

# Audit & Governance Committee

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Thursday, 24 April 2014

## MINUTES

### Present:

Councillor Derek Taylor (Chair), and Councillors John Fisher, Mark Shurmer, Yvonne Smith and Pat Witherspoon

Dave Jones – Independent Member (non-voting co-opted)

### Also Present:

Zoe Thomas (Grant Thornton – External Auditors)

### Officers:

S Jones, S Morgan, D Poole, H Tiffney and L Tompkin

### Democratic Services Officer:

Jess Bayley

#### 41. APOLOGIES AND NAMED SUBSTITUTES

An apology for absence was received on behalf of Councillor Roger Hill.

#### 42. DECLARATIONS OF INTEREST

There were no declarations of interest nor of any party whip.

#### 43. MINUTES

Members considered the minutes from the previous meeting of the Committee held on 16th January 2014.

During the consideration of these minutes the following issues were raised:

i) Lead Fraud and Risk Member Training

Councillor Bennett had confirmed at the previous meeting that he would arrange his risk training with Officers. However,

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Officers advised that they had not yet been contacted to deliver this training. Members therefore agreed that this matter should be added to the Committee's Action List.

ii) The Adequacy of Certain Planning Assumptions under the Medium Term Financial Strategy (MTFS)

Officers explained that the Council's outturn figures for 2013/14 were being considered. As part of this process Officers would seek to identify potential underspends in budgets as well as to assess budget assumptions. The Council's Corporate Management Team was in the process of developing a six month plan for the organisation which would include considering the role of service transformation in this period as well as budget assumptions for the year ahead.

**RESOLVED that**

**the minutes of the Committee held on 16th January 2014 be confirmed as a correct record and signed by the Chair.**

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

Action List

i) Ref 1 – Invoices for Community Meeting Rooms

Officers advised that the Council had recently introduced a new cash receipting system. This would enable the Council to receive payment for services by card from any location using the internet. This system would be used in future for bookings of the community meeting rooms.

Action: item to be removed from the Action List.

ii) Ref 2 – Valuation of Assets Service Level Agreement (SLA)

It was acknowledged that there had been some problems with valuations of Council assets in previous years, particularly with a valuation of the Abbey Stadium. However, the Council's working relationship with the Property Services team had improved and more comparable work was undertaken to ensure that valuations were reasonable.

Action: item to be removed from the Action List.

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iii) Ref 4 – Monthly Rents for Commercial Buildings

Members were advised that the standard practice remained for tenants to pay rents for commercial buildings on a quarterly basis. However, in cases where tenants were struggling to pay on a quarterly basis monthly payments could be negotiated. Members requested that the leases for commercial buildings be discussed further with Property Services in order to assess whether greater flexibility could be applied on the payment of rents.

Action: item to remain on the Action List for future monitoring and reporting.

iv) Ref 5 – Fraud Monitoring and Reporting Figures

Officers explained that fraud trends for 2013/14 would be reported for Members' consideration in a Fraud Monitoring report, due to be presented for the Committee's consideration on 3rd July 2014. This report would be followed by quarterly updates throughout the year.

Based on an initial analysis of figures available for the year it appeared that fraud referrals were reducing rather than increasing. In part the introduction of an automated system providing information from the Department for Work and Pensions (DWP) had had a significant impact on the reduction in fraud referrals as this had enabled the Council to act at an early stage to resolve problems. In addition, two trials run by the DWP, involving data matching against Experian data and against claims where earnings or tax credits hadn't changed in the previous 13 month period, had skewed fraud referral figures in 2012. Therefore the reduction in fraud referrals was considered to be a positive move in direction rather than a sign that fraud wasn't being reported.

Action: item to be removed from the Action List.

v) Ref 6 – Monitoring Use of Balances to Support Expenditure

Members noted that further updates on the Council's budgetary position would be provided by both Officers and the Portfolio Holder for Corporate Management, Councillor Fisher, later in the meeting.

Action: item to remain on the Action List for future monitoring and reporting.

**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.**

**45. RISK MONITORING & REPORTING**

The Committee received two separate presentations from Heads of Service on the operational risks identified within the following service areas:

- Housing Services
- Business Transformation

Housing Services

The Committee was advised that risk management was a continuous and developing process within Housing Services and subject to on-going review. Twelve key operational risks had been identified as areas of current concern, though it was likely that these would change over time. Each of these risks were addressed to some extent in the performance measures for Housing Services and it was agreed that further information about these measures should be circulated for Members' consideration.

i) Risk of failure to effectively manage and achieve efficiencies through Housing Services Transformation

Housing Services had been working in different ways for some time as a result of trialling transformed ways of working within the community. This trial was due to be extended across the Borough through the work of the Locality teams and would lead to a reduction in risks to the Council as well as efficiency savings. However, Officers were not complacent and risks would continue to be monitored at a corporate level.

Councillor Shurmer, in his capacity as Portfolio Holder for Housing, commended the work of the Housing Locality teams. He urged every Member to visit the teams and to shadow them at work when they had an opportunity to do so.

ii) Risk of failure to effectively manage Housing Repairs and Maintenance

At the start of the service transformation process the Council had employed two managers to manage the Housing Repairs and Housing Maintenance functions separately. Following staff turnover a single manager had been successfully recruited to this post, both securing efficiency savings and minimising the risks that a single manager might not be found who was capable of managing both functions. These services were in the process of being restructured subject to the outcomes of staff consultation.

iii) Risk of failure to manage the impact of welfare reform

A number of changes had already been made to the welfare system, including the introduction of the bedroom tax, and further developments were due to take place, such as the introduction of Universal Credit. This would have an impact on some residents living in the Borough, including Council tenants. The Housing Services team had been doing a lot of work to identify which customers would be affected by these changes and what help they required to remain in their homes. This had included working with tenants to help them manage their finances effectively.

iv) Risk of failure to manage the liability for Council tax on void properties

As of 1st April 2014 Councils were required to pay Council tax for void properties. In previous years there had been greater flexibility over these payments as properties could be left void for up to six months without payments needing to be made. There was the potential for this change to payment rules to have a significant impact on the Council's finances. For this reason Officers had been attempting to re-let void properties more quickly and in a better condition than previously.

v) Risk of failure to manage the impact of increasing homelessness cases

There had been an increase in homelessness cases within the Borough in recent months. In part this was due to the fact that private landlords were increasingly reluctant to accept tenants who were on benefits. Officers were, however, investigating further the root causes of homelessness and actions that could be taken to help prevent future cases of homelessness.

To address this problem the Council was using 21 properties from its housing stock to use as temporary accommodation for people at risk of becoming homeless. Bed and Breakfast accommodation also continued to be used in emergency situations.

vi) Risk of inability to collect rent

There had been some technical problems in recent months involving processing of rent payments and the transfer of housing benefit payments using Council ICT systems. There had also been some problems with tenants who were not paying rent. As a result of service transformation Officers were, however, confident that these problems had been largely resolved.

Officers confirmed that as a result of service transformation the Council was providing direct support to people who were struggling to pay their rent. This included working with people to identify the reasons that were causing them to default on payments. These reasons could be multiple and complex, including health, mental health, education, and other causes. Where causes could be identified staff worked with partner organisations to attempt to help that customer. This approach had started to pay dividends and rent arrears owed to the Council were falling.

vii) Risk of failure to effectively manage leaseholder properties

There were a number of leaseholders who had purchased flats in blocks where Council properties were also located. The leaseholders were responsible for contributing payments towards the maintenance of communal areas. In the past the Council had not always been particularly proactive when raising bills for payment. There was also greater scope for the Council to interact with leaseholders about the works that they could undertake independently.

viii) Risk of failure to effectively manage capital projects

Housing Officers were working closely with the Council's Procurement team to ensure that contracts for capital projects were appropriate. Officers were attempting to approach expenditure of capital funding in a different way, such as in accordance with the work of the Locality teams.

ix) Risks with data systems.

Officers recognised that appropriate systems needed to be available to staff to enable them to undertake tasks required for the delivery of Housing Services.

x) Risk of potential for an increase in demand for Right to Buy

There had been an increase in both enquiries about Right to Buy and the number of purchases that had occurred during the previous 12 months; approximately 20 properties had been purchased during this period under Right to Buy rules compared to an average of four in preceding years.

Sales to tenants under Right to Buy rules reduced the housing stock available to accommodate Council tenants. However, the Council can keep 25% of Right to Buy sales money and use up to 30% of the revenue to put towards the purchase of a property. The Council had bought approximately five properties using this funding already, though a further six properties were in the process of being purchased. The Council was specifically seeking to obtain certain types of properties, such as two bedroom houses and bungalows, in order to meet demand in the Council's allocations process. However, once an individual had been a Council tenant or (Registered Social Landlord tenant) for five years they would become eligible to purchase it under Right to Buy rules.

xi) Risk of failure to obtain the contract for Home Support Services from Worcestershire County Council

All of Worcestershire County Council's Supporting People contracts had either already expired or were due to come to an end shortly. As part of this process the Council's current Home Support Service contract with the county Council was due to end in September 2014.

The Home Support Service provided support to vulnerable and elderly people living in sheltered accommodation. Under the Supporting People contract tenants in receipt of housing benefits had received the Home Support Service for free. The Council was seeking to continue to provide some parts of this service, though it was likely to be subject to the payment of a fee. Affected tenants were in the process of being consulted about these changes and those in receipt of a free service would be asked to consider whether they would be prepared to pay for the service.

The potential for some Home Support Services to be paid for directly through housing benefit payments was briefly discussed. Officers explained that it was not possible for tenants to pay for the Home Support Service directly through housing benefit payments. However, it was possible that a service charge could be introduced which could be paid for using housing benefit.

xii) Risk of failure to obtain payment from St David's House tenants due to changes in contracts

The Council currently had two contracts with Worcestershire County Council with implications for St David's House; the Supporting People contract, and a care contract. The county Council was seeking to procure the care contract in future from a single provider and the Council had submitted a bid to provide this service.

Under the terms of the existing contracts payments were made by tenants to Worcestershire County Council. In future payments would need to be made directly to Redditch Borough Council. Staff at St David's House were receiving training to enable them to support tenants to make payments in ways that best met their needs. This was occurring at a time when the Council was streamlining services provided at St David's House.

Business Transformation

The Business Transformation presentation detailed the operational risks within ICT Services, Human Resources and the Information Management teams. As these were all enabling services it was important to ensure that each of these services continued to transform to ensure that they met the needs of front line services.

In ICT there had been some difficulties recruiting and retaining qualified staff. This was partly as a consequence of an increase in demand for skilled workers at a time when salaries within the private sector were raising whilst they remained fairly static within the public sector. Apprentices were being recruited to fill some of the gap, though the recruitment process was being reviewed as delays in getting an individual into their post had an impacted on capacity within the team.

The ICT team was also careful to maintain and test disaster recovery arrangements to ensure that core data was not lost. In



previous years back up tapes had been used but it was recognised that these were not particularly secure. Increasingly, therefore, virtual systems were being used to store data securely. As part of this process the Council would retain an entire copy of data for Redditch systems which was stored in Bromsgrove (and vice versa).

Public Sector Network (PSN) requirements meant that the Council needed to apply business server patches more regularly than in previous years. To ensure that the Council could fulfil this requirement effectively a roll out plan and schedule had been developed.

Support was also required within the ICT team for service transformation and system upgrades within the Council, including the introduction of Windows 7 and Word 2008. Again a strategic plan had been developed and staff were adopting a flexible approach to working in order to prioritise workloads.

With regard to Information Management there were a number of risks associated with the potential for the loss of data, storage of data and breach of data protection rules. To address these risks the Council was restricting access to some forms of data or using encryption when appropriate. Data management training was provided consistently to all staff and audits were undertaken to identify the reasons for any data breaches.

The Human Resources team needed to invest sufficient resources to support the needs of the organisation. This included investing in developing the skills of managers and team leaders particularly with regard to people management skills. This would enable the Human Resources team to focus on offering specialist support where required through service transformation.

**RESOLVED that**

**the presentations be noted.**

**46. FRAUD MONITORING**

Officers and Members responsible for fraud monitoring advised that they had no updates for the consideration of the Committee.

**47. ANNUAL GOVERNANCE STATEMENT 2013/2014 - PROGRESS UPDATE**

The Committee was advised that Officers were in the process of reviewing the Council's accounts for the 2013/14. As part of this process the Annual Governance Statement for 2013/2014 would be addressed. However, this had not reached a stage where detailed information could be provided.

**RESOLVED that**

**the report be noted.**

**48. GRANT THORNTON PROGRESS UPDATE - EXECUTIVE DIRECTOR, FINANCE AND RESOURCES**

The Committee received an update report detailing the action that had been taken to address the issues raised in the External Auditors' Progress Report 2013/14 at the previous meeting of the Committee.

**RESOLVED that**

**the Grant Thornton Progress Updates, as detailed in the report, be noted.**

**49. GRANT THORNTON - CERTIFICATION WORK REPORT 2012/13 AND CERTIFICATION PLAN 2013/14**

The Committee considered the Claims Certification Letter for 2012/13 and the Certification Plan for 2013/14 from the Council's External Auditors Grant Thornton.

**RESOLVED that**

**the Grant Thornton Claims Certification Letter for 2012/13 and Certification Plan for 2013/14 be noted.**

**50. GRANT THORNTON AUDITING STANDARDS 2013/14**

The Committee received the Auditing Standards report for 2013/14 from the Council's External Auditors Grant Thornton.

Members were advised that the External Auditors were required to ask representatives of the Council certain questions concerning fraud and governance. The Executive Director for Finance and Corporate Resources had already responded to these questions.

**RESOLVED that**

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

**51. GRANT THORNTON AUDIT PLAN 2013/14**

Members considered the Audit Plan 2013/14 from the Council's External Auditors Grant Thornton.

**RESOLVED that**

**the 2013/14 Audit Opinion Plan be noted and agreed.**

**52. GRANT THORNTON - AUDIT FEE LETTER 2014/15**

The Committee considered the Audit Fee letter for 2014/15 from the Council's External Auditors Grant Thornton. It was confirmed that the proposed fee was the same as the charge for the previous year.

**RESOLVED that**

**the proposed audit fee for 2014/15 of £76,380 be approved.**

**53. PORTFOLIO HOLDER UPDATE - QUARTERLY BUDGET MONITORING**

Councillor Fisher, Portfolio Holder for Corporate Management, provided an update on the latest financial monitoring report that had been considered at a meeting of the Executive Committee on 11th April 2014. The content of this report had indicated that the Council was on track to achieve anticipated savings. He suggested that progress had been made and he commended staff for working hard to achieve efficiency savings during this period. Further budget savings would be achieved over the following months as a number of service reviews were due to be completed.

Members noted that at the beginning of the year Officers had notified Members that there would be approximately £500,000 of unidentified savings which would need to be made. Officers confirmed that some of these savings had subsequently been identified, though it was anticipated that further savings would be achieved following service reviews. There was also the likelihood that a number of savings would be identified through the Transformation Plan that was in the process of being reviewed at a corporate level.

It was important for Members to appreciate how the Council had managed to achieve a balanced budget. For this reason, as well as to ensure that appropriate decisions were made about the budget, Members agreed that this subject should continue to be monitored by the Committee.

**RESOLVED that**

**the report be noted.**

#### **54. INTERNAL AUDIT - MONITORING REPORT**

The Committee considered the Internal Audit Monitoring Report as at 31st March 2014.

During consideration of this report the following issues were the subject of more detailed discussions:

i) Key Performance Indicators (KPIs) for 1st April 2013 to 31st March 2014

Some concerns were expressed about the direction of travel in terms of performance in relation to these indicators. However, Officers explained that the figures for performance indicators were not comparable as the Internal Audit Team audited different services each year as part of a three year rolling programme. In cases where problems were identified action would be taken to ensure that the risks to the Council were minimised.

ii) Council Tax - Access and Security

Concerns were expressed that an unknown system user named "Janet" had been provided with high level access to the Council tax system. Officers were asked to review this matter further and to report back for Members' consideration.

iii) Cash Collection – Suspense Account

The Internal Audit team had identified £74,000 in the Suspense Account as at 12th December 2013. Money was often paid into this account on a temporary basis whilst officers sought to identify the appropriate account that it was intended for. Sometimes the Council received large grants but no indication was provided as to the purpose of this money, though equally very small sums could be held in this account whilst attempts were made to identify the right budget.

iv) Cash Float Management

Members noted that within the report it had been suggested that floats kept by cashiers should be checked by their managers on a “regular basis”, though no clarification had been provided regarding the definition of “regular” in this instance. Officers explained that it had been suggested there should be checks at key moments, such as prior to pay day. However, it was agreed that more specific information about timeframes should be recorded in future copies of these reports.

v) Implementation Dates

In many cases implementation dates had been recorded for the completion of tasks outlined in the report. In every case Internal Audit would check to ensure that tasks were implemented by those deadlines. Generally checks would take place within six months of the deadline unless the issue was considered to be urgent in which case it would be revisited within three months. There was also a separate report produced by Internal Audit which tracked the implementation of recommendations and this was similarly reported for the consideration of the Committee.

vi) VAT

Concerns were expressed that the Financial Services Manager, as a senior Officer, was completing all VAT returns and it was suggested that this would be a more suitable role for a junior member of staff. Officers confirmed that this role would be assumed by other Officers within the Financial Services team. However, due to the fact a number of members of staff were currently on maternity leave creating capacity issues the Manager was currently fulfilling this role on an interim basis.

vii) Cash Collection

Reference was made to the 2012/13 finding regarding the ‘Removal of Network Access for Leavers’ and further clarification was requested about the meaning of this issue. Officers explained that some former members of staff had been retained on internal systems as existing users. Work was being undertaken to resolve this problem.

viii) Kingsley Sports Centre

Concerns were expressed about the high levels of risk that had been identified concerning the retention of credit card data at Kingsley Sports Centre. Legislative changes that had come into effect as of 1st April 2014 placed the Council at risk of being fined if it retained credit card data. Interim arrangements had been put in place to address this problem whilst internal systems were upgraded. Staff had been provided with training on taking payments, though this had been complicated by the fact that staff worked shifts at the sports centres and it was not therefore possible to train every member of staff at the same time.

Officers had been able to ascertain that problems with the management of payment data were more likely to occur when a single member of staff was working on the system. To prevent this from occurring it was considered best practice to avoid situations where only a single member of staff would be handling money. Due to the high level of risk identified for this matter it was agreed that an update on this situation should be provided for Members' consideration at the following meeting of the Committee.

ix) New Cash Receipting System

Officers explained that there had been a few initial problems with the new cash receipting system. These were in the process of being resolved.

**RESOLVED that**

- 1) **Members receive an update on the situation regarding credit card payments at Kingsley Sports Centre at the following meeting of the Committee; and**
- 2) **the report be noted.**

**55. INTERNAL AUDIT - ANNUAL AUDIT PLAN 2014/2015**

The Committee received the 2014/15 Internal Audit Report of the Services Manager of Worcestershire Internal Audit Shared Service.

There were a total of 484 audit days planned for the overall audit group for 2014/15 and a balancing figure of 148 for 2013/14. The balancing figure shown against the 2013/14 systems audits was due to the fact that audits within this section were generally

undertaken on a three year rolling programme. The balancing figure related to audit reviews undertaken in 2013/14 which would not be undertaken in 2014/15.

**RESOLVED that**

**the 2014/15 Audit Plan and Performance Indicators be approved.**

**56. REVIEW OF THE EFFECTIVENESS OF THE AUDIT & GOVERNANCE COMMITTEE 2013/14 - CHAIR'S REPORT**

The Committee was invited to consider the effectiveness of the Audit and Governance Committee in 2013/14 as part of an end of year report.

Officers explained that in line with the transformation work in the Democratic Services team changes to the future operation of the Audit and Governance Committee were being considered. As part of this process it had been proposed that the Committee should be merged with the Council's Standards Committee. To minimise the risk that this merger could create lengthy meetings Officers would be working with Councillors to ensure that the content of the agenda for each meeting of the Committee was appropriate.

Councillor Witherspoon confirmed that she had also been consulted about this proposal in her capacity as Chair of the Standards Committee. She had been assured that in cases where a significant issue involving a particular Councillor arose they could be addressed during Sub-Committee meetings. However, as 50 per cent of the Standards Committee meetings had been cancelled during the year and the two meetings that had taken place had been relatively short in length it was not anticipated that the merger of the two Committees would have a significant impact on the length of Committee meetings.

**RESOLVED that**

**the report be noted.**

**57. CALENDAR OF MEETINGS 2014/15**

Members confirmed the dates of the meetings of the Committee that were scheduled to take place in 2014/15.

The Chair reported that he would be standing down from the Council at the local elections in May 2014. For this reason he

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would not be chairing the meetings of the Committee in the new municipal year. He thanked Members and Officers for their hard work during the two years in which he had been the Chair of the Committee and Members collectively wished him well for the future.

**RESOLVED that**

**the dates of the meetings of the Audit and Governance Committee scheduled to take place in 2014/15 be noted.**

The Meeting commenced at 7.03 pm  
and closed at 8.40 pm

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Chair