

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 27th July 2010 at 6.00 pm in the Reception Suite, Civic Offices, Telford

PRESENT: D.Wright (Chairman), D.R.Chaplin (Vice-Chairman), R.K.Austin, and L.Lomax.

OFFICERS PRESENT: Jenny Marriott – Audit & Risk Manager, Jas Bedesha – Safer Communities Strategic Manager, Heather Gumsley – Operations Manager – Civil Resilience and Andrew Meredith – Customer Services Manager.

OTHERS PRESENT: Andy Cardoza – Senior Manager KPMG LLP and Peter Evans – Assistant Manager KPMG LLP

AUC-17 MINUTES

RESOLVED – that the minutes of the meeting of the Audit Committee held on Monday 28th June 2010 be confirmed and signed by the Chairman subject to the amendment of the resolution at AUC-5 to read as follows:

“RESOLVED – that the KPMG Annual Audit Fee Letter – 2010/2011 be approved”.

AUC-18 APOLOGIES FOR ABSENCE

Councillors D.G.Allen and J.A.Dixon.

AUC-19 DECLARATIONS OF INTEREST

Councillor R.K.Austin declared a prejudicial interest in connection with minute item AUC-24 in relation to the Sutherland School as a governor of the school and stated that he would leave the meeting prior to consideration of this particular item.

AUC-20 UPDATE ON BUSINESS CONTINUITY ACTIONS

The report of the Head of Community Protection was received which sought to update the Committee on progress made with Business Continuity Processes within the Council since June 2009. Members were reminded that in June 2009, the Committee received an update on Strategic Risk 37 – Failure to continue to deliver key services in the event of a significant business interruption. At this meeting the Committee had requested a further update in February 2010 however this agreed update was deferred to this particular meeting.

It was noted that during the strategic risk review that had been undertaken in January 2009, it was recommended that risk 1 (Failure to respond effectively to a major disaster or emergency) which included both emergency planning & business continuity planning needed to be separated out into two discrete risks. This created a new risk 37 – Failure to continue to provide key services in the event of a significant business interruption. This was last approved by Cabinet in May 2009.

In line with requirements of the Civil Contingencies Act 2004 (CCA) the Council prepared and had in place a corporate business continuity plan by March 2007. However, shortly after this a new British Standard (BS25999) for business continuity was introduced, which resulted in an enhanced requirement for business continuity arrangements. In July 2008 a part-time secondment post of Project Officer: Civil Resilience to lead work on reviewing and updating business continuity processes across the Council had been created. This resulted in a new Business Continuity Management Strategy being prepared which was subsequently approved by the Cabinet in January 2009.

Members were informed that work had been commenced with the identification of Priority Services within Portfolio Management Teams. However this was not concluded as the identified Priority Services did not progress to CAPS or Cabinet for approval as a result of the commencement of the current corporate re-structure which resulted in the Project being suspended until the restructuring was completed. In May 2010, the project to review the Council's Business Continuity processes recommenced with the aim of bringing them in line with BS25999 as well as the new Council Structure, One Council, One Vision with positive progress being achieved.

The Committee was advised that there was now a dedicated resource within the Civil Resilience Team for the development and monitoring of Business Continuity processes across the Council. This had resulted in the Business Continuity Management Strategy being revised and updated and stated that all Service Delivery Teams would now have a continuity plan. The Corporate Business Continuity Plan had now been incorporated into the Emergency Plan as there was much duplication of roles and responsibilities in the 2 plans. The revised Emergency Plan was being launched this month. All Service Delivery teams had been prioritised (from 1 - 4) with the Heads of Service and were also included in the Emergency Plan. Members were referred to these ratings as outlined in Appendix 1 of the report.

A new template for Continuity Plans had been distributed to all Service Delivery Teams; which included guidance on how to complete the template as well as what to do in an emergency. The template complied with BS25999 and identified the Priority of the Service as well as: Management chain and staff contact details for in and out of office hours; Key functions of the Service; Staff roles; Premises; ICT requirements; Hard Copies of key documents; Additional facilities; Reliance on other Services and Details of Contractors and Suppliers. Assistance had been provided to Service Delivery Managers with completing the template with the deadline for completion being the end of July. Each Service Delivery Team would be responsible for maintaining their own plan but the Civil Resilience Team would be collating all the Plans to inform the corporate overview in the event of an emergency.

All plans would be able to operate in isolation if necessary but in the event of a major incident, they would be co-ordinated by the Emergency Management Team as part of the Emergency Plan. It was required that the Plans would be reviewed annually or when there were significant changes within the Service Delivery Team and all Plans would be tested by the Service Delivery team with assistance from the Civil Resilience Team

In connection with future ongoing developments the Committee was informed that update training would be made available in September 2010 which would also include training on Business Continuity. The Committee also noted that testing of the Emergency Plan would take place in the Autumn which would also incorporate testing the Business Continuity Plan(s).

Members were also informed that the Intranet and Internet had both been updated with current guidance and information on Emergency Planning and Business Continuity. Each Service Delivery Team would hold a copy of their completed Continuity Plan and would also forward a copy to the Civil Resilience Team. The Civil Resilience Team were also investigating the possibility of using Sharepoint to electronically monitor and update Plans in the future.

Councillor Lomax whilst noting that all of the guidance etc was published online she enquired as to the effects of a total loss of the appropriate ICT infrastructure would have and cited by way of example the recent explosion in Shrewsbury. By way of response she was informed that the Civil Resilience team was located away from the Civic Offices and that in any event paper copies were located within the team structure, so that there was not reliance wholly on the availability of the Council's ICT infrastructure. It was also confirmed that the Council would also have access to the Crisis Commander system.

Councillor Chaplin enquired about the priorities provided within Appendix 1 for the restoration of Council Services and stated that he thought that the priorities given were of a too general nature and that no account had been given as to the likely changing of priorities depending on a different type of emergency. The Civil Resilience Team Operations Manager advised that CMT would need to address the position depending on the nature of any future incident and that recovery priorities would need to be continually revisited. The Chairman also enquired as to whether the reaction time for the recovery of services should be actual days rather than working days as if loss of a particular service occurred immediately prior to an extended bank holiday period the time to restore a particular service would be extended. It was agreed that this would be examined in the future but it was also confirmed that whilst the recovery time was stated many Service Delivery Managers would in fact attempt to restore services earlier than stated.

Councillor Lomax referred to the Ironbridge floods that had occurred in 2000 and highlighted the difficulties that were caused by the media for local residents who were receiving conflicting information when seeking assistance from various agencies. The Committee were informed that the media plan which is owned by the Corporate Communications Team had been reviewed with the Civil Resilience Team to ensure that the appropriate communication channels were put in place in an emergency. The Civil Resilience Team currently have a helpline function which could operate from Pergo house, but were also establishing ways of incorporating this into the Council's Customer Contact Centre.

The Committee wished to record their collective thanks and appreciation for the presentation, the contents of the report and the question and answer session which was noted as providing a very useful update on Emergency Planning and Business Continuity.

RESOLVED – that the contents of the Head of Community Protection report on the Update on Business Continuity Actions be noted.

AUC-21 **KPMG – INTERIM AUDIT REPORT 2009/10**

The Committee received the Interim Audit Report for 2009/10 from KPMG which summarised the key findings from the interim audit work that had been undertaken by KPMG in relation to the 2009/10 financial statements.

Members were referred to the Financial Statements Audit Plan for 2009/10 that had been presented to the Committee in February 2010 which outlined the four stages of KPMG's financial statements audit process and also identified a number of specific risk areas. During the period January to April 2010 the planning and control evaluation work had been completed. The Committee were referred to the summaries of the key findings outlined on page 2 of the report

This work included a review of the Council's general control environment which included the Council's IT systems; the testing of certain controls on the Council's financial systems; an assessment of the Internal Audit function and a review of the Council's accounts production process. The Committee were referred to the detailed findings as outlined within the remainder of the report.

In connection with identified specific risk areas that had arisen from the audit work Members were referred to the details provided within the report. The only risk area that had been brought forward from the previous report was Single Status, the Council was recommended to ensure that any provision made in the Council's accounts was based on the most accurate and up to date information. The other specific risks that had been identified were Private Finance initiative; Fixed Asset Valuation; SORP changes and Accounts production.

RESOLVED – that the contents of the KPMG Interim Audit Report for the 2009/10 financial year be noted.

AUC-22 **ANNUAL COMPLIMENTS AND COMPLAINTS REPORT (JANUARY – DECEMBER 2009)**

Members received the report of the Head of Customer and Leisure Services which provided an overview of the number of customer compliments received by the council for the period Jan – Dec 2009. The report also outlined the number of complaints that had been received by the Council with particular regard being given to those that had been classified as partly or fully upheld following investigation and to provide assurance to the Audit Committee that customer feedback had led to service delivery improvements.

The Committee was advised that the Council had received 615 compliments in 2009, the majority of these were for frontline services. The Council also received 836 complaints in 2009. Out of the total number of complaints that had been received 747 complaints had been received under the corporate complaints process, 51 were statutory complaints for Children and Young People Services and 38 were statutory complaints for adult services.

The majority of the complaints related to refuse/green collections, council tax and benefit claims and of the complaints received 551 (66%) had elements of the complaints upheld. Members were also informed that 605 (81%) of corporate complaints were responded to within the new target of 10 working days. The top 3 reported reasons for missing the final response date were officers being on annual leave, waiting for further information to be able to fully investigate the complaint before providing a full response and other work pressures. The Chairman expressed concern in connection with the reasons that had been highlighted for the reasons why recorded complaints were not dealt with. He stated that in connection with officers awaiting further information prior to resolving a complaint he was of the view that the requirement to respond within the stated period of days should be relaxed. He was concerned however in cases of where a response had not been submitted due to an annual leave commitment or other work pressures and that steps should be taken to eliminate non-responses based on these particular reasons. The Customer Services Manager referred the Committee to the monitoring of complaints and enquiries that were received and that if any regular occurrences were noted that these could be escalated to a Head of Service and in extreme cases to CMT.

The Committee noted that there were very small numbers of customer complaints registered when compared to the vast number of services provided by the Council each day. However, analysis had shown that when customers did complain there were elements where improvements could be identified and the responses indicated the Council's willingness to undertake these improvements whether they were for the benefit of the individual who had complained, or in some cases for the wider benefit of the Council's residents.

The Council services that received the highest number of complaints were: Council Tax; the Benefits Service; Green and Recycling issues; the Looked After children Service; Domestic Refuse; Older People Care Management and the Wellington and Civic Leisure Centre.

Members were advised that Satisfaction surveys were sent to all complainants 20 days after their complaint had been responded to. Of those who responded 54% felt the service they received from the council had improved as a result of their complaint, 74% were satisfied with the response time to their complaint and 88% found it easy to make their complaint in the first instance. The majority of complaints received during 2009 were responded to on an individual basis with limited trends. However, a number of improvements had been introduced as a result of customer feedback and these included variations to service delivery in the Benefits service; Waste Collection; Disabled Persons blue Badges; Community recycling sites and Recycling boxes.

It was further reported that as a result of the corporate restructure in January 2010, the Council had now centralised the customer feedback functions that were previously located in each portfolio. This change allowed the Council to manage workloads more effectively and provide robust and proactive governance to the complaints scheme, which included the ability to progress, chase and escalate complaints, regular performance reporting and ensuring that improvements were implemented when identified through the customer feedback.

Councillor Wright questioned the impact on the benefits service of travelling by officers for applicant home visits. The Customer Services Manager informed the Committee that the provision of home visits had been identified as the most cost effective way of processing applications as all of the application requirements could be sought at the earliest opportunity and also following completion of the application interview confirmation of the benefits entitlement could be communicated to the applicant. It had also proved beneficial in connection with any possible incidents of benefit fraud. Members were informed that previously with the application process being undertaken through the post delays had been experienced where the Benefits Team awaited receipt of requested information or documentation from an applicant, with the result that delays were regularly experienced in applications being processed.

Councillor Lomax commented that there was no information provided within the report in relation to highways or winter maintenance and enquired as to when a complaint was regarded as a complaint and not merely a report or enquiry. The Customer Services Manager responded by stating that a report of a pothole or other matter was not regarded as a complaint initially on the first contact with the Council. However a matter was treated as a complaint if there was a delay in resolving an issue where a promise had been made to resolve a situation which was not subsequently completed in time.

Councillor Wright also enquired as to whether any feedback was received from PACT meetings and the Customer Services Manager responded by stating that he was not aware whether feedback was passed onto his team from these particular meetings. It was suggested that contact would be made with the Safer Communities Strategic Manager to see whether this feedback could be recorded and submitted to Customer Services in the future.

The Chairman also referred to the Appendix A that was attached to the report and suggested that an extra column should be added to record the total number of cases/volumes etc that had been dealt with by the individual service areas in order to reflect the proportionately low numbers of individual complaints that were received.

RESOLVED – that the contents of the report and the improvements made to services as a result of the customer feedback that had been received be noted.

AUC-23 2009/10 ANNUAL REPORT – CORPORATE ANTI-FRAUD & CORRUPTION ACTIVITY

The Committee considered the 2009/10 Annual Report on Corporate Anti-Fraud and Corruption activity that had been submitted by the Chief Financial Officer. The report confirmed that the Council was committed to high standards of Corporate Governance and had published a set of effective procedures in place to support this. These procedures included the Anti-Fraud & Corruption Policy.

Members were reminded that this was the second annual report that set out the Corporate Anti-Fraud and Corruption activity for 2009/10 to enable the Audit Committee to monitor the operation of the policy. It was further reported that the Anti-Fraud and Corruption Policy had been previously reviewed and updated in

September 2008 and that a further update was planned for Autumn 2010. The policy supported one of the key dimensions of good Corporate Governance – Standards of Conduct. The Council aimed to ensure that all those associated with it maintained high standards of ethics and conduct in public life in order to contribute to good corporate governance. The changes to this policy reflected new legislation, good practice and developments in this area within the public sector.

The Committee were advised that due to the economic climate there were indications from the Police that fraudulent activity had and would continue to increase during the recession. Therefore it was considered important that the Council continued to maintain its vigilance in respect to Council services and the Community. The report contained information about counter fraud and investigation activities within Benefits, Internal Audit and Trading Standards, including Licensing. The Committee were requested to note that the Councils procedures and controls were designed to minimise the opportunity for fraud and to highlight where possible activity may have occurred.

Members were referred to the report that detailed that the benefit caseload had steadily increased over the last 12 months, from 17,424 (live cases) in March 2009 to 18,932 in March 2010, which represented a 7.97% increase over the year, and even though there were signs that the economic climate was improving in some areas it was expected that this figure would increase over the coming months.

The Council also followed the Department for Work & Pensions (DWP) lead in “securing the gateway”, the aim of which was to ensure that only those properly entitled were granted and paid benefit. To this end, the Council had embarked on visiting as many benefit claimants as possible in their homes. This ensured the best possible service for the customer, made sure the information obtained was accurate, made the customer aware of their responsibilities, and further ensured that performance targets were met. It was noted that the Benefit Team undertook a home visit on 46% of the new benefit claims that were made to the Council before the claim was processed for payment.

Members were referred to the table within the report that detailed the sources, numbers and percentage from where referrals to the Benefits Investigation team were received by the Council. The Committee was also further referred to the details for Benefits as outlined within the report – with particular attention being made to the Housing Benefit Matching Service, details of the number of investigated cases; publicity matters and the re-written Benefit Fraud Sanction & Policy that had been approved by Cabinet in January 2010.

The Committee were reminded of the important role undertaken by Internal Audit in the investigation of suspected internal fraud and assisting managers in ensuring they had appropriate systems and controls in place that were designed to prevent or reduce the opportunity for fraud. It was reported that on an annual basis days were allocated within the risk based audit plan to undertake proactive fraud work and work in areas where previous frauds had occurred, with the work being identified through the current Fraud Risk register that had been updated for 2009/10. A summary of the risk areas, types of fraud and audit action taken during 2009/10 was attached as Appendix A to the report. Members were further referred to Appendix B which

outlined in summary the investigations into potential irregularities that had been undertaken during 2009/10. The number of days work undertaken on suspected fraudulent activities during 2009/10 was 126 days, with these days being taken from contingency (184) or by the re-allocation of planned audit time.

The council also had a statutory responsibility to provide data to the Audit Commission for the prevention and detection of fraud as part of the National Fraud Initiative (NFI). NFI was an exercise that sought to match electronic data within and between audited bodies to prevent and detect fraud. The Council was required to provide a number of datasets to specifications as set out by the Audit Commission in October 2009 and the particular data that was included was indicated within the report.

The Council also ensured that both Members and Officers were aware of their responsibilities in respect to the Council's Anti-Fraud and Corruption policy. In addition to member induction two Member Information Seminars on Governance, Risk and Fraud were held in October 2009 and March 2010.

For officers there was also the Code of Conduct for Employees and High Standards Cards which were also included in induction sessions and personal information folders. A Booklet had been provided to Managers and a leaflet to all employees, with copies being available on the Intranet. A specific module entitled "Managing ethically" had also been developed and incorporated into the Team Leader Management Development Programme which included managers and employees responsibilities from within the Anti-Fraud & Corruption Policy and the Speak Up policy. It was also noted that the High Standards Leaflets for employees were re-issued to all officers in September 2009 following the appointment of the new Chief Executive.

The Committee's attention was also drawn to the work of Trading Standards and Licensing both of which played a significant role in delivering the Council's response to business related fraud in the borough. The majority of the responses were based around statutory responsibilities refined to provide effective detection and countermeasures in respect to fraud. Further details were outlined within the report for both of these particular services. In particular the individual work within the Scambusters Team and the Loan Shark Team were particularly identified.

Councillor Lomax enquired as to whether further publicity could be undertaken in connection with Loan Sharks particularly given the current economic situation within the country.

Members also asked how much of the overpayments of £480,913 identified through benefit fraud investigation had been collected. The Audit & risk Manager said she would find out for the Committee.

Finally Members were referred to the identified challenges for 2010/11 which were outlined in the report.

RESOLVED – that the 2009/10 Annual Report on Corporate Anti-Fraud and Corruption Activity be noted.

N.B. In accordance with the previous declaration of interest made by Councillor R.K.Austin left the meeting prior to consideration of this item.

AUC-24 INTERNAL AUDIT QUARTER 1 – 2010-2011 – UPDATE REPORT

The report of the Audit & Risk Manager was received which sought to update members on the work of Internal Audit during quarter one covering the period between April until June 2010. The report also updated members on the detailed Strategic ICT Audit Plan for the period from 2010/11 until 2012/13 that had been prepared by the Council's external ICT audit advisors.

Members were reminded that the Audit Committee received a quarterly update of the work of Internal Audit and the report included the update report for quarter one – April to June 2010. The Committee were further reminded that the Committee meeting in March 2010 Members had agreed the Internal Audit Plan for 2010/11 with the provision of summary days for IT audit and that a detailed plan was being developed with the newly appointed external IT audit experts. The 3 year plan and detailed plan for 2010/11 had now been agreed and were provided to members for information.

This report also provided an update on the progress of previous audit reports that had been issued in the period July 2008 to March 2010. The Committee was informed that Internal Audit activity during this period had focussed on completion of the audits set out in the Internal Audit Plan including any carry forwards from quarter 4. There had also been a couple of unplanned pieces of work during the period which were currently being concluded.

The Committee was referred to the Appendices as attached to the report which included a list of the 17 final reports issued in quarter one together with details of budgeted time, actual time and percentage variance. A list of all work undertaken for quarter one of 1 day or more and within these areas where audit work had exceeded 10 days, including an explanation. Appendix C detailed previously graded reports from July 2008 to March 2010 and their current status. Further information was also provided in relation to the four Amber reports issued in quarter 1..

All other areas were either improving or the follow ups were in progress or planned. The Committee were informed that Internal Audit was confident and had been assured by management that controls had and would continue to improve in all areas where recommendations had been made.

Members were finally referred to the preparation by the Council with the assistance of its external ICT audit provider of a Strategic ICT Audit Plan for 2010 – 2013 which was attached at Appendix E. Details of the proposed IT audit programme for 2010/11 including the level of internal resource that had been allocated were outlined within Appendix F of the report. It was reported that the delivery of this plan had already commenced this quarter.

A number of Members expressed concern in relation to the recent audit work undertaken in connection the recent audit report for the Sutherland School and the apparent repeat of problems that had been revealed in a previous audit. The Audit &

Risk Manager confirmed that full support had been offered to the School and assured the Committee that the issues would be dealt with prior to the follow-up audit that was planned for October 2010.

RESOLVED –

- (a) that the update report in connection with Quarter One (April – June 2010) be noted; and,
- (b) that the detailed ICT Audit Plan for 2010/11 as attached to Appendix F of the report be noted.

AUC-25 DATES OF FUTURE MEETINGS

The Committee noted the dates of the remaining meetings of the Committee that were scheduled for the 2010/11 Civic Year were Tuesday 21st September 2010, Tuesday 2nd November 2010, Tuesday 1st February 2011 and Tuesday 29th March 2011 with all meetings scheduled to commence at 6.00 pm.

Members were informed that there would be a training session in relation to the Statement of Accounts held prior to the meeting to be held on 21st September 2010.

It was mentioned that the meeting to be held on 29th March 2011 would also be moved to an alternative date.

The meeting ended at 7.33 pm.

Chairman:

Date: