
AUDIT PANEL & AUDIT COMMITTEE MINUTES – INFORMATION REPORT

Reason for the Report

1. To present the Audit Panel minutes of 19th March 2012, attached at **Appendix A**, and the minutes of the Audit Committee meeting of 17th September, attached at **Appendix B**, for information. As further minutes become available these will be presented to the Committee at appropriate points in the Committee's work programme.

Background

2. The former Cardiff Independent Audit Panel was established in 2002. Comprising of three independent members, the role of the Panel was to provide independent assurance of the adequacy of the internal control and risk management framework; independent scrutiny of the authority's financial and non-financial performance, and to oversee the financial reporting process. While no elected Members sat on the Panel, the Policy Review and Performance Committee had strong links with it, endeavouring to create a mutually beneficial working relationship.
3. In 2009 the role of the Panel itself and of the relationship between it and Scrutiny was reviewed. Following these reviews the membership of the Panel was extended to include Elected Members. Its relationship with this Committee was also strengthened, the bodies aspiring to ensure that the roles of the Panel and Scrutiny were complementary and that any duplication of work was reduced to a

minimum. The previous Policy Review & Performance Scrutiny Committee membership agreed that a mutually respectful working relationship with the Audit Panel was beneficial; that there was a clear role for both bodies; and anticipated a two way referral between the Panel and Committee.

4. The Local Government (Wales) Measure 2011 required an Audit Committee to be established in place of the Panel. This was agreed at Full Council in May 2012. The Audit Committee's terms of reference, following Welsh Government guidance, are:

- To consider matters of relevance to the efficient financial administration of the Council, particularly in relation to its systems of good corporate governance, probity and financial strength.
- To receive relevant reports from the Council's Section 151 Officer with regard to the above and to consider internal audit matters brought to the Panel's attention by the Section 151 Officer or the Internal Audit & Risk Manager or requested by the Panel.
- To receive reports of the Council's External Auditor, in particular concerning the Regulatory Plan, the Annual Audit Letter and any statutory reports issued by the Auditor.
- To agree responses to external audit reports where appropriate and to refer these (along with the report) to the Cabinet or relevant Scrutiny Committee or Council as appropriate and to consider any responses where relevant.
- To receive a quarterly report of all completed audit reports with a synopsis of the work undertaken together with a graded assurance opinion.
- To receive a quarterly summary report of school audits together with a graded assurance opinion with individual reports considered by school governing bodies.
- To review the implementation of internal audit report recommendations on a regular basis as part of the Audit & Risk Manager's progress reporting cycle.
- To review value for money, efficiency and effectiveness through consideration of financial performance indicators and comparative studies where relevant.
- To raise the profile of probity generally within the Council and to report on matters of concern to the Cabinet or to Council as necessary and appropriate

- To receive reports of any significant incidents of fraud or financial impropriety and actions taken to enhance controls where this is considered necessary.
- To receive reports on fraud prevention and detection initiatives and updates to any related policies and strategies.
- To examine the annual audit plan and propose for consideration any other audit investigations.
- To regularly review the Risk Register.

5. The Committee is comprised of a mix of Independent Panel Members and non-Executive Elected Members. The composition of the Audit Committee is currently six Elected Members and three independent members:

Sir Jon Shortridge (Chair)	Councillor Graham Hinchey
Dr Nick Cooling	Councillor Nigel Howells
Sir Richard Lloyd Jones	Councillor Gretta Marshall
Prof. Maurice Pendlebury	Councillor Mary McGarry
Councillor Jayne Cowan	Councillor Paul Mitchell
Councillor Jim Murphy (replacing Councillor Jonathan Evans)	Councillor David Walker

6. The Audit Committee currently receives copies of the minutes of the Policy Review and Performance Scrutiny Committee meetings for information. Minutes of the Audit Committee's quarterly meetings will be presented to this Committee at appropriate points in the Committee's work schedule.

Way Forward

7. These minutes are attached for information purposes only.

Legal Implications

8. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this

report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers of behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

9. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATIONS

10. Members are recommended to
 - (i) Note the minutes of the Audit Panel and Audit Committee, attached to this report;
 - (ii) Consider how it would like to continue the working relationship with the Audit Committee.

MIKE DAVIES

Head of Scrutiny, Performance & Improvement

10 January 2013

MINUTES

AUDIT PANEL: 19 MARCH 2012

- Panel Members Present: Sir Jon Shortridge
Sir Richard Lloyd Jones
Professor Maurice Pendlebury
Dr. Nick Cooling
Councillor Jayne Cowan
- Officers: Christine Salter, Chief Corporate Services & Section 151 Officer, Cardiff Council
Derek King, Audit & Risk Manager, Cardiff Council
Bob Jones, Audit & Risk Manager, Cardiff Council
Janet McNicholas, Wales Audit Office
Steve Barry, Wales Audit Office
Mike Davies Head of Service Scrutiny, Performance & Information (Item 5)
Marcia Sinfield, OM, Projects Accountancy (Item 6)
Anil Hirani, OM, Capital & Treasury (Item 6)
Melanie Clay, Chief Officer Legal & Democratic Services (Item 8)
Nicki Poole, Democratic Services Manager (Item 8)
- Observer Councillor Mark Stephens
- Apologies: Councillor Tim Davies
Councillor Bill Kelloway

31. DECLARATION OF INTEREST

Sir Lloyd Jones stated that his wife was involved with a charity called Families Need Fathers Cymru who has received funding from the Council.

32. MINUTES OF 12 DECEMBER 2011

AGREED: that the minutes of the meeting held on 12 December 2011 be agreed as a correct record.

i) MATTERS ARISING

i) Budget Update

The Chief Corporate Services & Section 151 Officer informed the Panel that the 'Capital News' was due to be delivered to homes illustrating the 1.4% increase in Council Tax for 2012/13. Cardiff had received a 1.5% increase in the Revenue Support Grant (highest increase across Wales) due mainly to the growth in population. With regard to the current financial year, it was reported that the monitoring report to the Executive in February outlined a positive statement on operations, and would be at least at break even at out-turn.

ii) Business Continuity Policy

The Audit & Risk Manager (DJK) talked the Panel through the circulated Business Continuity Policy which sets out the policy for Business Continuity Management (BCM) within Cardiff Council. The Policy is the keystone to the success of the delivery of a robust BCM process and framework, which will ensure the Council is able to deliver services to citizens during a period of disruption.

The Audit & Risk Manager stated that this matter was a high risk on the Corporate Risk Register and that much work had been done on the 35 red risks identified as requiring action within an hour of a serious incident occurring. The Business Continuity Manager and team is working with each Chief Officer to ensure that action is taken, supported by Internal Audit. The Policy has been agreed and signed off by the Executive.

AGREED: that an update on Business Continuity would be brought back to the Panel in 2013/2014.

33. COUNCIL ISSUES / MATTERS ARISING SINCE LAST MEETING

(i) Chair's response to the letter from Cllr Dianne Rees (Chair of Policy Review & Performance Scrutiny Committee) following the Panel's Annual Report

The Chair's response was noted by the Panel. However, concern was raised that it was the Panel's view that the responsibility for referring matters on to Scrutiny should remain with the Audit Panel, albeit with the spirit of liaison.

AGREED: that should a matter of significant importance be brought to the Panel, as a matter of courtesy, the Chair would write to the relevant Scrutiny Chairperson. Furthermore, should any Executive input be required a letter would be sent to the relevant Executive Member and the Chief Executive.

ii) Action Plan

The Audit & Risk Manager (DJK) took the Panel through the action plan outlining current progress. It was noted that a lot of progress had been made.

iii) Work Plan

The work plan was noted. It was stated that the date of the June meeting was awaited due to administrative procedures following the Local Government elections.

Councillor Cowan questioned whether any feedback had been received regarding the unsatisfactory schools' audits. The Audit & Risk Manager (DJK) stated that the Financial Procedure Rules for Schools had been updated and that all schools had been instructed to place this on their Governing Body Agendas and that a number of training sessions had been arranged. Furthermore, Audit officers would attend the Governing Body meeting where a school had received an unsatisfactory audit. The Chair had written to the Chief Executive regarding this and this was due to be sent today (19th March).

AGREED: that the Panel be advised of the response from the Chief Executive, at a future meeting.

34. WALES AUDIT OFFICE

i) Audit Plan

JM took the Panel through the Audit Plan outlining key issues, for example, Single Status, Transformation and the need to see savings coming forward. It was noted that there was some concern regarding the shortage of senior managers. The fact that the Chief Operating Officer had now been appointed was welcomed.

ii) Annual Improvement Report

JM took the Panel through the Annual Improvement Plan, highlighting the proposals for improvement in Social Services in relation to CSSIW, Education in relation to Estyn recommendations, Highways, Waste Management & Neighbourhood Management. The Head of Service for Scrutiny, Performance & Information stated that the key areas for improvement would be considered by Scrutiny and the Executive in order to develop an action plan.

Professor Pendlebury expressed disappointment at the increased numbers of Delayed Transfers of Care. Councillor Stephens stated that this was still less than 4 years ago and in part reflected choices expressed by patients and their carers.

The Chair expressed concern that the biggest issues relate to Social Services and Education.

AGREED:

- i) that the panel review reports on how the delayed transfer of care issue will be tackled and improved.
- ii) that the relevant Chief Officers be asked to return to the panel to update on progress.

iii) Progress Report

The content of the Progress Report was noted.

35. TREASURY MANAGEMENT

i) Treasury Management Strategy 2012-13

The Panel was provided with the final Treasury Management Strategy for 2012-13, which was approved as part of the Budget Report to Council in February 2012. MS responded to questions asked.

The Chair suggested that a sensitivity analysis in relation to interest rates on borrowing would be helpful.

AGREED: Consideration would be given to undertaking a sensitivity analysis, as requested, and the outcome reported to a future Panel meeting.

ii) Treasury Management Performance Report as at 29 February 2012

The public were excluded during discussion of Appendix 1 of this item of business on the grounds that, if members of the public were present during the discussion, because of the nature of the business to be transacted, there would be disclosure to them of exempt information defined in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.

AGREED: that the Treasury Performance Report as at 29 February 2012, be noted.

36. INTERNAL AUDIT PROGRESS REPORT – QUARTER 3, 2011-12

The Audit & Pensions Manager (BJ) took the Panel through the report which identified some slippage in overall days due to sickness absence and the increase in the number of fraud instances being referred to the Audit Section. Concern was expressed at the pace at which the transformation agenda was moving, perhaps without full recognition given to control issues.

Concern was also expressed at the number of unsatisfactory audits. However, it was positively noted that there were no unsatisfactory audits in respect of the higher risk, fundamental systems audits.

AGREED: that the content of the report be noted.

37. INTERNAL AUDIT

i) Internal Audit Strategy / Plan 2012-13

In line with the CIPFA Code of Practice for Internal Auditors at the start of the financial year a work plan had been created. The plan contained an overview of resources, an updated SWOT analysis and identified the top 10 key challenges.

AGREED: that whilst being mindful of the potential change to the membership of the Committee, the Internal Audit Strategy / Plan 2012-13 be approved, however, with assurance that the future Committee be consulted with regard to their expectations.

ii) Schools Training – Briefing Note

The Panel were provided with a briefing note outlining the proposals for disseminating the new Financial Procedure Rules for Schools and providing training to Governors and officers fulfilling different financial roles at the schools. This was welcomed in light of reported audit opinions which highlighted the need for improved governance and compliance in some schools.

38. Local Government Measure

The Panel were provided with a briefing note and informed by the Chief Officer for Legal & Democratic Services that some further guidance in relation to Audit Committees was still awaited and that there was a period of consultation which was due to end at the end of March 2012.

AGREED:

- i) that the content of the report be noted and that the Panel would continue in its current form until such time as full guidance was available.
- ii) that the Chief Officer Legal & Democratic Services take into consideration Audit Panel views when responding to the latest guidance document.

39. Gifts & Hospitality

The Panel were provided with an update on the current situation with regard to Officer and Member acceptance on gifts and hospitality. A discussion was to be held at a future Senior Leadership Team meeting to discuss the issues around expectations and examples and how this can be integrated into the Constitution with clear guidance around officers attending events in a work capacity.

AGREED: that further information be brought to a future Panel meeting.

40. MINUTES OF THE POLICY REVIEW & PERFORMANCE SCRUTINY COMMITTEE (NOVEMBER 2011 & JANUARY 2012)

In the circulated papers, the Panel members were provided with the minutes of the Policy Review & Performance Scrutiny Committees held in November 2011 and January 2012.

AGREED: that the minutes be noted.

41. ANY OTHER BUSINESS

None

(Meeting concluded)

Minutes agreed at Audit Committee on the 17th September 2012 as a true and accurate record:

Chair: _____

Date: _____

AUDIT COMMITTEE

17 SEPTEMBER 2012

Present: Dr Nick Cooling, Sir Richard Lloyd Jones, Prof. Maurice Pendlebury and Sir Jon Shortridge
County Councillors Cowan, Jonathan Evans, Hinchey, Howells, Marshall, McGarry and Walker

Apology: County Councillor Mitchell.

1 : CHAIRPERSON

It was proposed by County Councillor Cowan, and seconded by County Councillor Marshall that Sir Jon Shortridge be appointed Chairperson of the Audit Committee for the Municipal Year 2012/13

RESOLVED _ That Sir Jon Shortridge be appointed Chair of the Audit Committee for the Municipal Year 2012/13.

(Sir Jon Shortridge in the Chair)

2 : WELCOME

The Chairperson welcomed Members to the first meeting of the Committee. The continuity in chairmanship between the former Audit Panel and the newly constituted Audit Committee was important for the setting of the agenda and work programme for the forthcoming year, and the Chair looking forward to cross party co-operation and working to ensure that the Committee fulfilled its governance and audit role of the Council.

3 : MEMBERSHIP AND TERMS OF REFERENCE

The Committee noted that Council at its Annual Meeting on 19 May 2011 agreed the following Membership:

(i) Membership

Dr Nick Cooling, Sir Richard Lloyd Jones, Prof. Maurice Pendlebury and Sir Jon Shortridge

Councillors Cowan, Jonathan Evans, Hinchey, Howells, Marshall, McGarry, Mitchell and Walker

(ii) Terms of Reference

The Committee received the Terms of Reference as agreed by Council at its Annual Meeting on 19 May 2011 as follows:

- To consider matters of relevance to the efficient financial administration of the Council, particularly in relation to its systems of good corporate governance, probity and financial strength.
- To receive relevant reports from the Council's Section 151 Officer with regard to the above and to consider internal audit matters brought to the Panel's attention by the Section 151 Officer or the Internal Audit & Risk Manager or requested by the Panel.
- To receive reports of the Council's External Auditor, in particular concerning the Regulatory Plan, the Annual Audit Letter and any statutory reports issued by the Auditor.
- To agree responses to external audit reports where appropriate and to refer these (along with the report) to the Cabinet or relevant Scrutiny Committee or Council as appropriate and to consider any responses where relevant.
- To receive a quarterly report of all completed audit reports with a synopsis of the work undertaken together with a graded assurance opinion.
- To receive a quarterly summary report of school audits together with a graded assurance opinion with individual reports considered by school governing bodies.
- To review the implementation of internal audit report recommendations on a regular basis as part of the Audit & Risk Manager's progress reporting cycle.
- To review value for money, efficiency and effectiveness through consideration of financial performance indicators and comparative studies where relevant.
- To raise the profile of probity generally within the Council and to report on matters of concern to the Cabinet or to Council as necessary and appropriate

- To receive reports of any significant incidents of fraud or financial impropriety and actions taken to enhance controls where this is considered necessary.
- To receive reports on fraud prevention and detection initiatives and updates to any related policies and strategies.
- To examine the annual audit plan and propose for consideration any other audit investigations.
- To regularly review the Risk Register.

The Corporate Chief Officer and Section 151 Officer proposed an additional function under the Treasury Management role of the Committee and a number of other typographical and additional changes were made.

RESOLVED – That the changes as highlighted in “bold italics” be included in the Terms of Reference of the Audit Committee, and a report be submitted to Council on 27 September, 2012 to approve the amendments to the terms of reference.

The revised terms of reference were as follows:

- To consider matters of relevance to the efficient financial administration of the Council, particularly in relation to its systems of good corporate governance, probity and financial strength.
- To receive relevant reports from the Council’s Section 151 Officer with regard to the above and to consider internal audit matters brought to the *Committee’s* attention by the Section 151 Officer or the Internal Audit & Risk Manager or requested by the *Committee*.
- *To seek assurances that the Council has complied with the Treasury Management Strategy and Practices by demonstrating effective control of the associated risks and pursuing optimum performance consistent with those risks.*
- To receive reports of the Council’s External Auditor, in particular concerning the Regulatory Plan, the Annual Audit Letter and any statutory reports issued by the Auditor.

- To agree responses to external audit reports where appropriate and to refer these (along with the report) to the Cabinet or relevant Scrutiny Committee or Council as appropriate and to consider any responses where relevant.
- To receive a quarterly report of all completed audit reports with a synopsis of the work undertaken together with a graded assurance opinion.
- To receive a quarterly summary report of school audits together with a graded assurance opinion with individual reports considered by school governing bodies.
- To review the implementation of internal audit report recommendations on a regular basis as part of the Audit & Risk Manager's progress reporting cycle.
- To review value for money, efficiency and effectiveness through consideration of financial performance indicators and comparative studies where relevant.
- To raise the profile of probity generally within the Council and to report on matters of concern to the Cabinet or to Council as necessary and appropriate
- To receive reports of any significant incidents of fraud or financial impropriety and actions taken to enhance controls where this is considered necessary.
- To receive reports on fraud prevention and detection initiatives and updates to any related policies and strategies.
- To examine the annual audit plan and propose for consideration any other audit investigations.
- To regularly review the *Corporate* Risk Register.

3 : DECLARATIONS OF INTEREST

The Chairperson reminded Members of their responsibility under Article 16 of the Members' Code of Conduct to declare any interest, & to

complete Personal Interest forms, at the commencement of the item of business.

The following declarations were made:

<u>Member</u>	<u>Item</u>	<u>Interest</u>
Sir Richard Lloyd Jones	Item 4	Personal Interest as spouse is Chair of a Charity which receives funding from Cardiff Council (Families Need Fathers Cymru)
Sir Jon Shortridge	General interest	Personal Interest as Chair of Community Service Volunteers (CSV)
Councillor Hinchey	Item 4	Personal Interest as Chair of Crossroads Care (Cardiff & Vale Charity which receives a grant from Cardiff Council

4 : AUDIT PANEL'S ANNUAL REPORT 2011/12

The Committee received the Audit Panel's Annual Report to be submitted to Cabinet on 11 October 2012, which detailed the work of the former Audit Panel in 2011/12.

The Chairperson drew attention to areas identified by the Panel of risk and concern that were commended to the Committee for inclusion in a future work programme and these included :

- Transformation Programme (Efficiency Programme);
- Business Continuity;
- Internal Audit Follow Ups
- Capital Monitoring and Management of Slippage;
- Delayed Transfer of Care

RESOLVED – That

- (1) the Audit Panel Annual Report be noted and a copy be forwarded to the Cabinet on 11 October 2012;

- (2) items identified of risk and concern be included in the Audit Committee work programme.

5 : MINUTES

RESOLVED – That the minutes of the meeting of the Audit Panel 19 March, 2012 were agreed as a correct record;

6 : MATTERS ARISING

The Chairperson proposed that for future meetings a one page briefing be prepared on items arising from the minutes of the previous meeting.

The following matters were raised and discussed from the Audit Panel minutes of 19 March, 2012:

1. Internal Audit: Schools Training on the new Financial Procedure Rules in Schools and Governing Bodies.

The Committee was advised that the Constitution Committee had agreed the new Financial Procedure Rules in February 2012, and briefings had been held in March and April for Head Teachers and Governing Bodies which had been well attended. A copy of the new guidance and rules had been circulated to all Schools and Governing Bodies and improvements in compliance would be monitored.

2. Senior Management Shortages

The Committee was advised that the Chief Operating Officer had been appointed to support and increase capacity at Senior Management level. The Wales Audit Office would be monitoring capacity levels at Senior Management level as part of its Annual Audit.

It was also noted that the Leader of the Council under the new administration had indicated that she wished to review the Senior Management team and use of Consultants to ensure that the necessary capacity and structure was in place to move forward with the administrations vision.

7 : BUDGET UPDATE

The Corporate Chief Officer and Section 151 Officer updated the Committee on matters relating to the budget.

- Out-Turn Report

The Cabinet at its meeting 12 July 2012 considered a report on the Out Turn 2011/12. The Corporate Chief Officer and Section 151 Officer advised that the Council in its final revenue outturn position had maintained its spending within its overall net budget of £536 million in 2011/12, and the surplus of £131,000 was 0.02% of the net budget and this had been transferred to the Council Fund Balance.

The regular monitoring process had identified financial pressures in a number of areas, including Children's Services, City Management and Education and this had been reflected in the final outturn position with significant overspends being reported.

The overall position had been offset by other service area savings, a further additional NNDR refunds on Council properties and surplus on Council Tax collection. In addition a number of one-off reimbursements had been received by the Council during the year in particular to VAT refunds and insurance claims. The receipts from these had contributed to the level of voluntary severance costs to be met in-year reducing the need for future funding. In addition it also provided an opportunity to set aside funding to meet future liabilities arising from the settlement of outstanding equal pay claims.

The 2011/12 Capital Programme outturn for 2011/12 was £99.5 million resulting in a total variance of £55.8 million which was mostly in respect of slippage of £43.3 million against Schools Organisation Plan schemes, and an additional £13million slippage in other Capital projects.

- Budget Strategy 2012-13

The Committee was advised that the Cabinet approved the Budget Strategy in July and the preparations for next year's budget are underway. Using the Welsh Governments indicative 3 year budget, the funding gap is projected at £55m over 3 years. The Medium Term Financial Plan suggests that in order to stand still in financial terms, there will be budget gap of circa £18 million which will need to be closed by savings and the use of reserves. This budget gap could potentially increase to £21 million should there be changes to Welsh Government grant funding arrangements for 2013/14.

Chief Officers were required to propose savings to meet the £21million target and this equated to 14.8% of controllable budgets

which would be split between service area savings and efficiency savings. Chief Officer would provide their proposals by early autumn.

- Change Programme

The Corporate Chief Officer and Section 151 Officer advised that there was a review and refocus of the change programme underway to ensure that efficiencies are achieved to meet target savings and to ensure improvements to front line services.

- Month 3 Budget Monitoring

The Month 3 Budget Monitoring report would be submitted to Cabinet on 20 September 2012. The overall position shows a potential overspend of £979,000 with financial pressures in a number of areas and significant overspends particularly in relation to Children's Services, City Services and Education. These are partly offset by savings in other service areas and by savings on NNDR refunds on Council properties and a projected surplus on Council Tax.

The 2012/13 budget included £10.2 million of efficiency savings which were reflected in service area budgets. In addition a further £0.7 million was brought forward from 2011/12 as base budget efficiency savings still to be found providing overall target savings of £10.9 million in relation to the Efficiency Programme in the current year. This included savings from commissioning and procurement, service redesign and shared services. The current monitoring position indicated a potential shortfall of £2.3 million which was reflected in the service area monitoring positions. Chief Officers were working to secure the release of savings, however where this is not possible service areas will be required to identify alternative savings in order to balance their budget in the current year. Current projections indicate that the expenditure budgets which support the Efficiency Programme would release savings of £1.1 million in the current year. This reflects changes to the way the programme is managed with a significant reduction in the use of consultants and other external support.

The cost of implementing the 'Living Wage' was estimated to be £1 million in a full year and c. £584,000 in 2012/13. The current year expenditure would be found from the use reserves. The full year cost will be taken into account as part of the Council's budget process and reflected in the budget for 2013/14.

- Capital Budget

The Corporate Chief Officer and Section 151 Officer advised that there was a variance of £11.6 million against the current £136 million budget with elements of slippage in the School Organisation Programme of £4.4 million and slippage in the rationalisation of administrative buildings programme which was being reviewed as part of the Change Programme

RESOLVED – That the update on the Budget be noted.

8 : WALES AUDIT OFFICE

- (i) Regulatory Programme 2012-13

Steve Barry, Wales Audit Office presented the report which outlined the programme of work to be delivered by the WAO under the Local Government (Wales) Measure 2009, the Local Government Act 1999 and Parts 2 and 4A of the Public Audit (Wales) Act 2004.

The WAO must carry out an annual Improvement Assessment to determine whether the Council will comply with the requirements of Part 1 of the Measure that involves:

- a review of the Council's arrangements to secure continuous improvement;
- improvement studies of areas which may hinder improvement or transformation or give rise to inefficiencies;
- bespoke pieces of work related to the Council's improvement objectives and arrangements; and
- an audit of the Council's published improvement plans and its self-assessment of performance.

The Committee was advised of specific areas of focus, which included:

- implementation of Estyn recommendations;
- addressing issues identified by the Care and Social Services Inspectorate in Wales (CSSIW);
- the Council's arrangements to reduce the proportion of young people not in employment, education or training (NEETS) ;
- the Council's arrangements to help deliver its objectives for a fair, just and inclusive society;

- whether the arrangements for neighbourhood management are delivering improvements to outcomes for citizens.

The WAO had notified the Council in March of proposals for improvement studies in 2012/13 and these were:

- key themes from improvement authorities assessments of their performance;
- the effectiveness of scrutiny; and
- authorities' reviews of governance and preparation of Annual Governance Statements.

Steve Barry drew attention to Appendix 1 of the report which detailed the performance work planned for 2012-13, and Appendix (?) to the schedule of fees charged to the Council for April 2012 to March 2013 which was £144,538.

The Committee was advised that update reports would be brought to each meeting in accordance with the programme, with short briefing reports as appropriate.

The Chair thanked the WAO for the report and invited comments and observations from the Committee during which a number of matters were raised:

- the level of fees paid to the WAO by the Council and the Welsh Government subsidy arrangements;
- matters relating to continuous improvement and the efficiency programme;
- scope of the work to be carried out on NEETS;
- the need to follow up on actions arising from the Estyn Report;
- issues around vulnerable children and looked after children;
- issues around Delayed Transfer of Care ;
- the timetabling of reporting on items included in Appendix 5 to the report which were linked to work of the Public Accounts Committee;

RESOLVED – That

1. the Regulatory Programme be noted;
2. WAO be requested to report back on matters around the annual fee including
 - (i) proposed fee for 2013/14 when available;

- (ii) breakdown of the composition of the fee;
 - (iii) comparison year on year of the fee; and
 - (iv) whether the fee can be costed on a per capita basis
3. the following issues be included for consideration as part of a future work programme;
- (i) NEETS
 - (ii) Looked After/Vulnerable Young people;
 - (iii) Delayed Transfer of Care;
 - (iv) Change/efficiency Programme update

(ii) Financial Statements 2011-12 and Audit of Financial Statements Report

The Audit Committee received a summary of the details included in the 2011/12 Statement of Accounts and the Audit of the Financial Statements Report from the Wales Audit Office.

The Chief Corporate Services and Section 151 Officer advised that the production of the accounts and the audit by the Wales Audit Office (WAO) had been completed on time and the WAO report highlighted the following findings:-

- there are no misstatements identified in the financial statements, which remain uncorrected.
- no significant difficulties were identified during the audit.
- no material weaknesses in internal control were identified.
- overall the Statement of Accounts and associated working papers provided for audit were of a good standard.
- processes put in place this year to support the audit of the Debtors and Creditors balances were effective in addressing the problems experienced in previous years.
- no significant matters were discussed and corresponded upon with management which need to be reported.
- no other matters significant to the oversight of the financial reporting process need to be reported.

Anthony Barrett from the WAO confirmed that whilst there were no uncorrected misstatements there was one issue arising from the audit this year, which had been discussed with the Council relating to a liability for pension contributions on its equal pay liabilities – this was in light of diverging legal views and the uncertainty regarding

the need to recognise a provision in respect of pension contributions on equal pay. The WAO had advised that the Council was not required to undertake any further action regarding this matter as part of the audit of the 2011-12 Statement of Accounts, but would need to be alert to this issue in the future and the impact on need for a provision.

The Chairperson invited discussion and comments from the Committee during which a number of matters were raised.

RESOLVED – That

- (1) the Committee was pleased to congratulate officers on the results of the audit by WAO and that there were no unqualified or adverse notes;
 - (2) the need for the contingent liability relating to Equal Pay Pensions to be addressed in future years and included on the Risk Register;
 - (3) the Committee request a report on issues relating to the level of general reserve;
 - (4) the draft Governance Statement be presented to the Committee at an appropriate time;
 - (5) the Committee request a briefing report at an appropriate stage on matters relating to
 - Health and Safety Improvement notices;
 - the 6 year rolling programme of Highway Bridge and Structure inspections;
- (iii) Audit of the Financial Statement Report - Cardiff & Vale of Glamorgan Pension Fund

The Audit Committee received a summary of the details included in the Audit of the Financial Statement Report - Cardiff & Vale of Glamorgan Pension Fund and comments made by WAO.

The Chief Corporate Services and Section 151 Officer advised that in relation to the WAO audit of the Cardiff and Vale Pension fund it was noted that not all reconciliations had been prepared in the time. The Committee noted that this was the second year for this comment to be made.

RESOLVED – That the Chairperson write to the Pension Fund Manager to highlight the matter of timeliness of reconciliations being prepared for

the Audit of the Financial Statement Report - Cardiff & Vale of
Glamorgan Pension Fund

9 : TREASURY MANAGEMENT

(i) Treasury Management Annual Report 2011/12

The Committee received the Treasury Management Annual Report 2011/12, which is a statutory report produced at the end of each financial year. The report gave a summary of investments, outturn and borrowing and outlines the issues facing the Council in 2012/13.

The report provided the details of the Council's Treasury Management activities for 2011/12, which covered:

- the economic background to treasury activities
- investment strategy and outturn for 2011/12
- borrowing strategy and outturn for 2011/12
- debt rescheduling
- compliance with treasury limits and prudential indicators
- treasury management issues for 2012/13

The Committee considered the report and the appendices which detailed information on the investments and out-turn and the investment strategy.

The Committee noted the various issues to be monitored during 2012/13:

- the credit worthiness of counterparties in light of continuing financial uncertainties in the UK and Global economy, other sovereign states and the financial institutions themselves and that given current concerns, a maximum duration of 3 months had been set on all investments following a delegation by the Chief Corporate Services and S151 Officer;
- the timing of any new borrowing and potential impact on Treasury Management resulting from changes to Housing Revenue Account financing in Wales.
- detrimental effect on the revenue budget of lower interest on investment balances as a result of a shorter period investment strategy and concern over credit quality

It was noted that the report would form part of the report on the Statement of Accounts to Council on 27 September 2012.

The Chairperson invited discussion on the report and a number of issues were raised in relation to:

- the timetable for 2012/13;
- rates of return on investments; short term investments and the Council Investment Strategy

RESOLVED – that the Treasury Management Annual Report 2011/12 be noted and an update on the timetable for 2012/13 be provided to the next meeting.

(ii) Treasury Performance Report as at 31 August 2012

The report provided the Committee with a snapshot of Treasury Performance, position statements on investments and borrowing including revenue budget forecasts at Month 3 budget monitoring.

The report detailed the projections for the first quarter which were on budget; benchmarking data for information; and the forecast on external borrowing.

RESOLVED – That the report Treasury Performance Report as at 31 August be noted

(iii) Changes in Interest Rates on Long-Term External Borrowing Cost Assumptions

Audit Panel had requested information to confirm that the 2012/13 external borrowing costs budget had been set at a rate which mitigated against the potential risks of increases to interest rates.

The Committee was advised that historically the Council had borrowed long term from the Public Works Loan Board (PWLB) and Lenders Option Borrowers Option (LOBO). The PWLB debt is all at fixed interest rates and the LOBO debt is fixed but with options for either the lender or borrowing to repay the debt at certain intervals. The Committee was advised of the current levels of debt and the 2012/13 budget for external interest payable on borrowing. In setting the budget for external interest payable the Council also takes into account any additional debt that it may enter into during 2012/13 and

the interest rate that will be payable against this. To do this the Council set the following assumptions:

- that the Council will borrow in full against its Capital Programme projections for 2012/13.
- that this borrowing will on average take place half way through the year.
- that the PWLB rate against which the Council can borrow will on average be 4%

The Committee was advised of the assumed cost of additional interest charges for borrowing in 2012/13, and the risks of changes to the interest rate. The Chief Corporate Services and Section 151 Officer confirmed that these risks would be mitigated.

The Committee was advised that at present PWLB rates remain at historically low levels and the officers continue to seek advice from their advisors in respect of when to take debt. The current interest rate forecast for 10 year PWLB debt was 2.75% and forecasts at present were not predicting a rise to 4% over the next couple of years. The risks against increases in interest rates would therefore be mitigated.

The Chairperson indicated that the report gave some reassurances that the sensitivity analysis completed on interest rates would not result in significant impact on the budget.

RESOLVED – That the information be noted

10 : INTERNAL AUDIT

The Audit & Risk Manager presented the following reports:

(i) Annual Audit Report 2011-12

The report outlined the work undertaken by the Internal Audit Section during the financial year 2011-12; details of performance against the Audit Plan; and an overview of the approach adopted to audit assignments. The Committee would receive quarterly updates on progress against objectives and the Audit Plan.

There had been a number of challenges during the year in particular relating to the Transformation and Change Programme; increasing demands on the service for advice and guidance on a wide range of issues and interpretation of Council Rules and Regulations;

attendance at a number of working groups, strategic and operational, to contribute to the development of new policies and procedures and fulfilling a “critical friend” role.

The Committee was advised that the Audit teams were responding positively to the many changes taking place in the delivery of service in different areas and were constantly reviewing its own service to clients, to ensure that it remains relevant to their needs. As part of this, new audit management processes continued to be enhanced, which in addition to reducing costs, had enabled a “fit for purpose” audit and time management solution, to be developed.

The Committee was advised on the position relating to resources within the Audit Team during the last year, in particular staffing matters and performance targets. There had been an increase in chargeable days which reflected the additional work by audit staff working on investigation. The team was proactive in fraud prevention and detection work, as well as deal with any referrals where there was any suspicion of fraud or financial irregularity.

Indications were that clients continued to be satisfied with the Audit and Investigative Service they receive, with satisfaction ratings from quality assurance questionnaires remaining encouraging and a high degree of acceptance to audit recommendations to enhance financial control, which suggests that Internal Audit continues to “add value” to their business.

The Committee’s attention was drawn to the detailed breakdown of audits undertaken; outcomes; and actions.

The Chairperson thanked the Officer for the comprehensive report and invited further discussion with Committee in which a number of matters were raised relating to fraud – detection; prevention and issues around procurement and governance

RESOLVED – that the Annual Audit report 2011/12 be noted.

(ii) Quarter 1 Progress Report 2012-13

The Committee received a report detailing the work undertaken by Internal Audit for the first quarter of 2012/13. Many of the issues in the report had been picked up in consideration of the Annual report, including matters relating to Absence Management; Transformation; Gifts and Hospitality; Street Lighting; Children Services - Vulnerable Children and Children Leaving Care.

RESOLVED – that the Quarter 1 Progress Report 2011/12 be noted and the items raised be included for consideration in a future Work Programme.

11 : MINUTES POLICY REVIEW & PERFORMANCE SCRUTINY COMMITTEE: 14 MARCH & 4 JULY 2012

The Committee received the minutes of the Policy Review and Performance Scrutiny Committees held 14 March and 4 July 2012 for their information. There were no matters arising from the minutes

RESOLVED – That the minutes as circulated be noted

12 : AUDIT COMMITTEE WORK PROGRAMME

The Chairperson indicated that a number of matters had been raised during the meeting that would be included in a future Work Programme.

In addition the Audit & Risk Manager detailed standard and items to be brought forward from the Wales Audit Office.

RESOLVED – That a Work Programme, incorporating all of the topics raise as part of this meeting, be prepared and submitted to the next meeting of the Committee

13 : FREQUENCY & TIMINGS OF FUTURE MEETINGS

The Chairperson sought Members views on the frequency and timings of future meetings. It was recognised that there was considerable work to be undertaken by the Committee in the next year and that this may necessitate to more frequent meetings.

There was a mixed view on the timing of meetings and it was agreed that the next scheduled meeting be held at 10.30am and the timing of meetings be alternated between 10.30am and 2.30pm on Mondays and 4.30pm on a day to be agreed but not a Monday as this would clash with regular Cabinet Informal Briefing meetings.

RESOLVED – That a report be prepared in consultation with the Chairperson for consideration at the next meeting of the Committee.

(Meeting closed at 6.50pm)