

AUDIT AND RISK MANAGEMENT SCRUTINY COMMITTEE
8TH MARCH 2005

PRESENT: The Chair (Councillor Bush)
The Vice-chair (Councillor Cowles)
Councillors Blanchard, J. M. Hunt, K. L. Jones,
M. T. Jones, R. Kershaw, Preston and Rodgers

APOLOGY: Councillor Page

55. MINUTES

The minutes of the meeting of the Committee held on 1st February 2005 were confirmed as a correct record and signed.

56. DISCLOSURES OF PERSONAL INTEREST

No disclosures of personal interest were made.

57. DECLARATIONS – THE PARTY WHIP

No declarations of the existence of the Party Whip were made.

PART 2 (DELEGATED)

58. INTERNAL AUDIT BUSINESS – CASH OFFICE AND CASHIERS AUDIT
- PROGRESS ON ACTION PLAN

At its last meeting, the Committee had considered progress on the Internal Audit Programme 2004/05 and had expressed concern regarding the need to progress the action plan identified for the Cash Office and Cashiers as soon as possible. Therefore, it had asked that a report be submitted to this meeting on progress in that respect. Therefore, a report of the Assistant Chief Executive (Risk Management) outlining progress against each of the recommendations in the action plan was submitted. Action in respect of a number of the recommendations remained outstanding and Internal Audit would be meeting with the appropriate officers to ensure that the issues raised in those respects were satisfactorily addressed. A further report on outcomes in that respect could be submitted to the next meeting of the Committee, if it so wished.

The following issues were raised and comments made by members of the Committee:

- (i) The four recommendations in the action plan that had not yet been progressed were stated as either high or medium priority. It was important to ensure that the matters were addressed as soon as possible.
- (ii) In reference to recommendation 2 (delays in processing of postal remittances), it was unclear what the risks of such delays were, other than the financial loss relating to the money being funded to the Council's account at a later date.
- (iii) Delays in processing postal remittances might result in amounts not being credited to customer accounts in time and, as a consequence, letters regarding non-payment being sent to those customers. A member of the Committee had been made aware of a number of instances in recent months where that had happened to members of the public. That had occurred even where customers had received a receipt for their payment. Among other things, such occurrences damaged the reputation of the Council. In that respect, officers needed to consider whether action was required before the target date of end April 2005. Another member of the Committee was aware of an Appeals Panel case which had resulted from a payment being made but not processed. That member of the Committee was also aware of the possibility that post was opened on a weekly basis, having heard the term "Thursday opening". If that practice occurred, delays in processing remittances would certainly occur.
- (iv) It was of concern that the position in respect of delays in processing postal remittances would worsen as the report stated that funds for agency staff were only available until end March 2005. The report did not state what future actions were planned to address the problem. The implementation of credit card payment facilities was unlikely to take place for some time and, therefore, staff time was unlikely to be increased as a result until that time. It seemed that the matter involved a staff recruitment problem which needed to be addressed.

- (v) In respect of delays in processing postal remittances, it would be useful if any further progress report to the Committee indicated the extent of the problem, including the volumes involved.
- (vi) In reference to recommendation 3, long queues at the Cash Office (over month end period) would also have a detrimental effect on the Council's reputation. If that was because there was not the budget provision available to staff the facility adequately at peak times, the required funds needed to be made available. At times, all of the work stations were operating. Equally, at other times, a reluctance to release staff from other duties to operate all the work stations had been experienced.
- (vii) The report did not provide the information needed for the Committee to consider the problems involved and the level of progress made to the extent it wished to. Indeed, it had raised a number of questions about the matter which could not be answered at this meeting. A further report providing more information and answering the Committee's queries would be useful. However, it was important that the remedial actions required were not delayed pending the Committee's further consideration of the matter.
- (viii) It was disappointing that a number of the recommendations made by Internal Audit had not yet been addressed. The action plans agreed following an internal audit should be given the importance they warranted and the Committee would expect that to be the case. The recommendations set out in the action plan for the Cash Office and Cashiers function were supported by the Committee.
- (ix) The report stated that no action would be taken in respect of the unusable cash chute. It was unclear whether that facility was still needed, but if it was, it should be provided.
- (x) Reference was made to the Investigation and Review Scrutiny Committee's Customer Service Centre Panel. It was understood that that Panel hoped to take on board many of the recommendations in the action plan as part of its work.

- (xi) The target date for recommendation 8 (security arrangements) was of concern given that action was listed as a high priority and was needed as soon as possible.

In response to issues raised, comments made and questions, officers stated:

- (a) Overall, Internal Audit considered the level of progress made to date to be acceptable. It had been recognised from the outset that some recommendations could not be actioned immediately. Internal Audit would continue its follow up work in respect of the matter to ensure actions were completed.
- (b) In response to (ii) and (iii), a further risk of delaying the processing of postal remittances was the increased risk of those remittances being mislaid. Such remittances involved cheques rather than cash. The delays may have been longer than usual at the time of the audit due to the holiday period at that time. The proportion of payments remitted by post as compared to other payment methods and, therefore, the scale of the problem, was not clear. Details of the processes involved were not clear, but it was likely that payments were accounted for when receipted even if there was a delay in banking the remittances, such that customers' accounts should indicate that payment had been made. The exact cause of non-payment letters being sent even though payment had been made would need to be established, as it did not necessarily relate to any delays in processing postal remittances. For example, the use of a holding account when customers did not have the required details on making payment might be a cause. If payments were not accounted for until monies were banked, a weekly banking practice might be a cause of non-payment letters being sent in error to customers.
- (c) It was understood that the use of agency staff would continue beyond end March 2005 if necessary. The Performance and Audit Manager confirmed that the Committee's comments would be taken on board when Internal Audit met with appropriate officers in Financial Services to discuss further the action plan. That discussion would include consideration of whether problems with long queues at peak periods were still being experienced and, if so, whether the ability to address the problems was affected by the budget available for staffing.

- (d) Reference was made to the intention to merge the Cash Office and Cashiers function with the Customer Service Centre. That should provide a larger pool of staff to undertake the functions concerned.
- (e) It was recognised that audit procedures needed to be improved to ensure that the action plans resulting from audits were reasonable and achievable and the implications of any recommendations were adequately considered before the plan was agreed. The audit of the Cash Office and Cashiers had highlighted that need. Improvements were also needed to the follow up process.
- (f) The Performance and Audit Manager confirmed that his further report on the matter would state both target dates and future actions in the final column of the chart.

RESOLVED

1. that the current position be noted;
2. that the Assistant Chief Executive (Risk Management) be asked to submit a further report on progress to the Committee's meeting on 24th May 2005, to include reasons for any actions that remain outstanding at that time;
3. that, given that action in respect of the matter is required as soon as possible and the length of time until the above meeting of the Committee, the Assistant Chief Executive (Risk Management) be asked to provide information on the action being taken in the meantime by email, particularly in relation to recommendations 2, 3 and 5 in the action plan.

59. INTERNAL AUDIT BUSINESS – INTERNAL AUDIT AND REVIEW PROGRAMME

Consideration of Audit Business, both internal and external, was included in the Committee's work programme on an ongoing basis. Therefore, a report of the Assistant Chief Executive (Risk Management) was submitted on the development of a three year Audit and Review Programme (ARP), to be introduced in April 2005, and associated management protocols and procedures and inviting the Committee to consider arrangements for its input in respect of the draft documents concerned.

In particular, the report suggested an additional meeting of the Committee in April 2005 for the purpose of ensuring the input referred to above. It was suggested that the Committee considered that alongside the need for an additional meeting in respect of minute 62 below (Housing Stock Options Appraisal), such that, if possible, only one additional meeting was held in April 2005, to consider both matters.

A member of the Committee considered that the Committee did not need to be concerned with the processes involved to the extent suggested.

In response to a question, the Performance and Audit Manager confirmed that the draft protocols and procedures and the draft three year Audit and Review Programme would be available for consideration in mid-April as stated in the report.

RESOLVED

1. that the report be noted;
2. that an additional meeting of the Committee be held at 6.00pm on 19th April 2005 for the purpose of considering (i) the draft protocols and procedures for establishing and managing the Audit and Review Programme and (ii) the draft three year Audit and Review Programme.

60. USE OF TEMPORARY AND AGENCY STAFF

In accordance with the Committee's work programme, information on expenditure on temporary and agency staff, where it was spent and for what purposes during the nine month period 1st April to 31st December 2004 was submitted.

The Deputy Chief Executive attended the meeting to assist the Committee in addressing any issues arising from the information supplied. In summary, he stated that the reasons stated in each case for use of agency staff were brief and, therefore, did not illustrate fully the context or circumstances in which they were employed. The total cost of £533,900 over nine months should be considered in the context of the Council's overall pay budget of £16.9m per annum. Any expenditure on temporary and agency staff was made from that budget. In monetary terms and on a proportionate basis, approximately 4.7% of that pay budget was being spent on such staff. Approximately 4% of the establishment was covered by temporary staff.

The following issues were raised and comments made by members of the Committee:

- (i) It was difficult to assess whether the use of temporary staff was excessive or appropriate as figures for previous years were not available for comparison.
- (ii) It was useful to know that there were controls in place in respect of the use of temporary staff.
- (iii) Particular circumstances had occurred in a number of Services over the nine months concerned which were unlikely to be repeated, such that temporary staff would not be required to the same extent in future years. Further details of those circumstances were given.
- (iv) Reference was made to the requirements on the Council in terms of its employment of casual staff. If casual staff were employed for a 52 week period, the employer was required to employ them as permanent staff.
- (v) The report provided a considerable amount of useful information to the Committee in a concise format.

In response to issues raised, comments made and questions, officers stated:

- (a) The information submitted had not been routinely collected prior to the Committee's request to consider the matter. It might not, therefore, be possible to obtain similar information for previous years, although the matter could be monitored to a greater extent now that the information was collected. Temporary staff could be employed by Heads of Service as required, within Services' budgetary constraints and establishment levels. In addition to that financial control, there were rules and protocols in respect of employing temporary staff. A temporary member of staff could not be employed for longer than three months (extendable to six months with the agreement of the Chief Executive). It was considered that those timescales were sufficient to make more permanent arrangements, if required, or to cover any period of transition or fluctuation which required additional staffing. Those rules had been agreed by the Chief Executive's Team, with that decision having been recorded and circulated. The Human Resources Team would be responsible for the resulting procedures. It was important to retain a degree

of flexibility in respect of the matter and use of temporary staff would vary between services and dependent on circumstances. The Council did not have a policy of limiting the percentage of the establishment that could be made up of temporary staff.

- (b) Reference was made to the pay budget being under spent as a result of temporary staff being used to cover some, but not all, of vacant establishment posts. The Council no longer employed a managed vacancy policy as part of its budgetary process.
- (c) The information related to temporary agency staff, not casual staff. Different employment rules applied in each case. It was the Human Resources Team's role to monitor the employment of all staff and to ensure that all requirements and regulations in that respect were known and adhered to.

RESOLVED

- 1. that the report and the controls in place in respect of the employment of temporary and agency staff by the Council be noted;
- 2. that the Deputy Chief Executive be asked to submit a similar report to the Committee in May or June of each year giving details of the use of temporary and agency staff for the preceding financial year and the management controls in place, with the first such report being submitted in May or June 2005 and with reports in subsequent years to include comparison with the previous year(s).

61. STRATEGIC RISK REGISTER - PROGRESS

In accordance with the Committee's work programme, a report of the Assistant Chief Executive (Risk Management) on progress in respect of risks listed in the Strategic Risk Register at end December 2004 was submitted. The report stated that actions to manage the risks were progressing as planned and that there were no significant issues to highlight to the Committee. Further to the report, the Assistant Chief Executive (Risk Management) briefly outlined changes to the Risk Register for 2005/06, including the introduction of an operational risk register to run alongside the Strategic Risk Register. Progress in respect of the Strategic Risk Register would continue to be reported to the Committee on a quarterly basis. Reporting in

respect of the lower level risks in the operational risk register would be on an exception only basis, as part of those quarterly reports.

The following issues were raised and comments made by members of the Committee:

- (i) Including an indication on the report of when information had last been updated was useful.
- (ii) The workshop aimed at reviewing and revising current Strategic Risk Register held on 1st March 2005 had provided a useful insight into how documents such as the Strategic Risk Register were developed.
- (iii) The Council's performance in terms of relets had been an issue for over ten years (risk 3). Indeed, that performance had been the third poorest in national comparisons in 1995. There had been personal involvement by the Leader at that time and significant improvements in the average time taken to relet a property from 14 to five weeks had been achieved. However, it seemed that as soon as the matter was not focused upon, performance worsened again. The main cause of the problem at that time had not been the time taken to undertake repairs to the properties, but the administrative relet process. It was recognised that the Housing Service's management arrangements had changed since that time. However, it continued to be important to focus on the matter and to monitor performance on a regular basis. It would be useful to have more detailed information on the position when the Committee next considered progress on the Register.
- (vi) In considering progress on the Strategic Risk Register in the past, the Committee had received more detailed information on the position in respect of specific risks which it had identified for that purpose. The Committee needed to consider whether there were risks for which it would like to receive more detailed information when it next considered progress.
- (v) Reference was made to the awareness campaign planned in respect of online services. It would be useful to have more detailed information on what that campaign would involve when the Committee next considered progress on the Register (risk 10). It would also be of interest to receive

information at some stage in the future as to the impact of that campaign in terms of any increase in the number of visits to the Council's website as a result. The awareness campaign might usefully include information on Council Tax bills and on Council vehicles.

- (vi) The Street Cleansing Service (risk 18) was a highly visible service and it would be useful to have more detailed information on how the risks involved in that respect were being managed when the Committee next considered progress on the Register. It would also be useful to have more detailed information on risk 25 (Flooding).
- (vii) Risks 26 and 29 both related to business continuity. It would be useful to combine the risks or relate them to each other in a suitable way. The description of risk 26 did not need to include reference to IT failure as that was a specific matter which might affect business continuity and detracted from the fact that there were many such matters.
- (viii) It would be useful to have more detailed information on how the risks involved in respect of lack of effective customer marketing (risk 28) were being addressed when the Committee next considered progress on the Register. Members of the Committee had not been aware until now that a draft Strategy in respect of the matter was proposed and information in that respect would be welcomed.

In response to issues raised, comments made and questions, officers stated:

- (a) The workshop referred to above had been well attended. The resulting document would be circulated as a draft for comment.
- (b) Performance in respect of relets was currently being actively managed, with the Deputy Chief Executive receiving reports on the position on a weekly basis. An appointment had also been made to the Voids Co-ordinator post just before Christmas 2004. Management focus on the matter and the processes involved would continue. Performance had improved over the past year, with the number of rental days lost to void properties having decreased by a third since January 2004. Although it was anticipated that performance would continue to improve, the 25 day turnaround target would not be achieved in the short-term due to the release of a considerable number of

longer term void properties for letting and the effect of that on the overall average performance figure.

- (c) The target in respect of risk 9 referred to 100% electronic enablement and not 100% take up. The former was a realistic target for which there was a schedule being worked to. Take-up was a matter which the Council could only influence to a limited extent. Information was available on the number of visits to the Council's website. The number of visits was currently quite low. There was not a target number of visits being worked towards.
- (d) Some risks would be removed from the Register as, for example, projects were completed.
- (e) It would be possible to clarify in future reports the nature of any joint responsibility for action in respect of a risk, for example where one officer was responsible for initial action and another for ongoing action.

RESOLVED

- 1. that the position be noted;
- 2. that the next progress report on the matter be considered by the Committee at its meeting on 24th May 2005, with that report to include more detailed information on the position and actions being taken in respect of risks 3, 10, 18, 25 and 28.

62. HOUSING STOCK OPTIONS APPRAISAL

The Committee's work programme included consideration, from a risk perspective, of the full appraisal of options for the Council's housing stock, once available. That full appraisal was not yet available. However, an initial report of the Head of Housing Services on the matter was submitted. In summary, the report outlined the requirements on the Council in respect of carrying out such an appraisal and the purpose of doing so, the options involved, the current position at Charnwood and the further steps to be taken, the mechanisms for managing the process and a summary of the risks involved and how they were to be managed.

The next meeting of the Committee was scheduled for 24th May 2005 and the Committee would need to undertake its consideration of the full appraisal before

that time, given that it was expected that Cabinet would consider the matter in April 2005. Therefore, the Committee was asked to agree an additional meeting for the purpose.

The following issues were raised and comments made by members of the Committee:

- (i) Reference was made to the training day held recently in respect of the matter. That had been very useful.
- (ii) Recommending an option to the Council and the Council subsequently taking a decision on that might be difficult matters to decide given the proximity of those decisions to the elections scheduled for 5th May 2005. It was important that the decisions taken were sensible and not affected in any way by that position.
- (iii) From a risk perspective, it seemed that the most significant risks to the Council were those identified within each of the options. The details of those were not yet available for the Committee to consider, but would be provided in the full appraisal which the Committee would consider in due course.
- (iv) The option chosen should be the best option for the tenants, rather than the Council. It was on concern that the process had not involved any significant consultation with councillors, most notably members of the Conservative Group.
- (v) The outcomes of the Stock Options Appraisal Steering Group meeting on 5th April 2005 should be discussed with the leaders of all political groups on the Council so that all were aware of the position in that respect.

In response to issues raised, comments made and questions, officers stated:

- (a) The report indicated the tight timescales involved for the process and the work involved. However, the Council remained on track with the final part of the consultation process about to be embarked upon. It was expected that the target of reporting to the Cabinet on 28th April 2005, so that it could decide upon its recommendation to Council in respect of the matter, would be met.

Given the work needed, following a decision of Council, to produce a case to be submitted to the Government Office for the East Midlands, it was necessary to adhere to that timetable if at all possible. Further details of the remaining steps to be taken in respect of the matter were given.

- (b) It was important to recognise that the process was ongoing and, as such, the risks involved and identified would change or be updated as part of that. For example, the process had already identified a number of financial models as information had been received and the most appropriate model on which to base a decision would need to be settled upon.
- (c) The context of the whole process was about tenant choice and choosing an option that would best deliver the Decent Homes Standard.
- (d) The Stock Options Appraisal Steering Group included councillor representation in the form of the Leader and the Cabinet Lead Members for Housing and Finance. Although not consultation, there would also shortly be a councillor awareness/briefing session and separate briefings on the matter had also been given to each of the political groups on the Council.
- (e) Reference was made to the requirement to undertake a ballot of tenants if the Council decided on the stock transfer option. A simple majority in favour, of those voting, would be needed to undertake that.

RESOLVED

- 1. that the interim report on the matter be noted;
- 2. that the full appraisal of options for the Council's housing stock be considered by the Committee, from a risk perspective, at its additional meeting on 19th April 2005, referred to in minute 59 above.

63. WORK PROGRAMME

The current position with the Committee's work programme was submitted. The Committee was asked to consider the programme and any amendments and additions it might wish to propose to the Scrutiny Commission for future meetings. That would enable planning for the next two or three meetings of the Committee to

be undertaken, for relevant background information to be prepared and for the attendance of officers and/or others to be arranged.

At its last meeting, the Committee had asked that the issue “Asset Disposal Policy” be programmed for an appropriate meeting date. Following consultation with the appropriate officer and the Chair, it was suggested that the matter be considered at the Committee’s meeting on 6th September 2005.

At its meeting on 15th February 2005, the Scrutiny Commission had identified the following matters from the Forward Plan of Key Decisions and Future Programme as requiring scrutiny and within the remit of this Committee. It had asked the Committee to include the matters in its work programme, unless already programmed:

- MRA Capital Programme – 2005/06 Onwards
- Housing Stock Options/Meeting Decent Homes Standard

RESOLVED that the Scrutiny Commission be advised of the Committee’s wish to proceed on the basis of the following work programme, which incorporates any decisions made earlier in the meeting:

ISSUE	MEETING
Internal Audit Business – Draft protocols and procedures for establishing/managing Audit and Review Programme and draft three year Audit and Review Programme.	19th April 2005 (additional meeting).
Housing Stock Options – Full appraisal of options to be considered from risk perspective.	19th April 2005 (additional meeting).
Use of Temporary and Agency Staff - Information on amounts spent, where spent and for what purpose.	Annually (May/June). Next to be considered 24th May 2005.
Strategic Risk Register – Report on Progress (Next report to include specific detail of position in respect of risks 3, 10, 18, 25 and 28)	Quarterly. In time, may be every six months. Next report to be considered 24th May 2005.
Internal Audit Business – Cash Office and Cashiers Audit – Progress on Action Plan	Considered 8th March 2005. Further report 24th May 2005.

Internal Audit Business – Progress on Audit and Review Programme (to include information on types of Fraud and Irregularity Investigations carried out and hours spent on that work).	Quarterly. Next report to be considered 24th May 2005.
Borrowing under Prudential Guidelines	24th May 2005.
Treasury Management	24th May 2005.
Local Code of Corporate Governance	Annually. (5th July 2005)
Revenue Out-turn Position (2004/05)	Annually. (5th July 2005)
Asset Disposal Policy	6th September 2005.
Draft Revenue Budgets 2006/07* HRA Budget 2006/07*	Annually. Additional meeting in January 2006 (to be arranged).
MRA Capital Programme 2005/06 onwards	To be programmed.
External Audit Business	Ongoing.

*The Committee wishes to consider these matters prior to consideration by the Cabinet/Council to ensure opportunity for input.

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Note: No reference may be made to these minutes at the Council meeting on 25th April 2005 unless notice to that effect is given to the Democratic Services Manager by five members of the Council no later than five days following the publication of the minutes.