

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN THE JUNIPER ROOM
THE INNOVATION CENTRE, BRIDGEND SCIENCE PARK, BRIDGEND ON THURSDAY,
7 JULY 2011 AT 2.00PM

Present:-

Councillor E Dodd - Chairperson

Councillors

P A Evans
M Gregory
T Hacking

Councillors

M Reeves
C Westwood
H M Williams

Officers:-

D MacGregor - Assistant Chief Executive - Performance
H Smith - Chief Internal Auditor
M Beauchamp - Group Manager - Support for Learners and Children
M Newbold - Business Manager - Financial Services
I Pennington - KPMG Director
K Bagott - KPMG Manager
J Monks - Democratic Services Officer - Committees

189 APOLOGIES FOR ABSENCE

Apologies were received from the following Members:

Councillor D Buttle - Holiday
Councillor G Davies - Recuperating
M C Wilkins - Unwell
Councillor R E Young - Work commitments

190 DECLARATIONS OF INTEREST

Councillor M Reeves declared a personal interest under Item 4.1 in that he is a Governor of Maesteg Comprehensive School.

191 MINUTES OF THE PREVIOUS MEETING

RESOLVED: That the minutes of a meeting of the Audit Committee dated 26 May 2011 were approved as a true and accurate record.

192 SCHOOL CATERING : OPT OUT FOR SCHOOLS

The Group Manager - Support for Learners and Children presented a report to provide the Committee with further information in relation to the circumstances which led to the decision by three secondary schools to opt out of the Catering Service; and the arrangements in place in respect of liability, responsibility and quality control.

At their April meeting, the Committee had raised concern at the reduction in income over the past three years attributable, in part, to the opting out of the Service by three secondary schools. They also expressed concern at the lack of

clarity as to who would be liable in the case of an incident such as food poisoning at one of those schools.

The Group Manager - Support for Learners and Children advised that the three schools who had opted out, Porthcawl, Pencoed and Maesteg Comprehensive schools, faced additional responsibilities and risks, as the governing bodies of these schools are now responsible for all aspects of the catering service in their capacity as a food business operator. This includes, amongst others, food hygiene, procurement and the maintenance of nutritional standards. The additional responsibilities are detailed at paragraphs 4.10 to 4.14 of the report.

He advised that the Authority's Financial Scheme for schools, delegates funding in respect of school meals for all secondary schools. For those schools that opt into the Service Level Agreement (SLA) the Authority operates an Income Sharing Scheme where 3% of the income received is redistributed to each of those schools at the end of the financial year. Historically schools had opted out due to budgetary pressures as a means of generating more income. He asked Members to note that the three schools had all stated that they were not dissatisfied with the quality of the service provided by the School Catering Service, but rather that they were keen to maximise profit but also respond to the precise needs of the school and its pupils. The profit margins were dependent on individual school policy as to whether they kept pupils on site during lunch breaks. Schools that opted out were also mindful of the Welsh Government's Appetite for Life policy; the main aim being to improve pupils' lunches by replacing junk food with more nutritious and nourishing food and drinks.

He explained that school governing bodies of opted out schools were also made aware of their responsibility to the recommendations set out in the report published in March 2009 regarding the E-Coli outbreak which had occurred in Bridgend and other areas in 2005, and the results of the Public Inquiry which followed.

He concluded by saying that there had been some discussion with head teachers regarding the availability of a quality assurance service, and managers now intended to offer the SLA, which had already been developed, to those schools. All three schools were due this year for food hygiene inspections, which would be conducted in accordance with the risk rating scheme defined in the Food Law Code of Practice (Wales) 2008.

Discussion took place, and one Member enquired if the total School Catering Service was subsidised, self sufficient or making a profit, and whether it was compensated by the meal income.

The Group Manager - Support for Learners and Children advised that the school budget took into account the forecast for the year and those schools who opted in were being subsidised.

In response to a question from Members, the Group Manager - Support for Learners and Children explained that those schools who opted out received the income from school meals, but they were required to employ catering staff directly and purchase their own supplies.

One Member asked what powers Internal Audit had to look at an opted out school's controls for school meals.

The Group Manager - Support for Learners and Children advised that although Internal Audit would be able to look at the controls surrounding the catering for school meals, it would have no right to access what would be, in effect, a commercial enterprise.

The Ward Member for Maesteg referred to Maesteg Comprehensive School and informed Members that the decision for that school to opt out was made purely on a business case, with the opportunity for money to go back into the school, and had no reflection on the catering service. The school had tried innovative schemes for generating funds by providing community events and was proactive in trying to make it pay. Pupils, had confirmed that there had been no fall in standards, but they had a better choice. He stated that the inspection regime to ensure standards and health and safety is maintained should not be subsidised.

Members asked how the free school meal entitlement was distributed to pupils in schools which had opted out.

The Assistant Chief Executive - Performance advised that the Local Education Authority (LEA) determined who was entitled to free school meals and the opted out schools would inform the LEA which pupils were eligible, with the school being compensated accordingly. The average cost of a meal would be agreed. The Group Manager - Support for Learners and Children explained that the cost of meals in opted out schools would be assessed independently by each school. He gave an example of one opted out school which offered more choice and were more responsive to its pupils' requirements, at the same time maintaining nutritional standards.

In response to a question on how the entitlement to free school meals was then managed, he advised that each school had its own method. A recent Welsh Local Government Association (WLGA) report had raised the question of free school meals in relation to the stigma attached to them, and a more extensive survey would be undertaken to establish if there is a correlation with take up levels. He believed that a cashless system for all school meals would be the better option which would remove that stigma and informed Members that the results of a recent questionnaire sent out to 213 secondary schools across Wales revealed that 81 of them already had a cashless system in place.

One Member enquired about compliance with the Appetite for Life Food Based Standards and the Appetite for Life Nutritional Standards and how they are measured in opted out schools, as the Authority had no means of knowing what meals those schools were serving.

The Group Manager - Support for Learners and Children advised that it was the responsibility of the school governors to provide the pupils with healthy meals and if those schools opt out of the SLA, there could be an issue as those schools were reliant on the catering staff they employed.

RESOLVED: The Committee noted the report.

193 ANNUAL GOVERNANCE STATEMENT 2010/11

The Section 151 Officer presented the above report which sought the Committee's approval for the inclusion of the Annual Governance Statement (AGS), attached at Appendix B, in the Authority's Statement of Accounts for 2010/11.

He introduced the Business Manager - Financial Services to the Committee, who is the lead officer in the compilation of the Statement of Accounts. He commented that the Committee had made positive observations on those accounts in recent years.

The Section 151 Officer advised that there were three appendices to the report. The Code of Governance shown at Appendix A was based on the six core principles detailed at paragraph 4.1 of the report taken from "The Good Governance Standard for Public Services", adapted for local government. Members had not received the Code of Governance to consider in previous years, and it was agreed last year that the Corporate Centre should take the lead on developing the Code of Governance to sit alongside the Annual Governance Statement.

He advised that the positive work which had been carried out by the Vale of Glamorgan Council, on this issue provided a starting point for Bridgend's procedures in order to ensure good coverage, but assured the Committee that the Code of Governance and the Annual Governance Statement were BCBC documents.

He reported that the Code of Corporate Governance had recently been adopted by Cabinet; the document set out what the Authority should have in place and why. The Annual Governance Statement would pick up on developments and any significant changes which have been made. He advised that there could be legislation changes in relation to the new Local Government Measures. This may impact on the Code of Governance, which would be updated annually as part of the work on the Annual Governance Statement.

The Section 151 Officer concluded by informing Members that as there would occasionally be instances where the Councils internal control framework could fail, the Committee had a strong role to ensure action would be taken.

- RESOLVED: (1) That having critically reviewed the Annual Governance Statement the Committee recommended approval of its inclusion in the Statement of Accounts 2010/11.
- (2) The Committee noted the unaudited Statement of Accounts 2010/11 and the Code of Corporate Governance.

194 AUDIT COMMITTEE'S TERMS OF REFERENCE

The Chief Internal Auditor presented a report, the purpose of which was to inform the Committee of the proposed amendments to the Audit Committee's Terms of Reference, in order to reflect changes relating to the External Regulators. The current Terms of Reference are detailed in Appendix 1 to the report and the amended version is detailed in Appendix 2.

The amended Terms of Reference would be presented to full Council.

- RESOLVED: That the Committee noted the report.

195 INTERNAL AUDIT'S TERMS OF REFERENCE

The Chief Internal Auditor presented a report to seek the Committee's approval of the Internal Audit's Terms of Reference (TOR) shown at Appendix A to the report, which includes a number of areas suggested within the Code of Practice for Internal Audit. She advised Members that the TOR would be reviewed and presented to the Committee on an annual basis.

The Assistant Chief Executive - Performance advised that he was pleased with the progress that was being made through the joint working and commented that quality was the driving force behind collaboration, with both Councils benefitting. Staff from the Vale of Glamorgan Council who had relocated to Bridgend would remain employees of that Council and the team was expected to be fully integrated by 2012.

RESOLVED: That the Committee approved the Internal Audit's Terms of Reference.

196 INTERNAL AUDIT STRATEGY AND PLAN JULY 2011 TO MARCH 2012

The Chief Internal Auditor presented a report on the Authority's Internal Audit Strategy and Plan for the nine months from July 2011 to March 2012, in order to align the audit plans under the shared service arrangement. She explained that as the intention was to maximise the joint resources and utilise one management information system (APACE), the Plan had been formulated to align it to the financial year which will in future cover the period April to March.

She advised that each Corporate Director had received the relevant portion of the Plan for their Directorate and requested their comments. This would be followed up by an end of year summary of the findings of the work undertaken so that they have the full picture.

The Chief Internal Auditor highlighted for Members the number of productive days for the next nine months, which would not include non productive days such as annual leave. She advised that a flexible approach would be adopted and it would be carefully monitored, with the end results in March 2012 being present to the Committee. She added that wherever possible areas identified for review would include elements of value for money so that efficiency savings could be achieved.

RESOLVED: That the Committee considered and approved the Internal Audit Strategy and Plan July 2011 to March 2012.

197 COMPLETED AUDITS

The Chief Internal Auditor presented a report which summarised Audits which had been completed in respect of the following areas:-

<u>Service Area</u>	<u>Audit Opinion</u>
Payroll	- Reasonable
Sundry Debtors	- Reasonable
Council Tax and NNDR	- Reasonable
Main Accounting Housing Options, Homelessness and Innovative Follow-up	- Substantial
Breakfast Clubs Grant	- Substantial Assurance

AUDIT COMMITTEE - 7 JULY 2011

Elections	- Reasonable
Governance Review	- Reasonable
Children and Young People's Partnership	- Reasonable
Inclusion Service Follow-up	- Reasonable
Inclusion Service Data Security	- Reasonable
Maesteg Private Finance Initiative	- Substantial
Adoptions	- Reasonable

The Chief Internal Auditor referred Members to the further review of personnel records, requested by the Committee at their December 2010 meeting and advised that 80 personnel files were looked at in total. There had been an overall improvement in procedures and processes and the system appeared to be well controlled. However, there remained one issue in relation to documentation with regard to the return rates of signed Statements of Particulars. Out of the 80 files that were looked at, there were 32 instances where the statements could not be located. This had been reported to management in order to establish whether that particular document was significant.

The Assistant Chief Executive - Performance commended the additional work carried out by the Audit Team. He informed the Committee that he had been in discussion with the Head of Human Resources and Organisational Development regarding the problems found re the Statement of Particulars, and a procedure had now been put in place to ensure the Statements are signed and returned prior to new employees taking up posts. He added that KPMG would also undergo testing in this area as part of their external audit.

The Chief Internal Auditor was pleased to report that significant recommendations made regarding the homelessness had been actioned and the overall opinion was now reasonable.

RESOLVED: That the Committee noted the report.

198 INFORMATION AND ACTION REQUESTS BY COMMITTEE

The Chief Internal Auditor introduced a report, the purpose of which was to summarise the action and information requests made by the Audit Committee. She confirmed to Members that the Assistant Chief Executive - Performance still intended to form a Treasury Management Panel from Members of the Audit Committee.

RESOLVED: That the Committee noted the report.

199 AUDIT COMMITTEE - FORWARD WORK PROGRAMME 2011-12

The Chief Internal Auditor presented a report to inform Members of the updated Forward Work Programme (FWP) for the Audit Committee.

The Committee were advised that the Chief Internal Auditor would e-mail Members with proposed dates for training by the Director of KPMG.

RESOLVED: That the Committee noted the updated Forward Work Programme 2011/12.

The meeting closed at 4.10pm.