

## AUDIT AND GOVERNANCE COMMITTEE MINUTES - 24 JANUARY 2019

**Present:** Councillors Stevens (Chairman), Brock, Davies, Gittings, McKenna, Terry & Warman.

### 18. MINUTES

The Minutes of the meeting of 27 September 2018 were confirmed as a correct record and signed by the Chairman.

### 19. RECRUITMENT UPDATE

Shella Smith, Head of HR & Organisational Development, gave a presentation on the action that had been taken since April 2018 to improve recruitment of permanent staff at the Council. The main issues with the current recruitment procedure that had been identified by candidates were that there was no Council employer brand, posts were not well advertised, there was a complete lack of social media presence and the application process was protracted and complicated. Managers had concern about there being no strategic ownership of recruitment and HR provided little in the way of support for the process. Adverts were limited to eight jobs per week regardless of business need due to resource constraints in HR and the lengthy recruitment process was time consuming and costly and was often unsuccessful in appointing permanent staff. As a result, there was an over-reliance on agency staff, the cost of which had risen from £4.9m in 2013/14 to £14.2m in 2017/18. It was reported that a more sustainable level of spending on agency staff would be between £5m and £6m or around 7% of the overall wage bill.

In order to address the concerns, a new team had been appointed in HR to increase skills and resource with responsibility for effectively supporting both agency and permanent recruitment. All jobs were now advertised nationally using REED.com, social media (Facebook or LinkedIn) and the Council's website as standard with an aim to have RBC job adverts appearing on first page of a Google search. Candidates would shortly be able to apply by CVs with a supporting statement, which would significantly reduce the time it took to apply for a position.

There was action being taken to improve the experience of candidates, including those who had been unsuccessful to ensure they retained a positive opinion of the Council as a prospective employer. Paperwork would be dealt with more promptly using a more streamlined approach to avoid unnecessary delay. In addition, further work was taking place to: develop and promote the Council's 'employer brand' on media channels and through the recruitment process; encourage employees to promote the Council as a place to work; develop the RBC jobs website further; roll out the HR recruitment system to managers; introduce an 'on-boarding' system so that new starters could access employment documents commencing employment; and help drive faster, more successful recruitment through the development of key data.

**Resolved:** That Shella Smith, Head of HR and Organisational Development, be thanked for her presentation on the improvements being made to recruitment procedures to address the concerns raised at the Committee meeting held on 1 August 2018 (Minute 8 refers), which

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had recognised that recruitment issues were being regularly cited as a reason for non-compliance with audit recommendations.

### 20. INTERNAL AUDIT QUARTERLY PROGRESS REPORT

Paul Harrington, Chief Auditor, submitted a report providing an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in September 2018.

The report set out a summary of the audit reports in respect of Delayed Transfer of Care; Continuing Healthcare; Revenue Budget Setting (Hyperion); Journal Testing Q2; Residents' Parking; Declarations of Interest, Employee Gifts and Hospitality; Bus Subsidy Grant 2017/18; Transport Capital Grant funding 2017/18; and Commercial Lease (Nursery). The report stated that audit reviews specific to children and education, including schools, would be reported directly to Brighter Futures for Children (BFfC). The audits of Delayed Transfers; Continuing Healthcare; and Residents' Parking had been given limited assurance, and the full audit reports were therefore attached as appendices.

The report also listed the audits that were currently in progress, or were planned for the remainder of 2018/19, and gave a summary of investigations work between April and December 2018.

**Resolved:** That the report be noted.

### 21. INTERNAL AUDIT PLAN 2019 - 2020

Paul Harrington, Chief Auditor, submitted a report setting out the work that Internal Audit planned to undertake during the financial year 2019/20. The draft Internal Audit Plan was attached as Appendix 1 to the report along with the Internal Audit Charter at Appendix 2. A separate internal audit plan would be prepared for Brighter Futures for Children (BFfC). The report explained that the Chief Auditor had the responsibility to produce an audit strategy of how the internal audit service would be delivered and how it linked to the organisational objectives of the Council.

The report explained that Internal Audit was responsible for forming opinions about the risks and controls identified by management and annually to give a formal opinion on the control environment. It stated that in the context of the Public Sector Internal Audit Standards, 'opinion' did not mean simply a view, comment, or observation; it meant that Internal Audit would have done sufficient, evidenced work to form a supportable conclusion about the Council's activities they had examined.

In accordance with The Accounts and Audit Regulations 2015, the Council had to undertake an internal audit to evaluate the effectiveness of its risk management, control and governance processes, with reference to public sector internal auditing standards and guidance. The Public Sector Internal Audit Standards required an Internal Audit Charter to be in place which would be reviewed periodically and presented annually to the Committee.

**Resolved:**

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- (1) That the Internal Audit Plan for the period April 2019 to March 2020, which was attached to the report at Appendix 1, be approved;
- (2) That the Internal Audit Charter 2019/20, which was attached the report at Appendix 2, be noted.

### 22. STRATEGIC RISK REGISTER QUARTER 3

Paul Harrington, Chief Auditor, submitted a schedule updating the Committee on the Q3 status of the Council's 2018/19 Strategic Risk Register (SRR), in line with the requirements of the Council's Risk Management Strategy. The SRR was attached to the report at Appendix 1.

The report explained that the SRR had been developed to provide a focused and high level overview of strategic risks for staff, councillors and other stakeholders, and was supplemented by more detailed directorate, service and project risk registers. The primary aim of the Strategic Risk Register was to identify those key vulnerabilities that needed to be closely monitored. Risk appetite had been introduced to the SRR in 2018, which established the level of risk that an organisation was willing to seek or accept in order to meet its long term objectives. This approach was consistent with the Institute of Risk Management which advised that risk appetite should be identified for each risk. In order to focus attention on areas of greatest risk, the SRR should only include the key current risks that did not exceed the risk appetite level. As a result, it was recommended that where risks had been rated as 'green' for two or more consecutive quarters they should be removed from the Register and would only be re-instated should the risk level rise again.

The SRR highlighted ten risks, eight of which were rated as 'red' as follows: delivering a sustainable Medium Term Financial Plan/ achieve a balanced budget; data management; governance procedures; failure of a major contract; insufficient vision and strategy for regeneration and economic growth; inadequate mitigation to reduce risk of injury or death in Council residential accommodation and private high rise; failure to develop and maintain key partner relationships; and risk of death, harm or injury to vulnerable people.

#### Resolved:

- (1) That the Strategic Risk Register be noted;
- (2) That risks that had been rated as 'green' for two or more consecutive quarters be removed from the Register and only be re-instated in the event that they exceeded the risk 'appetite' level again.

### 23. TREASURY MANAGEMENT HALF YEARLY REPORT

Jean Stevenson, Chief Accountant, submitted a report providing an update on the activity of the Treasury Management function for 2018/19 as at 30 September 2018. The report had appended a commentary on the economic backdrop for 2018/19 and a

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list of approved counterparties showing the limits of exposure to financial risk that might exist in terms of cash and time period.

The report stated that the Council was required to receive a report on its Treasury Management activity at least twice a year, in accordance with CIPFA's Code of Practice on Treasury Management, which should include:

- a review of the Council's financial investment portfolio for 2018/19 as at 30 September 2018;
- a review of the Council's borrowing strategy for 2018/19;
- a review of compliance with the Council's Treasury and Prudential Limits for the first six months of 2018/19; and
- an economic update for the first part of the financial year.

The report confirmed that the Council had complied with all elements of its Treasury Management Strategy Statement (TMSS), as agreed by Council on 28 February 2018 (Minute 34 refers).

The report stated that the Minimum Revenue Provision (MRP) Statement for 2018/19 had been approved as part of the Council Tax and Budget Setting on 28 February 2018 (Minute 34 refers) and would be reviewed by Council on 26 February 2019, as part of its Treasury Management Strategy alongside consideration of the Medium Term Financial Strategy 2019/20 - 2021/22. The Council would be asked to approve two changes to the MRP Strategy, which were described in Section 5 of the report and would involve: not charging MRP to the Housing Revenue Account on the basis that it had not been a mandatory requirement for a number of years and would allow greater freedom to spread the profile of HRA provision for debt repayment to later years; and to provide for an MRP charge on borrowing to fund investment property acquisitions, thereby allowing for repayment of debt in a similar manner to other capital expenditure funded by borrowing.

### Resolved:

- (1) That the performance of the Treasury Management function for the six months to 30<sup>th</sup> September 2018 and the key issues emerging be noted;
- (2) That the recommendations to be put to Council in the Treasury Management Strategy on 26 February 2019 to update the Minimum Revenue Provision policy and Commercial Investment policy set out in section 5 and summarised above be endorsed.

## 24. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER

Further to Minute 14 of the meeting held on 27 September 2018, Jackie Yates, Director of Resources, submitted a report setting out, at Appendix 1, the Implementation of Audit Recommendations tracker report.

The report explained that each recommendation was marked with a percentage complete which correlated to a red/amber/green rating (up to 25% complete: red,

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between 26% and 75%: amber, over 75% complete: green). Any recommendations that were less than 50% complete but had exceeded their agreed completion date were also marked red. In the tracker report at Appendix 1 there were 116 high and medium risk recommendations from Internal Audit, of which 57 (49%) were currently green, 40 (34%) were amber and 19 (16%) were red. Thirty six recommendations had now been completed and would be removed from the next report. The continued fall in 'red' rated risks was a significant improvement on the previously reported position on 27 September 2018.

**Resolved:** That the high and medium risk Internal Audit recommendations and the responses to those risks be noted as set out in Appendix 1 to the report.

### 25. ACCOUNTS 2016/17 & 2017/18 UPDATE

Further to Minute 13 of the meeting held on 27 September 2018, Jean Stevenson, Chief Accountant, submitted a report providing an update on progress with the audit of the 2016/17 and 2017/18 accounts. The Committee noted that the 2016/17 Accounts should originally have been audited and signed off by 30 September 2017, and that regular reports had been made to the Committee since then providing updates on progress. The report stated that, in early October 2018, following discussions with EY's technical experts regarding the methodology previously used by the Council to value its Fixed Assets, the Council had tendered for fresh valuations of its property portfolio as at 1 April 2015, 31 March 2016 and 31 March 2017. It was expected that the new valuations, along with amendments to the historic accounting treatment of depreciation and impairment would resolve the outstanding queries on the 2016/17 accounts. Additionally, officers had applied the learning from the 2016/17 process to the completion of the 2017/18 accounts. EY had now started preparatory work on the 2017/18 audit and the accounts would be handed to EY as soon as was practical once the 2016/17 accounts had been finalised.

**Resolved:**

- (1) That the progress made by the External Auditor and officers in finalising the 2016/17 accounts be noted;
- (2) That the Chairman of the Audit and Governance Committee and the Lead Councillor for Corporate and Consumer Services, in consultation with the Director of Resources (Section 151 Officer), be authorised to sign the final version of the 2016/17 accounts;
- (3) That the progress made by the External Auditor and officers in closing the 2017/18 accounts be noted.

### 26. EXTERNAL AUDITOR UPDATE

Maria Grindley, EY, presented an Audit Update report, which included the key extracts from EY's Audit Results report. The full version of the report would be issued once the audit of the 2016/17 financial statements had been completed. The

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report drew attention to the work that had been the completed to date and in particular set out the following:

Section 1 - A table of outstanding matters for completion; a commentary on scope changes since planning and our key messages to date;

Section 2 - Audit differences identified to date;

Section 3 - Control observations.

**Resolved:** That the Audit Update report be noted.

### **27. EXCLUSION OF THE PRESS AND PUBLIC**

**Resolved -**

That pursuant to Section 100A of the Local Government Act 1972 (as amended), members of the press and public be excluded during consideration of the following item below as it was likely that there would be a disclosure of exempt information as defined in the relevant paragraphs specified in Part 1 of Schedule 12A to that Act.

### **28. HOUSING BENEFITS AND COUNCIL TAX SUPPORT SCHEME - RISK-BASED VERIFICATION POLICY 2019/20**

Jackie Yates, Director of Resources, submitted a report recommending that the Council continued to use its Risk Based Verification (RBV) process in 2019/20. The process had been introduced by the Council in June 2010 following a recommendation by the Department of Works and Pension. The process enabled processing of claims for Housing Benefit payments and Council Tax Support awards to be streamlined, thereby enabling customers to receive payments sooner. The approach also helped to mitigate risk and fraud entering the system. The Council's risk based verification policy principles had remained unchanged. Guidance to staff had been updated to reflect changes to the Council Tax Support Scheme agreed in 2018/19 with the scheme remaining unchanged for 2019/20. The Risk-Based Verification Policy 2019/20 was appended to the report for endorsement.

**Resolved:**

- (1) That the Risk-Based Verification Scheme, as appended to the report, be approved;**
- (2) That the continued use of a Risk Based Verification approach to evidence supporting claims for Housing Benefit and Council Tax support in 2019/20 be approved.**

(Exempt information as specified in paragraph 7)

(The meeting commenced at 6.30pm and closed at 8.20pm).