

Audit & Governance

Committee

23rd April 2012

Present:

Councillor Bill Hartnett (Chair), Councillor Rebecca Blake (Vice-Chair) and Councillors Peter Anderson, Michael Braley, Andrew Brazier and William Norton

Also Present:

Zoe Thomas (Audit Commission)

Officers:

A Bromage, T Kristunas, D Parker-Jones and J Pickering

Committee Services Officer:

D Sunman

34. APOLOGIES

Apologies for absence were received on behalf of Councillor Luke Stephens and Elizabeth Cave (Audit Commission).

35. DECLARATIONS OF INTEREST

There were no declarations of interest.

36. MINUTES

RESOLVED that

the minutes of the meeting of the Committee held on 23rd January 2012 be confirmed as a correct record and signed by the Chair.

37. AUDIT COMMISSION - PROGRESS REPORT 2011/12

The Committee received a report from the Council's external auditors, namely the Audit Commission, which gave a progress update in relation to the 2011/12 Audit.

Members were informed that the fee associated with the External Audit Opinion, audit of accounting statements and consideration of the Council's arrangements for securing economy, effectiveness

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Chair

and efficiency was £127,000, which reflected an 11% reduction on the previous year's fee.

The District Auditor highlighted three questions from her briefing paper in which Members might have a particular interest.

- Has the Council completed the Audit Commission's annual fraud and corruption survey?

Officers confirmed that this would be completed by 15th May 2012.

- Has the Council considered the implications of the amendments to the capital financing arrangements?

Officers confirmed that the implications had been considered.

- Has the Council considered the guidance from CIPFA regarding the settlement payment to the Secretary of State in preparation for the commencement of self-financing of the HRA?

Officers confirmed that the HRA Business Plan would be available to the District Audit once completed.

The Committee received an update on the future arrangements for auditing the Council's accounts and were informed that Grant Thornton had been awarded the contract for the West Midlands area from the 2012/13 financial year. The scale of fees had been set nationally and for Redditch would be £76,000.

The Chair reported that he had received a copy of the Local Government Fraud Strategy, which he thought Officers and Members might find informative.

RESOLVED that

the report be noted.

38. AUDIT COMMISSION - OPINION AUDIT PLAN 2011-12

Members considered the 2011/12 Audit Opinion Plan, which set out the work that the Audit Commission proposed to undertake in 2011/12 in relation to the Audit and any significant and specific risks that would require additional review and consideration.

The District Auditor had identified one significant and three specific risks to be reviewed during the Audit as follows:

Significant

- HRA Reform and the financial transactions relating to the funding of the new arrangements.

Specific

- Abbey Stadium development and the capital costs relating to the project
- Allocation of the cost of shared services between Redditch and Bromsgrove Councils.
- Disclosure of Heritage Assets.

Members were informed that the Annual Governance Report would be presented to the Audit and Governance Committee at its meeting on 27th September 2012. The Auditor's opinion and value for money conclusion would be issued by 30th September 2012 and the Annual Audit Letter summarising the overall message from the Audit would be available in October 2012.

RESOLVED that

the 2011/12 Audit Opinion Plan be noted and approved.

39. AUDIT COMMISSION - ANNUAL GRANTS REPORT 2010/11

Consideration was given to the Audit Commission's annual report regarding the Certification of Claims and Returns 2010/11.

Members were informed that a review had been carried out on all grant related claims submitted by the Council at an associated cost of £34,252, a reduction on the previous year. In particular, five claims had been subject to full reviews owing to their value. These were:

- Housing Benefit Claim;
- Pooling of Housing Capital Receipts;
- HRA Subsidy;
- National Non Domestic Rates Claim;
- Disabled Facilities Grant Claim.

The District Auditor reported that a qualification letter had been issued in respect of three of the above as follows:

1) Housing Benefits Claim

The claim was subject to a full review as it had been valued at £29 million. An estimated error of £68,000 had been identified, which represented 0.3% of the value and was within the parameters of error for claims of this size.

2) HRA Subsidy

A qualification letter had been received relating to the lack of supporting evidence in relation to housing numbers, which did not allow the Audit Commission to complete testing.

Members were informed that Officers had been investigating the issue with the aim of responding to the Department of Communities and Local Government (DCLG) and the Audit Commission.

3) National Non Domestic Rates Claim

A qualification letter had been received in relation to the additional level of assurance that had been sought by the Audit Commission.

Members were informed that in previous years a spreadsheet showing the Gross Rateable Value of all properties had been submitted. This information had not been submitted for the 2010/11 Audit. However, Officers confirmed that it would be available for future audits.

RESOLVED that

- 1) **the Certification of Claims and Returns be considered; and**
- 2) **Officers be requested to respond to the recommendations contained therein.**

40. INTERNAL AUDIT - MONITORING REPORT 2011/12

Members considered the Internal Audit Monitoring Report for the period 1st April 2011 to 31st March 2012 together with the Internal Audit Operational Programme for 2012/13.

Officers reported that the following audit reports had been issued since January 2012.

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Levels of assurance were as follows:

<u>Audit</u>	<u>Assurance Level</u>
Council Tax	Moderate
Non Domestic Rates	Moderate
Benefits	Moderate
Payroll	Moderate
Housing – Rent Arrears, Payments and Collection	Moderate
Vehicles and Plant	Moderate
Housing Capital Contracts – Interim Valuation and Post Contract Appraisal	Moderate
Housing – Rent Control and Rent Debit	Full
Treasury Management	Full

Members were given a verbal update on audits in progress, since publication of the Agenda for this meeting, as follows:

<u>Audit</u>	<u>Assurance Level / Current Status</u>
Creditors	Final report issued 20/04/12 – significant assurance
Sundry Debtors	Final report issued 20/04/12 – significant assurance
Bank Reconciliations	Final report issued 20/04/12 – significant assurance
Procurement	Final report issued 20/04/12 – moderate assurance
Renovation Grants	Awaiting Management Response – Significant anticipated
Budgetary Control	Draft report issued 20/04/12 – significant assurance
Market Service (follow up)	Clearance meeting arranged for 24/04/12 – moderate assurance
Maintenance Contracts	Clearance meeting to be arranged
Section 106 Agreements	Ongoing fieldwork
Value Added Tax	Anticipated that fieldwork will be completed w/c 23/04/12

Officers reported that a new auditor had been appointed and that two posts, one a fixed term contract, would be advertised soon.

Officers clarified that the number of audits delivered against the amended Internal Audit Plan 2011/12 was 22 and was on target.

Members expressed their concerns about the possibility that low risk issues were not being addressed in the Internal Audit Operation Plan for 2012/13.

RESOLVED that

- 1) **the report be noted;**
- 2) **the Annual Audit Operational Plan for 2012/13 be approved; and**
- 3) **Officers prepare a report for the next meeting of the Audit and Governance Committee comparing current levels of assurance to those previously.**

(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 3 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.)

41. NATIONAL FRAUD INITIATIVE (NFI) - UPDATE

The Committee received a report which provided an update on the work undertaken in response to the National Fraud Initiative (NFI) data matching exercise carried out in 2011/12.

Members were informed that the NFI exercise compared data from the following sources:

- Payroll;
- Creditors;
- Concessionary Travel Passes;
- Council Tax;
- Electoral Register;
- Licences;
- Tenancy details;
- Pensions;
- Housing Benefits; and
- Insurance Claimants.

In total 1,954 matches were investigated with 1,943 of these cleared. In Housing Benefits 8 cases of fraud were identified amounting to £26,806.88. 23 single person discounts in Council Tax were cancelled totalling £10,564.

The Chair referred Members to statistics on fraud loss published in the Local Government Fraud Strategy as follows:

- United Kingdom total - £73 billion
- Public Sector - £20.3 billion; of which
 - Local Government - £2.2 billion.

He highlighted savings in the region of £10 million that had been made by Birmingham City Council.

Officers reported that the South Worcestershire Councils had worked together on a similar initiative that had realised £700,000 savings.

Members were informed that discussion would be taking place to identify whether a similar initiative could be beneficial to the North Worcestershire Councils.

RESOLVED that

- 1) **the report be noted; and**
- 2) **Officers prepare a report for a future meeting of the Audit and Governance Committee as to the feasibility of a similar initiative in the North of the County as that operating across South Worcestershire Councils.**

42. RISK MANAGEMENT - UPDATE

Members considered a report on the Corporate Risk Register and the current arrangements for risk management within the Council.

Officers reported that a number of risks previously included in the Corporate Risk Register had been downgraded and removed completely or transferred to service based registers.

Members were concerned that they should retain an oversight of both the Corporate and Departmental Risk Registers.

RESOLVED that

- 1) **the report be noted; and**
- 2) **Officers prepare quarterly reports to this Committee on a sample of high risks identified in the Departmental Risk Registers.**

43. REVIEW OF THE EFFECTIVENESS OF THE AUDIT AND GOVERNANCE COMMITTEE - CHAIR'S REPORT

The Committee considered a review of the effectiveness of the Audit and Governance Committee including whether any changes were required to the Terms of Reference.

Members considered that the Committee had operated effectively and that no radical changes were required. However, Officers were requested to report on the feasibility of co-opting non-elected members onto the Committee.

RESOLVED that

- 1) the report be received; and
- 2) Officers prepare a feasibility report, as outlined in the preamble above, for the next meeting of the Committee.

44. COMMITTEE WORK PROGRAMME 2012/13

Members considered the Committee's work programme for 2012/13 and whether any amendments were necessary.

The list of reports for the meeting on 28th June was amended as follows:

- Scrutiny of the Annual Governance Statement;
- ~~Risk Reporting~~
- ~~Annual Audit Plan~~
- ~~Annual Statement of Accounts~~
- Annual Audit Report, including outturn
- Annual report of the Risk Reporting Group
- Quarterly Report – High Risk Departmentals
- Feasibility Report – Non-Elected Members

RESOLVED that

the report be noted and the amendments agreed.

45. COUNCILLOR PETER ANDERSON

The Chair formally thanked Councillor Peter Anderson for his contribution to the Committee, the Council and the Borough during his time as a Member of the Council.

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46. EXCLUSION OF THE PUBLIC

RESOLVED that

under S.100 I of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006, the public be excluded from the meeting for the following matter on the grounds that it involves the likely disclosure of exempt information as defined in the relevant paragraph 7 of Part 1 of Schedule 12 (A) of the said Act, as amended:

- **Internal Audit - Monitoring Report 2011/12 (As detailed in Minute 40 above)**

The Meeting commenced at 7.00 pm
and closed at 9.00 pm

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Chair