List that the question as to whether the start time of meetings should be brought forward be re-visited at a later date, once future meeting end times had been monitored to establish whether there was any need for any such change.

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

iii) Ref 3 – Independent Member attendance and performance

Officers requested, and Members agreed, that a report on this be taken to the first meeting of the 2015/16 Municipal Year.

Action: item to be removed from Action List and added to the Committee's Work Programme for reporting at the July 2015 meeting.

iv) Ref 4 – Audit Findings Report 2013/14 – Officer update on progress against external auditor recommendations

It was noted that the management responses and associated action plan due dates in relation to the external auditor recommendations for the year ended 31st March 2014 were included in the Annual Audit Letter at agenda item 7. The Portfolio Holder's Quarterly Budget Monitoring update at agenda item 10 would also provide some relevant information in this regard.

Action: item to be removed from Action List as Officer responses provided in report at agenda item 7.

v) Ref 5 – Audit Findings Report 2013/14 – Unfilled vacancies

Officers advised that this was still a work in progress and that information on the number of unfilled vacancies and how long these had been vacant for would be presented to the next meeting of the Committee.

A Member requested that the information be issued as soon as possible, even if this initially included data in relation to one or two departments only. Officers responded that they wished to ensure all the information was available prior to issuing this in order to ensure Members had a full and clear picture of the position.

Action: item to remain on Action List for reporting at the July 2015 meeting of the Committee, unless all required information available for circulation to members of the Committee any sooner.

Work Programme

Officers advised that they would be looking at the reports listed on the Work Programme to ascertain which of these were still relevant moving forward. They would then liaise with the Committee Chair on any proposed report changes.

Officers added that the Treasury Management Strategy, Prudential Indicators and Minimum Revenue Policy Provision 2015/16 report which had been scheduled for consideration by the Committee that evening would, owing to report timing issues, instead need to be considered by the Executive Committee. The Capital Programme would be agreed at an earlier stage from next year, meaning this report would in future be considered by the Audit, Governance and Standards Committee.

In response to a Member question Officers advised that for the past couple of years the draft annual accounts and governance statement had been issued to the members of the Committee at the same time these were forwarded to the external auditors. This had allowed Members additional time to scrutinise these prior to the Committee's final approval of the documents at the September meeting. A Statement of Accounts briefing was also arranged for members of the Committee a couple of weeks prior to the

September meeting, which provided Members with the opportunity to discuss any queries. This process would continue and Officers added that the date for submitting the draft accounts to the external auditors might need to move to back slightly to July, the timings of which would be negotiated with the external auditors. The external auditors stated that very few changes were usually required to the draft accounts.

RESOLVED that

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

37. GRANT THORNTON - ANNUAL AUDIT LETTER

Members were presented with the Grant Thornton Annual Audit Letter ('the Letter'). The Letter summarised the key findings and Officer responses to the recommendations arising from the work the external auditors had carried out at the Council for the year ended 31st March 2014.

The external auditors stated that a large amount of the information contained in the Letter had already been seen by Members as it was effectively a shortened version of their Audit Findings report.

Members considered the key issues and recommendations detailed in the Letter and the management responses to these. Officers were currently working on a 3-year Medium Term Financial Plan ('the Plan'), which would be in place from 2015/16. Unidentified savings within the Plan would be reduced from the current levels and a detailed review of the 2013/14 outturn savings was being undertaken with Heads of Service to identify all recurring savings. There would also be a review of job vacancies as part of the budget process.

The external auditors wished to know where savings would be made in future years and expressed the need for early and timely financial reporting. The Quarter 3 forecast had proved to be significantly different to the actual outturn figures, with more savings having been made than expected. Whilst this was positive news the external auditors wanted to see more accurate budget forecasting and monitoring. Officers advised that the financial ledger system was currently being upgraded, and that the new system would include an improved budget monitoring module which would enable managers to better monitor their budgets. Debtor information was also due to be brought into the new system.

In response to Member comments the external auditors stated that whilst the key issues raised in the Letter had been raised in previous years, there had been improvements in all areas. They added that it was difficult to compare the position with other councils as the upcoming demise of the Audit Commission had meant that there was no separate purview, with focus on performance management in the public sector having diminished.

Regarding future performance management arrangements, Officers advised that the Senior Management Team would shortly be considering the options for the development of a corporate dashboard of measures to address the reporting of measures and delivery of the Council's Strategic Purposes. This work would be developed over the following couple of months and information on this brought to Members.

In relation to the going concern judgement within the accounts, Officers stated that a 3-year sustainable plan would improve the position with this. Whilst it was not uncommon for authorities to have a level of unidentified savings the Plan aimed to show how savings would be made to address this issue. The Council did not have a history of not having a 3-year plan, with this being the only occasion on which this had happened. The finance system upgrade had also impacted on this.

RESOLVED that

the Annual Audit Letter included at Appendix 1 to the report be noted.

38. GRANT THORNTON - CERTIFICATION WORK REPORT 2013/14

Members were presented with the Grant Thornton Certification Work Letter for 2013/14.

The external auditors explained the background to the report and where additional work had been required which had seen some increases in the fees payable. In relation to the amendment to the Housing Benefits Subsidy claim, it was noted that whilst errors had been identified the impact of these on the subsidy claimed was minor in relation to the value of the claim.

It was noted that the Audit Commission had yet to agree that the fees charged by the external auditors for 2013/14 were appropriate.

RESOLVED that

the Certification Work Letter for 2013/14 be noted.

39. GRANT THORNTON - PROGRESS UPDATE JANUARY 2015

Members received an update report from Grant Thornton on the external auditor's progress in delivering their responsibilities to the Council. The report also included a summary of emerging national issues and challenge questions in respect of those emerging issues.

The external auditors advised that they had not yet started the main work on the 2014/15 audit of accounts. The audit plan for this would be brought to the next meeting of the Committee and initial work on the Value for Money conclusion would start during their interim visit. Work on the 2014/15 final accounts audit was planned for July to September, with the majority this due to be undertaken in August.

The external auditors went on to provide explanations of their national reports. The Audit Commission was due to be abolished on 31st March 2015. Grant Thornton were currently in the second year of their 5-year external auditor contracts, and at the end of the 5 years the Government would need to make a decision regarding subsequent contracts.

The issue of long-term public sector sustainability was discussed. Whilst local government had responded well to the medium-term challenges and first period of austerity in the face of ever increasing funding, demographic and other challenges meant that they would be tested significantly by the second phase of austerity. The external auditors stated that it was important for authorities to think ahead and that there were other councils who were currently in a far worse off position than Redditch Borough Council.

The significant differences in the scale of funding reductions faced by different authorities were noted. The external auditors explained that the authorities most affected were the larger authorities, some of which received 70% grant funding from central government. Other smaller authorities received 70% of their income from Council Tax, meaning there would be significant differences in how government cuts impacted on authorities.

In response to a Member query Officers provided a general breakdown of income received by the authority and were asked to

circulate the exact figures in this regard, setting out the amounts and main income categories, after the meeting.

The external auditors highlighted the Local Government Audit Committee Member Network event which was taking place on Wednesday 25th February 2015, the theme of which would be Governance Challenges and Priorities for 2015. The session would cover financial integrity, reinforcing audit quality, improving information quality and focusing on assurance, all of which were key roles for an effective Audit Committee and which all members of the Committee were welcome to attend.

In response to a Member request the external auditors agreed to in future include an additional column in their update reports to record any progress and relevant action dates against the five recommendations arising from their work as detailed in the Annual Audit Letter at agenda item 7.

RESOLVED that

1) Grant Thornton's update report be noted; and

2) Grant Thornton in future include an additional column in their update reports to record any progress and relevant action dates against the five recommendations arising from their work as detailed in the Annual Audit Letter for the year ended 31st March 2014.

40. PORTFOLIO HOLDER'S UPDATE - QUARTERLY BUDGET MONITORING

In the Portfolio Holder's absence Officers provided Members with the Quarterly Budget Monitoring update.

The financial position statement for Quarter 2 (April to September 2014) had been presented to the Executive Committee in December and had detailed the projected year end for 2014/15.

When the budget was set there had been over £635k of unidentified savings across the Council. A number of budget reviews had been undertaken over the last 6 months, the aim of which were to ensure that savings were met from within the Council's finances. This had focused on the previous year's savings and in most cases Heads of Service had offered up previous underspends to meet the 2014/15 financial position.

The projections at September 2014 had showed that £423k of the £635k would be met and Officers had assured the Portfolio Holder that the additional £212k would be achieved by the end of the year. This would be achieved by a vacancy freeze (only recruiting to essential posts) and a freeze on non-essential general spend.

A number of significant savings would be made by the end of the year, which included:

- additional bereavement income;
- effective management of vacant posts;
- receipt of unexpected grant funding;
- reduced external legal support; and
- service reviews in the Benefits and Fraud teams.

Officers were currently working on the Quarter 3 financial position (April to December 2014), details of which would be reported to a future meeting of the Committee.

RESOLVED that

the update be noted.

41. INTERNAL AUDIT - PROGRESS 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 highlighted the Pitcheroak Golf Course audit which had resulted in a Limited assurance level. This had been given a Limited assurance owing to the number of areas which needed to be looked at, however no high priority recommendations had arisen with this. Perfectly adequate management responses had been provided on the audit issues highlighted and reasonable timeframes within which to make the necessary adjustments had been set. Internal Audit would undertake the normal follow-up action in this regard and a report referred back to the Committee updating Members on progress made.

A number of core financial audits were ongoing, the outcomes of which would be reported to the next meeting of the Committee.

Members noted current delivery against the Internal Audit Plan for 2014/15, which was on target as expected. No high priority recommendations had been reported since the last meeting of the Committee, which was satisfying to see.

RESOLVED that

the report be noted.

42. INTERNAL AUDIT - PROVISIONAL 2015/16 AUDIT PLAN

Members received a report which presented the Redditch Borough Council Provisional Internal Audit Operational Plan for 2015/16 ('the Plan') and the key performance indicators for the Worcestershire Internal Audit Shared Service for the same period.

Officers introduced the report and advised that the final Plan would be presented to the next meeting of the Committee. Members were advised that the Plan was risk-based and Officers were currently working with Heads of Service to identify risk exposures in their areas.

This year's Plan was more flexible and slightly different to the format in previous years. Increased shared and joint working arrangements between Redditch Borough Council and Bromsgrove District Council, and using the 2015/16 financial year as a year of realignment in regard to audit assignments, had ensured that both Councils benefitted from the efficiencies derived as a result of a better coordinated approach to audit delivery.

Members' views were sought on the Plan and suggestions as to where they felt audit resources should be directed. The Plan would be subject to review and change as the year progressed in consultation with the s151 Officer.

The 2015/16 Plan was based on a resource allocation of 400 chargeable days, which represented a reduction of 84 days against the previous year's plan. The Plan allowed for flexibility in adjusting the number of audit days allocated where deemed necessary. The Service Manager of the Worcestershire Internal Audit Shared Service was confident that the resource allocation was sufficient for him to provide management, external audit and those charged with governance with the assurances and coverage that they required over the system of internal control, annual governance and statement of accounts.

The Independent Member queried whether the Key Performance Indicators detailed in Appendix 2 to the report could be expanded in order to provide a more detailed picture of performance, and to reflect whether there had been an improvement in performance, particularly as departmental audits were not repeated on a like-for-like 12-month basis.

Officers responded that, from an Internal Audit perspective, assurances were given on the work was which being undertaken and Internal Audit could only offer an opinion on that work. From a corporate perspective, departments had individual service measures in place to monitor performance and costs, which they took relevant action on to address any issues of concern. Costs benefits analyses were undertaken by services but it was not possible to compare these against other authorities as services between authorities varied greatly. Customer satisfaction was also monitored via various means but at this stage there was not a full suite of performance measures in place, which as stated by Officers earlier in the meeting the Senior Management Team were currently in the process of developing.

Officers stated that internal audits were intended to look at the bigger picture but agreed that what the Independent Member was suggesting in relation to the possible development of Key Performance Indicators was something which could be subject to a separate piece of work. Officers therefore agreed to take this issue away for discussion with the s151 Officer and to report back on this at the next meeting of the Committee.

RESOLVED that

1) the report be noted; and

2) Officers report back at the next meeting on the outcome of discussions with the s151 Officer concerning the possible development of the Key Performance Indicators.

43. RISK MONITORING AND REPORTING

The Independent Member, who was also one of the Lead Risk Members on the Committee, provided Members with an update in relation to a number of meetings which he had attended with Officers and the Portfolio Holder for Corporate Management to discuss a range of risk management issues.

A number of issues had been considered including:

- the authority's understanding of demand;
- reducing waste;
- the root causes of risk and how these might be eliminated;

- the Vanguard systems thinking approach and whether this was appropriate to all or whether this could stifle innovation; and
- driving down costs.

Moving forward, the Independent Member stated that he was unsure as to whether he would be involved in the Council's Risk Management Group but that he was more than willing to be a part of this if required.

A Member queried when the Committee would have sight of the Council's Corporate Risk Register. Officers confirmed that this would normally be referred to the Committee on an annual basis and that a half-yearly update would then be provided on this. Officers stated that they would look to take the Corporate Risk Register to the next meeting of the Committee. It was also noted that the Committee had previously received a programme of presentations from all Heads of Service on their key operational risks.

RESOLVED that

1) the update be noted; and

2) Officers aim to present the Corporate Risk Register to the next meeting of the Committee.

44. FRAUD MONITORING AND REPORTING

The Lead Fraud Members updated the Committee on separate meetings which they had attended with Officers from the Benefits Services Fraud Investigation Service.

One of the Lead Members asked that it be recorded that the briefing which he had received from Officers had been very relevant, and that he had been impressed by the work carried out by the team.

The other Lead Member commented that whilst there were good fraud detection practices in place he felt there was some unfairness in the system as he believed it placed too much responsibility on claimants.

RESOLVED that

the update be noted.

45. BENEFITS INVESTIGATIONS - 1ST JULY 2014 TO 30TH SEPTEMBER 2014

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

Officers highlighted the key elements of the report and responded to Members' questions. Officers stated that they had hoped to be in a position to provide some quarterly and year-on-year comparative data in the report. However, as they had only began reporting this information to the Committee the previous year they would seek to include some comparative data in the next report. Such data would, however, become irrelevant over time in view of the transfer, in February 2016, to the Single Fraud Investigation Service (SFIS).

Officers stated that the Council was now better able to identify where overpayments had been made and that it was still the claimant's responsibility to make contact with the Council in such circumstances. The Council was currently able to deduct any overpayments from a claimant's bank account but the introduction of Universal Credit would see a change with this, which Officers anticipated would likely lead to more write-offs. It was hoped however that such write-offs would take place over a period of time, be staggered and would not involve large amounts of money.

A Member queried what the Council's reserve was for bad debts. Officers were unsure as to the figure in this regard and agreed to come back to Members on this.

Following the introduction of the SFIS the Council would still have responsibility for monitoring Council Tax Support overpayments or potential fraud as this function would not be transferring to the new SFIS. The Council would continue to work with the most vulnerable residents to help them through the new changes and to provide them with any appropriate budgeting and other support.

RESOLVED that

subject to the required Officer follow-up action detailed in the preamble above, the report be noted.

46. DEBT RECOVERY UPDATE - QUARTERS 1 AND 2 2014/15

Members considered a report on the collection and recovery processes of the Council's Income Team and the Council's outstanding debt levels.

Officers stated that whilst they had attempted to provide a clear picture in the report of the total level of debt outstanding at the end of each financial year, and of the value of new invoices raised, the way in which the current system reported on this did not did not make this easy. Hopefully however the new finance system would assist Officers in providing future data.

The Independent Member queried whether it was possible to ascertain the age of a debt. Officers explained that it was currently difficult to do this as it depended on how an invoice had been set up, with there being a wide variety of different debt types. Part of the new finance system included an age of debt module which Officers stated they needed to look into. What was currently known however was that the vast majority of money owed to the Council was paid within the expected terms and that the number of outstanding invoices was low.

RESOLVED that

the report be noted.

The Meeting commenced at 7.00 pm
and closed at 9.05 pm

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Chair