

AUDIT COMMITTEE

27 NOVEMBER 2017

PRESENT: Councillor K Hewson (Chairman); Councillors C Adams, M Collins, A Harrison, P Irwin, R Newcombe, M Rand (In place of D Town), R Stuchbury and A Waite.

APOLOGIES: Councillors H Mordue and S Lambert.

1. PERMANENT CHANGES TO MEMBERSHIP

The Committee was informed that there had been a change to the Conservative Group membership of the Committee, with Councillors M Collins and A Waite replacing Councillors C Branston and B Chapple OBE.

The Chairman thanked Councillors Branston and B Chapple for their past contributions to the Committee and welcomed the new Members.

2. ELECTION OF VICE CHAIRMAN

RESOLVED –

That Councillor Irwin be elected Vice Chairman of the Audit Committee for the remainder of the municipal year.

3. MINUTES

RESOLVED –

That the minutes of the meeting held on 25 September 2017 be approved as a correct record.

NOTE:

1. The Director with responsibility for finance gave an undertaking to provide Members with information on Delegation of financial approval authority.
2. It was agreed that work would be done to enable the Committee to better track Minutes recommendations at future meetings.

4. DECLARATION OF INTEREST

There were none.

5. EXTERNAL AUDIT UPDATE

The Committee received a verbal update from the external auditors on their work associated with the certification of grant claims for 2016/17 submitted by AVDC.

Certification work was not an audit. It involved executing prescribed tests which were designed to give reasonable assurance that claims and returns were fairly stated and in accordance with specified terms and conditions. Under section 28 of the Audit Commission Act 1998, as transitionally saved, the Audit Commission made arrangements for certifying claims and returns in respect of the 2016/17 financial year. In certifying this the external auditors followed a methodology determined by the Department for Works and Pensions.

Members were informed that the work on the claim for the 2016/17 year had been completed and would be submitted to DWP by the end of November 2017 deadline. In contrast to last year's claim, it was anticipated that AVDC would receive a repayment from the DWP. A report on the work and findings would be reported to the Audit Committee in January 2018.

6. INTERNAL AUDIT PROGRESS REPORT

The Committee received a progress report on assurance work activity undertaken against the 2017/18 Assurance Plan that had been approved by the Audit Committee in July 2017.

The following matters were highlighted:-

Final Reports issued since the previous Committee Meeting

The Planning and Planning Enforcement review had been completed and contained 2 medium risk recommendations and 3 low risk recommendations. Overall, the report had been classified as Medium Risk with key findings summarised as follows:-

- There was no local formal monitoring of comments, compliments and complaints and a process needs to be created (Medium).
- Proactive planning enforcement was not taking place (Medium).
- A formal Member/Officer engagement session needed to be developed including input to the creation of the new planning system (Low).
- Improvements to the oversight of the effectiveness of the Planning Liaison Officer role are needed (Low).
- Pre application advice costs are benchmarked as reasonable but are not fully substantiated (Low)

A number of areas of good practice had also been noted in relation to the performance for processing both minor and major planning applications, providing Members' with a formal Quarterly Performance Report via the Planning Committee, and that a number of applications/cases that you been tested had all been found to have been processed in accordance with legislative requirements.

The Development Management Team had undergone structural change in the last 12 months. AVDC, like other councils across the county, was facing challenges around recruiting planning officers and therefore there were a large number of consultants supporting delivery and current vacancies for 1 Principal and 4.5 Senior officers.

New planning software was currently being developed with a move from Uniform to a Salesforce platform. This was intended to go live in 2018 and would change how staff, Members and the public interacted with the planning process.

The Commercial Property Service Charges review had also been completed, and contained 1 high risk, 1 medium risk and 2 low risk recommendations. Overall, the report had been classified as Medium Risk with key findings summarised as follows:-

- It had been found that some service charges were not levied where they should be and examples of costs being applied to service charges incorrectly had also been identified (High).

- Account codes on the ledger for each property were not sufficiently established to understand service charge costs (Medium).
- There was a lack of robust monitoring of arrangements for tenants at Council sites over certain lease rights such as car park spaces (Low).
- Some minor instances were identified where service charge costs applied were stated as “not applicable” (excluded) cost in contracts with tenants and therefore the Council had applied costs that were in breach of contracts held (Low)

A project had recently begun to create a property asset management database to integrate with the general ledger and a review of commercial property charges will be completed by end of January 2018. Once completed, this should address many of the issues highlighted in the report.

2017/18 Internal Audit Plan work in progress

Members were informed that following feedback from managers there had been a change to forthcoming planned work. The reviews of Building Control and Licensing had been deferred as these areas were currently implementing new systems. Instead, the next review work would look at areas including Housing Benefits, Council tax, business rates and payroll.

Implementation of agreed audit actions

Internal Audit monitored the implementation of actions and recommendations raised by reviews to ensure that the control weaknesses identified had been satisfactorily addressed. Actions arising from low risk audit findings were followed up by management and reviewed, but not validated by internal audit.

The overall progress and detail of those actions which were considered to be due were set out in Appendix 3 to the report. At the end of November 2017, there were 37 recommendations due of which 23 were still outstanding and had been given a revised date of implementation. New appointments to key positions and post organisational restructure changes were the main drivers leading to delays in implementation of the actions.

2017/18 Internal Audit Resource

Since the last Audit Committee meeting a contract had been awarded to BDO LLP to provide co-sourced internal audit services for the period 1 October 2017 to 31 March 2021, with an option to extend for a further two years. The Chairman welcomed Mr Greg Rubins, BDO Internal Audit Partner to the meeting.

Internal Audit Plan and progress tracker

Progress and changes against the approved 2017/18 Annual Internal Audit Plan were detailed at Appendix 2 to the Committee report.

Members sought information on internal audit work and at:-

- Appendix 3 – it was commented that Overdue Recommendations should include information on the date of the review, the original date to implement recommendations and revised implementation date(s).
- Housing Benefits Review (Appendix 3, pages 25-26) – were informed that the delays in implementing recommendations was mainly due to the organisational

re-structure. The upcoming 2017/18 internal audit of Housing Benefits would look again at issues raised in the last report and any risks to delivering the service.

- Fixed Assets (Appendix 3, page 28) – were informed that review recommendations would be discussed with the newly appointed Strategic Finance Manager so that appropriate action could be taken for the 31 March 2018 Balance Sheet.
- General Ledger (Appendix 3, pages 28-29) – it was commented that while the review had identified actions summarised by 4 separate dot points, the update only reported general progress. It would be helpful with future reporting if update information could be provided separately for each of the dot points.

Members sought further information on the Planning and Planning Enforcement review and:-

- were informed that, where possible, Planning looked to have continuity of Officers dealing with applications, although this had not always been possible during the organisational restructure.
- it was commented that the Council needed to do more to inform people and Parish Councils, and manage their expectations regarding what Planning Enforcement actions the Council could, or could not, take. For example, it was suggested that a Members' seminar could be held on Planning Enforcement.
- expressed concerns that failures to provide the expected level of service for what was a specialised service would lead to reputational damage for the Council.
- were informed that KPIs for planning complaints were currently being put in place. Members commented that KPIs should have quality measures as well as numerical measures. For example, KPIs should include information on the number of applications received, completed and carried forward from each period, and include trend analysis of performance over the longer term. This would enable the public to be better informed when a complaint / issue was raised.
- were informed that the quarterly planning reports did not always accurately highlight the huge pressures that staff were under in this area.
- it was commented that it would be helpful to provide Members with more information on the role of Parish Liaison Officers (PLOs) so they could understand best utilise them. It was also commented that it might be helpful for PLOs to attend some Local Area Forum meetings.
- were informed that it was intended for a review of the Council's complaints, comments and compliments process to be considered for inclusion in the 2018/19 Annual Internal Audit Plan.
- it was agreed that Finding 3, 'A formal Member/Officer engagement session needs to be developed including input to the creation of the new planning system' would be re-classified from 'low' to 'medium'. The overall review classification remained as "medium risk".

Action Point: to monitor the progress made in putting in place KPIs and a meaningful complaints system for Planning and Planning Enforcement.

Members sought further information on the Commercial Property Service Charges review and were informed that the Council's Property and Estates Manager (newly in post) was working to ensure the detailed findings and action plan from the review were actioned. This would include a full review of each of the Council's properties and ensuring that the accounting structure and billing processes were correct. This work was being overseen by the Finance Steering Board. It would be important for the lessons learnt from this review to be taken into account for the future.

Action Point: report back on what impacts the service charging inconsistencies had on tenants, e.g. had any tenants been lost?, financial impact on the Council?

RESOLVED –

That the progress report and action points made at the meeting be noted.

7. WORK PROGRAMME

The Committee considered the future Work Programme which took account of comments and requests made at previous Committee meetings and particular views expressed at the meeting, and the requirements of the internal and external audit processes.

RESOLVED –

That the future Work Programme as submitted to the meeting be approved.

8. RISK MANAGEMENT

The Audit Committee had a role to monitor the effectiveness of risk management and internal control across the Council. As part of discharging this role the committee was asked to review the Corporate Risk Register (CRR). The CRR provided evidence of a risk aware and risk managed organisation and reflected the risks that were on the current radar for Commercial Board. Some of the risks were not dissimilar to those faced across other local authorities.

Since the previous Audit Committee meeting in September 2017 the following risks had changed:

Risk Reference	Change	Comment
Sectors do not deliver the required savings and efficiencies identified in the Commercial AVDC programme.	Closed	The Commercial AVDC programme closed at the end of September 2017. Subsequently a sector by sector review of planned savings, achieved to date and forecast for future years had been undertaken. Structures were in place to exceed the £6m target set for the programme by 2020 – achieving £2.2m in 2017/18 and delivery of £3.8m by 2021. This included a headcount reduction from 471 to 426 (around 10%). Future savings targets would form the basis of the MTFP and annual budget setting and therefore captured in MTFP (risk #1).
The Council's approach to commercialisation and income generation does not produce the income needed.	Closed	The structure is now in place to support commercial/income generating activity and income / cost recovery targets are factored into the MTFP and annual budget process, therefore included in MTFP (risk #1)
Loss of key staff / failure to recruit / reliance on	Closed	To date, 88 people had left the Council during the course of the

agency staff has negative impact on service delivery during time of change		Commercial AVDC Programme, comprising 25 settlements, 38 voluntary redundancies, 23 compulsory redundancies and 2 resignations. This left 110 roles to fill externally (around a third of all posts in the new structure, excluding drivers and loaders). The majority of these posts had now been recruited to; however at the time of writing there were still 14 Technical Specialist vacancies, of which 8 were in Planning, and which were proving challenging to fill. This had been captured in a new specific risk (number 8).
Business Intelligence (customer insight & performance data) is not sufficiently robust to support effective decisions.	Closed	The Business Intelligence team was in place and progress had been made on reporting Connected Vision, Financial, Sector and operational dashboards. The focus was currently on management information with a "roadmap" in place to deliver more strategic business insight overtime. It was no longer considered a corporate level risk and, as such, progress was being monitored at an operational level.
1) Fail to achieve the Medium Term Financial Plan. Annual sector budgets are not delivered.	New (High)	Savings, efficiencies and income identified through the Commercial AVDC programme had been factored into sector budgets and would form the basis of the MTFP. Monitoring would be undertaken through established processes with oversight at Strategic Board and Cabinet level. Risk remains high due to ongoing austerity measures and budget pressures.
8) Fail to recruit Technical Professional Specialists (Planning, IT, Property). Reliance on use of consultants/agency and not effectively managed.	New (High)	In key specialist areas there was risk of negative impact on service delivery. Ongoing financial cost of agency staff. This replaces the general risk of loss of staff throughout the restructure programme, with mitigating actions specific to the business areas affected.
4) Fail to deliver the Property Investment Strategy	New (TBA)	Work had started to develop processes to deliver the strategy. The recruitment of Commercial Property Manager was ongoing. The assessment would be updated as the team and processes developed.
6) Waste Transformation Project fails to deliver	New (High)	This was a significant, high profile piece of work being undertaken to

commercial, customer, H&S, Environmental objectives		support efficient delivery of services and income generation into the future. There would be financial and reputation risks if project failed to deliver key objectives, whilst day to day operational activities needed to ensure H&S and Environmental compliance.
10) Health & Safety - Non-compliance with Fire and Health and Safety legislation	High → Moderate	Revised H&S Policy & Strategy was approved Sept 2017, corporate oversight board in place and staff H&S consultative committee established post restructure.
20) Failure to effectively engage with members and the community around the Council's vision and strategy	High → Moderate	A project had started around Member engagement, which would also be supported by Connected Vision. A Communications strategy was being developed.

Members challenged robustly some of the assumptions made in the CRR, both in specific and general terms.

Members requested further information and were informed:-

- (i) Risk 5 (Council owned or partly owned companies) – that in light of recent developments regarding AVB it was still believed that the overall risk rating for this risk was correct. As the situation with AVB progressed then it might be appropriate to undertake a 'lessons learnt' review in due course.
- (ii) Risk 8 (Reliance on use of consultants / agency staff) – that the Council had set up a review group to monitor ongoing compliance with the IR35 (Intermediaries legislation), particularly given the current reliance on consultants / agency staff in some areas of the Council. Active recruitment was ongoing to recruit permanent staff to all posts in the new structure so that the reliance on contractors / consultants could be minimised.
- (iii) Risk 14 (Major partnerships / Significant council contractors) – that any risk associated with the Silverstone Park Enterprise Zone Infrastructure funding, that had been approved at the October 2017 Council meeting, were covered within this risk.

Members asked that the information against risk number 14 be expanded to include specific mention to any risks associated with the 3 Enterprise Zones.

- (iv) Universal Credit – that planning was being done regarding Universal Credit, that was due to be introduced into the Vale in June 2018.

Action point: Risk 8 – to ensure that the Council was monitoring and complying with the legislation regarding IR35.

Action point: Risk 14 – update the risk to include Enterprise Zones.

Members also commented that all new ventures had a high likelihood of failure and, as such, should have an initial Inherent risk rating of High or Extreme until they were properly assessed.

RESOLVED –

That the current position of the Corporate Risk Register and identified Action Points be noted.

9. EXCLUSION OF THE PUBLIC

RESOLVED –

That under Section 100(A)(4) of the Local Government Act, 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in the Paragraph indicated in Part 1 of Schedule 12A of the Act.

The public interest in maintaining the exemptions outweighed the public interest in disclosing the information because the documents contained information relating to the financial or business affairs of organisations (including the authority holding that information), and disclosure of commercially sensitive information would prejudice negotiations for contracts and land disposals/transactions.

10. RISK MANAGEMENT REPORT

As part of the discussions at Minute 8, consideration was given to the Council's Corporate Risk Register.