

## **AUDIT COMMITTEE**

### **Minutes of a meeting of the Audit Committee held on Tuesday, 15 September 2015 at 6.00pm in Meeting Room G3, Addenbrooke House, Ironmasters Way, Telford, Shropshire**

**PRESENT:** Councillors R Sloan (Chair), C F Smith (Vice Chair), I T W Fletcher, and S A W Reynolds.

**IN ATTENDANCE:** Mr I Pennington (Director at KPMG), Mr A Bunting (Assistant Manager at KPMG) and Cllr A England (for Agenda items 7 and 8)

**OFFICERS:** P Taylor (Director of Care, Health & Wellbeing) J Eatough (Assistant Director: Law, Democracy & People Services), A Astley (Assistant Director: Neighbourhood & Customer Services), R Smith (Assistant Director: Adult Social Services) C Jones (Assistant Director: Family, Cohesion & Commissioning) P Harris (Finance Manager - Corporate Finance & Customer Services), J Marriott (Audit & Information Governance Manager), B Morris (Finance Team Leader), R Montgomery (Information Governance Team Leader), J Power (Delivery and Planning Manager) and J Clarke (Democratic Services Support Officer).

#### **AUC-14 APOLOGIES FOR ABSENCE**

Councillors W L Tomlinson and D G Wright

#### **AUC-15 DECLARATIONS OF INTEREST**

None.

#### **AUC-16 MINUTES**

**RESOLVED** – that the minutes of the meeting of the Audit Committee held on 30 June 2015 be confirmed and signed by the Chair.

#### **AUC-17 REPORT OF THOSE CHARGED WITH GOVERNANCE**

Mr I Pennington and Mr A Bunting, KPMG, gave a joint overview of the headlines from within the report of those Charged with Governance.

This report linked with the 2014/15 Statement of Accounts which was also before Audit Committee at Agenda item 5 of the meeting.

KPMG informed members that this had been a good audit and it was anticipated an unqualified audit opinion on the Authority's financial statements would be issued by 30 September 2015.

During the audit of the financial statements no material adjustments were identified, although there were a number of presentational adjustments required and these have been adjusted accordingly. There was no impact on the General Fund.

From the External Audit Plan 2014/15 KPMG identified the following key financial audit risks:

- Management Override of Controls
  - No instances were identified during KPMG's work
- Fraudulent Revenue Recognition
  - No specific work was required in this area
- Accounting for Local Authority Maintained Schools
  - KPMG had worked with officers during the year regarding risk and detailed findings. No matters of any significance arose as a result of the audit work
- Group Accounting
  - This risk did not materialise during the year as the subsidiary company had not yet been established at the end of the financial year

There was a recommendation at page 15 of the report regarding manual work-arounds for Fixed Asset Register. This needed some modernisation and it was recommended that the Authority should proceed with the planned introduction of the Agresso Asset Module. This did not impact on the accounts and no assets were unvalued.

A letter of representation needed to be signed and submitted by the Local Authority before KPMG could issue their opinion.

At the time of issuing the report KPMG's audit of the financial statements was substantially complete and KPMG confirmed that they had complied with the requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

The Value for Money (VFM) opinion was complicated and testing had been undertaken on areas, processes and controls of:

- Procurement
- Budget Monitoring

Two specific risks had been identified in the External Audit Plan 2014/15:

- Savings Plans
  - Savings plans were in place across the organisation which included procurement and staff. Under/over spend was being regularly monitored. Budget underspends helped offset the overspends on Adult and Children Services
- Commercial Projects
  - This related to ensuring the Authority made their decisions properly

In conclusion, the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and as a result it was anticipated issuing an unqualified VFM conclusion by 30 September 2015.

#### **AUC-18      2014/15 STATEMENT OF ACCOUNTS**

The Finance Manager gave the Committee an overview of the Audited Accounts which were before them for approval.

The draft accounts had been placed on the website for public inspection on 30 June 2015.

Members of the Audit Committee had attended at a training session on the Accounts prior to the Committee Meeting.

A six page summary of the accounts would be published on the website once the accounts had been signed off by KPMG.

A discussion took place including:

- Draft accounts available on website for public inspection
- 6 page summary of accounts to be put on website
- Unqualified opinion with no financial adjustments
- Outturn report and the underspend

The Chair congratulated all of the officers who had taken part in the audit and the preparation and strength of procedures that helped KPMG sign off with an unqualified opinion

#### **RESOLVED that:**

- a) the 2014/15 Statement of Accounts be approved;
- b) delegated authority to the Assistant Director: Finance, Audit & Information Governance to make any presentational changes required to the Statement of Accounts prior to publication be granted; and
- c) the updated (for minor presentational changes) Annual Governance Statement be approved.

#### **AUC-19      CUSTOMER FEEDBACK PERFORMANCE 1<sup>ST</sup> APRIL 2014 – 31<sup>ST</sup> MARCH 2015**

The Assistant Director: Neighbourhood & Customer Services presented the report on performance from 1<sup>st</sup> April 2014 until 31<sup>st</sup> March 2015.

In summary, it was asked that it was acknowledged that there had been a relatively small number of complaints registered compared to the number of services provided by the Council on a daily basis against a backdrop of having delivered £70m savings during the last 6 years.

This was an extremely positive and pleasing report in that the number of complaints received during 2014/15 had reduced by 22%. During the reporting period 787 corporate complaints had been received and following investigation 30% were partly or fully upheld as against 54% during 2013/14.

During the reporting period 558 compliments had been received which was a slight decrease of 6% from the previous year, with the highest volume of compliments being received by front-line services.

The Assistant Director was also pleased to report that 85% of Stage 1 complaints were responded to within 15 working days, which met the Council's target of 83%.

Details of the complaints could be found at 4.1 to the report which included:

- Council Tax & Benefit Service
  - 183 for year (136 & 58) with approximately 50% upheld mainly due to processing errors and delays
- Refuse & Kerbside
  - Complaints decreased from 283 during 2013/14 to 95 during reporting period from approximately 3.6m collections. Of this, 54% had elements upheld due to missed pull outs and collections, bins/boxes not being returned and receptacles being taken/not delivered and spillages. Missed collections had reduced by 20% and missed assisted collections by 22% which had been attributed to robust contract monitoring.
- Leisure Centres
  - 64 complaints had been received out of 1.2m visitors per year. Of the 64 complaints, 34% were fully upheld and these related to the level of service and facilities available, equipment failure and the temporary closure of Oakengates Leisure Centre
- Customer Contact Centre
  - 62 complaints had been received from approximately 279,000 customer contacts during the reporting period, of those 49% had elements upheld mainly due to waiting times. The Assistant Director was aware of the challenges at some points during the working day and a new phone system had been installed within the contact centre with the ability for customers to request a call back. Channel shift had also been introduced in order to minimise the calls ie Everyday Telford app. Two full time staff had been moved to the contact centre in order to improve response times. The team continued to improve taking on board lessons learnt.
- Planning
  - 36 complaints had been received 30% of which had elements upheld around the lack of consultation and responses to enquiries together with administrative processing errors.

- Libraries
  - 26 complaints had been received 40% of which had elements upheld predominately around computer performance. All of the computers had now been upgraded to an acceptable standard.

With regard to adult's and children's statutory complaints, for the reporting period 140 complaints had been received:

Adults – 64 complaints, 37.5% of which had elements upheld and 40% responded to within 32 days.

Children – 76 complaints, 35% of which had elements upheld and 52% were responded to within 20 working days.

Further work was needed to improve performance in both of these areas.

There had been a total of 254 MP Enquiries; 185 from David Wright MP and 60 from Mark Pritchard MP. A further 9 enquiries had been submitted by other MPs. All enquiries were dealt with within an acceptable timescale.

A total of 848 Member enquires and 717 Parish enquiries had been received by the Customer Quality Team and 99% had been dealt with on target.

With regard Ombudsman enquiries, 28 new enquiries had been received of which 16 had been investigated. Outcomes of these investigations were listed at 4.6.2 of the report with lessons learnt being appended at Appendix D.

Freedom of Information requests were a growing trend with some 1,126 requests being received which was an average of 94 per month and an increase of 5% from the last year. These requests were resource intensive against a backdrop of savings. The Local Authority responded to these very quickly whereas other Councils did not always respond.

A discussion took place including:

- Good improvements
- Scrutiny looking into call waiting
- Fewer requests going to Stage 2
- FOIs

Following the discussion it was:

**RESOLVED** – that the information within the report, particularly the decrease in complaints received and the reduction in the percentage of those complaints that have been fully or partly upheld be noted.

## **AUC-20      ADULT SOCIAL SERVICES UPDATE**

The Director of Care, Health and Wellbeing and the Assistant Director: Adult Social Services, together with the Assistant Director: Adult Social Services; Assistant Director: Family, Cohesion & Commissioning and the Cabinet Member: Adult Social Care gave a verbal update on the current position regarding the new IT Systems and the unbilled income.

### **IT Systems**

Although they had previously reported their confidence in having the new systems in place by September 2015 the project had been very challenging and had proved more complicated than expected, but were now 100% confident that the full upgrade could be achieved by March 2016.

It had recently been recognised that there needed to be a clear ownership of the Abacus and CareFirst systems and a responsibility for these systems to be brought up-to-date. During November 2014 ownership and responsibility had been transferred to the Service Delivery Manager: Service Improvement and Efficiency who had needed to put in place interim systems and financial controls to deal with unbilled income whilst the lengthy process of integrating the systems took place.

Discussions had taken place with ICT colleagues, the Abacus supplier and other Local Authorities who used the system and it was realised that the interfacing of the two systems was a more complex issue than first thought together with the system needing to be Care Act compliant. This would require significant changes to performance and client records needed to be updated in order to capture the SALT (Short and Long Term Care) returns.

The interface between CareFirst and Abacus was not compatible and as a result it had been recognised that the system would require a partial rebuild. The changes were of a significant number and included:

- Residential Payments Extranet
- CareFirst Client Interface with Abacus
- Deferred Payments Module (Care Act)
- Service Order/Contract Shape changes
- Direct Payments Module

Although this was an issue they were confident that the interim solutions ensured financial control.

A discussion took place regarding the Abacus and CareFirst systems which included:

- If completion was not taking place until March 2016 a progress report needed to come back to Committee in January 2016 in order to make certain that the safeguards and controls were in place in order that these issues did not go beyond March 2016

- Concerns regarding the time, effort and money spent in integrating the two systems
- Skills to rebuild the system within the Council
- Restructured services to bring clear ownership of systems
- Significant improvement over last 6 months
- The right people in the right place to deliver the project

It was suggested that the Service Delivery Manager: Service Improvement and Efficiency and the Team Leader Business Support be invited to attend at the January 2016 meeting in order to reassure the Committee and it was asked that they bring along the project plan.

The Director of Care, Health and Wellbeing informed the Committee that there was no detrimental impact to people who required care.

### Unbilled Income

Due to the inadequacies of the system it was difficult to demonstrate the area of significant concern as automated reports were not available through the system and it was also difficult to assess the loss of income.

Adult social care funding was means tested in order to prove eligibility for support. If clients were self-funders then they would be responsible for paying and arranging all of their care themselves and no other appropriate person was willing to do so, then the Authority would arrange this on their behalf and claim back the total cost. Some clients were not liable to contribute anything, whereas most others contributed on a sliding scale from £0 to £200-£300 per week on the highest level of disposable weekly income. There was concern that clients were not making contributions towards care, although this was not as severe as first thought. There were situations where customers were exempt from paying for their individual care, for example:

- If a person was under S117 of the Mental Health Act, then the Local Authority could not charge for the costs of the aftercare
- Enablement whereby up to 6 weeks of care following discharge from hospital is non-chargeable.

Without a fully integrated system this information was difficult to tie together.

Several issues had been identified and interim solutions put in place:

- Financial assessment not done early enough -
  - This was now undertaken earlier on in the process, enabling changes to commence from the earliest point;
- Checks had now been introduced on all new people entering the system on a monthly basis to ensure that billing arrangements were in place. There had been a significant improvement in the situation and within period four, 22 people had been identified where charging had not been introduced and corrective action had been undertaken.

The Care Act funding reforms had been put on hold until April 2020. These reforms would have brought more people into the Council's funding system following the raising of the capital threshold from £23,250 to £118,000. They would have also introduced complex arrangements whereby the Local Authority would pay for care costs and the individual would pay for the accommodation costs. A cap would have been introduced at £72,000 on any care spend and once this threshold had been reached the Council would have become responsible for any remaining funding. These changes would have been introduced from 1<sup>st</sup> April 2016.

The Chair suggested that if there were any comments on these issues that they be fed through to the Audit and Information Governance Manager.

#### **AUC-21      CALDICOTT GUARDIAN ANNUAL REPORT**

The Director of Care, Health and Wellbeing gave an overview with regard to the roles and responsibilities of the Council's compliance with the revised Caldicott Principles and the requirements of the Data Protection Act 1998.

The Caldicott Guardian (CG) was responsible for safeguarding and governing the uses of personal care information within the Council. He actively supported work to facilitate and enable care information sharing and provided advice on options for lawful and ethical processing of information as required. Key responsibilities were:

- Strategy & governance
- Confidentiality & data protection expertise
- Internal information processing
- Information sharing

The current CG was the Director of Care, Health and Wellbeing.

The progress on previously identified actions could be found at 4.9-4.20 of the report with the action plan for 2015-17 at 4.21 of the report.

Quarterly meetings took place with the CG/SIRO/Senior Management Team and the Information Governance Team Leader in order to discuss governance issues and actions.

Members commented that this was a comprehensive report which gave a feeling of good governance which met regulations.

#### **RESOLVED – that:**

- a) the contents of the Caldicott Guardian's Annual Report be noted; and
- b) Audit Committee receive further such reports on an annual basis commencing June 2016, with a progress update in September as part of the general Information Governance update.



## **AUC-22      REVIEW OF STRATEGIC RISK REGISTER – JULY 2015**

The Delivery & Planning Manager presented the review of the Strategic Risk Register.

The strategic risk register enabled the Council to meet its statutory requirements under the Accounts and Audit Regulations 2015 and was a means for the Council to identify and manage the substantive issues which could impact negatively on the delivery of the Council's priorities. It is used to understand key risks and how they were mitigated and actions then put in place to manage these risks.

The register was reviewed and updated on a regular basis in order to ensure the appropriate management of these risks and to make sure they were current risks. Appendix A to the report set out the risks identified for 2015/16.

A discussion took place including:

- Significant Projects not included in register but were within the project framework
- The processes of the risk register
- Child and vulnerable adult risks

It was suggested that in order to give the Committee further assurance that the following strategic risks being managed through appropriate significant projects be brought to the January 2016 meeting:

- Single Status
- Better Care Fund and Care Act, Social Care Change Board
- Housing Investment Programme

Following the discussion it was:

**RESOLVED – that the strategic risks in Appendix A be noted.**

## **AUC-23      PUBLICATION OF INFORMATION ON COUNCILLORS WHO TRADED WITH THE COUNCIL DURING 2014/15**

The Audit & Information Governance Manager presented the report on the Councillors who traded with the Council during 2014/15.

This information was collected as part of the final accounts process and represented information for 2014/15 and was reported to Audit Committee in order to improve transparency.

**RESOLVED – that the contents of the report and information that would be published on the Council's website be noted.**

## **AUC-24      AUDIT COMMITTEE ANNUAL REPORT 2014/15**

The Audit & Information Governance Manager presented the Audit Committee Annual Report.

The report would be presented by the Chair to the Council meeting on the 1<sup>st</sup> October 2015.

The structure of the report had been based on the Committee's Terms of Reference and included a summary of the business conducted by the Committee during the reporting period, which could be found at Appendix A to the report.

The Audit Committee held 3 meetings per year in June, September and January, each with comprehensive agendas. In addition to the scheduled meetings there was scope to call additional meetings whenever required.

**RESOLVED** – To **RECOMMEND** to **COUNCIL** that the contents of the annual report 2014/15 be noted.

## **AUC-25      2015/16 INTERNAL AUDIT QUARTER 1 UPDATE REPORT AND INFORMATION GOVERNANCE UPDATE REPORT TO END JULY 2015**

The Audit & Information Governance Manager reported on the Internal Audit Quarter 1 Update and the Information Governance Update.

The Internal Audit Quarter 1 update provided information on the work of Internal Audit from 1<sup>st</sup> April – 30<sup>th</sup> June 2015 and provided an update on the progress of previous audit reports (issued October 2012-March 2015).

The key focus for the team during quarter 1 had been the commencement of the 2015/15 plan. In addition to this was the outstanding IT Audits from 2014/15.

The Team had moved offices which had been a great improvement from a work point of view.

Appended to the report were the following:

- **Appendix A** – list of final reports issued in quarter 1 with grading – red, amber, yellow or green and included budget time, actual time and percentage variance;
- **Appendix B** – list of all work undertaken for quarter 1 for a period of 1 day or more
- **Appendix C** – previous graded reports from October 2012 to March 2015 with their current status.
- **Appendix D** – Summary of the 2 amber reports issued in quarter 1

Appendix C to the report was important as it showed the progress of Red/Amber reports:

- Abacus – a further update on this had been received earlier in the meeting
- Moorfield Primary – follow up to take place shortly now the schools have returned following the summer break
- Shared lives had progressed from red to green
- Direct payments had received a follow up and an external review
- Adults Safeguarding had moved from red to green
- Holy Trinity Academy had progressed from Red to Yellow. This was a new school that had only just opened following the summer break. A new head was in place and a follow up was due to take place in order to confirm that the issues had been resolved and procedures had been implemented

#### Information Governance Update April – July 2015

This was the annual work on the work of Information Governance. Appendix E to the report set out the work programme and a summary of progress to date.

The Council had received 222 FOI requests during quarter 1 of 2015/15 as well as 39 EIR requests in the same period.

For the same period, 14 Subject Access Requests (SARS) had been received and 1 appeal from a requestor who was not satisfied with the response they had received from the information request. This appeal was not upheld.

No new referrals had been made to the ICO although the team were still dealing with 1 ICO complaint from 2014/15 which had gone to the First Tier Tribunal. The decision was awaited.

During the reporting period 8 data breaches had been identified, although none of these met the Information Commissions rationale for reporting serious breaches. Information Governance was continuing to work with these Service Areas to ensure they improve procedures and disciplinary action taken where appropriate. Lessons learn from security incidents during the first half of the year would be shared across the Council in early October 2015.

A discussion took place including:

- Amber report on Charlton School

Following the discussion it was:

**RESOLVED** – that the Internal Audit and Information Governance update information for the first part of 2015/16 be noted.

#### **AUC-26      EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED** – that the press and public be excluded from the meeting for the following item of business on the grounds that it may involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

**AUC-27      CAPITAL RECEIPTS UPDATE**

The Service Delivery Manager for Regeneration and Investment gave a verbal update on capital receipts.

The disposals of assets were at different stages:

- Sold and funds received
- Completion
- Sold Subject to Contract
- Currently being advertised for sale
- Seeking Planning Permission

As additional sites were identified for disposal they were added to the disposal programme but the overall income target was maintained to reduce reliance on any one receipt. Market conditions continued to be strong which it was hoped would be reflected in values and the timeliness of disposals.

A discussion took place including:

- Full market value of sales
- Residential sites
- Commercial sites
- Employment opportunities
- Vacant sites

The meeting ended at 7.44 pm

**Chairman:** .....

**Date:** .....