



AUDIT AND GOVERNANCE COMMITTEE

MEETING : Monday, 21st September 2015

PRESENT : Cllrs. Llewellyn, Gravells, McLellan, Hobbs and Taylor and D. Norman

Others in Attendance

Jon Topping, Head of Finance

Terry Rodway, Audit, Risk and Assurance Manager

Sarah Tilling, Senior Client Officer

Darren Gilbert, KPMG LLP

Duncan Laird, KPMG LLP

APOLOGIES : Cllrs. Patel and Hampson

23. DECLARATIONS OF INTEREST

There were no declarations of interest.

24. MINUTES

The minutes of the meeting held on 1 July 2015 were approved and signed by the Chair as a correct record.

The Chair referred to item 10 in the minutes of the last meeting and questioned whether a date had been agreed for the follow up audit of Benefits. The Audit, Risk and Assurance Manager advised the committee that the follow-up audit would now take place during the October to December quarter.

25. PUBLIC QUESTION TIME (15 MINUTES)

There were no questions from members of the public.

26. PETITIONS AND DEPUTATIONS (15 MINUTES)

There were no petitions or deputations.

27. AUDIT AND GOVERNANCE COMMITTEE ACTION PLAN

The Committee considered the Action Plan.

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Councillor McLellan referred to minute no. 17 in the Action Plan and suggested the wording was outdated. He advised the Committee that the cross party working group of Members had now completed their review of the Guildhall operations.

The Committee noted that the target date for minute no. 17 had been moved to March 2016. The Head of Finance advised the Committee that the implementation date listed referred to the date the new system would go live.

Members of the Committee questioned why minute nos. 27, 60 and 74 were included in the Action Plan when they were listed as completed. The Audit, Risk and Assurance Manager advised the Committee that the items had been rated green (on target) at the previous meeting and were now listed as blue (completed) so there was a clear trail of when the items had been dealt with. He also stated that these items would be removed from the Action Plan before the next committee meeting.

RESOLVED that the Action Plan be updated with the suggested amendments.

28. BENEFIT AUDIT FOLLOW UP ON ACCURACY RATE

The Committee considered a report on the benefits error rate.

The Senior Client Officer updated the Committee on the benefits error rate. She advised the Committee that the report had been produced following the Committee's request for further information on the processes undertaken to date.

The Senior Client Officer stated that the July Civica performance report had confirmed the current annual local authority error rate was well within the threshold set by the Department for Work and Pensions (DWP). It was noted that the Council would be penalised if the threshold was exceeded.

Councillor Hobbs expressed concern at the level of errors and highlighted the number of financial errors that had resulted in overpayments. He referred to paragraph 3.2 of the report and suggested performance indicators should be included in the Council's contract with Civica.

The Senior Client Officer suggested improvements could be made to Civica's system of internal quality checks and stated that she would be happy to continue discussions with Civica regarding the error rate.

Councillor McLellan highlighted the impact of overpayments on claimants and questioned the timescale for repayment. He was advised by the Senior Client Officer that the timescale for repayment varied and that in some cases it would be deducted from future payments.

The Senior Client Officer reminded Members that a significant number of customers claim both Council Tax Support and Housing Benefit and that one error would make both benefits incorrect. It was noted that the majority of errors were due to keying mistakes.

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Councillor Hobbs suggested the Committee continue to track the error rate and review the issue on a regular basis.

In response to a question from Members, the Senior Client Officer advised the Committee that there had been difficulties obtaining data on the benefits error rate of other local authorities. She stated that local authorities frequently used different methods to record the error rate meaning it would be difficult to compare data. It was noted that it would be most appropriate to compare the error rate to the rate found at the Forest of Dean District Council where similar methods were used to record errors.

Councillor Gravells suggested that any conclusions drawn from comparative data should be viewed with caution as they would only provide the error rate with some context. He questioned whether there were any penalties in the Council's contract with Civica for high levels of error and whether any trends had been identified to explain the cause of the errors.

The Senior Client Officer informed the Committee that no trends had been identified and that the errors had been found throughout the benefits assessment process.

Members of the Committee agreed that the benefits error rate should be reviewed quarterly and requested further information on the overpayments that had been recorded and anonymised examples of some of the errors that had been identified.

Councillor D. Norman agreed the Council's contract with Civica needed reviewing, particularly in light of its renewal until 2021, and agreed to speak with the responsible officers on the Committee's behalf.

RESOLVED that the report be noted and that further updates be added to the work programme on a quarterly basis.

29. ISA 260 REPORT TO THOSE CHARGED WITH GOVERNANCE

Darren Gilbert, KPMG summarised the key conclusions within the report and advised the Committee that the results of KPMG's audit work conducted at the Council had been very positive. He advised the Committee that they would be issuing an unqualified audit opinion on the Council's financial statements and an unqualified value for money (VFM) conclusion by 30 September 2015.

Darren Gilbert, KPMG advised the Committee that the Council's Annual Governance Statement was compliant with the necessary guidance and required no adjustments. He also highlighted the Council's housing stock transfer to Gloucester City Homes as a significant transaction.

The Chair questioned whether the Council's audit fee was in line with standard fees for local authorities. She was advised that the proposed fee was in line with the level set by the Audit Commission. It was also noted that a 25% reduction had been applied to the Council's audit fee.

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Members of the Committee recognised the work of staff within the Audit and Finance teams and expressed their appreciation for the commitment of these members of staff.

Councillor Gravells referred to page 8 of the report and asked for further information on the commentary suggesting the presentation of the Council's financial statements could be improved. He was advised by the Head of Finance and Darren Gilbert, KPMG that this was a common problem for local authorities and that it was an ongoing challenge to present the statements of accounts succinctly and in a reader- friendly manner.

RESOLVED that the report be noted.

30. STATEMENT OF ACCOUNTS 2014/15

The Committee considered the City Council's 2014/15 Statement of Accounts.

RESOLVED that the Statement of Accounts be noted.

31. INTERNAL AUDIT PLAN 2015/16- MONITORING REPORT

The Committee considered the report of the Audit, Risk and Assurance Manager detailing audits completed as part of the agreed Internal Audit Plan 2015/16.

The Audit, Risk and Assurance Manager introduced the report and drew Members attention to paragraph 5 which included the results of a data matching exercise conducted by the National Fraud Initiative (NFI), that had identified potential cases of fraud. He advised the Committee that 31 reports had been identified in total for the Council. It was noted that 14 of these reports related to Housing Benefit and would be investigated by Civica. The remaining reports relating to non-benefit areas such as payroll and creditors had been investigated by the Internal Audit team who had found no evidence of fraud.

The Chair referred to Appendix 1 and requested further explanation of the implementation dates for the agreed audit recommendations. She was advised that the date included had been agreed with the appropriate manager as a target date for the implementation of the recommendations. The Audit, Risk and Assurance Manager advised the Committee that he would check whether the recommendations had been implemented approximately three months after the agreed implementation date.

In response to a question from Councillor Gravells, the Audit, Risk and Assurance Manager advised the Committee that the duplicate claim payment highlighted in the Members Allowance audit related to a dependents care allowance claim that had been processed twice.

Councillor Hobbs referred to the audit of Choice Based Lettings (CBL) and expressed concern that system access had not been disabled for leavers. He questioned whether the Council's HR department had a procedure in place for disabling system access following the departure of a member of staff.

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The Audit, Risk and Assurance Manager advised the Committee that the Council had a system in place for disabling access to networked systems whereby a notification was sent to the system administrator. He also assured the Committee that once network access had been disabled, leavers had no access to the Council's networked systems. It was noted that the CBL system was internet based and therefore a slightly different form of this control was required.

Councillor McLellan enquired whether the new CBL system would also be internet based. He was advised that the new system would be internet based and would be accessed by staff from the all six local authorities in Gloucestershire.

In response to a question from Councillor Gravells, the Audit, Risk and Assurance Manager advised the Committee that an audit of CBL had been completed several years ago but could not confirm whether or not its scope had included user access.

Following a request from Councillor Gravells it was agreed that the previous CBL audit report would be circulated to Members by the Audit, Risk and Assurance Manager.

Members of the Committee expressed concerns at the outcome of the CBL audit. Members requested a written report on the issues discussed and further information on CBL along with the attendance of the Homelessness and Housing Advice Service Manager at the next Committee meeting.

RESOLVED:-

- (1) That Members endorse the audit work undertaken to date, and the assurance given on the adequacy of internal controls operating in the systems audited.**
- (2) That a report on the outcomes of the CBL audit be added to the work programme for presentation at the next Committee meeting.**

32. TREASURY MANAGEMENT PERFORMANCE 2015/16- QUARTER 1

The Committee considered the report of the Head of Finance detailing treasury management activities for Quarter 1: 1 April 2015 to 30 June 2015.

The Head of Finance highlighted the key points within the report and advised the Members of the Committee that during quarter 1 the Council had repaid long term market debt that had been associated with the housing stock transfer to Gloucester City Homes. It was also noted that following the repayment of the market debt the Council had returned to an under- borrowing position.

RESOLVED that the report be noted.

33. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

The Committee considered the work programme.

The Committee noted that updates on the benefits error rate would be added to the work programme on a quarterly basis, to include the next meeting in November.

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It was also noted that a report on the results of the Choice Based Lettings audit would be added to the work programme for the November meeting.

RESOLVED, that subject to the agreed amendments, the work programme be noted.

34. DATE OF NEXT MEETING

Monday, 23 November 2015 at 6:30pm

Time of commencement: 18:30 hours

Time of conclusion: 20:00 hours

Chair