As Members will be aware, the previous approach to addressing Select Committee requests for information has been to circulate briefing notes to all PAASC members. As part of the Council’s governance process and the need for transparency and openness, such responses will now be included in a consolidated report.

This report summarises the requests for information arising from the meeting held on 5 December 2016. For ease of reference, each of the requests are included in summary form, followed by the management’s response to each issue.

Recommendation

That the Select Committee are requested to note this report

Reason(s)

The Council’s vision and priorities are underpinned by the theme ‘a well-run organisation as set out in the corporate plan.
This is also as part of the Council’s governance process. (transparency and openness?)

1. Introduction and Background

1.1 At the Public Accounts and Audit Select Committee meeting held on 5th December 2016, Members requested information in six areas and following their consideration of the reports at that meeting. It is within this report that these requests are documented and answered accordingly.
2. **Bank Reconciliations**

2.1 Further to the Select Committee on 21 September 2016 when Members discussed the External Audit report 2015/16, they asked at the December meeting for a sample of evidence of bank reconciliations. These were still outstanding and Members needed evidence and assurance in this matter.

**Response**

2.2 For the 2014/15 financial year, the Council used Oracle’s (our general ledger system) bank reconciliation process. This proved to be very time-consuming and did not fit in well with the Council’s income collection, whereby there are significant amounts of miscellaneous income that could not be easily reconciled. For 2015/16, a decision was made to move from using the Oracle bank reconciliation tool to using a line by line reconciliation between Oracle and the bank statement. This approach effectively removed some of the automatic reconciliation that was possible using the Oracle bank reconciliation tool and made the reconciliation a more manual process. Although this required reconciling 25,000 lines each month it has proved to be quicker than the Oracle tool and allows discrepancies between the bank statement and Oracle to be quickly identified and corrected. Since April 2016 each bank statement has been fully reconciled within a 15-working day time target, with all but one reconciliation completed within a 10-working day time target.

2.3 Management do not envisage the above being an issue during audit this year.

**Outstanding items that had not been concluded at the time of PAASC when the Statement of Accounts was presented (Source in question: KPMG Audit Findings Report – ISA260)**

**Response**

2.4 Due to the time constraints and scheduled Select Committee dates, the External Auditors (KPMG) were required to report their findings at to the meeting on 21 September 2016. This inevitably meant there were some outstanding audit items which were being finalised at the time of writing. These had to be resolved prior to KPMG issuing an audit opinion. These were quickly resolved (most of them related to third party balance confirmation which tend to take some time). As a result, KPMG issued the Council a ‘clean bill of health’ in form of an unqualified opinion.

3. **Homelessness and Hostel Accommodation**

3.1 At its meeting on 5 December 2016, the Select Committee received a report on the Homeless Overspend, this relating to the Services’s costs exceeding its budget to run that service.

3.2 In considering the report, Members asked officers to supply additional information on:
a) The budgetary costs of the hostel facilities, and

b) The average length of time that homeless households remain in hostel accommodation.

Response

3.3 The table below provides high level budgetary information for the Service’s four hostel facilities. Note: The figures have been placed in brackets to indicate an operating surplus i.e. where income exceeds expenditure and it can be seen that all four facilities are, from a budgetary perspective, expected to achieve an operating surplus that totals £1,177,300.

<table>
<thead>
<tr>
<th>Hostel</th>
<th>Budget</th>
<th>Forecast</th>
<th>Variance from Budget Over/(under) spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brockelbank</td>
<td>(247,700)</td>
<td>(180,273)</td>
<td>67,427</td>
</tr>
<tr>
<td>Lodge</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Riverside House</td>
<td>(159,800)</td>
<td>(122,502)</td>
<td>37,298</td>
</tr>
<tr>
<td>Boundary Road</td>
<td>(84,900)</td>
<td>(17,473)</td>
<td>67,427</td>
</tr>
<tr>
<td>Butler Court</td>
<td>(684,900)</td>
<td>(625,352)</td>
<td>59,548</td>
</tr>
<tr>
<td>Sub Total</td>
<td>(1,177,300)</td>
<td>(945,600)</td>
<td>231,700</td>
</tr>
</tbody>
</table>

However, in consequence of the need to fund additional security in these facilities, a decision taken in appreciation that there is a mixture of families and single persons in residence, the forecast is that the surplus will not reach this £1.77M figure but, instead, is likely to be around £945,600. That difference between the hoped for surplus and the actual surplus is £231,700.

3.4 This reduction in the predicted surplus results in the reported budgetary variance of £231,700. For avoidance of doubt though, officers are keen to point out that the four hostels facilities are still operating at a surplus, just not the expected level.

Length of time in hostel accommodation

3.5 The table below provides the average length of stay for each of our four hostels:-

<table>
<thead>
<tr>
<th></th>
<th>Jan-16</th>
<th>Feb-16</th>
<th>Mar-16</th>
<th>Apr-16</th>
<th>May-16</th>
<th>Jun-16</th>
<th>Jul-16</th>
<th>Aug-16</th>
<th>Sep-16</th>
<th>Oct-16</th>
<th>Nov-16</th>
<th>Dec-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brockelbank</td>
<td>190</td>
<td>134</td>
<td>204</td>
<td>314</td>
<td>177</td>
<td>145</td>
<td>434</td>
<td>291</td>
<td>349</td>
<td>221</td>
<td>178</td>
<td>12</td>
</tr>
<tr>
<td>Riverside</td>
<td>0</td>
<td>334</td>
<td>0</td>
<td>0</td>
<td>385</td>
<td>306</td>
<td>412</td>
<td>460</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>475</td>
</tr>
<tr>
<td>Boundary</td>
<td>78</td>
<td>37</td>
<td>332</td>
<td>235</td>
<td>336</td>
<td>220</td>
<td>299</td>
<td>28</td>
<td>427</td>
<td>191</td>
<td>51</td>
<td>396</td>
</tr>
<tr>
<td>Butler Court</td>
<td>20</td>
<td>34</td>
<td>38</td>
<td>55</td>
<td>62</td>
<td>68</td>
<td>54</td>
<td>58</td>
<td>68</td>
<td>66</td>
<td>66</td>
<td>66</td>
</tr>
</tbody>
</table>

Members will note that these averages vary considerably and this can be explained thus:-
3.6.1. Brockelbank Lodge: this facility has a mixture of single and family households and the variance in the monthly figures reflects the fact that the average waiting time for families is significantly longer than for single people.

3.6.2. Riverside Lodge: this facility provides family accommodation only and the high numbers reflect the longer waiting times that families experience (‘0’ figures mean no moves that month).

3.6.3. Boundary Road: Although a single persons’ facility, the client group generally have complex needs and this has a fundamental influence on average rehousing times.

3.6.4. Butler Court: A facility for single, non-complex needs people, this then being reflected in shorter rehousing averages.

3.7. Members are asked to consider the information provided and to revert back for any clarification or further information is required.

4. **Sickness and Absence**

4.1. In receiving the Composite Internal Audit and Counter Fraud report, the Select Committee were concerned about some issues contained in the internal Audit limited assurance reports, including overtime compliance and the Sickness Absence Review. Regarding sickness absence, management weaknesses had been identified around failing to monitor trigger levels and record “Return to Work” interviews within Oracle.

4.2. Sickness procedures were found to have been applied inconsistently by Managers. The Head of Internal Audit advised that the lack of intervention was owing to management oversight, however the recommendations in the audit had been implemented. The Select Committee asked for details of these.

**Response**

4.3. Managements pro-active response to the Limited Assurance report has already resulted in a reduction in sickness absence over the third quarter of 2016. Examples of action already undertaken and future actions are set out below:

4.3.1. 11 briefings were held and over 400 managers attended. For those that were unable to attend Directors were contacted and asked to come back about the next steps.

- Director or GMs cascade the expectations to these managers
- HR are requested to run an additional shorter briefing for the managers that didn’t attend
- Managers are asked to get in touch with HR to arrange a Skype session on the One Oracle dashboards.
- Managers should undertake the e-learning and the One Oracle e-learning for recording and reporting absences.
HR attend management meetings and meet with Directors to go through the dashboards in more detail. Two sessions have taken place since the briefings.

Compliance – next steps
4.4. From February 2017, monthly monitoring information will be provided to Directors which will include compliance data on the following:
- Average absence (BVPI)
- Average absence excluding leavers
- Cost of absence (actual salary)
- Additional costs of absence (paid cover arrangements e.g. agency workers)
- Return to work interviews not completed/recorded on One Oracle
- Inaccurate open ended absences
- Inaccuracy in dates/days of absence recorded on Oracle
- Lack of action following a trigger related absence
- Absences recorded under “other, don’t know, blank”
- Details of Bradford factor absences above our average factor score
- Stress related absences not referred to Occupational Health within 2 weeks.

4.5. We continue to promote sickness absence prevention interventions and would expect managers to deploy the full range of support available such as the Employee Assistance Programme, Workplace Mental Health Support Service (Access to Work), Counselling, Physiotherapy, Resilience Workshops, Revitalised Online Health Management, and Health Checks.

4.6. In conclusion, the Council now has a robust approach to managerial compliance in respect of managing sickness absence and the general downward trajectory of sickness absence demonstrates the effectiveness of this approach.

5. No Recourse to Public Funds
5.1. The Select Committee had further concerns relating to the report on the Composite Internal Audit and Counter Fraud 2016/17 half year report. The Select Committee referred to one of the internal audit works listed in the report as “No recourse to public funds”, where limited assurance had been given. They requested details of the recommendations shown in the limited assurance report.

Response

5.2. No Recourse to Public Funds (NRPF) is an immigration condition restricting access to public funds, including many mainstream benefits such as welfare and housing.

5.3. Families and individuals may have a right to financial support (accommodation and subsistence) from social services to avoid destitution or because of complex health needs. In these cases, the local authority has a duty to support the accommodation and subsistence costs albeit no funding is received for this work.
5.4. Internal Audit became involved in 2014/15 when it came to light that existing procedures for handling cash had become overloaded by the increase in the number of NRPF cases being dealt with. Since then, a dedicated team has been established to determine eligibility, to provide accommodation and subsistence and to liaise with the Home Office to make sure that immigration queries are resolved as quickly as possible.

Summary

5.5. This follow up audit formed part of the 2015/16 audit plan which was agreed by Members in March 2015.

5.6. This review followed up progress in implementing the recommendations made during the audit, which included seven high priority recommendations. This review found that all recommendations had been implemented. A new payment system is now in operation and as a result service users are paid via BACS or post office letters. Accommodation providers are paid directly and staff no longer use their personal money to provide service users with emergency funds.

5.7. This review found some control weaknesses in relation to the billing periods of the accommodation suppliers and subsistence payments. Two recommendations were made, one high priority recommendation and one medium priority recommendation. Limited Assurance was provided as the weaknesses in the system of controls are such that they put the system objectives at risk. These recommendations have subsequently been addressed by management.

Findings

5.8. A sample of NRPF service users were selected to confirm that all transactions were properly recorded and reconciled back to client information. We were unable to match the subsistence payments to the payments on the Oracle system.

5.9. Management have advised that the NRPF team maintains up to date financial information on Oracle for families who have bank accounts. However, a large number of families with NRPF status do not have bank accounts, therefore the information cannot be recorded on Oracle. These families are paid with post office letters.

5.10. The MASH Team use a number of accommodation providers from a preferred suppliers list, a number of which are outside the borough (Kent & the Midlands). The billing periods differ from supplier to supplier and some landlords may be paid on a weekly basis whilst others are paid monthly.

5.11. Management update is that all NRPF housing providers are now paid on a monthly basis. Only emergency payments are made to intentionally homeless families from S17 budget when these families approach the Council in need of emergency accommodation.
Previous recommendations update

5.12. It was found that staff within the Assessment Team had been using their personal money to make emergency subsistence payments to service users.

5.13. Management now have a dedicated purchase card which has been assigned to the Group Manager and the Assessment Team. This provides access to emergency funding when required and larger purchases such as emergency accommodation.

5.14. Section 17 expenditure cannot be identified from the statutory payments that Children’s Services are required to make and the payments made to service users under the NRPF scheme due to the coding structure used.

Management now have a separate budget code for NRPF payments. Budget realignment and the creation of a specific NRPF cost code has now been implemented. In addition, all NRPF service users have been assigned a unique purchase order.

5.15. Consideration should be given towards providing an additional purchase card to the Assessment Team restricting the type of purchases that can be made with the card.

Management have assigned a purchase card to the department.

Funds held in the safe exceeded the insurance limits.

5.16. Management have purchased a new safe and appropriate insurance is now in place.

The cash held has not been approved by Finance and does not appear on the list of petty cash imprests held.

5.17. Management have changed the payment method as service users are no longer given cash as standard. Instead a payment letter is provided and service users now collect their subsistence payments from a Post Office.

5.18. The cash imprest should be regularly reconciled to ensure that the total of the cash in hand and the cash paid out balances to the value of the petty cash imprest.

Dedicated business support officers are now responsible for the reconciliations and are rotated on a regular basis. Reconciliations are now performed on a weekly basis and signed off by an independent officer.

5.19. The Service should explore alternative payment mechanisms to reduce the amount of cash required to be held on site.

Management have changed the payment method. All service users have now been provided with ID linked to the weekly post office letters.
**Conclusion**

5.20. Management have taken action to implement recommendations made to address the risks highlighted in both the original audit and the follow up review. This has created a more robust operational environment and minimises the risk to the Council.

6. **Risk Management Framework**

6.1. The Select Committee received a report on the Risk Management Framework (six monthly report) and requested to receive details of the Corporate Risk Log and Risk Register for Quarters 1 and 2 for the financial year 2016/17, which had not been included within the report to the Select Committee on 5 December 2016.

**Response**

6.2. The Corporate Risk Register (CRR) (Appendix 1) presented here incorporates the transformational risks, arising from the implementation of A2020 that impact on corporate risks. These have been incorporated fully incorporated into the risks already on the CRR and are no longer stated separately. This has enabled those Directors responsible for those Corporate Risks impacted by the Transformational programme to be aware and to incorporate them in their mitigation action plans.

6.3. The CRR is presented in the revised format of 6x4, changed from the former 4x4 Matrix, that allows a greater degree of finesse to rating risks.

7. **Skills Audit**

7.1. The Select Committee received an update report on the employment of Agency and Programme/Project Workers and this was introduced by the Interim Head of Workforce Change and showed an analysis of the current non-permanent staff across all services, broken down by a number of areas. As part of the Select Committee’s discussion on this item, reference was made about a skills audit and the Interim Head confirmed that these were regularly undertaken to identify ‘gaps’ in the organisation. It was agreed that the information on the skills gap would be provided to the Select Committee.

**Response**

7.2. The skills audit was carried out to compliment the Council’s Appraisal process.

7.3. There is an 80-95% completion rate. Included in the appraisal Managers agree a formal PDP (with short term and medium/long term priority areas for development) - which addresses all learning and skills needs. In addition, there is objective setting and assessment of achievement of SMART objectives. There is also a rated assessment against the behavioural competencies - which are all linked to our DRIVE values.

7.4. Both the Skills Audit and the outcome from PDPs provide the focus for delivery of Council wide, service specific and individual training provision.
8. Financial implications – Stephen Hinds, Chief Accountant
8.1. Financial Implications are covered within the main body of the report.

9. Legal implications
9.1. There are no legal implications arising from this report as it for noting only.

10. Appendices
10.1. Appendix 1 – CRR in new 6x4 Matrix format
10.2. Appendix 2 – CRR 6x4 Rating Matrix Criteria