



## **AUDIT AND GOVERNANCE COMMITTEE**

**MEETING** : Monday, 22nd January 2018

**PRESENT** : Cllrs. Gravells (Chair), Melvin (Vice-Chair), Stephens, Morgan, Wilson, H. Norman and Smith

### **Others in Attendance**

Jonathan Lund, Corporate Director  
Theresa Mortimer, Head of Audit Risk Assurance  
Bob O'Brien, Customer Service Transformation Manager  
Jon Topping, Head of Policy and Resources  
Simon Byrne, Democratic and Electoral Services Team Leader

**APOLOGIES** : Cllr. D. Norman MBE

### **45. DECLARATIONS OF INTEREST**

45. There were no declarations of interest.

### **46. MINUTES**

46.1 The minutes of the meeting held on 20 November 2017 were approved and signed as a correct record save for correcting minute 35.2 to state Councillor Wilson rather than Councillor Morgan.

### **47. PUBLIC QUESTION TIME (15 MINUTES)**

47.2 There were no public questions.

### **48. PETITIONS AND DEPUTATIONS (15 MINUTES)**

48.2 There were no petitions or deputations.

### **49. AUDIT AND GOVERNANCE COMMITTEE ACTION PLAN**

49.1 The Committee considered the Action Plan and comment was invited.

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- 49.2 Jonathan Lund (Corporate Director) advised that a briefing note on how external bodies' accounts were dealt with by the Council following a financial contribution had not yet been provided due to its potentially complex nature. He advised that there were Service Level Agreements with organisations where there was a regular contribution as well as a large number of ad hoc contributions such as grants, subsidised leases etc. He further advised that a comprehensive briefing could be very lengthy and invited the Committee to rescope their request.
- 49.3 Councillor Stephens commented that the intention was to examine bodies in receipt of significant contributions and suggested a £50k starting point.
- 49.4 **RESOLVED –**
- (1) That the Action Plan be noted, and
  - (2) That a briefing note on external bodies who receive a contribution from the Council of at least £50k be provided prior to the next Committee meeting.

## **50. KPMG ANNUAL GRANTS AUDIT REPORT**

- 50.1 The Chair welcomed Darren Gilbert (KPMG) who presented the Annual Grants Audit Report. He highlighted an issue around Housing Benefit subsidy claims in that the Council's benefit section had misclassified some overpayments. This had been brought to KPMG's attention when sample testing had highlighted some errors. He outlined the methodology of testing and that the analysis was reported to the Department for Work and Pensions.
- 50.2 Mr Gilbert noted that it was prudent to treat the error rate with a degree of caution a very small sample was used and it was common to encounter errors in local government. Upon a query from Councillor Morgan, Mr Gilbert confirmed that the error rate was related to the value of claims (rather than the number of claims) based on the previously discussed small sample size. He recommended training at internal quality assurance level in order to feed back to staff.
- 50.3 Jon Topping (Head of Policy and Resources) advised that training had been given to benefits staff and 10% of all claims were checked as part of a mandatory process.
- 50.4 In response to Councillor Stephens querying what this would mean in terms of the subsidy itself and lost income, Mr Gilbert advised that the DWP had not yet examined it and may extrapolate from the error rate or not. The Head of Policy and Resources stated that any loss would be reported to the Committee and that it was possible an error could be reported as such through lack of evidence. This would then be rectified.
- 50.4 The Chair questioned whether a larger sample size would be of benefit. Mr Gilbert advised that the methodology conducted by KPMG was mandated by the DWP and could not be altered. He suggested that one method by which

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to examine it in greater detail would be to look at team performance. In response to a query from Councillor Melvin, Mr Gilbert confirmed that the error rate was a matter of incorrectly classifying an error rather than a benefit being incorrectly claimed.

**50.5 RESOLVED –**

- (1) That the KPMG Annual Grants Audit Report be noted, and
- (2) That the Committee be provided with an update on benefit error sampling.

**51. KPMG TECHNICAL UPDATE**

51.1 The Committee considered KPMG's Technical Update and comment was invited.

51.2 The Chair proposed that, in future, time be put aside at the beginning of the meeting to consider the technical aspects of the Committee's work.

51.3 Councillor Stephens stated that the Committee required detailed advice on the Property Investment Fund. Jon Topping (Head of Policy and Resources) advised that the finance team awaited the relevant government report and that matters would have to be put to Council. Councillor Stephens sought assurance that no monies from the Property Investment Fund be expended prior to the outcome of the government's consultation. The Head of Policy and Resources stated that any investment decisions would be in line with current legislation.

51.3 In response to a question from the Chair as to whether there was any indication of a time frame for knowing what Central Government intended, the Head of Policy and Resources advised that this would be at the end of January or early February and that, following this, the Committee could examine the implications for the strategy. The Chair suggested that this be considered by the Committee in March.

**51.4 RESOLVED –**

- (1) That the Audit and Governance Committee note the Technical Update from KPMG, and
- (2) That the Property Investment Strategy be considered at the next meeting of the Committee.

**52. KPMG EXTERNAL AUDIT PLAN**

52.1 Darren Gilbert of KPMG provided an overview of the external audit plan and highlighted key areas of focus. He advised that KPMG's responsibilities would be unchanged

52.2 Mr Gilbert stated that there were significant audit risks, particular with regard to the valuation of property and pensions. He did, however, advise that these were commonly looked at by external auditors in any event.

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- 52.3 He informed the Committee that a new 'faster close' process had been introduced and draft accounts would be prepared for the end of May with full accounts available from the end of July. He also advised that the external audit plan had provided for an examination of the new performance management system.
- 52.4 Councillor Wilson enquired as to whether there was a significant risk in relation to 'faster close' and whether there was any material the Committee was required to examine prior to the publication of accounts. Mr Gilbert confirmed that this was not necessary and that there were no concerns with regards to a faster close.
- 52.5 Jon Toppping (Head of Policy and Resources) advised that the accounts would be consider at the Committee's July meeting and that preparatory work and valuations had been completed earlier.

**52.6 RESOLVED –**

That the Audit and Governance Committee note the KPMG External Audit Plan.

**53. INTERNAL AUDIT ACTIVITY 2017/18 - PROGRESS REPORT**

- 53.1 The Committee considered the report which updated members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2017/18. Theresa Mortimer (Head of Audit Risk Assurance) informed the Committee that the Audit team was on target to complete the Internal Audit Plan in accordance with the service's KPI's. She advised that limited assurance had been provided with regard to Project Solace as a result of it being in the process of transformation. She further advised that Solace's governance arrangements were to be redefined. In light of this, it was recommended that the relevant Cabinet Member and senior manager attend the next Committee meeting to provide an update on progress made with the implementation of the agreed recommendations.
- 53.2 Councillor Stephens shared his view that whenever the Council entered partnership arrangements, that they had rarely included performance management measures. He stated his belief that KPIs should be at the forefront of any such arrangement.

**53.3 RESOLVED –**

That the Audit and Governance Committee note the Internal Audit Activity Progress report and requested that the relevant Cabinet Member and senior manager attend the next Committee meeting to provide an update on progress made with the implementation of the agreed recommendations in relation to Project Solace.

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**54. STREETCARE CONTRACT MANAGEMENT 12 MONTHLY MANAGEMENT UPDATE**

- 54.1 The Committee considered the report on Streetcare Contract Management: 12 monthly management update, presented by Jonathan Lund (Corporate Director).
- 54.2 The Corporate Director advised that the one outstanding item at the last Committee meeting was the confirmation of KPIs. He confirmed that these were now in place as well as financial penalties. He further stated that these financial penalties would increase with every occasion of failure.
- 54.3 Councillor Richard Cook (Cabinet Member for Environment) shared the view that it was extremely positive that Officers had succeeded in achieving the inclusion of penalties in the contract some ten years after its inception.
- 54.4 Councillor Stephens commented that it was positive that this had been achieved while the Chair asked that the agreed KPIs and penalties be circulated.
- 54.5 **RESOLVED –**
- (1) That the Audit and Governance Committee note the report, and
  - (2) That the agreed KPIs and penalties be circulated among the Committee.

**55. UPDATE ON LOCAL GOVERNMENT ASSOCIATION PEER REVIEW**

- 55.1 Jonathan Lund (Corporate Director) provided a verbal update on the recent Local Government Association Peer Review. He informed the Committee that the initial feedback provided to Officers did appear on the agenda for a recent Overview and Scrutiny Committee meeting.
- 55.2 The Corporate Director stated that in comparison to the previous Peer Review, the feedback had been broadly positive. A draft had been produced and the final report was being drawn up. He advised that the Overview and Scrutiny Committee had deferred the item until the final report had been produced with detailed recommendations.
- 55.3 **RESOLVED –**
- (1) That the Audit and Governance Committee note the update, and
  - (2) That the Local Government Association Peer Review be considered upon publication of the final report.

**56. ANNUAL MONITORING REPORT**

- 56.1 The Committee consider the Annual Monitoring Report, presented by Jonathan Lund (Corporate Director). He drew to the Committee's attention the fact that complaints related to planning had been omitted and that there had been 18 complaints over the course of the year placing it in seventh

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position. He further noted that a significant number of complaints had been about waste yet formed approximately 0.04% of all collections.

- 56.2 The Corporate Director advised that some which appeared as complaints were not as some were requests for action. He stated that this was anticipated to improve following the introduction of the new performance management system.
- 56.3 With regard to complaints about waste, the Corporate Director advised that Officers were in discussions with Amey about the possibility of Amey handling complaints which would assist the Council's contact centre.
- 56.4 In response to a question from Councillor Morgan, the Corporate Director advised that a written answer would be provided in order to clarify what is provided by the Streetscene team and Neighbourhood Services.
- 56.5 Councillor Morgan asked if it was possible to compare complaints from previous years. The Corporate Director advised that complaints had not necessarily been collected consistently over previous years. Bob O'Brien (Customer Service Transformation Manager) noted that there may have been double counting previously. He advised that his team were undertaking a review of the Council's complaints policy including reviewing the categorisation of complaints.
- 56.6 Councillor Stephens shared his view that, whilst data had been provided, it did not reveal anything particularly substantive. He queried whether there were trends that were highlighted and what had service areas put in place to rectify these. He further stated that it would be helpful to receive a breakdown of complaints in the three areas which had received most complaints and any action taken.
- 56.7 The Customer Service Transformation Manager, in response to a query from the Chair, advised that he would provide an update on what will be done for comparison.
- 56.8 Whilst noting the volume of complaints in some areas, Councillor Norman asked how many contacts there had been between the public and the contact centre in order to examine the ratio of contacts to complaints. The Corporate Director confirmed that this information would be provided.
- 56.9 In relation to Amey handling complaints related to them, Councillor Wilson noted that the waste contract was between the Council and residents. He stated that residents may not want their details given to Amey and sought assurance that details would not be passed on. The Corporate Director advised that there would be a need to negotiate an arrangement for this possibility. The Chair queried how the Council could monitor complaints if Amey was dealing with them. The Corporate Director responded that no decision had been made and that, were this arrangement to be put in place, the contract variation would have to reflect solving these concerns.

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- 56.10 Councillor Norman suggested that it may be preferable to have Amey deal with service requests initially so as to provide for a smoother implementation. Councillor Stephens expressed his concern with regard to the cost of a contract variation and that he wanted detail. The Corporate Director confirmed that a variation would incur additional costs but that this could be negotiated. He also advised that if an updated report to Cabinet could be accelerated, it would be.
- 56.11 With regards to complaints that were referred to the Ombudsman, Councillor Wilson highlighted that, in previous years, complaints were rarely upheld. The Corporate Director advised that twelve referrals was not particularly unusual but that four being upheld was. He stated that this showed the Council may have been taking too rigid an approach at the second stage of dealing with complaints.
- 56.12 The Chair suggested that compliments and good feedback could be recorded. The Customer Services Transformation Manager advised that this would be possible.
- 56.13 With regard to two complaints related to Members, the Corporate Director advised that sections of the Code of Conduct were in a variety of locations and it was intended that this would be simplified. He further advised that there would be a briefing on the Code of Conduct in the near future.

56.14 **RESOLVED –**

That the Audit and Governance Committee note the Annual Monitoring Report.

**57. ANNUAL GOVERNANCE STATEMENT IMPROVEMENT PLAN 2016/2017**

- 57.1 The Committee considered the Annual Governance Statement Improvement Plan. Theresa Mortimer (Head of Audit Risk Assurance) advised that relevant governance matters and actions taken to date to address them were outlined in the position statement. She stated that all identified matters and progress will be further reviewed as part of the forthcoming annual review of governance arrangements operating within the council 2017/2018 and where appropriate, these issues will be carried forward into the Annual Governance Statement Improvement Plan 2017/2018.

57.2 **RESOLVED –**

That the Audit and Governance Committee note the progress made with addressing the improvement actions within the Annual Governance Statement Improvement Plan 2016/2017.

**58. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME**

- 58.1 The Committee considered the Work Programme.

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**58.2 RESOLVED –**

That the Audit and Governance Committee note the Work Programme.

**59. DATE OF NEXT MEETING**

12<sup>th</sup> March 2018 in the Civic Suite, North Warehouse at 6.30pm

**Time of commencement: 6.30 pm hours**

**Time of conclusion: 7.55 pm hours**

**Chair**