

AUDIT COMMITTEE - 10 NOVEMBER 2011

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM 2/3,
CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 10 NOVEMBER 2011 AT
2.00PM

Present:-

Councillor E Dodd - Chairperson

<u>Councillors</u>	<u>Councillors</u>
C Davies	C Westwood
G Davies	H M Williams
P A Evans	R Young
T Hacking	

Officers:-

D MacGregor	- Assistant Chief Executive – Performance and S151 Officer
P A Jolley	- Assistant Chief Executive - Legal and Regulatory
H Smith	- Chief Internal Auditor
I Pennington	- Director - KPMG
R Ronan	- Democratic Services Officer - Committees

215 APOLOGIES FOR ABSENCE

Apologies were received from the following Members:-

Councillor D Buttle	- Family commitments
Councillor M Gregory	- Other work commitments

216 DECLARATIONS OF INTEREST

None.

217 MINUTES OF THE PREVIOUS MEETING

RESOLVED: That the minutes of a meeting of the Audit Committee dated 29 September 2011 were approved as a true and accurate record.

218 INFORMATION AND ACTION REQUESTS BY COMMITTEE

The Chief Internal Auditor submitted a report summarising the action and information requests made by the Audit Committee. She confirmed that all were now complete.

RESOLVED: The Committee noted the Information and Action requests by Committee report.

219 FORWARD WORK PROGRAMME 2011-2012

The Chief Internal Auditor presented a report to the Committee that outlined the updated 2011-2012 Forward Work Programme for the Audit Committee. She advised Members that there were no issues for their attention and all was still on schedule to be completed by the end of the year. A Member of the Committee noted that the School Catering - Opt Out for Schools was indicated as complete

and asked for an update. The Chief Internal Auditor informed Members that the Corporate Director - Children had contacted the schools concerned to discuss the issues which included the maintenance of nutritional standards. The Assistant Chief Executive - Performance said that he would check on any progress and report back to the Committee.

RESOLVED: The Committee noted the updated 2011-12 Forward Work Programme.

220 COMPLETED AUDITS

The Chief Internal Auditor presented a report that summarised for Members the findings of the audits recently completed by the Internal Audit Division. She informed the Committee that there were nine completed audits and no significant issues. Forty three recommendations were made and to date eight management responses have been received.

The Chief Internal Auditor informed Members that in the Creditors Audit, recommendations were made regarding audit trails and high numbers of low value transactions, in a significant number of instances the value was less than £30 which related to the purchase of library books. She told the Committee that after consultations with interested parties 35 weekly invoices have now been consolidated into one weekly invoice. The Chief Internal Auditor told the Committee that this positive outcome showed that Auditors are conscious of efficiencies when making recommendations.

A Member of the Committee asked if the potential additional burden of £600,000 in 2014/15 re: landfill was to be considered as part of the future programme. The Chief Internal Auditor confirmed that this was the case and that a draft strategy had already been considered by Scrutiny in October. She assured the Committee that the issues were being moved forward.

The Committee asked what progress had been made in relation to the issues regarding care managers. The Chief Internal Auditor told the Committee that this was the subject of a task and finish group with a deadline for finalisation of December 2011.

RESOLVED: That the Committee noted the Completed Audits report.

221 INTERNAL AUDIT FIRST QUARTER OUTTURN JULY TO SEPTEMBER

The Chief Internal Auditor informed the Committee that the purpose of the report should read, "the first three months of the Audit plan for".

She explained to the Members that although the figures show that 322 actual days had been achieved, which is below that expected by 65, this is as a result of the period under review falling within the months of high annual leave. It is therefore expected that the plan will get back on track over the next few months. The Chief Internal Auditor also explained that the joint service has recently lost six members of staff, one due to voluntary early retirement, four due to promotions and one due to ill health. This took the number of staff jointly to 17½ with vacancies, which both Authorities are not minded to fill pending implementation of the new structure. This will have a greater impact on the Vale as the majority of staff losses have been from there. The Chief Internal Auditor assured Members that

Bridgend would not suffer major detriment and the aim was now to drive up productivity.

The Assistant Chief Executive - Performance explained to Members that the final structure would ideally be around 24/25, the current structure stands at 29 posts. The team is working well and the next step will be for a formal 101 Agreement to be made between the Vale and Bridgend formalising the transfer of staff and establishing one employer. He assured the Committee Members that staff are fully aware of the process and that the formal agreement will be presented to Cabinet and the Audit Committee in the new calendar year. The Assistant Chief Executive - Performance told Members that the issue is about providing a quality service driven by placing the right staff in the right roles. The Committee agreed that an appropriate skill set was particularly important in terms of Audit staff.

A Member of the Committee asked if integration would balance up the ratio of staff between the two Authorities. The Assistant Chief Executive - Performance explained that the new arrangement would not exactly be a 50/50 split but would be as balanced as possible. He told Members that it was not intended to be a cost cutting exercise although there could be potential savings but would ensure that the Section was working to the highest standards, the obligation was to have an effective Audit function.

RESOLVED: That the Committee noted the Internal Audit First Quarter Outturn for July to September 2011.

222 THE ROLE OF AUDIT COMMITTEE IN TREASURY MANAGEMENT

The Section 151 Officer submitted a report that set out how the Audit Committee will discharge its responsibility for "ensuring effective scrutiny of the Treasury Management Strategy and policies in accordance with the Treasury Policy Statement and Treasury Management Prudential Indicators" (Audit Committee's Terms of Reference).

He explained to the Committee that the Authority has adopted the revised CIPFA Code of Practice on Treasury Management in the public services (the Code) and agreed to fully comply with its requirements. In compliance with the requirement that local authorities nominate a body to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. Council has determined this body to be the Audit Committee.

The Section 151 Officer told the Committee that it is proposed that a Sub-Committee comprising of three Members of the Audit Committee be established with the Cabinet Member Resources invited to attend meetings of the Sub-Committee as a non voting invitee. In order for Members of the Sub-Committee to discharge their role effectively they will be provided with the appropriate training. This is expected to be delivered early in the New Year from Sterling Consultancy Services. The Sub-Committee will meet twice yearly to examine the Annual Report and half yearly Monitoring Report before they are presented to Council.

The Section 151 Officer explained to Members that it is important the Sub-Committee is equipped to form a view on Treasury Management reports and have to an opportunity to question officers. If they then believe that any action taken was 'ultra vires' in nature, they must refer this to the Monitoring Officer. He assured Members that the Authority is in no way failing and has always been

cautious in its Treasury Management activity. The new arrangements will only serve to strengthen good governance.

- RESOLVED:**
- (1) That a Sub-Committee is established comprising of three Members from the Audit Committee and that an invitation be extended to the Cabinet Member - Resources to attend Sub-Committee meetings as a non-voting invitee to scrutinise the Treasury Management activities of the Authority on behalf of the Audit Committee.
 - (2) That the Committee appoint Councillor Terry Hacking, Councillor Richard Young and Councillor Carol Davies to form the Sub-Committee.

223 **THE GOVERNANCE FRAMEWORK CASE STUDY**

The Section 151 Officer presented a report to enable Members to discuss the issues surrounding the Governance Framework Case Study which was presented by KPMG to the Audit Committee on 18 August 2011. He explained that Bridgend is viewed as having a good governance framework but is always open to learn and enhance.

Recommendations 1 - 3

The Monitoring Officer confirmed to Members that in Part 4, Article 12 of the constitution the roles of decision making are clearly defined.

Recommendations 4 - 7

The Chief Internal Auditor told the Committee that Bridgend has very defined Terms of Reference in relation to the responsibility and functions of its Committees. The Monitoring Officer pointed out that there are no decision making bodies that sit outside of this clearly defined structure and he told Members that the good Officer/Member relations that prevailed in Bridgend provided a solid Governance framework. The Monitoring Officer also explained that the Authority is clear in who is making the decisions and that these decisions will always be recorded. In the event that Cabinet were deemed to be acting incorrectly he has the option to submit a Section 5 report.

A Member of the Committee asked what would be the procedure if the Monitoring Officer believed decisions were being made that were not in the public interest, with particular reference to incurring costs. As an example the Monitoring Officer told Members that if an elderly person was fined for putting out their rubbish bins early but did so due to mobility and sight problems the pursuit of this claim should be assessed on its risks and appropriateness. The Monitoring Officer could put in a section 5 report if he deemed the risks to be greater than the gain. Section 5 however does not bind the Authority it makes it take a step back. The Monitoring Officer informed Members that due to the good relations between Members and Officers such a report was extremely unlikely and should not be necessary as it damages the reputation of the Authority.

Recommendations 8 - 10

The Chief Internal Auditor explained to the Committee that Bridgend has clear provisions for the planning, making and documenting of decisions. She told Members that these included the Forward Work Programme and the Record of Decisions.

Recommendations 11 - 12

The Monitoring Officer confirmed to Members that he would be consulted on any decision taken on legal actions and that there are clearly defined financial limits. He explained that all litigation go through a continuous assessment process and are not just based on one decision, if it is appropriate to stop action at any point it will be stopped. The Monitoring Officer explained that Lexcel provides a supportive framework in which to manage risk effectively, with files being monitored weekly.

A Member of the Committee noted that in the case study the decisions made did not appear to be open to scrutiny or secondary review as it was considered unnecessary due to the decision making body being politically balanced. The Monitoring Officer confirmed that in a Cabinet/Scrutiny/Council model of governance this would not occur and delegated powers would not be used beyond a normal risk factor. He reiterated that he was satisfied that no litigation would take place that would bring disrepute or financial risk on the Authority.

Recommendations 13 - 14

The Chief Internal Auditor explained that the Committee process and decision points are clearly defined in Part 4 of the Constitution.

Recommendations 15 - 16 - 17

The Chief Internal Auditor told Members that the Authority takes risk management seriously and has various monitoring methods i.e. quarterly business reviews, risk management strategy, Corporate Risk register and awareness training for staff. A Member of the Committee asked if Members could be provided with risk management training as part of their member development. The Section 151 Officer confirmed that he would add risk management to the future member development programme for the new Council of 2012/13.

Recommendations 18 - 22

The Monitoring Officer told Members that all legal work for the Authority is project managed. Lexcel provides a logical process to follow for smaller to medium issues. Larger matters, for example Porthcawl Regeneration would be project managed by a board and this includes budgets. The Chief Internal Auditor confirmed that project management is well embedded into decisions of the Authority with comprehensive policies, guidance and training.

Recommendation 23

The Chief Internal Auditor confirmed that the Authority makes provision for pre-Committee meetings with Chairs and Vice-Chairs in order to ensure that they are sufficiently briefed. All formal meetings are minuted and reports checked by legal. A record of attendance is taken and all decisions, reports and minutes are publicly available unless deemed exempt.

Recommendation 24

The Monitoring Officer told Members that the only reports that the Authority recommended for noting were pure information reports. He explained that the Authority ensured all reports were very clear in what is being recommended and that recommendations were firm in their nature.

RESOLVED: That Members considered the issues raised in the case study presentation received 18 August 2011 and identified risk management training be provided as part of the Member Development Programme.

224 EXCLUSION OF THE PUBLIC

RESOLVED: That under Section 100A(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business because of the likelihood that, if members of the public are present during this item there will be disclosure to them of exempt information of the description specified in Paragraph 18 of Part 4 of Schedule 12A and Paragraph 21 of part 5 of Schedule 12A of the said Act:-

Minute No. Summary of Item:

225 Internal Audit - Building Maintenance Report.