

## **AUDIT COMMITTEE**

### **Minutes of a meeting of the Audit Committee held on Tuesday, 2nd November 2010 at 6.00 pm in the Reception Suite, Civic Offices, Telford**

**PRESENT:** D. Wright (Chairman), D.R. Chaplin (Vice-Chairman), D.G. Allen, R.K. Austin and J.A. Dixon

**Officers:** V. Brownlees (Chief Executive), M. Evans (Corporate Director), D. Germany (Organisational Improvement Manager), P. Harris (Corporate Finance Manager), L. Johnston (Head of Safeguarding), J. Marriott (Audit & Assurance Manager), B. Morris (Finance Manager), P. Smith (Senior Democratic Services Officer)

#### **AUC-35      MINUTES**

In relation to Minute AUC-29 – Internal Audit Review of the Dawley Town Hall Lease Agreements 2002-2010, concerns were expressed that the content of the minute did not fully reflect the comments made by Members, and the questions and responses that were given. While the accuracy of the minute provided was not disputed, it was considered to be incomplete, and it was suggested that an amended minute be produced, following consultation with the Chairman.

**RESOLVED** – that the minutes of the meeting of the Audit Committee held on 21st September 2010 be confirmed and signed by the Chairman, subject to Minute AUC-29 being amended in consultation with the Chairman to reflect the comments of the Committee.

#### **AUC-36      APOLOGIES FOR ABSENCE**

Councillor L. Lomax

#### **AUC-37      DECLARATIONS OF INTEREST**

Councillor R.K. Austin declared a personal interest (as a governor of Sutherland School) in connection with Agenda item 11 – Internal Audit Quarter 2 – 2010/11 Update Report.

#### **AUC-38      LOOKED AFTER CHILDREN**

The Chairman welcomed the Chief Executive and the Head of Safeguarding, who were in attendance for this item. The item had been requested by a member of the Committee, in the light of the continuing budget overspend in this area.

The Chief Executive, in his role as Director of Children's Services, reported that the Council had put in significant investment to meet the rise in the numbers of Looked After Children (LAC). This investment was likely to continue in 2011/12, despite the reductions in overall Council expenditure that would be a consequence of the Government's Comprehensive Spending Review. Some resources had been re-directed from the "clusters" to assist in meeting demand. This was an incredibly important issue, and service reviews across adult and children's services had been initiated as part of a strategy to re-design the Council's safeguarding role.

The Head of Safeguarding reported on the continuing pressures of increased numbers of LAC and the increasing length of time they were in care. For example, there had been a doubling in the number of under ones in care over the last 12 months. She also highlighted the measures that had been taken to address the pressures on social work teams, and to reduce the use of external foster agencies and placements.

Members welcomed the measures being taken to reduce the costs of providing this service. In response to a question about LAC from other areas coming into Telford & Wrekin, the Head of Safeguarding advised that she was not aware of the number of families/young people moving into the Borough and presenting as homeless being different than most other similar sized authorities in the West Midlands.

#### **AUC-39      SINGLE STATUS**

The Chairman welcomed the Corporate Director and the Organisational Improvement Manager, who were in attendance to provide an update on the Single Status project.

The Corporate Director explained that changes had been made to the Single Status process in order to better reflect the organisational changes around the "One Council" vision. Jobs would now be grouped according to what they had in common, rather than based on the differences between them. This was likely to produce more generic job groups, which would help to promote flexibility across the organisation. It was anticipated that this new approach would mean the project would take a further 8 months to complete, but that there was more confidence that the outcome would be "fit for purpose". The implementation date for the new pay structure and conditions of service would be May 2012, following consultation with the trades unions on the proposed scheme.

The Organisational Development Manager provided details of the Project management arrangements for Single Status, including a Steering Group that met fortnightly and reported directly to the Corporate Management Team. As well as ongoing discussions with the trades unions, schools were also being advised of the new approach.

In response to questions about the length of time and costs of the Single Status process, the Corporate Director and Organisational Development Manager advised that much of the existing job evaluation work would still be relevant, although it was recognised that any revised or new jobs arising out of Council re-structuring would need to be looked at. The ultimate cost of single status would depend on where the new pay scales were determined. Some money had been put aside to cover any additional costs of equal pay claims etc, but for the overall scheme to be affordable, it was likely that some employees would see their pay reduced. A question was asked about whether staff who had left the Authority since the Single Status process had started would be entitled to appeal against the outcome or to submit an equal pay claim. The Organisational Development Manager stated that this would only apply if they had left the Authority in the six months prior to implementation.

#### **AUC-40      TREASURY MANAGEMENT HALF YEAR REPORT**

The Corporate Finance Manager and Finance Manager presented the report of the Chief Finance Officer and Head of Finance, which updated Members on Treasury Management activities for the first six months of 2010/11.

The report set out the current portfolio position. In terms of borrowing, a short term PWLB loan for £5m had matured, and recently two new PWLB loans had been taken out to fund capital investment, The borrowing rate had been undertaken in advance to take advantage of current favourable interest rates. In terms of investments, it had been very difficult for Fund Managers to achieve reasonable rates of return in the current climate. The outlook for future years was only slightly more promising, and the decision had been taken to withdraw all the remaining funds held with Fund Managers. Details of the Council's investments (both short term and long term) were shown in the report. Overall, the weighted average return on internal investments for the year to date was 4.28%, compared to a benchmark return for the period of 0.41%. Overall, the latest financial monitoring information indicated that Treasury Management activities were currently outperforming budget by £0.850m. The latest Prudential Indicators monitoring report was circulated at the meeting, and it was reported that there were no issues that needed highlighting to Members.

During the ensuing debate, Members congratulated Officers on the positive results being obtained in a difficult financial climate, and asked a number of questions about specific investments. In relation to predicted increases in PWLB loan rates, the Corporate Finance Manager advised that this would have implications, and the Council would be looking to see if more favourable rates were available elsewhere in the market.

**RESOLVED** – that the report be noted.

**AUC-41      HALF YEARLY PROGRESS ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2009/10**

The Audit & Assurance Manager presented the report of the Chief Executive, which provided the Committee with information on the progress made against the actions in the 2009/10 Annual Governance Statement (AGS) Action Plan .

The Annual Governance Statement for 2009/10 was agreed by Cabinet and the Audit Committee in June 2010. Included as part of the statement was an action plan, which identified nine areas for the Council to further improve its governance arrangements. Appended to the report was an updated 2009/10 AGS Action Plan with the current position of these actions shown. Three actions had progressed but further work was required, and so completion dates had been revised. Corporate Management Team and the relevant Heads of Service were confident that the revised deadlines would be achieved.

**RESOLVED** – that the progress against the actions in the 2009/10 Annual Governance Statement Action Plan, as shown at Appendix A of the report, be noted.

**AUC-42      REVIEW OF STRATEGIC RISK REGISTER – SEPTEMBER 2010**

The Audit & Assurance Manager presented the report of the Chief Executive, which set out the changes that had been made to the Strategic Risk Register following a review in September 2010.

The updated Register reflected the Council's new corporate priorities and associated changes to organisational structures. The strategic risks were drawn from the Priority Plan risk registers, and had been combined where there were similar themes in some or all of the Plans. The next formal review would be in February 2011.

Members raised issues on the following risks:

Risk 4 – it was confirmed that the risk of any delay in the contract for the building of the new Civic Offices were covered under Risk 4 – failure to regenerate the Town Centre

Risk 8: Land Stability in the Gorge – need to update to reflect latest central and regional government arrangements

Risk 10 – Continuity of ICT Systems – concern was expressed at the risks associated with having systems externalised from the new Civic Offices building.

**RESOLVED** – that the revised Strategic Risk Register, as shown at Appendix A of the report, be noted.

**AUC-43      RESULTS OF THE CIPFA BENCHMARKING EXERCISE FOR INTERNAL AUDIT 2010**

The Audit & Assurance Manager presented a report which outlined the results of a benchmarking exercise for local authority internal audit services.

The appendix to the report set out the results for 2010, and compared them to 2009 and 2008 figures previously reported to the Committee. Overall, T&W Internal Audit generally fared well compared against other unitary authorities, but results for 2009/10 and 2010/11 had been affected by the temporary arrangements to cover for staff vacancies pending the service re-structure which came into effect on 1 October 2010. It was apparent from the benchmarking figures that there was a contraction of internal audit resources generally across unitary authorities.

**RESOLVED** – that the report be noted.

**AUC-44      REVIEW OF THE OUTLINE BUSINESS PROGRAMME FOR FUTURE MEETINGS**

The outline of business for future meetings was attached to the agenda. In relation to planning the Committee meetings for the next municipal year, it was suggested that the number of meetings could be reduced by one. Members agreed that the July meeting could be removed from the programme.

**AUC-45      INTERNAL AUDIT QUARTER 2 – 2010/11 UPDATE REPORT**

The Audit & Assurance Manager presented a report which detailed the work that Internal Audit had carried out between July and September 2010.

Internal Audit activity during this period had focussed on completion of the audits set out in the Internal Audit Plan, including a couple of carry forwards from quarter 1. There had also been unplanned work during the period. 26 final reports were issued in Quarter 2, and these were listed at Appendix A of the report. 10 of the reports were graded as amber. One in respect of Dawley Town Hall had already been reported to the Committee. Two related to schools that had failed the FMSis standard, and four were unplanned reviews where issues had been identified by either the team, management and/or the public. Summaries of the amber reports were appended to the Committee report (one of which contained confidential information and was listed separately), and the full reports had been circulated to Members for information. There were no other issues to bring to the attention of the Committee at this time.

In response to a question concerning the External FMSis assessment and final accounts audit at Adams Grammar School, the Audit & Assurance Manager advised that the School was paying for some of the additional work being carried out on the final accounts. There had been some challenges in auditing the School's systems and processes, and only a limited level of assurance was provided by the controls in place. A number of areas of improvement had been identified, with provision of some support from the Council as well as external expertise.

**RESOLVED** – that the report be noted.

**AUC-46      EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED** – that the press and public be excluded from the meeting for the following item of business on the grounds that it may involve the likely disclosure of information as defined in Paragraph 1 of Part 1 of Schedule 12A Local Government Act 1972.

**AUC-47      APPENDIX E OF THE INTERNAL AUDIT QUARTER 2 – 2010/11 UPDATE REPORT**

The Committee considered one of the amber reports that had been issued during Quarter 2. It was confirmed that the audit contained information that could lead to the identity of an individual employee(s) being disclosed.

**RESOLVED** – that the report be noted.

The meeting ended at 7.26 p.m.

**Chairman:**

**Date:**