

# Audit, Governance and Standards Committee

Thursday, 23 April 2015

## MINUTES

### Present:

Councillor Roger Bennett (Chair), Councillor David Thain (Vice-Chair) and Councillors Natalie Brookes, John Fisher, Andrew Fry, Jane Potter, John Witherspoon and Pat Witherspoon

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

### Also Present:

Zoe Thomas (Grant Thornton – External Auditors)

### Officers:

Andy Bromage, Shona Knight, Jayne Pickering and Sarah Sellers

### Committee Services Officer:

Debbie Parker-Jones

## 47. CHAIR'S OPENING REMARKS

The Chair stated that as this was the last meeting of the Committee before the Elections he wished to express his thanks to all those who had served on the Committee over the preceding year, and to the Officers who had supported the Committee. He added that it was a worthwhile Committee which covered a wide range of matters and which was important to the Council.

## 48. APOLOGIES

Apologies for absence were received on behalf of Councillor Rachael Smith, who was substituted by Councillor Andy Fry.

Officers advised that Kevin White had stood down from Feckenham Parish Council and was therefore no longer the Parish Representative for standards matters on the Committee. Pat Dormer, Deputy Parish Representative, was continuing on the

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Chair

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Parish Council but had advised that she was unable to attend the meeting that evening.

Megan Harrison, Independent Person under the Standards regime, was unable to observe the meeting and Phil Jones of Grant Thornton had also tendered his apologies.

## 49. DECLARATIONS OF INTEREST

There were no declarations of interest.

## 50. MINUTES

The minutes of the meeting of the Audit, Governance and Standards Committee held on 22nd January 2015 were submitted.

As detailed in the agenda listing, it was noted that the final paragraph of Minute No. 36 v) (Ref 5 – Audit Findings Report 2013/14 – Unfilled vacancies) was subject to an amendment. This should have read: “Action: item to remain on Action List for reporting at the April 2015 meeting of the Committee, unless all required information available for circulation to members of the Committee any sooner.”

### **RESOLVED that**

**subject to the amendment of Minute No. 36 v) as detailed in the preamble above, the minutes of the meeting of the Audit, Governance and Standards Committee held on 22nd January 2015 be confirmed as a correct record and signed by the Chair.**

## 51. MONITORING OFFICER'S REPORT - STANDARDS REGIME

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

It was noted that one complaint had been received against a borough councillor since the last meeting of the Committee in January. The complaint related to a planning matter and had been resolved locally by the Monitoring Officer, with it having been found that there were no grounds for the complaint.

In relation to the mandatory elements of Member training detailed in the report, a Member queried whether any alternative training would be made available for councillors who were unable to attend on the dates specified. The Deputy Monitoring Officer confirmed that ‘mop-up’ sessions would normally be held in such circumstances,

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which she anticipated would also apply this year. It was further noted that, where possible, joint training would be held for both Redditch and Bromsgrove councillors.

**RESOLVED that**

**the report of the Monitoring Officer be noted.**

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

As noted earlier in the meeting under Apologies (Minute No. 48 refers), no Feckenham Parish Council Representative was present at the meeting and no update was therefore given.

**RESOLVED that**

**the position be noted.**

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

Action List

i) Ref 1 – Council's Income Figures

It was noted that Officers had emailed Members with the requested figures on 28th January 2015.

Action: remove item from Action List.

ii) Ref 2 – Audit Findings Report 2013/14 – Unfilled vacancies

Officers circulated a list of current staff vacancies and apologised for the delay in referring this information to Members.

Action: remove item from Action List.

iii) Ref 3 – Council's reserve for bad debts

Officers confirmed the following reserves for bad debts:

Council Tax £252k  
Housing Revenue Account – £576k  
Sundry Debts – £100k  
Benefits – £206K

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It was noted that the above totalled £1.134m, the figure for which had been validated by both internal and external audit as part of the accounts. Some assumptions had been made around the reserves, which again had been discussed with internal and external audit. Officers agreed to email the reserve figures to Members and it was noted that a separate reserve applied for Job Evaluation.

Action: Officers to email figures to Members and item to be removed from Action List.

iv) Ref 4 – Development of Key Performance Indicators

Officers advised that as the internal audit function formed part of the Worcestershire Internal Audit Shared Service, this issue would need to be taken back to the County Client Officer Group for discussion moving forward. Officers agreed to advise Members once this matter had been taken to the Group to update them as to any discussion in this regard. Both Members and Officers agreed that any key performance indicators needed to be of value.

Action: Officers to take issue to Worcestershire Internal Audit Shared Service Client Officer Group and to advise Members on any outcomes. Item to remain on Action List until action completed.

v) Ref 5 – Corporate dashboard of measures

Officers advised that management had now seen the corporate dashboard of measures, which was to be developed and taken to Members in the new municipal year. This would be routed via a report to the Executive Committee, Overview and Scrutiny Committee and then Audit, Governance and Standards Committee.

Action: item to remain on Action List with a further update to be provided at the 2nd July meeting.

vi) Ref 6 – Meeting start times

Action: item to continue to remain on Action List until any clear need for change in start time is established.

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## Work Programme

In view of the large number of agenda items for the 2nd July meeting, and as this would be the first meeting of the new municipal year at which new Members might be present, it was agreed that no Internal Audit – Progress Report would be referred to the July meeting.

The Internal Audit Annual Report 2014/15 would still be referred to the July meeting and Officers undertook to correspond with Members should anything urgent arise in relation to the Progress Report. A Member commented that the Committee needed to be made aware as soon as any issues arose in relation to benefits debts as a consequence of Universal Credit.

In relation to the Corporate Risk Register, Members queried whether this would be 'RAG Rated', which Officers confirmed it would and that it would also include actions and controls.

## **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 agreed.**

### **54. GRANT THORNTON AUDITING STANDARDS - COMMUNICATION WITH THE AUDIT & GOVERNANCE COMMITTEE AND EXECUTIVE**

Members were presented with Grant Thornton's Auditing Standards – Communication with the Audit & Governance Committee and Executive report for 2014/15.

The external auditor presented the report and highlighted the key elements of this. In planning and performing their audit of the Council's financial statements Grant Thornton needed to understand how the Committee, supported by the Council's management, met its responsibilities in the areas of Fraud, Law and regulation, Going concern, Accounting for estimates and Related Parties.

The report summarized the respective responsibilities of the Committee, Officers and external audit in each of the above areas, with Grant Thornton's primary responsibility being to consider the risk of material misstatement.

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Officers responded to questions and in doing so confirmed the different financial plans which the Council produced. Based on the assumptions made by Officers the Council had produced a balanced/sustainable Medium Term Financial Plan, which was deemed to constitute financially viable budgets for 2015/16, 2016/17 and 2017/18. The Independent Member suggested that the word viable under Table 3 : Going Concern – Management response to Question 4 be replaced with the word balanced, which the external auditor agreed was probably a better word. It was also agreed that Officers would send the Independent Member a copy of the Council's Medium Term Financial Plan as he had not had sight of this.

In light of comments made by Officers at the previous meeting in relation to ascertaining the age of debts, which it had been confirmed was difficult to do, the Independent Member queried the Bad Debt Provision controls detailed at Appendix 1 Accounting Estimates. This advised that an aged debt listing was provided routinely with Finance calculating the provision. Officers (who had not been presented at the previous meeting) agreed to look into the position and to report back with the meaning/an explanation of this.

A Member queried the amount of the District Council's pension payment to County Council, together with the amount which was in turn paid out to former Borough Council employees. The external auditor advised that there was a specific disclosure contained within the Borough Council's accounts regarding pensions. Grant Thornton obtained assurances and an independent judgement was given on pension estimates and assumptions. As such there was a specific process in place around pension payments. Officers undertook to look into the figures in question and to highlight these within this year's accounts. Members could then ascertain whether there was a gap between what was paid into the pension and what was paid out.

**RESOLVED that**

**the report and management responses be noted.**

## **55. GRANT THORNTON AUDIT PLAN - 2014/15**

Members considered the Audit Plan for 2014/15 from the Council's external auditors Grant Thornton.

The external auditor presented the report and highlighted that Grant Thornton would certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit

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Appointments Ltd. This company would take over the Audit Commission's responsibilities for housing benefit grant certification with effect from 1st April 2015.

No significant risks had been identified by the external auditors at this stage. Regarding other identified risks, Officers advised that the new Payroll Manager had started in post a few weeks previously and that the 3-month gap in filling the role had not given rise to any problems.

In relation to the issue highlighted by the external auditors of the delay in completing the bank reconciliation, Officers commented that there had been a slippage with this owing to a re-structure within the team and the change in Payroll Manager. Officers felt that a sufficient system had remained in place throughout and that they did not see this as having represented a serious risk. Data cleansing work had had to be carried out for the new ledger system. This was now complete and bank reconciliation work would therefore continue immediately. Managers also received monthly budget monitoring statements, which included base data for salaries, and which therefore allowed for further checks. Senior Officers also undertook creditor checks to ensure that payments were in order. The external auditor added that exceptions reports would highlight any significant changes and that the bank reconciliation issue had only been highlighted as reconciliations should have been completed monthly which they had not. Members would therefore need to decide whether this issue should be included in the Annual Governance Statement as a control weakness.

Regarding the minor control weaknesses identified which had been shared with the Council's IT manager, and which Officers were due to respond to the external auditors on, it was agreed that information would be emailed out to Members confirming what action had been taken in this regard and what action remained outstanding.

In relation to the value for money conclusion which the external auditor was required to give on whether the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the external auditor stated that this was currently looking positive from Grant Thornton's perspective.

**RESOLVED that**

**the 2014/15 Audit Opinion Plan be noted and agreed.**

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## 56. GRANT THORNTON - PROGRESS UPDATE MARCH 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 report outlined that, as at March 2015, the 2014/15 Accounts Audit Plan would be completed in line with the agreed timetable. A number of visits had already been undertaken to review work which was progressing on the interim accounts audit. The initial risk assessment had been completed by Grant Thornton, with a further review to be completed after year end.

The external auditor stated that there were a significant number of new technical issues in this year's accounts. She proceeded to highlight the key emerging issues, including Grant Thornton's Local Government Governance Review 2015, a change to the rules relating to business rates appeals and the earlier closure and audit of local authority accounts from 2017/18 onwards.

Officers stated that the earlier closure and auditing of accounts would result in increased pressure on staff and the necessity for more judgements and acceptable estimates to be made as part of the accounts process.

### **RESOLVED that**

**Grant Thornton's update report be noted.**

## 57. RISK MONITORING AND REPORTING

The Independent Member stated that he had attended a meeting with the Head of Environmental Services to look at the transformation and restructuring of the department.

Two risks had been considered with this; whether the new service would be able to deliver all that was required of it and any possible financial risks. The review had virtually eliminated the need for agency staff so there would be a periodic review in that regard.

The Independent Member added that he would be looking to hold similar risk management discussions with other relevant Council Officers. Officers stated that they would look to arrange a time to

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meet with the Lead Risk Members to discuss risk monitoring arrangements moving forward.

**RESOLVED that**

**the report be noted.**

## **58. FRAUD MONITORING AND REPORTING**

As set out in the agenda listing, it was noted that former Councillor Braley was one of the two Lead Fraud Members on the Committee. Members agreed that they would consider any reappointment to this role at the first meeting of the 2015/16 Municipal Year, when all Lead member positions on the Committee would be considered.

Officers advised that during the new municipal year the Council's Whistle Blowing Policy and Fraud Strategy would be looked at, which the Lead Fraud Members in particular could be involved with.

**RESOLVED that**

- 1) the update be noted; and**
- 2) the Lead Fraud Member vacancy on the Committee be appointed to at the first meeting of the new municipal year on 2nd July 2015.**

## **59. BENEFITS INVESTIGATIONS AND HOUSING BENEFITS OVERPAYMENTS - 1ST OCTOBER 2014 TO 31ST DECEMBER 2014**

The Committee received a report which advised on the performance of the Benefits Services Fraud Investigation Service and Housing Benefits Overpayment for the 3rd quarter of 2014/15.

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

It was noted that a relatively high number of referrals received were not investigated. This was for a variety of reasons including duplicate referrals often being received and where information in relation to an allegation had already been correctly declared by the claimant and where there would be no effect on the claim. Sometimes insufficient intelligence was received to further investigate and in some cases referrals were passed on to other agencies where it might be beneficial for them to investigate.

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The Housing Benefit fraud investigation function would transfer to the Single Fraud Investigation Service in February 2016. Officers were asked to report to Members if and when they had any tangible concerns arising as a result of the changes.

**RESOLVED that**

**the report be noted.**

## **60. INTERNAL AUDIT - PROGRESS REPORT**

The Committee considered the Internal Audit Progress Report.

The report updated Members on audit reports issued/completed since the previous progress report in January, and also set out Internal Audit's performance for the period 1st April 2014 to 31st March 2015 against the performance indicators agreed for the service.

Officers highlighted the Cash Receipting audit which had resulted in a high priority recommendation in relation to the Payment Card Industry (PCI) Certification. Whilst work had been completed towards this, current certification had yet to be awarded and non-compliance with the PCI standards could result in the Council incurring penalties. Software for telephone payments was the key issue and whilst new software for this would be available from July there was a cost implication with this. An action plan was in place to try to address the issues highlighted and Internal Audit was comfortable that management were working to obtain PCI Certification. The new Payroll Manager would be working on PCI Certification, with it being the Financial Services Manager's priority to ensure that all reconciliation work was completed. A Member queried whether the Council could have a PayPal account, which Officers agreed to take away and look at.

Regarding the Limited Assurance given following the Golf Course audit in November 2014, Officers confirmed that following the Action Plan which had been agreed with management, the Leisure Services Manager had confirmed that all areas of concern highlighted were now in hand. Formal follow-up in this regard would take place by the 30 April when internal audit would look to ensure that sufficient measures had been put in place to address the original issues raised.

The Independent Member queried the large amount of money, in excess of £600k, which was currently being held in the Council's Suspense Account. He commented that this should be a temporary

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controlled risk holding account, subject to the posting of funds to the correct accounts. Officers agreed that this was not an acceptable level and that they would prefer to see much smaller unallocated funds. Ideally balances should be viewable on a monthly basis, with Officers monitoring the levels, which the Independent Member agreed would assist in controlling any associated risks. Officers undertook to look into the position and to email Members in this regard.

RESOLVED that

the update report be noted.

## **61. INTERNAL AUDIT - ANNUAL AUDIT PLAN 2015/16**

Members received the final Internal Audit Operational Plan for the Council for 2015/16, together with the key performance indicators for the Worcestershire Internal Audit Shared Service for the same period.

The draft Plan had been presented to Members at the previous meeting in January. Officers had not received any feedback from Members on the Plan and no requests for amendments to this had been made. As such the Plan was now being presented to Members for final approval.

Members were pleased to see the reduction of 84 chargeable audit days against the previous year's Plan. This had been possible as a result of increased shared and joint working arrangements between Redditch Borough Council and Bromsgrove District Council, together with efficiencies as a result of a better coordinated approach to audit delivery.

A Member queried whether the reduction would have any implications on staff which Officers confirmed it would as this was directly proportionate with staff allocations. Staffing issues would be considered as part of the changes and the Portfolio Holder stated that regular meetings would take place to monitor all outcomes over the next couple of years.

RESOLVED that

**the report be noted and the Internal Audit Operational Plan for 2015/16 be approved.**

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## 62. ACCOUNTING STANDARDS

Officers advised Members that they would receive the Accounting Standards as part of the Statement of Accounts in September.

By way of an advance update, and as it was best practice to flag up anything which Officers were suggesting be changed under the Standards, Officers stated that for the 2014/15 financial year there would be a minimum reserve level of £500, with exception if required by the Heads of Service. This would help close the 2014/15 accounts, would be picked up as best practice from 2015/16 and was in advance of the 2017/18 changes to bring forward the completion and audit of accounts. From the 2015/16 financial year levels of acceptable estimates would also be looked at to assist in closing the accounts earlier.

Members were asked to note the upcoming changes which would be formally agreed in September as part of the Statement of Accounts.

**RESOLVED that**

**the update be noted.**

## 63. PORTFOLIO HOLDER'S UPDATE - QUARTERLY BUDGET MONITORING

The Portfolio Holder for Corporate Management advised that a report on the consolidated revenue and capital outturn and the Council's financial position for the period April to December 2014 had been presented to the Executive Committee on 10th March 2015.

A number of points had been considered as part of the report including:

- significant progress had been made during the year in achieving budget savings;
- the Council had exceeded the unidentified savings anticipated at the start of the year with budget savings of £697k having been achieved;
- significant savings had been achieved by Environmental Services, arising from the findings of a business case, and by the Customer Access and Financial Support team;
- there was a projected underspend in capital expenditure which was mainly due to a delay in the procurement of vehicles and plant for Environmental Services;

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- a loss of income was being forecast for the CCTV and Lifeline services due to Worcestershire County Council withdrawing Supporting People funding;
- there had been a significant overspend on Leisure Services mainly due to a reduction in income arising from local competition and the closure of some services for essential maintenance; and
- the Council had attracted less income through sponsorship (i.e. advertising on the roundabouts) than had been anticipated at the beginning of the year.

Overall this was a very encouraging picture and so far as the Portfolio Holder was aware the Council was due to meet its predicted outturns.

Council systems and services were continually being reviewed as the Council was moving through extraordinarily difficult financial times with significantly reduced funding. The Council had an accomplished way of dealing with the financial pressures which did not involve huge cuts in service areas.

**RESOLVED that**

**the update be noted.**

**64. ANNUAL REVIEW OF THE OPERATION OF THE AUDIT, GOVERNANCE AND STANDARDS COMMITTEE AND THE COMMITTEE'S PROCEDURE RULES**

The Committee was invited to review the operation of the Committee during the 2014/15 Municipal Year and the Committee's Procedure Rules.

No comments were made by Members in either regard.

**65. CALENDAR OF MEETINGS 2015/16**

Members were presented with the meeting dates of the Committee for the 2015/16 Municipal Year. It was also noted that there would be an Officer briefing for all members of the Committee at 7.00pm on Thursday 10th September 2015 on the Statement of Accounts.

**RESOLVED that**

**the Calendar of Meetings 2015/16 be noted.**

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The Meeting commenced at 7.00 pm  
and closed at 8.43 pm

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Chair