

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN THE COMMITTEE ROOM  
2/3, CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 14 APRIL 2011 AT  
2.00PM

Present:-

Councillor E Dodd - Chairperson

Councillors

C Davies  
P A Evans  
T Hacking

Councillors

M Reeves  
C Westwood

Officers:-

D Macgregor - Assistant Chief Executive - Performance  
D Sutherland - Head of ICT and Property  
T Freemantle - Centre of Excellence Manager  
R Martin - Insurance and Risk Management Officer  
H Smith - Chief Internal Auditor  
G Doak - Group Auditor  
I Pennington - KPMG Director  
J Monks - Democratic Services Officer - Committees

170 APOLOGIES FOR ABSENCE

Apologies were received from the following Members:

Councillor D Buttle - Holiday  
Councillor G Davies - Hospital Appointment  
Councillor M Gregory - Work Commitments  
Councillor M C Wilkins - Unwell  
Councillor H M Williams - Work Commitments

171 DECLARATIONS OF INTEREST

None.

172 MINUTES OF THE PREVIOUS MEETING

RESOLVED: That the minutes of a meeting of the Audit Committee dated the 3<sup>rd</sup> March 2011 be approved as a true and accurate record.

173 EQUAL PAY UPDATE

The Assistant Chief Executive – Performance referred Members to the last paragraph of Item 164 of the 3<sup>rd</sup> March minutes (page 112) in which Members had sought clarification regarding the timing open to former employees to lodge claims for equal pay. He informed the Committee that claims were required to be made within six months of a person leaving the Council's employment and like claims regarding current employees, they could go back as far as six years. He advised that representatives of the estates of deceased employees could pursue a claim within six months of that person's death; however in such cases a view

could be taken that a proper defence could not be submitted and therefore the claim might not proceed to a full hearing.

174 PROJECT MANAGEMENT

The Head of ICT and Property gave Members a presentation, at their request, on the Authority's approach to project management. He informed the Committee that in 2007 the first Corporate Programme Management Board was developed, headed by the Chief Executive and he explained the toolkit principles and techniques used in project management. He described how constructing and managing a business case was an important skill; project managers were expected to adopt a structured approach to achieve all significant changes and gave as an example the 250 staff move from Civic Offices to Ravenscourt. He explained that once a business case was in place, a project plan was developed and stage reviews were conducted to make sure the right outcome was achieved in relation to cost, quality and time.

He advised that training for all project managers was undertaken, but added that experience was also essential as well as the importance of planning and risk management, which was of particular relevance to the Audit Committee. He advised that the critical message to convey was that compliance was the responsibility of individual project sponsors and project boards.

The Head of ICT and Property concluded by saying that sound project management was important to the Authority and to that end a Centre of Excellence for Programme and Project Management had been established. The Corporate Programme Management Board oversees the strategic programmes with individual programme boards monitoring progress of their respective projects on a monthly basis.

Discussion took place and one Member enquired how each business case distinguished between output and outcome.

The Head of ICT and Property explained that the key with a business case is that the "deliverables" had to be measurable. He advised that it was critical to bring the project teams together to measure progress with the required outcomes as well as making sure the project was delivering.

In response to a question regarding school modernisation, the Head of ICT and Property advised that the programme management methodology had reduced the risk of any staff changes. In response to a question regarding the risk of losing project managers during a project, the Centre of Excellence Manager informed the Committee that when using the structured approach adopted in the toolkit it should be relatively straightforward for another project manager to pick things up and carry on. Members were pleased to know that the Authority was protected from such a risk.

RESOLVED: That Members noted the arrangements that are in place.

175 REVIEW OF CORPORATE RISK ASSESSMENT AND RENEWAL OF INSURANCE

The Insurance and Risk Management Officer presented a report updating the Committee on the outcome of the recent review of the Council's corporate risk assessment, and explained how some risk is transferred from the Council to the

insurance market. He advised that the annual insurance renewal negotiations had been undertaken for 2011-12 by the Authority's insurance brokers, Marsh UK Ltd. A summary of the principal insurance policies, premiums paid and claims received against the Authority were detailed in Appendices B, C and D to the report.

The Insurance and Risk Management Officer took Members through the report and advised that the risk assessment, which had recently been reviewed by members of the Corporate Management Board, identified that the principal risk had been the impact of the recession, shown at pages 1 and 2 of Appendix A. There had since been agreement to Council's Medium Term Financial Plan and also explained that in the Budget consideration had been given to the various services which would need to be re-modelled.

The degree of spending reductions required had become clearer in the latter part of last year and spending reduction options of £17m by 2014 had been identified and brought into the risk assessment. New absence figures had been released showing a downward trend with an average of less than 10 days absence per annum, per employee. He further reported that the 40% cut on annual capital that the Authority was facing would impact on the school modernisation programme.

In response to a question from Members on whether monies for prudential borrowings for school modernisation had been ring-fenced, the Assistant Chief Executive – Performance advised that there was a limit to what the Authority could finance under this avenue. He explained that the capital programme reflected prudential borrowing for school modernisation, but the savings that the schools are required to make had not yet been fully quantified or realised. He informed the Committee that Cabinet had previously ring-fenced school capital receipts to assist towards the school modernisation programme and added that he would report back to the Committee whether or not that had been rescinded. Difficult decisions had to be made due to the changing environment during the past two years at a national level and the Authority had to react to the 40% reduction in capital. The policy decision to ring-fence receipts for schools was dependent upon the Authority's priorities. He added that it would not be clear whether there would be continuity with WAG funding streams until after the May Election.

The Assistant Chief Executive – Performance advised that the remodelling of Adult Social Care would be linked to work being progressed with other partners in the next year and the Authority was currently in the pre-tendering stage.

Referring to the implementation of a new pay and grading system, which is shown at page 11, Appendix A, the Insurance and Risk Management Officer informed the Committee there was uncertainty as to whether the Authority would be able to access funding to assist in the settlement of equal pay claims.

One Member enquired what the position was regarding Job Evaluation with the Trade Unions.

The Assistant Chief Executive – Performance responded by saying that the proposed changes to some of the terms and conditions for employees had been indicated in a presentation to Council last week and the position had eased. The Authority's understanding currently was that the trade unions are prepared to consider a collective agreement but they may be prepared to ballot their members. He added that the Authority had good relations with the trade unions and whilst he was keen to make progress, did not wish to rush the Job Evaluation process in order to get it right.

In response to a question from one Member regarding the impact that the variation in the contract for tonnage expectancy would have on the improved percentage of recycling, the Assistant Chief Executive – Performance informed Members that he would look into it and report back to the Committee.

RESOLVED: That the Committee received the information provided in relation to the review of the annual risk assessment.

176 INFORMATION AND ACTION REQUESTS BY COMMITTEE

The Chief Internal Auditor submitted a report summarising the actions and two requests made by the Committee. She informed the Committee that the follow-up report on the Human Resources records issue was nearing completion and was due to come before the Committee within the next couple of months.

Members had also requested a report from the Corporate Director – Children detailing the circumstances which had led to the decision by three secondary schools to opt-out of the Catering Service. She advised that she was awaiting a response from the Children's Directorate.

RESOLVED: That the Committee noted the report.

177 NATIONAL FRAUD INITIATIVE

The Chief Internal Auditor presented a report to update Members on the progress of the Council's response to the Audit Commission's National Fraud Initiative (NFI). She informed the Committee that the NFI was established in 1996 by the Audit Commission and had been designed to detect erroneous and fraudulent payments from the public purse, working on a bi-ennial basis. The Authority had participated since its inception and the last NFI had identified savings of over £450,000; included within this figure was savings identified relating specifically to council tax single person discounts. This was a new match introduced for the last NFI exercise and none of these specific cases were deemed fraudulent.

RESOLVED: That Members noted the report.

178 AUDIT COMMITTEE - RECOMMENDATION MADE

The Assistant Chief Executive – Performance submitted a report on the recommendations made since the 1<sup>st</sup> July 2010 in accordance with the Audit Committee's Forward Work Programme.

The Chief Internal Auditor reminded Members that she had brought before the Committee in January a report on recommendations made to improve the overall control environment on the areas reviewed. The Chief Internal Auditor explained that the first report presented to Members in January showed that a total of 74 recommendations had been made, a further 34 significant recommendations have been made during the period January to March of which 20 related to compliance issues. There had been a total of 293 recommendations since last July all of which had been responded to by management. She concluded by saying that the recommendations were continually monitored in order to ensure the correct responses are received.

RESOLVED: That the Committee noted the report.

179 COMPLETED AUDITS

The Group Auditor presented a report the purpose of which was to summarise the findings of audits recently completed by internal audit.

He advised that reasonable assurance had been given in respect of the audit of the Inclusion and Psychology Services, which had experienced a number of changes in recent years. Improvements were needed regarding procedures, the completion of risk assessments for home tutors and updated Service Level Agreements with schools.

Reasonable assurance had also been given on use of the Welsh Purchasing Consortium (WPC). He advised that the Consortium consisted of 16 Welsh local authorities coordinated by Cardiff County Council, with each Authority taking on the role of tendering for products, which proved to be economically viable. He informed the Committee that they had recommended to the Group that the Authority should ensure that a proper risk assessment is undertaken on each contract. The Group had agreed to this and had confirmed that it would become part of their business plan.

The Group Auditor was pleased to report back that there had been a significant improvement in the management of all three of the Leisure Centres listed at page 3 of the report (Garw Valley, Maesteg Sports Centre, and Ogmores Valley Life Centre). Members had previously requested the Head of Service to attend a meeting of the Audit Committee in order to respond to some of their concerns and the Group Auditor advised that these audits had formed the view that reasonable assurance could be given. A common issue raised with management at the three Centres was the completion of documentation for gym membership, which was a potential risk to individuals' health.

One Member related this failure to complete the documentation to a potential insurance risk and asked what the management response had been.

The Assistant Chief Executive – Performance advised that there needed to be assurance that management is acting on this and taking action. He added that the Chief Internal Auditor would follow this up.

RESOLVED: That the Committee noted the report.

180 AMENDED FORWARD WORK PROGRAMME 2010-11

The Chief Internal Auditor presented a report to Members, which outlined an amended Forward Work Programme (FWP) for the Audit Committee. She informed the Committee that the FWP had been operational for eight Audit Committee meetings and as a result, the Committee had received a total of 50 reports and three presentations, which gave due consideration to all aspects of the Committee's function. She advised that there was one outstanding report to bring before the Committee on the Anti-Fraud and Corruption Arrangements, which Members had agreed to defer pending the new Bribery Act being enacted.

The KPMG Director advised that the Bribery Act was expected to come into force on the 1<sup>st</sup> July 2011. He believed that the Authority had most of those controls already in place and advised that the main thrust was to try and get the private sector on line with this new Act. He explained that the audit standards would be

upgraded this year, which would mean that the external auditors would need to be more stringent in their approach towards the Authority's controls over fraud and corruption. The Chief Internal Auditor confirmed that this would be scheduled into the FWP.

The Assistant Chief Executive – Performance referred Members to paragraph 4.2 of the report and explained the background to the reason for the delay in the Treasury Management presentation to the Audit Committee. The presentation was due to go before Council at their meeting on the 6<sup>th</sup> April 2011, but had been withdrawn and a report would come before Council requesting that the Audit Committee should become responsible for monitoring the Treasury Management, which would in effect be an empowering role for the Committee. He advised that he had discussed the matter with the Chief Accountant and it had been agreed that a Panel, consisting of Audit Committee Members, would probably be required.

In response to a question from Members, the Assistant Chief Executive – Performance confirmed that it was proposed the report would first come before the Committee in June, prior to being presented to Council for endorsement.

**RESOLVED:** That Members considered and approved the Amended Forward Work Programme.

181 **PROPOSED FORWARD WORK PROGRAMME 2011-12**

The Chief Internal Auditor submitted a report on the proposed Forward Work Programme (FWP) for the Audit Committee, and confirmed the following amendments to the report since publication:-

**Appendix A**

Page 2 – “Audit Management System (APACE) Demonstration” to be removed from the Programme; page 3 – “Job Evaluation Progress Report” to be deleted as Members could request such reports at any time; page 3 – “Extended Audit Plan for 2011” should read “Extended Audit Plan for 2012”; page 4 – remove “Project Management Update” and also “Compliance with Contract and Financial Procedure Rules”.

**RESOLVED:** That Members considered and approved the proposed Forward Work Programme 2011-12.

The meeting closed at 4.12pm.