

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM
2/3, CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 8 JULY 2010
AT 2.00PM

Present:-

Councillor E Dodd - Chairperson

<u>Councillors</u>	<u>Councillors</u>	<u>Councillors</u>
D Buttle	M Gregory	C Westwood
P A Evans	T Hacking	H M Williams

Officers:-

D MacGregor	-	Assistant Chief Executive - Corporate Development and Partnerships
A Phillips	-	Head of Property and Finance
H Smith	-	Chief Internal Auditor
G Doak	-	Group Auditor
I Pennington	-	Audit Director - KPMG
J Monks	-	Cabinet and Committee Officer

101 APOLOGIES FOR ABSENCE

Apologies were received from the following Members:-

Councillor C Davies	-	Hospital appointment
Councillor G Davies	-	Attending a GHH Charity meeting of Trustees
Councillor M Reeves	-	Hospital appointment

102 DECLARATIONS OF INTEREST

None.

103 MINUTES OF THE PREVIOUS MEETING

RESOLVED: That the minutes of the meeting of the Audit Committee held on 13 May 2010 be approved as a true and accurate record.

104 WALES AUDIT OFFICE RECOMMENDATIONS - PROGRESS REPORT

The Assistant Chief Executive - Corporate Development and Partnerships presented a report that provided the Committee with information on action taken to progress the recommendations made by the Wales Audit Office (WAO) during the last two years. A Progress Report had been requested by the Committee at their March meeting.

He informed Members that the WAO also used the Annual Letters to comment on matters that in their opinion required some form of action to be taken and the WAO had commended the Authority for being responsive and following through on those matters. The focus of the work done for the Committee to consider had been on formal reports and recommendations and the Schedule shown at Appendix 1 contained a summary of the progress made against each of the recommendations made by the Auditors.

The Assistant Chief Executive - Corporate Development and Partnerships then took Members through the recommendations on five service areas:-

- Highways Asset Management (October 2008)
- Member Support (September 2009)
- School Modernisation (January 2009)
- Performance Management (April 2009)
- Review of the Council's response to the recommendations of the E.Coli Inquiry (January 2010)

Highways Asset Management

Referring to the Highways Asset Management recommendations, the Assistant Chief Executive - Corporate Development and Partnerships advised Members that additional funds had been allocated by the Council in 2010/11 towards the Highways Asset Management Plan (HAMP). However, the Plan had not yet been completed, due to the effect of the recent budget proposals which had been taken into account.

Member Support

With regard to the Member Support Review, he informed the Committee that although the restructure of Cabinet/Committee combining with Member Support had not yet been completed, Cabinet support would be strengthened and Cabinet Members had welcomed this new arrangement.

The Assistant Chief Executive - Corporate Development and Partnerships informed the Committee that a Research and Evaluation Panel had been established to examine the Outside Bodies in order to determine the most relevant, so that Members would be clear what their role was on those bodies. He hoped this investigation would be concluded by the Autumn with a view to presenting a report to Cabinet on the way forward.

He advised that due to Members not being supportive of using the Customer Service Centre for the referrals system, this would be reviewed once the new support structure was established. He stressed that Members' views were important and there would be no changes until they were confident that a better system was in place. One Member commented that the reason they did not support the proposal was because they were not getting the same level of responses that the public received.

The Assistant Chief Executive - Corporate Development and Partnerships then explained to the Committee that as some agendas for certain Committee meetings were becoming extensive, the Member Development Group recommended briefings for Members. He believed this would prove beneficial as it was important for Members to be briefed on major issues, such as the School Modernisation Programme.

Performance Management

The Assistant Chief Executive - Corporate Development and Partnerships informed the Committee that work was about to commence on evaluating the impact of the Management Development Programme. This was an ongoing part

of improving the culture of the Authority, but he stressed it would take time to produce the desired results.

He advised that the Business Plan template was being revised but this work would be progressed when the new Group Manager - Business Strategy and Support in the Children's Directorate takes up his post in August as it was important to have input from all Directorates.

Review of the Council's Response to the Recommendations of the E.Coli Inquiry

The Assistant Chief Executive - Corporate Development and Partnerships reported that the Assistant Chief Executive - Legal and Regulatory Services had given a clear update on progress of the recommendations which Cabinet had been required to expedite. The amount available to take forward those recommendations was approximately £10,000, but the costs incurred were substantially higher as changing established practices sometimes required investment.

RESOLVED: That the Committee noted the progress being made with the implementation of the recommendations made by the Council's Auditors.

105 INFORMATION AND ACTION REQUESTS BY COMMITTEE

The Group Auditor submitted a report summarising the action and requests made by the Committee. He proposed reporting back to Members on a regular basis on any requests for follow-up internal audits and suggested that such requests for further action or information be included in the Committee's resolutions for ease of reference.

School Meals Accrued Debts

A summary of school meals accrued debts was shown at Appendix 1 of the report, which provided information on how those debts were followed up. The Group Auditor reported that the Authority had recognised that improvements needed to be made in the process to recover such debts, and as a result, a new procedure had been implemented for 2010/11. He explained that the Children's Directorate had developed a more informal system which involved initial negotiations with parents and guardians in order to avoid further action being taken. The Catering Services audit was in this year's plan, and he would report back to the Committee after completion of that audit as to whether the new procedure was proving effective.

In response to questions from Members, the Group Auditor advised that the school meals accrued debts applied to primary schools and some special schools only, as comprehensive schools operated a cash payment system. He advised that the number of families involved in school meals debts would be analysed as part of the Catering Service audit. He confirmed for Members that those parents and guardians who had accrued such debt were aware that they could apply for free school meals if they qualified and were encouraged to do so, as well as the parents of those children who were still receiving meals despite the debt. It was noted that Head Teachers would not let those children go hungry and usually provided a sandwich for them on such occasions.

Volunteer Drivers Scheme

The Group Auditor referred Members to the Volunteer Drivers Scheme follow-up audit. Members had received the full report which contained two significant recommendations. Firstly, that the volunteer drivers should be in possession of up to date CRB checks prior to any work taking place. Secondly, that the volunteer drivers' manager should continuously monitor the Scheme to ensure the service remained within budget.

In response to a question from Members the Assistant Chief Executive - Corporate Development and Partnerships advised that the volunteer drivers worked within the care system to ferry those parents who do not have transport to Contact Centres to be reunited with their children. This service had been provided by every local authority for a number of years. The volunteer drivers also provided transport to schools for those children in foster care who were living outside the area, to enable them to remain at their school, which the regular school transport did not cover. The drivers received mileage allowance in recompense for this service.

Highways Maintenance

The Group Auditor reported that he had received a response from the Head of Street Scene regarding the Highways Maintenance follow-up audit and management had confirmed that all the recommendations had been implemented with the exception of two. Independent store checks had not yet been carried out due to long term staff absence, but it would be expedited this month. Also the Highways Maintenance Policy document coincided with the WAO's report on the Highways Asset Management Plan. The Authority had looked at the Policy from a different viewpoint regarding procedures and pending discussions on shared services, preparation of the Highways Maintenance Policy document had been delayed until November 2010.

The Committee had previously requested a progress report on street lighting column inspections and management had advised that there were a total of 19,000 columns within the Borough. To check each one would cost £¼m, therefore it was planned to identify the high risk columns which were in danger of corrosion/collapsing and they would be selected according to risk to the public. A standard check of a minimum of 5% of the lighting would be checked, possibly more if the budget allowed. All columns would eventually be checked as part of the process of converting light bulbs to part night as part of the energy saving exercise being rolled out.

The Head of Property and Finance informed Members that this had been a major issue some years ago when it was reported that a number of columns were dangerous. As a result, regular checks had been put in place.

RESOLVED: That the Committee noted the information and requests follow up audits.

106 ANNUAL GOVERNANCE STATEMENT 2009/10

The Section 151 Officer submitted a report in order to seek the Committee's approval that the Annual Governance Statement (AGS) be included within the Authority's Statement of Accounts for 2009/10. The report detailed the necessity for the AGS shown at Appendix A of the report and that it was statutory in terms of it being within the Accounts and Audit (Wales) Regulation 2005, which introduced

a requirement for the Authority to be explicitly responsible for annually reviewing and reporting on internal control.

The Section 151 Officer explained that there were six core principles of good governance in Local Government, listed in the report, which covered all aspects in terms of what the Authority was trying to achieve. He congratulated the Chief Accountant for her work on the preparation of the AGS.

The Audit Director - KPMG advised that the AGS, which had evolved from last year, would be attached to the Annual Accounts and examined by KPMG in order to verify that the Statement was true, and would be subject to amendment if, in KPMG's opinion, it were not.

One Member referred to page 2, section 2 "Policies and Plans" (ii), and pointed out that the Audit Committee had been omitted. He further referred to (iii) in Section 2 and suggested that the Audit Committee should be included in the listing. The Section 151 Officer noted his comments.

The Assistant Chief Executive - Corporate Development and Partnerships referred to paragraph 3, page 9 of Appendix A and explained the need to clarify the different roles of the Audit and Scrutiny Committees. He advised bringing reports on risk management before the Committee periodically and to that effect had consulted with the Risk Manager regarding the Committee's comments. A way forward on strengthening the Audit role in monitoring strategic risks would hopefully be agreed by the autumn, and the Committee would receive an annual progress report. He suggested that it might be useful for the Committee to also receive information on insurable risks in order to satisfy Members of the arrangements in place for managing risks.

The Section 151 Officer pointed out that there had previously been a joint Officer/Member group who would meet to review risk management, and agreed that such work should formally be presented to the Committee periodically.

The Chief Internal Auditor referred Members to line 6, paragraph 4.5, page 2 of the report. She advised that "Chief Internal Auditor" should be amended to read "Assistant Chief Executive - Corporate Development and Partnerships". She advised that this role had previously been discussed and agreed with the Assistant Chief Executive in that the responsibility should fall within the remit of the Assistant Chief Executive - Corporate Development and Partnerships, due to its importance and the fact that it crossed over all the Directorates.

RESOLVED: That the Audit Committee had critically reviewed the Annual Governance Statement and approved its inclusion in the Statement of Accounts 2009/10.

107 PROPOSED AMENDMENT OF THE AUDIT COMMITTEE'S TERMS OF REFERENCE

The Chief Internal Auditor presented a report on the proposed amendments to the Audit Committee's Terms of Reference (TOR). She informed Members that this was in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) and their published "Audit Committees - Practical Guidance for Local Authorities", which set out the core functions to make the Audit Committee effective.

She explained that she had reviewed the Committee's existing TOR and it had become clear that they needed to be more concise as to the Committee's role and function. She referred Members to the proposals shown at Appendix 2, which had been reviewed by the Monitoring Officer and discussed with both the Chair and Vice-Chair of the Audit Committee. The proposed new TOR had also been reviewed by the Overview and Scrutiny Strategy Group. She advised that the new TOR would be presented to Council in September.

The Assistant Chief Executive - Corporate Development and Partnerships informed the Committee that work on the TOR had commenced a year ago, when he had discussions with the Scrutiny Strategy Group. He highlighted the fact that Scrutiny had been in existence within the Authority for the past 10 years and as such, the revised TOR for the Audit Committee made stronger reference to risk management. He added that the new TOR would give the Audit Committee a more meaningful role within the Council.

RESOLVED: That the Committee noted the report.

108 INTERNAL AUDIT TERMS OF REFERENCE 2010-2011

The Chief Internal Auditor presented a report on the Council's Internal Audit 2010-2011 Terms of Reference (TOR) in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. She informed Members that Internal Audit had a set of eleven standards which defined the way in which the service should undertake its functions, one of which referred to TOR, formulated to ensure compliance with the standard, but also to demonstrate Internal Audit's role and responsibilities.

The Chief Internal Auditor explained to Members that she had formulated the TOR using guidance from the Code of Practice which clearly states that the TOR should be brought before the Audit Committee for their information. She stressed that it was her intention to regularly review the TOR, and incorporate those reviews within regular progress reports brought before the Committee on a quarterly basis.

RESOLVED: That the Committee noted the report.

109 INTERNAL AUDIT STRATEGY AND PLAN - JULY 2010 TO JUNE 2011

The Chief Internal Auditor presented a report on the Council's Internal Audit Strategy and Plan for the year July 2010 to June 2011. She reminded Members that the draft Strategy and Plan had been brought before the Committee in May and had since then consultation had taken place with the Directors to obtain their views before presenting the final version to the Committee.

She referred Members to the detailed Plan shown at Appendix 2. Attached to the Plan is the Strategy which was produced to ensure that Officers and Members of the Committee were fully informed of Internal Audit in order to provide Council with an opinion as to the level of assurance. At the end of each report the Chief Officer or Head of Service would be provided with a report setting out the findings and recommendations.

The Chief Internal Auditor informed Members that managers had commented that when Limited Assurance reports were issued, they were not given an opportunity to implement those recommendations before being brought before the

Committee's attention. She therefore suggested that Limited Assurance reports be initially issued to the managers to give them a reasonable length of time to implement those recommendations, dependent on the seriousness of them. That would be followed through with a review to ensure the recommendations had been implemented and if they had not, they would then be brought before the Committee to provide an explanation. The Committee would be kept up to date with a summary of Limited Assurance reports which had been issued.

In response to a question from a Member, the Chief Internal Auditor, suggested that the time span for the managers to implement the Limited Assurance recommendations be left to Internal Audit to determine. The Committee would then be informed of the outcomes and any problems encountered as well as the length of time given to managers to complete those recommendations. Members stressed that managers should still be called to account for not implementing the recommendations. The Head of Property and Finance advised that this form of action would strengthen the Auditors' position in that if managers did not implement recommendations then they would be called before the Committee for critical examination. Members would have the opportunity to study Limited Assurance reports if they so wished.

The Assistant Chief Executive - Corporate Development and Partnerships made the observation that Officers had to be accountable to their managers. If a situation arose whereby something had been badly managed which resulted in having significant consequences relating to loss or harm, immediate action would be required. As a result, individuals may well be called to account to explain the process that had taken place.

The Chief Internal Auditor assured Members that the Audit Plan was achievable and had been based on existing staff levels. In response to a question from one Member, she explained that Internal Audit was now using a computerised management information system for the first time. The column entitled "Model Plan" listed every area to be audited alongside the number of days required to audit each one. She informed Members that she would demonstrate the administration of the management system at a future meeting of the Committee, to give Members an opportunity to see how it worked.

The Chief Internal Auditor advised Members that if there were any major changes amounting to more than 20% within the Plan, she would bring a revised Plan before the Committee. Furthermore, she would present a quarterly report to the Committee on the progress of the Plan. She added that if 85% of the Plan was completed then she hoped to provide the Committee with her conclusions by the end of the year.

RESOLVED: That Members noted the Internal Audit Strategy and Plan July 2010 to June 2011.

110 PROPOSED FORWARD WORK PROGRAMME

The Chief Internal Auditor submitted a report on the proposed Forward Work Programme (FWP) for the Audit Committee, which would be the first one for the Committee. She advised that the FWP's would ensure the Committee was giving due consideration to all aspects of core functions as set out in its Terms of Reference.

AUDIT COMMITTEE - 8 JULY 2010

The Head of Property and Finance was concerned as to whether there was a balance between Committee meetings. He explained that Audit Committee sat every six weeks, which was a heavy burden and asked for Members views.

The Chief Internal Auditor reminded Members of the Audit Training Session which was due to take place. One Member suggested that it would be useful to have training sessions prior to Committee meetings as he believed they would be better attended at that time. The Assistant Chief Executive - Corporate Development and Partnerships informed Members that he would bring this before the Member Development Group.

RESOLVED: That the Committee considered and approved the Forward Work Programme.

The meeting closed at 3.35pm.