
AUDIT COMMITTEE MINUTES – INFORMATION REPORT

Reason for the Report

1. To present for information copies of the minutes of the Audit Committee, which are attached at **Appendix A** of this report. 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 Terms of Reference were as confirmed by Council at its Annual Meeting on 23 May 2013:

- 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.

5. The Committee is comprised of a mix of Independent Panel Members and non-Executive Elected Members. The composition of the Audit Committee is as follows:

Sir Jon Shortridge (Chair)	Councillor Gretta Marshall
Sir Richard Lloyd Jones	Councillor Mary McGarry
Prof. Maurice Pendlebury	Councillor Paul Mitchell
(One independent member vacancy)	Councillor Jim Murphy
Councillor Jayne Cowan	Councillor David Walker
Councillor Nigel Howells	(One Elected Member vacancy)

6. The Audit Committee currently receives copies of the minutes of Policy Review and Performance Scrutiny Committee meetings for information. Minutes of the Audit Committee's 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 of 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 Committee, attached to this report;
 - (ii) Consider how it would like to continue the working relationship with the Audit Committee.

MARIE ROSENTHAL

County Clerk and Monitoring Officer (Democratic Services)

6 September 2013

AUDIT COMMITTEE

20 MAY 2013

Present: Sir Jon Shortridge (Chairperson), Dr Nick Cooling,
Sir Richard Lloyd Jones and Prof. Maurice Pendlebury.

County Councillors Cowan, Marshall, McGarry, Murphy
and Walker.

Apologies: County Councillors Hinchey, Howells and Mitchell.

48 : DECLARATIONS OF INTEREST

The Chairperson reminded Members of their responsibility under Article 16 of the Members' Code of Conduct to declare any interest, and 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	General Interest	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 Murphy	General Interest	Personal – as School Governor of Ysgol Hywel Dda

49 : MINUTES

RESOLVED – That the minutes of the meeting 27 March 2013 were agreed as a correct record and signed by the Chairperson.

50 : MATTERS ARISING

(i) Min No 44 (iii) - Briefing Report: Internal Audit Matters

The Committee wished to reinforce the need for Internal Audit reports provided to Chairs of Governors identifying the actions should be shared with the Governing Body and in particular the appointed Governor responsible for Finance and the Headteacher.

RESOLVED – That the Audit & Risk Manager ensure that all letters / reports relating to Internal Audit matters addressed to the Chairs of Governors are copied to the appointed Governor responsible for finance and the Headteacher and that they provide assurance that they have received the information.

(ii) Welsh Government's Learning Pathways Programme Funding

The Corporate Director Resources reported that confirmation of the transitional arrangements had not been received from the Welsh Government and there remained some uncertainty; however those starting the course in 2013 should receive 2 year funding.

(iii) Budget Update

The Corporate Director Resources provided an update on the Out-turn position for 2012/13 which was to be reported to Cabinet in June. The overall position showed a slight surplus in the accounts for last year.

Work was in progress on the budget for 2014/15 and the Medium Term Financial Plan. The Committee was advised that there was a potential funding gap of £64m over the next 3 years with £28m to be found in 2014/15. The 2013/14 budget process had required a £22m saving.

The Corporate Director advised that the outcome of Governments Spending Review would be announced in late June, and that it was likely that the settlement in Wales would be reduced and that the Welsh Government would require Local Government to make further savings. Work was ongoing with service area finance groups on the Budget Strategy for July Cabinet.

The Committee commended the Corporate Director Resources and her team for bringing in the out-turn position with a surplus, particularly in

light of the economic position and pressures on services that had been encountered during the year. The Committee noted the challenges for the budget going forward.

51 : WALES AUDIT OFFICE (WAO)

(i) 2013/14 Performance Audit Work and Fees

Steve Barry from the Wales Audit Office (WAO) referred to the broad programme of work and associated fee for 2013/14 as set out in the report. He advised that WAO would be carrying out a Corporate Assessment this year as part of a four-year rolling programme of assessments at all Welsh Councils. The Corporate Assessment would provide a position statement of the Council's capacity and capability to deliver continuous improvement; examine track record of performance and outcomes; and examine the key arrangements that are necessary to underpin improvements in services and functions. The outcomes of the Corporate Assessment will be published.

In addition to the annual programme of audit and assessment of improvement planning and reporting arrangements, Steve Barry advised that WAO would undertake a programme of Improvement Studies and Local Government National studies and this would include the following proposed work:

- Improvement study – Safeguarding
Review of whole authority governance and management arrangements for safeguarding children and vulnerable adults;
- Local Government National Study –Welfare Reform
Review of arrangements to manage the impact of welfare reform;
- Local Government National Study - Delivering with less
The impact on services and citizens. This would be the first of a series of national studies into specific service areas to examine how best use is being made of diminishing resources;
- Local Review
Work to be identified in collaboration with the Council as part of the ongoing assessment of risk. Examples of possible areas of review for examination are:

- (i) Delayed Transfer of Care (DETOC) - review of research previously undertaken and work being undertaken by the Local Health Board (LHB) with the Kings Fund; and review of operational arrangements between the LHB and Local Authority;
- (ii) Study on the Joint Education Service.

The Committee was also advised that the Auditor General has a duty under the Local Government Wales Measure in relation to the co-ordination of the regulatory functions of the WAO and relevant regulators:- the Care and Social Services Inspectorate Wales (CSSIW); Estyn; and the Welsh Language Commissioner. The range of performance audit work that the WAO and relevant regulators will carry out will be set out in more detail in a Work Plan and Timetable which will be reviewed every quarter.

An Annual Improvement Report for Cardiff Council is published every year summarising the WAO work and that of relevant regulators, and issue reports (and/or letters) setting out the findings of audit and assessment work. Steve Barry indicated that the Cabinet had requested that these be discussed with the Cabinet prior to being submitted for consideration by the Policy Review & Performance Committee and Audit Committee.

The Committee made the following comments and observations:

- the need for timely WAO reports to Committee and concerns that the proposal for all reports to be considered by Cabinet before Audit and Policy Review & Performance Scrutiny Committees would delay the receipt of these important reports;
- the minutes of the relevant meetings of Cabinet to consider WAO reports be provided to the Audit Committee for information;
- the importance of a robust and focussed performance management and continuous improvements systems, and the need for benchmarking against comparator Core Cities outside Wales;
- Members noted that the work undertaken on NEETS had been used as an exemplar in other Local Authorities in England;
- a Member raised the importance of looking at comparator information with England authorities of Key Stage 4 attainments and the support of WAO in ensuring that the comparator information is available.

RESOLVED – That

- (1) the proposed Wales Audit Office fee structure for WAO Performance Audit Work April 2013 to March 2014 be noted;
- (2) consideration be given to the reporting and timing of WAO reports to Cabinet and Audit Committee to avoid any unnecessary delays;
- (3) the minutes of the Cabinet meeting relating to WAO letters/reports be provided to the Audit Committee;
- (4) WAO consider the performance management arrangements and the need for a more rigorous approach as part of its Corporate Assessment of the Council.

52 : GOVERNANCE AND RISK MANAGEMENT

(i) Annual Governance Statement 2012/13

The Council is required to produce an Annual Governance Statement (AGS) to accompany the Statement of Accounts as required under Regulation 4 of the Accounts and Audit Regulations 2005.

The Committee had sight of the draft AGS 2012/13 at its meeting 27 March 2013 (Min No: 43) and comments and observations raised by Members had been included in the final draft for consideration at this meeting for any further improvements or changes. The final document had been updated to include any new issues captured in the Senior Management Assurance Statements which had been completed by Chief Officers and reviewed at the year end. The AGS was underpinned by the CIPFA /SOLACE Delivering Good Governance Local Government framework and the core principles and had been verified by the Section 151 Officer and Monitoring Officer.

A number of issues arose from the discussions in relation to the Audit Committee assurances, in particular in relation to reconciling and reflecting the wording of paragraph 86 with the list of issues of concern recorded in paragraph 87 of the AGS; and that the list in paragraph 87 was not exhaustive. Members raised issues relating to confidentiality and good governance – particularly in relation to exempt matters; issues relating to Safeguarding Children; the Cardiff Local Partnership Board governance and reporting mechanism; the need to differentiate between

governance and risks; the need to expand the concerns raised about non-compliance issues.

The Corporate Director Resources provided an update to Committee on the current recruitment to the Senior Management team and the appointments process; and advised that the full compliment of Directors would be in post by early September. The Assistant Director post would be advertised imminently.

RESOLVED – That

- (1) the Committees comments in relation to Paragraphs 86 and 87 of the report be noted and the wording be amended to reflect the exceptions listed in paragraph 87;
 - (2) further work be undertaken to distil the priorities for the Audit Committee going forward as part of the Audit Plan and Work Programme;
 - (3) the Corporate Director Resources consider going forward the reporting arrangements from the Cardiff Local Partnership Board and provide a considered view to a future meeting;
 - (4) prior to the development of the AGS for the current year consideration be given to clarifying the issues raised as significant governance matters and risks.
- (ii) Corporate Risk Register

The Committee received an updated on the Corporate Risk Register that reflects the year end position to March 2012/13.

The CRR has 23 risks all of which are assigned to Corporate Chief Officer level to ensure the most senior level of ownership and accountability. During the period December to March the CPR on Partnerships had been closed and a new risk relating to Hostile Vehicle Mitigation in Cardiff had been raised details of which were contained in Appendix B to the report.

The Audit and Risk Manager advised that the Senior Management Team was undertaking ‘deep dive’ of each of the risks and a peer review of risk

owners. Work was also underway to look at the controls and improvements to mitigate risks.

The Committee noted the process and the work being undertaken on identifying and monitoring risks. A number of matters were raised in discussions including under the Welfare Reform, the statement included in the register about the Council's ability to meet its statutory obligations. Members noted that Marsh the Council's Risk partner had undertaken a piece of work relating to the risks and that this had been received and was to be considered.

RESOLVED – That

- (1) the Corporate Risk Register be noted and the work being undertaken be endorsed;
- (2) a note be prepared for the Committee on the actions needed by the Council in respect of the risk identified for Welfare Reform and reflecting on the outcomes of the Marsh report.

(iii) Business Continuity – Briefing Report

The Committee received an update on the Council's business continuity capability with specific regard to managing the business continuity risk, as outlined in the Corporate Risk Register and the Council's operational resilience.

The Committee was advised that the original business impact analysis work undertaken is maintained and reviewed at least annually at a strategic level. The Council's risk management matrix is used to assess the potential impacts of not delivering each activity. For ease each activity is allocated a Red, Amber, Green or Black rating depending on how quickly the activity is required to be reinstated:

- Red activities are the first time scale of 0 -1 hour, these are our most time critical activities.
- Amber activities are the next set of activities needed to be recovered between 1 hour and 24 hours.
- Green activities need to be recovered between 1 day and 5 working days.
- Black activities would be recovered beyond 5 working days.

The initial objective set by the Councils Senior Leadership Team (SLT)

were to make the Red activities (0-1 hours) activities as resilient as practical and build effective business continuity plans to help manage and recover from a disruptive incident. The Council has 31 Red activities; 28 of these have effective plans in place, and the 3 remaining Red activities that are not covered within a signed off business continuity plan sit with Internal Services (ICT).

The Committee was advised that as part of a review going forward that a piece of work was being undertaken to update the Council's Emergency Management Plan to reflect the new Senior Management Structure and to embed the incident management structure and ensure that the plans are fit for purpose.

Going forward the new directorates will focus on the Amber activities to enhance the resilience capability and to ensure these can be captured and audited to meet the needs of the Plan. Further work is continuing on advice and guidance on Community resilience initiatives in particular resilience in areas of flooding and severe weather incidents, and that this work had been recognised by the core cities group.

Members thanked the officers for the update and noted the ongoing work and were advised that the ongoing IT resilience work should be completed within the next few months.

RESOLVED – That the briefing note on the Council's Business Continuity Plan be noted and an update be provided to the December meeting of the Committee on the remaining 3 IT Red activities

53 : TREASURY MANAGEMENT REPORT

(i) Treasury Performance Report

The report provided performance information and a position statement on Treasury Management as at 31 March 2013 and highlight key changes from the previous report received in January 2013. The Committee was advised that there were no material changes from the previous quarter, and that a report on the Out-turn 2012/13 position would be provided to the next meeting.

In response to questions, the Committee was advised that for new investments, and in accordance with the Treasury Management Strategy approved by Council, the Council was looking at accessing more

favourable interest rates by considering opportunities to invest with the highest credit quality investments for up to a maximum of two years, instead of the previous three month limit. Members were advised of the reason for the reduction in internal borrowing which was due to the receipt of late grants in 2012/13 from the Welsh Government, and an underspend in Capital Programme.

RESOLVED – That the report be noted.

54 : INTERNAL AUDIT

(i) Internal Audit Annual Report 2012-13

The Committee received the Internal Audit Annual Report for 2012/13. The plan contained an overview of the work undertaken and the challenges in 2012-13; performance against the audit plan; issues relating to service delivery including resourcing; links to Corporate Risk Register; risk management; corporate governance; quality assurance and audit findings and opinion; main areas of risk and challenges going forward.

The Committee commented on a number of issues that had been identified previously and matters for the work programme going forward which included:

- compliance to unsatisfactory audit reports;
- resources and budgetary implications;
- Street lighting;
- the impact of job evaluation;
- Value for money audits;
- the importance of the roll out to schools of policy and procedure on Anti Fraud and Anti Corruption.

RESOLVED – That

- (1) the Committee welcomed the detailed report and noted its contents with the suggested amendment to be made to page 20 and the narrative on Job Evaluation;
- (2) for the quarterly report the Audit & Risk Manager prepare a note on the time line for the follow up actions on procurement in Street Lighting;

- (3) the significant issues highlighted in Appendix E of the report be distilled into the audit programme for the next 12 to 18 months.

55 : OPERATIONAL MATTERS – BRIEFING NOTES

- (i) Six Year Rolling Programme Highway Bridges & Structure Inspections

The Committee received a briefing on the implementation of the Principal Bridge Inspection Programme for Highway Bridges and Structures. The Committee was advised of the code of practice for the “Management of Highway Structures” which provides guidance to highway authorities regarding how highway structures should be managed to ensure that they are “Safe for Use and Fit for Purpose”; and the best practice inspection regime which includes General Inspections 2 yearly and Principal Inspections 6 yearly. This regime follows the requirements of the Highways Agency and Welsh Government on the Motorway and Trunk Road Network.

The Committee was advised that the general inspections are by definition and overview inspection without gaining special access to areas of the structure inaccessible from either ground level or entering confined spaces. Principal Inspections are a detailed inspection of all elements of the structure and may involve the use of access platforms, or the use of specialist divers to enter confined areas in low bridges and culverts.

The Highway Authority in Cardiff is responsible for 493 structures in Cardiff. This comprises 1 Tunnel, 5 Viaducts, 231 Bridges, 62 Subways, 108 Culverts and 86 Retaining Walls. Prior to 2010 Principal Inspections were only undertaken on an ad hoc basis with no specific budget allocation to enable a programme to be put in place.

The non-compliance with the Code of Practice was identified as a major risk to the Authority. The practice of not undertaking Principal Inspections led to a reactive maintenance regime and is not aligned to the principals of Asset Management.

In 2011/12 limited funding was allocated to undertake a nominal number of Principal Inspections and to develop a programme of inspections to comply with the requirements of the Code of Practice. The programme is such that structures on the main routes (A48 and A4232) into Cardiff have been prioritised. One major Viaduct will be included each year in

order of age since construction; other structures are divided such that a proportion of each group is undertaken each year.

In 2012/13 funding was allocated to fully implement a programme of PI's. In total 86 structures were inspected, including A4232 Leckwith Woods Viaduct.

Members noted the briefing and the issues, in particular the steps being taken to meet the requirements of the Code of Practice and the risks identified. There were significant concerns about the levels of compliance and inspections, and the resources available which had to be balanced against the risk.

RESOLVED – That the Committee welcomed the updated and noted the content; and requested that an update be provided to the Committee in 12 months.

56 : DRAFT AUDIT COMMITTEE ANNUAL REPORT

The Committee received the first draft of the Audit Committee Annual Report for comments and improvements. A number of changes were identified and these would be updated in the plan. The Chair indicated that if Members had any further changes to let him know and he would review and input into the report before bringing the final draft to Committee prior to submission to Council 25 July 2013.

57 : AUDIT COMMITTEE WORK PROGRAMME

The Committee received an update on the current work programme and the programme of work going forward. The work programme would need to be updated to encompass the key issues and items that will come forward from matters highlighted within the Corporate Risk Register; Annual Governance Statement; Annual Internal Audit report and with reference to the work of the Wales Audit Office.

RESOLVED – That

1. further consideration of the work programme be undertaken at the next meeting;
2. the Audit and Risk Manager draw together a comprehensive list of key issues arising from the Corporate Risk Register; Annual

Governance Statement; Annual Internal Audit report and with reference to the work of the Wales Audit Office.

58 : MINUTES POLICY REVIEW & PERFORMANCE SCRUTINY COMMITTEE:

The Committee received the minutes of the Policy Review and Performance Scrutiny Committees held 20 February and 6 March 2013 for information.

RESOLVED – That the minutes as circulated be noted.

59 : DATE OF NEXT MEETING

The date of the next meeting would be Monday 8 July 2013 at 4.30pm. Dates of future meeting were to be determined along with Council and Committee meetings at the June Council meeting

60 : DR NICK COOLING

Members were advised that this would be Dr Nick Cooling last meeting as he had tendered his resignation from the Committee.

The Chair on behalf of the Committee thanked Nick for his valuable and significant contribution to the work of the Committee over the last five years and wished him all the very best for the future.

(Meeting closed at 12.55)

Chair _____

AUDIT COMMITTEE

27 MARCH 2013

Present: Dr Nick Cooling and Prof. Maurice Pendlebury.

County Councillors Cowan, Howells, Marshall, McGarry, Murphy and Walker.

Apologies Sir Jon Shortridge (Chairperson), Sir Richard Lloyd Jones and County Councillors Hinchey and Mitchell.

37 : CHAIRPERSON

It was proposed and seconded that Prof. Maurice Pendlebury be appointed Chairperson of the Audit Committee for this meeting.

(Professor Pendlebury in the Chair)

38 : DECLARATIONS OF INTEREST

The Chairperson reminded Members of their responsibility under Article 16 of the Members' Code of Conduct to declare any interest, and 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>
Prof. Pendlebury	General Interest	Personal – School Governor
Councillor Howells	General Interest	Personal – School Governor
Councillor McGarry	General Interest	Personal – School Governor
Councillor Marshall	General Interest	Personal – School Governor
Councillor Murphy	General Interest	Personal – School Governor
Councillor Walker	General Interest	Personal – School Governor

39 : MINUTES

RESOLVED – That the minutes of the meeting 28 January 2013 were agreed as a correct record and signed by the Chairperson.

40 : MATTERS ARISING

Single Status and Job Evaluation: - Appeals

The Committee inquired whether all appeals made by those in detriment as a result of Job Evaluation had been considered and decisions made on them. The Chief Corporate Services & Section 151 Officer advised that she would get confirmation of this and inform the Committee before the next meeting.

The view of the Committee was that Job Evaluation had been a major exercise for the authority and suggested that it would be useful to carry out an evaluation of it in order to see whether it had achieved what was intended.

(i) Briefing on provision for NEETs: - Welsh Government's Learning Pathways Programme Funding

This programme is a collaborative vocational education curriculum for young learners who would otherwise fall outside of formal learning opportunities and at the time of the last meeting was being funded by the Welsh Government, although it was uncertain whether or not that funding would continue. The Committee asked if the Welsh Government had confirmed that it would continue the funding of this programme. The Chief Corporate Services & Section 151 Officer advised the Committee that she would get confirmation of this and provide it to the Committee at the next meeting.

(iii) Budget Update

The Chief Corporate Services and Section 151 Officer informed the Committee that the Council's budget for 2013/14 was approved on 28 February 2013. There was to be no increase in Council Tax. Over the coming year the Council aimed to make savings of £22 million. Pressure bids amounting to £3.4 had been submitted and there would be new capital investment of £4.3 million over the next five years. The challenge for the Council was to make sure that it delivered on these savings in order to ensure that the Council had balanced its budget by the end of 2013-14. Over the medium term, based on current information the Council may need to achieve further savings of circa £64 million.

The Committee asked how much of the savings that were to be made would be a result of the Council's Transformation programme. The Chief Corporate Services and Section 151 Officer advised that projects and programmes that were seen as transformative had identified savings of £6 million but that savings from overall major change initiatives would take that figure up to circa £12 million during 2013/14.

(iv) St Albans Primary School

At the meeting on 28 January 2013 the Committee received assurances from the Interim Corporate Director (People) that lessons had been learnt from the situation at St Albans Primary School, which had which had been placed under special measures and received significant media attention. The Committee felt that a letter should be sent to the Cabinet Member for Education and Lifelong Learning (including Libraries) to seek further reassurance that lessons would be learnt and that the severity of the issues that occurred at the school over a number of years did not happen again.

RESOLVED - That

- (1) the Chief Corporate Services and Section 151 Officer confirm that all Single Status appeals for those in detriment as a result of Job Evaluation had been completed;
- (2) an evaluation of Job Evaluation be undertaken to see whether the initial objectives had been achieved, whether any lessons had been learnt and whether it was considered to be a success;
- (3) the Chief Corporate Services and Section 151 Officer confirm whether the Welsh Government was to continue to fund the Learning Pathways programme and inform the Committee at the next meeting,
- (4) a letter be sent to the Cabinet Member for Education and Lifelong Learning (including Libraries) to seek further reassurances that lessons would be learnt and that the severity of the issues that occurred at St Albans Primary School over a number of years do not happen again.

41 : WALES AUDIT OFFICE (WAO)

(i) Annual Financial Audit Outline 2012/13

Janet McNicholas from the Wales Audit Office gave a presentation on the Audit Annual Financial Audit Outline 2012/13. The Committee was advised that the audit ensured that high levels controls in accounting are in place and that the Council is able to identify potential business risks, for example the restructuring of the Council's senior management team - something which could have significant implications for the Council. The audit monitors the Council's financing of its capital programme, a significant proportion of which is to be financed through unsupported borrowing. Where there is unsupported borrowing there have to be checks and balances and the borrowing has to comply with the requirements of the Prudential Code. The audit ensures completeness of financial reporting to make sure that all potential liabilities are reflected in the Council's accounts.

The Committee was advised that last year there were some issues with the Council's Whole of Governments Accounts (WoGA) financial statement, particularly around the inclusion of manually derived debtor and creditor balances. Work has been done to make sure that these problems do not recur and good procedures are now in place.

The Committee noted the importance of high level controls but suggested that in some areas light touch auditing, especially value for money auditing, would be beneficial for the authority, perhaps bringing in ideas from other authorities and finding more ways in which the Council can save money. The Committee was advised that value for money auditing is part of the WAO's future strategy. Value for money auditing has to have regard for a Local Authority's particular financial challenges. It has to comply with the requirements of the Auditor General but in a way that assists and supports Local Authorities, and local discussion can take place regarding the needs of a Council in terms of the audit itself and the savings it would like to make.

Regarding the WAO charges for carrying out an audit, the Committee asked whether the WAO ever benchmarks against those organisations that audit local authorities in Scotland or Ireland. The Committee was advised that the WAO does benchmark in this way and is therefore challenged on the fees it charges.

(ii) Performance and Audit Programme Update

Steve Barry of the Wales Audit Office gave a presentation on the Programme Update.

The Committee was provided with an update on work carried out during 2012-13. Progress had been as expected but some things were to be done a little differently. Under Improvement Assessment for the year, a local study was being carried out to determine whether the Council's arrangements will help reduce the proportion of young people who are not in employment, education or training (NEETs). There is also a Local Government All-Wales study into NEETs. It had been decided to bring the findings of these two pieces of work together. Also, after discussion with the Cabinet, it had been decided to change the sequence of reporting. Reports would go to the Cabinet first, before being presented to the Policy Review and Performance Scrutiny Committee and the Audit Committee.

The Committee was informed that the other All-Wales studies were as follows:

- An improvement study into the effectiveness of scrutiny.
- An improvement study that evaluates the Council's review of governance and preparation of the Annual Governance Statement (AGS).
- Meeting the Financial Challenge – a desk top review of the all Wales position leading to national report that gives a snapshot of how local authorities in Wales are managing to provide services in the face of austerity.
- An improvement study – key themes from assessments of performance leading to a national report looking at Performance Management arrangements.

The Committee was advised that there would be capacity within the WAO fee for some local work to be done and there was some appetite for work on Delayed Transfers of Care (DTOC). This could be undertaken with the Health Board and the Vale of Glamorgan Authority, perhaps in the coming year, although it was not certain what the focus of this would be.

The Committee was invited to submit ideas for local work and the Chief Corporate Services & Section 151 Officer agreed to liaise on this with any member who wished to suggest items.

The Committee asked whether the changes to be made to the sequence of reporting will mean that the Committee will not be able to give any input into a report before it goes to the Cabinet. The Committee was advised that this would be the case.

The Committee asked when the improvement study into key themes from assessments of performance will be completed. The Committee was advised that the report was due to be published in May 2013 and a letter about the report had already been sent to the Chief Executive of the Council.

RESOLVED – That

- (1) it was noted that the All-Wales Studies Improvement Study - the evaluation of the Council's review of governance and preparation of the Annual Governance Statement was in progress and the WAO would provide the Committee with an update when appropriate;
- (2) Members are invited to make suggestions for local work to be undertaken within the WAO work fee and the Chief Corporate Services and Section 151 Officer agreed to facilitate this.

42 : TREASURY MANAGEMENT REPORT

(i) Treasury Performance Report

The report provided performance information and a position statement on Treasury Management as at 28 February 2013 and highlight key changes from the previous report received as at 31 December 2012.

The Committee asked whether recent events in Cyprus would have any impact on the Council's investments. The Committee was advised that the Council does not have any investments in Cyprus.

The Committee enquired about the Council's investment strategy in UK banks and were advised that part-nationalised UK banks were seen as safer investments for the Council.

On 22 February 2013, Moody's, one of the three main credit rating agencies, downgraded the sovereign rating of the United Kingdom by one notch under what is termed Triple A (Aaa) status. The Committee received a briefing note on this and noted that a further downgrade is possible.

The Committee asked how often the Council reviews the geographical spread of its investments, given the way serious world events such as those in Cyprus can affect investments. The Committee was advised that all investments are under constant review, sometimes under daily review when there are serious world events that could have an impact on them.

RESOLVED – That the report be noted.

43 : GOVERNANCE AND RISK MANAGEMENT

(i) Draft Annual Governance Statement (AGS) Briefing Report

The Council is required to produce an Annual Governance Statement (AGS) to accompany the Statement of Accounts. The Audit Committee has identified the importance of the AGS and asked to receive an overview at this meeting and a final draft in May, with an opportunity to contribute.

The Committee was advised that it is important to remember that the AGS is about governance across the whole of the Council. The AGS is based on six key principles and these are as follows:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
- Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed, transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of Members and officers to be effective.

- Engaging with local people and other stakeholders to ensure robust public accountability.

The Committee was advised that the draft AGS document deals with each of the key principles and how the Council is meeting them. Because it is just at the end of the 2012-13 financial year governance assurance documents are still being completed by managers. An important part of the draft AGS document is the table in which significant governance issues are recorded, and this is updated annually. It was suggested that when the final draft is seen in May 2013 the Committee may wish to select significant issues that have been identified and consider them for its work programme.

The Chairperson asked the Committee for views on what might be included in further discussion on the AGS at the Committee meeting in May. The Committee suggested governance in schools, especially in relation to non-compliance, and the role of the Central South Consortium Joint Education Service.

The Committee was advised that quarterly reports would provide information on key areas, such as procurement, contract audits and some non-compliance issues. The Committee will be asked to give its views on the governance arrangements that are in place within the Council. The Committee asked who was currently responsible for governance, as it seems that at the moment the responsibility for it was spread amongst a number of different people. The Committee was advised that the Chief Executive as Head of Paid Service and Members, have overall responsibility for governance.

The Committee referred to page 6, point 41 of the draft AGS:

- Each Committee provides recommendations to the Cabinet, the significant majority of which are fully accepted. The Council's five Scrutiny Chairs also write over 100 letters each year to Cabinet Members following Scrutiny Committee meetings, offering advice on service improvements.

The Committee asked how it was known that the majority of Scrutiny Committee recommendations are accepted and asked if this was monitored. It seems as if there was no way of knowing whether recommendations were accepted, and this was the case with all Scrutiny Committees.

The Committee asked whether the changes to the Council's structure that are currently underway, particularly the appointment of new Corporate Directors, which would affect the draft AGS. The Committee was advised that these appointments will not affect the draft under consideration because the draft is for 2012/13 and the appointments had not yet been made.

The Committee noted that the Council's contract with its Strategic Risk Management Partner, Marsh Ltd, ended in December 2012 and asked what impact this had. Marsh, over the course of their contract, undertook a number of specific exercises to supplement the work on Risk Management undertaken internally and this proved to be very useful. There was a continual supporting role for Marsh on Risk Management matters generally and as such, it was not considered detrimental that the partnership had ended.

The Committee noted that the draft AGS states that the Council is developing Neighbourhood Management arrangements 'to facilitate the engagement of local people in the identification of local priorities and solutions' and felt that this was something that should be discussed at a future meeting. The Committee suggested that Neighbourhood Management arrangements could be expanded to reflect the full range and type of engagement that Elected Members have with local people and agreed that it would be a good idea if a register of petitions was kept.

The Committee referred to page 7, point 56 of the draft AGS, which states that:

- In some areas compliance with Council rules has been identified as an issue and training has been arranged and offered to Managers in those areas.

The Committee commented that for governing bodies it can sometimes be very difficult to ensure that people are aware of and fully comply with the financial procedures that are in place.

The Committee noted that in Pembrokeshire a member of the public had made a video recording of a Council meeting. The Committee was aware that in Cardiff full meetings of the Council are recorded and simultaneous webcasted on the Council's website, but recording by members of the public was not allowed.

The Committee discussed matters relating to the governance of the Council's Regulatory Committee; public involvement in these Committees; and officer support and advice.

In conclusion, it was agreed that Sir John Shortridge, as Chair of the Audit Committee, should be given the opportunity to have input to any comments from Audit Committee on the AGS.

RESOLVED – That

- (1) the report be noted and the Committee noted that finalisation of the content of the draft Annual Governance Statement 2012/13 cannot be completed until year end;
- (2) the Audit Committee form a view of the Council's governance arrangements based on the work they have undertaken in the financial year 2012/13 and provide a statement to be included in the AGS;
- (3) the Audit Committee reinforce the requirement for all Chief Officers and Heads of Service to complete a Senior Management Assurance Statement at the year end position 2012/13 in order for the draft AGS to be finalised as soon after year end as possible;
- (4) the Audit Committee receive a final draft AGS at their meeting in May with an opportunity to comment on its content;
- (5) Neighbourhood Management arrangement be included in for consideration in the Work Programme going forward;
- (6) regarding point 60 of the draft AGS (*Arrangements for consultation and for gauging the views of local people include the Citizen's Panel, the Ask Cardiff Survey, service specific consultations, and processes to receive and respond to petitions and community referenda. Consultations undertaken by service areas are in accordance with the Council's Corporate Consultation Strategy.*), the Committee noted that currently no register of petitions that are submitted by local people is kept. The Committee agreed that it would be a good idea if such a register was kept;

- (7) regarding point 60 of the draft AGS (*Elected Members offer surgeries to their constituents and the Council is actively developing Neighbourhood Management to facilitate the engagement of local people in the identification of local priorities and solutions.*), the Committee felt that this point could be expanded to reflect the full range and type of engagement that Elected Members have with local people.

44 : INTERNAL AUDIT

(i) Internal Audit Strategy 2013-14

The Committee was advised that once the Strategy had been approved at high level, work on assigning audits could begin from the beginning of April 2013.

The Committee was advised that the Internal Audit Strategy serves a number of purposes as follows:

- To provide an overview of the Audit service and its resources, included in an updated Audit Charter;
- To identify key challenges and potential risks that the Audit service faces over the coming 12 months, based on a SWOT exercise;
- To provide extracts from the Internal Audit Service Plan to show objectives set, potential outcomes and how it is intended to measure performance during 2013-14, within available resources;
- To provide an overview of the audit work planned for 2013-14, based on assessment of risks, at the time the Audit Plan is prepared.

The Audit team had been restructured and was well qualified and well positioned going forward.

The report provided an outline of the current audit budget and the structure of the Audit Section. With regard to the aims and delivery of the Audit Service, the strategy document states that this would involve the following:

- a cyclical, independent and objective review of all financial systems across the authority, based on an ongoing assessment of risk, undertaken to identify and promote good practice and to highlight weaknesses in financial control so that improvements can be considered. It aims to provide management with assurances on internal control and the efficient, effective use of resources.

The Audit Section also provides the authority with an investigation service. The provision of this service involved the following:

- a proactive approach to prevention and detection of fraud and financial impropriety, alongside a professional investigation service based around effective intelligence gathering and evidence building.

The Audit Strategy document states the Audit Section's commitments and aims in relation to quality, standards and customer care, these aims and commitments being as follows:

Quality and Standards

- Commitment to providing a professional, effective, efficient and quality service to all clients;
- Adherence to relevant Codes of Practice and Standards;
- Compliance with Professional Accountancy Bodies and the Council's Codes of Conduct;
- A range of Business Objectives, Targets and Performance Indicators/Benchmarking;
- Annual Report and quarterly reporting to the Section 151 Officer and to Audit Committee;
- External Scrutiny e.g. the Wales Audit Office;
- Continuous Staff Development and Training Programme;
- Quality Assurance Questionnaires.

Customer Care

- Respond to all our customers' enquiries quickly and effectively.
- Involve clients in all stages of the audit process.
- Initial response within 24 hours to enquiries on fraud/malpractice.
- Provide an initial response to letters from the public within 7 working days and a full response within 14 days.
- Complete audits in timely fashion within agreed timeframes
- Regularly review the services we provide to ensure they support the objectives of the Council and continue to "add value".

The Committee was referred to the SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis within the strategy document. The Committee was informed that the aim is to try and identify key challenges for the coming year and work towards these.

On Performance Management within Audit, the Committee was informed that the Service Plan – Audit 2013-14 contains a number of objectives; six objectives for Audit, six for Audit/Investigation and two for Governance. Tasks had been set to realise these objectives and the Service Plan set out the measures to be used to monitor performance of these tasks.

The Audit Strategy document contained a summary of planned audit days for 2013-14. These are grouped into the following audit categories:

- Fundamental
- Corporate Governance Assurance
- Other Assurances
- Service Specific
- External
- Management

The Committee was advised that undertaking fundamental audits was key, and that it was estimated that a large number of audit days would be spent on Other Assurances, particularly on contract audits.

The Committee noted that the SWOT analysis highlights an issue of low morale in relation to Single Status and asked how the Audit Section has been affected by this. The Committee was informed that some members of the team had found themselves to be in detriment as a result of Single Status; had appealed against those decisions; and had the results of their appeals. Two members of the team left last year but one had since returned. There has been a high level of sickness absence, including some long-term sickness but the Sickness Absence policy was being complied with and all necessary home visits were being made. Motivation for those now in detriment was an issue that was being addressed.

Referring to the Service specific audits, the Committee asked how the number of audit days allocated for a particular service area was reached. The Committee was advised that the number of allocated audit days was based on the number of factors that had been identified for a particular service area. Using a Red, Green Amber (RGA) coding system a matrix had been created and this was used to arrive at a list for the audits of the various service areas for 2013-14. Underpinning the list would be an assessment of risk for each service area, although even where risks were identified it could take some time before the audit was undertaken. The

Committee asked if it could see the list and the Audit & Risk Manager agreed to provide it.

The Committee asked whether Service specific audits would include value for money audits and, if they were included, asked what aspects of the service that part of the audit would focus on. The Committee was advised that when carrying out Service specific audits the auditors have been told to look at efficiency, processes and waste, such as duplication of tasks. A number of auditors sit on project boards and challenge those who are developing the project to think about what was necessary and what was not. The audit team are always willing to consider any value for money exercises and are currently looking at different aspects of spend within Central Transport Services, alongside a probity review. It was also mentioned that Senior Management had a responsibility for ensuring value for money and with budgets as they are, should be actively engaging within their own management teams to do so.

The Committee noted that approximately 75% of the Investigation team's time was spent on benefit fraud and asked if the authority received any reimbursement for that from the Department of Work and Pensions. The Committee was informed that some subsidy for fraud work was received but it did not cover the full costs of the work that is carried out.

The Committee noted that the Summary of planned Audit days indicated that it was estimated that 320 audit days would be spent on auditing Education and Lifelong Learning. The Committee was advised that the Audit Section intend to audit approximately thirty schools in 2013-14.

RESOLVED – That

- (1) the report be noted;
- (2) the Internal Audit Strategy and Internal Audit Plan for 2013 -14 be approved;
- (3) The Audit & Risk Manager make available to the Committee the list of audits planned for 2013-14.

(ii) Public Sector Internal Audit Standards

The Committee was informed that these standards are based on sound principles. There was more emphasis on assessment. A new requirement was that external assessments are to be carried out at least once every five years. These are to be carried out by external assessors and would be different to the audits carried out by the WAO. It may be possible that local authorities can be audited by an audit team from a different local authority but for this to take place the audit teams from a number of different authorities would have to be set up as an audit group. The new requirement for an assessment every five years was seen as a good thing for the Audit Section as it would now have the annual report of the Chief Corporate Services & Section 151 Officer plus the report of the independent external assessors.

RESOLVED - That the report be noted and the Public Sector Internal Audit Standards (PSIAS) be agreed for adoption with effect from 1st April 2013.

(iii) Briefing Report: Internal Audit – Matters Arising

The Committee received a briefing report on a range of issues arising from discussing the Internal Audit Progress report at the Audit Committee meeting held on 28th January 2013.

The briefing report covered a number of aspects of the internal audit process, namely:

- Risk Assessment
- Audit Opinion
- Report Format
- Follow Up Action
- Criteria for Managers Attending Audit Committee
- Benchmarking

The Committee was informed that that there are two different types of risk assessment: one for assessing audit priorities for the coming year and ranking potential audit assignments in order of risk; and the other provides management with an auditor's perspective of the risks associated with a recommendation for improvement arising from an audit. When a risk assessment is undertaken the assessment assigns a High / Medium /

Low risk score to each audit assignment within the Audit Plan and the risk score dictates the priority the audit is given.

The Committee was informed that the main conclusion of an audit report would include an overall audit opinion. The audit opinion was given using the following rating system:

<u>Opinion</u>	<u>Description</u>
VERY GOOD	Very well controlled with minimal risk and minor recommendations. High level of assurance can be provided.
GOOD	Well controlled with some risks identified which require addressing. Assurance can be generally provided.
SATISFACTORY	Adequately controlled although risks identified which may compromise the overall control environment; improvements required. Some assurance can be provided.
UNSATISFACTORY	Not well controlled; unacceptable levels of risk identified; changes required urgently. Little assurance can be provided.
UNSOUND	Poorly controlled; major risk exists; fundamental improvements required with immediate effect. No assurance can be provided.

It was felt that this system was tried and tested and easy to understand and that the descriptions associated with each opinion had impact. The Committee felt that it would be useful to know what systems other Authorities use, and the Audit & Risk Manager confirmed that he was in the process of gathering information from other local authorities on their audit ratings systems and would consider a new way of summarising audit outcomes.

The Committee was informed that there are two different audit report formats that can be used; “exception basis” reporting only reports the negative findings arising from an audit and concentrates on improvement actions; whereas a “balanced view” report would report both positive and negative findings. Exception reporting was generally quicker and the

reports were shorter. A more balanced report provided management with a more rounded view and not only highlights failings but provided important assurances regarding controls relating to the objectives set at the commencement of the audit. The Audit Section recently introduced a change to its reporting protocols and was no longer issuing reports where the outcome of the audit was considered to be satisfactory or better, but intended to report fully on all unsatisfactory and unsound audits. This would make more time available for the team to target planned audits.

The Committee noted that regarding follow up actions that result from audits, it is intended that in the future follow up visits would be made wherever audit recommendations have been made regarding identified red risks actions and are also made where the audit outcome was classified as unsatisfactory. The Committee indicated that in the case of schools, governors may not be made aware of problems that have been identified during an audit. It was confirmed that Chairs of Governors receive final reports but the decision as to who they share them with rests with them. The Committee was advised that every six months schools were required to provide assurances that they have complied with audit recommendations, but visits to check this are restricted to those with an unsatisfactory opinion.

The briefing reported contained criteria for managers attending Audit Committee. These had been drawn up at the request of the Committee to set out ‘when senior managers/headteachers should be asked to attend Audit Committee meetings to be held to account and provide assurances on implementing controls’. The proposed criteria were as follows:

- Every audit where there is an “unsound” Audit opinion;
- On the second (and any subsequent) occasion where an unsatisfactory audit report shows insufficient progress in implementing recommendations;
- Any red risk recommendation where there is insufficient progress noted;
- Prolonged failure to respond to requests for information.

The Committee agreed the four criteria and agreed that attendance should be required.

The Committee was informed that the Audit Section was a member of two benchmarking clubs – the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Welsh Chief Auditor’s Group. These

provide an opportunity to compare a range of data around performance, quality, time, cost and audit coverage. The CIPFA Benchmarking Club was particularly useful as it brought together up to 18 other UK authorities to be grouped together for comparing data. The Committee was advised that benchmarking showed that the Council performed well in achieving its target for audits, completing 97% of its planned audits against a benchmarking group average of 85%. The Committee asked whether other examples of benchmarking indicators could be provided and the Audit & Risk Manager agreed to provide a variance report of key indicators later in the year.

RESOLVED – That

- (1) the Audit Committee note the content and support the comments and actions identified within;
- (2) the Audit and Risk Manager gather information from other local authorities on their audit ratings systems and consider a new way of summarising audit outcomes;
- (3) the criteria proposed to set out ‘when senior managers/headteachers should be asked to attend Audit Committee meetings to be held to account and provide assurances on implementing controls’ be agreed;
- (4) the Audit & Risk Manager provide a variance report of key indicators later in the year.

45 : OPERATIONAL MATTERS – BRIEFING NOTES

(i) Efficiency Programme: Commissioning and Procurement

The Committee received a briefing note setting out outcomes regarding cashable savings and organisational change. Target savings for all service areas had been reset and targets for procurement savings had not entirely been met. Examples of this could be found in the Children’s Services budget for fostering, where too much was still being spent with independent fostering agencies; and Central Transport Services, where improvements to achieve the best utilisation of vehicles could bring greater savings. The authority was collaborating with 10 other Local Authorities in Wales to look at ways of delivering social care provision.

The Procure to Pay (P2P) project aims to centralise the receipt and processing of vendor invoices and the Source Cardiff project has been established to improve access to contract opportunities for local small/medium enterprises and make the Council easier to do business with.

The Commissioning and Procurement Five Year Plan has identified a wide range of opportunities across the Council that should yield savings of over £20m during the life of the plan.

(ii) Update on Absence Management

The update included a breakdown of sickness absence figures by service area and the Committee noted that there was a lot of variation between the service areas. There had been a review of the Sickness Absence Policy and proposals and feedback would be considered by the Cabinet in April 2013. The Sickness Absence Policy was to be broadened into an Attendance and Well-being Policy in order to incorporate health and well being initiatives such as smoking cessation, physical exercise, healthy eating, etc. The Authority was looking at ways in which sickness absence can be reduced; options for relevant vaccinations and periodical health assessments for front line staff are being explored; there would be mandatory training for managers to ensure a consistent approach to sickness absence; and there was to be a tightening up of stages/trigger points for short term absence and earlier management intervention in cases of long term absence. The effectiveness of these new measures would be seen during the next financial year.

The Committee agreed that it would like an update after the review of the Sickness Absence Policy had been considered by the Cabinet and would like the Cabinet Member who was responsible to attend a meeting of the Committee. The Committee felt that it would be useful to see the September 2011 Policy Review and Performance Scrutiny Committee task and finish report entitled 'Managing Absence'. The Committee also requested that Philip Lenz, Corporate Chief Officer (Shared Services) and the Cabinet Member responsible for the Sickness Absence Policy should be invited to the Committee meeting in July. The Committee also suggested that following attendance by Philip Lenz and the Cabinet Member, managers from service areas where incidence of sickness absence were high could be invited to subsequent meetings.

(iii) Health and Safety Improvement Notices

The Committee was advised that Improvement Notices had been served on the Council on three occasions since 2003; two notices in 2003 following a violent incident at a Children's Services premises; four notices in 2007-08 in respect of the management of asbestos in non domestic and domestic premises, and in communal parts of domestic premises; and two notices following a Health and Safety Executive (HSE) audit of refuse/recycling collection services, the audit being part of an all Wales audit programme. The requirements of all notices were complied with.

RESOLVED – That

- (1) the briefings on Commissioning and Procurement, Absence Management and Health and Safety Improvement Notices be noted;
- (2) Philip Lenz, Corporate Chief Officer (Shared Services) and the Cabinet Member responsible for the Sickness Absence policy be invited to the Committee meeting in July;
- (3) following attendance by Philip Lenz and the Cabinet Member, managers from service areas where incidence of sickness absence was high could be invited to subsequent meetings.

46 : AUDIT COMMITTEE WORK PROGRAMME

The Committee received the work programme for 2012-13 for information.

RESOLVED – That the work programme be noted.

47 : MINUTES POLICY REVIEW & PERFORMANCE SCRUTINY COMMITTEE:

The Committee received the minutes of the Policy Review and Performance Scrutiny Committees held 16 January 2013 for information.

RESOLVED – That the minutes as circulated be noted.

(Meeting closed at 18.45)

AUDIT COMMITTEE

28 JANUARY 2013

Present: Sir Jon Shortridge (Chairperson);
Dr Nick Cooling, Sir Richard Lloyd Jones and
Prof. Maurice Pendlebury.

County Councillors Cowan, Howells, Marshall, McGarry,
Mitchell, Murphy and Walker.

Apology: County Councillor Hinchey.

25 : DECLARATIONS OF INTEREST

The Chairperson reminded Members of their responsibility under Article 16 of the Members' Code of Conduct to declare any interest, and 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	General Interest	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)

26 : COMMITTEE MEMBERSHIP

The Chairperson welcomed Councillor Murphy to his first meeting following his appointed to the vacancy on the Committee at Council on 13 December 2013.

27 : MINUTES

RESOLVED – That the minutes of the meeting 3 December 2012 were agreed as a correct record and signed by the Chairperson.

28 : MATTERS ARISING

(i) Budget Update

Budget Monitoring

The Chief Corporate Services & Section 151 Officer advised that the Cabinet at its meeting in February would receive the Budget Monitoring report for Month 8 providing the updated financial monitoring position based on the first eight months of the financial year. The Committee was advised that the report would indicate an improved position and a reduction in the predicted overspend of £900,000 and that the overall budget was forecasted to reach a break even position by year end.

The Committee was also advised that the Authority had received its full allocation of the Welsh Government Outcome Agreement Grant.

Draft Budget Proposals 2013/14

The Chief Corporate Services & Section 151 Officer updated the Committee on the budget setting process for 2013/14, and the work being undertaken with the Cabinet. The Cabinet Member, Finance, Business and Local Economy had indicated that draft proposals would be announced at Council on 31 January 2013 and that these proposals would be subject to three weeks consultation prior to the Cabinet meeting on 21 February 2013

In response to a query, the Committee was advised that the draft proposals would provide details of savings proposals – accepted and rejected; Medium Term Financial Pressures; Capital Budget; and grants. All Members through the Group mechanisms or individually would have the opportunity to comment on the proposals and the Scrutiny Committees would consider the detail and provide comments. In addition, Party Groups would also be encouraged to input any alternative budget proposals to be considered by the administration prior to the final budget proposals being agreed at Council on 28 February, 2013.

(ii) Single Status & Job Evaluation

A briefing note addressing a number of matters raised by the Committee at its last meeting had been circulated from the Corporate Chief Officer, Shared Services

Members noted that appeals to deal with those staff in detriment would be completed by no later than 31 March 2013 and not 28 February 2013, as previously stated.

The Committee noted the large number of appeals received and the work being undertaken to manage and complete the process within the timeframes.

The Chairperson thanked the officers for the detailed and informative note.

(iii) Internal Audit Report Recommendations

The Chairperson reported on the positive response received from the Chief Executive to the letter from the Committee regarding timely responses to audit reports and the actioning of audit report recommendations by officers of the Council.

The Chair welcomed the actions taken to ensure that the message was being cascaded from the Senior Management level downwards. The Chief Executive's assurance that the matter had been raised at the Senior Leadership Team level and the views of the Audit and Risk Manager on a significant improvement in response times were welcomed.

29 : GOVERNANCE MATTERS

The Chairperson encouraged Members to raise matters of key concern to ensure that the Committee was kept abreast of key areas of good practice or concern.

The Chairperson took the opportunity to raise with the Interim Corporate Director – People matters relating to St Albans Primary School which had received significant media attention. The Committee was assured that through the Interim Executive Board, the matters had been dealt with and progress was being made to enable the special measures to be lifted. The Committee noted that the recruitment of a permanent Headteacher was progressing, and were reassured that lessons would be learnt to ensure that the severity of the issues that occurred over a number of years do not happen again.

The Committee welcomed the improvements that were being made and recognised that the school needed time and space to embed the new arrangements and move forward.

30 : BRIEFINGS ON ITEMS FROM THE MINUTES 3 DECEMBER 2012

(i) Update on ESTYN Report & Action Plan

The Interim Corporate Director – People provided a detailed briefing note on the current position following the ESTYN inspection of the Council’s Education Services for children and young people in January 2011, and its follow up monitoring visit the end of June 2012 which found significant progress had been made in the six key recommendations.

The Council’s Improvement Board continued to meet monthly to monitor progress and receive information on impact of improvement work on outcomes against the post-inspection action plan under a new integrated performance management framework. In addition, new integrated partnership arrangements with the Cardiff Partnership Board and the Leadership Group involving Elected Members had been developed along with a multi agency scrutiny panel, and scrutiny by the Council’s own Children and Young People Scrutiny Committee. Steps had been taken to increase accountability of schools leaders for performance including dialogue with headteachers and governing bodies

Improvements had been achieved in performance against key measures in a number of schools, however the action plan continued to emphasise and challenge performance at both primary and secondary schools. The collaborative work of the Central South Education Consortium was providing robust performance data and targets for all schools.

Work continued on the reconfiguration of schools with the establishment of an Education Improvement Partnership in the east of the city to ensure that the provision is developed to meet the need going forward and provides the best opportunities for children and young people.

The Committee welcome the updated and discussed and provided comment on the following:

- Exclusions – it noted that work was ongoing on the provision of alternative remedies for pupils at risk of exclusion or excluded, and the established meaningful and measurable outcomes as the current measurement of numbers of exclusion was not a valid measurement of performance;
- the need to consider the effectiveness of school governing bodies in delivering in their role in monitoring and evaluating schools performance and accountability of school leadership;
- the importance of the education advisor in giving feedback to schools on performance;
- the need for individual pupil performance tracking;
- identification and validation of data on the number of young people not in education, employment or training and the role of schools in improving performance and employability of young people leaving education.

The Committee commended and supported the work being undertaken across all the partners in driving up performance; providing accurate monitoring data and providing challenge, and thanked the Corporate Director for his detailed and frank assessment of the current position.

(ii) Briefing on provision for NEETS

A briefing note had been prepared presenting an overview of the position and issues in Cardiff relating to young people at risk of, or disengaging from education, training and employment. Issues around this topic were inter-related with attainment and schools performance; and there was a direct correlation to the reduction of employment opportunities as a result of the economic position and the number of people choosing to remain in education.

It was recognised that there was a need for a more systematic approach to the support offered as there was a great deal of duplication of roles and responsibilities across multiple agencies and partners resulting in inefficiencies and ineffective use of available resources.

The Committee noted the actions going forward and commended the work being undertaken. A Member expressed support for the sustainable provision of the Welsh Government's (WG) Learning Pathways programme which had developed a collaborative vocational

education curriculum for young learners who would otherwise fall outside of formal learning opportunities. It was not clear at this stage if the WG would continue to fund this programme.

(iii) Briefing on Children's Services: Work being undertaken for Vulnerable Children Leaving Care

The Committee received a briefing note on the Council's statutory requirements to provide services to young people leaving care as prescribed by the Children's Act 1989 and 2004 and the Children (Leaving Care) Act.

The Committee was advised of the significant increase in the number of looked after children over recent years and the impact on safeguarding services in the Council, resulting in a direct impact on capacity and case management within the service. Work had been carried out recently on case management sizing and benchmarking, which had resulted in a growth and development bid to increase capacity in both case management and personal advisors. The Interim Corporate Director indicated that as this was a statutory and unavoidable commitment which had to be met and that the recruitment process had already started.

The Committee noted the position.

(iv) Briefing on Delayed Transfer of Care (DTC)

The Interim Corporate Director – People provided a comprehensive briefing note on Delayed Transfer of Care (DTC) issues, trends and actions. Overall there had been a downwards trend in DTC from 2004 -2012, with DTC for health care reasons compared to community care reasons appearing to be proportional; however there had been an increasing trend for DTC for social choice reasons. The Committee was advised of remedial actions taken which included the recruitment of social workers; closer working with the Local Health Board; improvements in the management of the delivery chain to ensure that problems do not present themselves in a different way or later stage.

The Chairperson indicated that the Wales Audit Office as part of their performance programme was looking at DTC on a Wales wide basis and that their report would be considered by Committee in due course.

The Committee noted that there had been some improvement in the DTOC levels, but that the level of delay was still too high and that more work was required through the integrated partnership networks.

31 : COUNCIL WIDE SPONSORSHIP POLICY

The Chief Corporate Services & Section 151 Officer presented the final Wales Audit Office report in relation to recommendations made as part of Public Interest Disclosure work undertaken between December 2010 and June 2012 and the Council's response, which had been considered and agreed by Cabinet on 24 January 2013. The Committee noted that the WAO review had concluded that there was no evidence of impropriety in the contract letting proceedings and that they were satisfied that the Council had the relevant controls and agreements in place to ensure that Council funds had been reimbursed.

As a result of the WAO recommendations the Council had prepared a Council Wide Sponsorship Policy to enhance accountability and transparency of financial transactions relating to this type of activity.

Anthony Barrett from WAO indicated that the tightening up of policy and procedures in this area was important and that the policy as proposed provided the Council with the necessary tool to ensure transparency.

The Committee noted that the WAO had conducted a thorough and full examination of the issues and that they were content with the actions being taken by the Council and in particular the Council Wide Sponsorship Policy. A question was raised on what was considered to be acceptable types of sponsorship. Members emphasised the need that any sponsorship should meet the aspirations of the Council's Health and Wellbeing strategy. The Committee welcomed the policy and its robust implementation across the Council.

32 : INTERNAL AUDIT

The Audit & Risk Manager presented the following reports:

(i) Quarter 3 Progress Report 2012-13

The Committee received an overview of the work undertaken by Internal Audit up to 3 December 2012. The report detailed the number of planned and actual audit days; reports issued over the past 3 months; a list of other

audit work. The Committee's attention was drawn to assignments where an unsatisfactory opinion had been assigned in the last 3 months and a report on follow up actions where an unsatisfactory report had been issued in the past which still had outstanding matters. A summary was also provided of internal investigations that had been referred to Audit in the last 3 months. In addition, the Committee received a statement on the main areas of risk, which would be disseminated across the Council and would form part of the Committee's Annual report.

The Committee noted issues around resourcing; performance management and quality; senior management responses to improvement recommendations; and the impact on the service of follow-up audits which were set out in more detail in a further report to this meeting.

A number of areas of concern were raised including matters around IT Business Continuity Planning; Property Procurement and Contract Administration; Procurement of Street Lighting; St Joseph Primary School, in particular the consistency of audit and risk rating opinion; and accountability for unsatisfactory reports and the implementation of recommendations.

The Committee was assured that high risk recommendations were prioritised. The Committee was concerned about the level of work involved in audits and was interested in benchmarking with other comparable Authorities, CIPFA and Wales Audit Group to quantify their concerns.

RESOLVED – That the report be noted and

- (1) information relating to benchmarking of Audit work be obtained and reported back to Committee;
- (2) consideration is given to the criteria for calling senior managers to account for unsatisfactory follow-up audits or non-compliance with recommendations.

(ii) Briefing Report: Internal Audit Reports

The Committee received examples of two individual audit reports for information on the standard report format used and the manner in which findings and audit recommendations are reported. Each report was different, one providing satisfactory opinion and the other unsatisfactory opinion. Both reports were issued with action plans to

be completed.

The Committee noted the reports and their format. The WAO suggested that best practice identified the conclusions or recommendations upfront.

RESOLVED – That any comments or suggestions on the style of the Audit reports be provided to the Audit and Risk Manager.

(iii) Briefing Report: Internal Audit Follow Up Procedures

The Committee received a briefing note outlining the processes involved in following up all audits undertaken, with emphasis on how agreed recommendations are monitored and actioned.

The Audit and Risk Manager indicated that the responsibility for actioning audit reports rested with senior management and that the actions are monitored through the Council's CIS system. With limited resources the scope for revisiting audits was not a viable option for those other than audits considered to be unsatisfactory. However the following actions were proposed to support the audit follow up procedure:

- to continue to raise awareness of the need for timely actioning of audit reports;
- for all future audits a formal meeting be planned to discuss the draft report with a view to signing off the Audit Action Plan at that meeting. This would allow for greater understanding of proposed actions which should result in timelier actioning of these;
- a similar arrangement be introduced for all follow up reviews where a full discussion will be held to discuss the audit outcomes, providing an opportunity to emphasise the importance of implementing actions to enhance control;
- the group auditors to closely liaise with senior managers to follow up specifically on any long standing recommendations considered to be of high risk. This would be in addition to the Audit & Risk Manager emailing Chief Officers where reports stay open beyond a reasonable time.

RESOLVED – That the proposed actions be introduced as outlined.

(iv) Senior Management Assurance Statements

The Committee received a report detailing the Senior Management Assurance Statements (SMAS) and how these link to the Annual Governance Statement (AGS).

The Audit and Risk Manager indicated that all Senior Managers had responsibility to ensure sound governance arrangements within their service areas. The SMAS gives Chief Officers and Heads of Service the opportunity to qualify their assurance and to identify any matter/s which may potentially have a significant impact on the Council. The most recent statements completed related to April - September 2012. Issues had been identified for the first half of the financial year, and actions set on how issues would be managed. Where issues were identified which overlap with the Corporate Risk Register (CRR), they would be monitored and updated quarterly through the CRR review process.

The Committee was advised that the SMAS are refreshed and reviewed to ensure that the detail remains relevant and for 2012/13 – the half year position a number of updates were made relating to:

- reference to the CRR;
- revised wording and reference to the transformation portfolio removed;
- issues relating to Internal Audit Reports and the requirement for management to consider recommendations in a timely manner;
- the rewording of matters relating to fraud to ensure that all matters of fraud are dealt with consistently by management, recognising the seriousness of the matter under investigation.

SMAS are key governance tools and feed in to the Annual Governance Statement which will be prepared in collaboration with the Senior Management team prior to submission to this Committee and Cabinet for approval.

The Committee supported the approach and the importance being given to the procedure, and were keen to have sight and input into the preparation of the Annual Governance Statement at the next meeting.

RESOLVED – That the draft Annual Governance Statement be considered at the next meeting of this Committee

33 : TREASURY MANAGEMENT

(i) PERFORMANCE REPORT

The Committee received performance information and a position statement on Treasury Management as at 31 December 2012, and the changes since the previous report to 31 October 2012.

The Committee was advised on the position statements on investments and borrowing including revenue budget forecasts on investment income and external interest payable as at Month 8 Budget Monitoring. Additional indicators were included to assist with the assessment of risk relating to treasury management activities.

Members were advised that previous performance reports had highlighted that the Treasury Advisors and Chief Corporate Services & Section 151 Officer advised that all new Council investments be limited to a maximum of 3 months. This temporary cap has been removed on 11 January 2013, and it was therefore proposed that the credit criteria limits and periods proposed in the Treasury Management Strategy 2013/14 be revised subject to the approval of Council. It was anticipated that this would bring in better rates for investments from 1 April 2013.

RESOLVED – That the Treasury Performance Report for 31 December 2012 be noted.

(ii) TREASURY MANAGEMENT STRATEGY

The Committee received the proposed Treasury Management Strategy for 2013/14 which was subject to approval as part of the Budget Report to Council, 28 February 2013 for review.

The Operational Manager, Projects and Technical Accountancy advised that the strategy covered the following areas:

- the current treasury management position as outlined in the previous report;
- the economic environment and prospects for interest rates;
- the borrowing (debt) strategy, including debt rescheduling, policy on borrowing in advance of need, the borrowing requirement and choice between internal and external borrowing and the Minimum Revenue Provision (MRP) Policy Statement;

- Treasury management indicators and limits in relation to the Capital Programme for 2013/14 to 2015/16;
- the investment strategy, including security and investments approved for use;
- training and other items potentially impacting on treasury activities, in particular in relation to the Housing Finance Reform which could have significant treasury management implications.

The Committee considered the key aspects of the strategy in its role of seeking assurance that the Council had complied with Treasury Management practices in controlling risks and pursuing optimum performance consistent with those risks. In its discussion a number of matters were raised and commented upon in relation to compliance; performance management; minimum revenue provision; authorised and affordable debt; the prudential code; HRA Capital financing.

RESOLVED – That the Audit Committee was assured that the Council complied with Treasury Management practices and noted the proposed Treasury Management Strategy 2013-14 which was subject to approval by Council on 28 February 2013 as part of the Budget report.

(iii) TREASURY MANAGEMENT PRACTICES

The Audit Committee previously received the Treasury Management Practices in March 2011. The Committee was advised that the Council carries out its treasury management activities in accordance with a code developed for public services in 2011 by the Chartered Institute of Public Finance and Accountancy (CIPFA), which requires the preparation of Treasury Management Practices (TMP) to apply from 1 April 2013.

The TMP covers controls, processes and practices in the following areas:-

- Treasury risk management.
 - Credit and counterparty risk management.
 - Liquidity risk management.
 - Interest rate risk management.
 - Exchange rate risk management.
 - Refinancing risk management.
 - Legal and regulatory risk management.
 - Fraud, error and corruption, and contingency management.
 - Market risk management.

- Performance management.
- Decision-making and analysis.
- Approved instruments, methods and techniques.
- Organisation, clarity and segregation of responsibilities, and dealing arrangements.
- Reporting requirements and management information arrangements.
- Budgeting, accounting and audit arrangements.
- Cash and cash flow management.
- Money laundering.
- Training and qualifications.
- Use of external service providers.
- Corporate governance.

The main changes since the last report were identified as follows:

- Update for staffing changes responsibilities
- Update for proposed 2013/14 Treasury Management Strategy including reduced lending limits
- Update for inclusion of revised Council Money Laundering Policy
- Update terminology of governance e.g. Cabinet / Committee
- Review of risk register
- Update process for treasury dealing to be undertaken in-house
- Inclusion of new guidance such as the CIPFA Treasury Management Toolkit.

The Committee noted that internal audit review the TMP's as part of a periodic audit of the Treasury Function, with any recommendations factored in as necessary. The Committee request sight of the report to enable the Committee to exercise it responsibilities appropriately.

RESOLVED – That the Committee note the Treasury Management Practices code to be adopted from 1 April, 2013 and in future requested sight of the Internal Audit report as part of the consideration of the code.

34 : MINUTES POLICY REVIEW & PERFORMANCE SCRUTINY COMMITTEE:

The Committee received the minutes of the Policy Review and Performance Scrutiny Committees held 24 October and 28 November for information. It was noted that the minutes of the Joint Policy Review and Performance Scrutiny and Economy and Culture Committee were subject to approval by the Joint Committees.

RESOLVED – That the minutes as circulated be noted

35 : AUDIT COMMITTEE WORK PROGRAMME

An update version of the current Work Programme was circulated. In addition to the items programmed for the next meeting it was agreed that the draft Annual Governance Statement be included on the agenda.

The Committee agreed that it would receive briefing notes on matters relating to operational issues and that there was no requirement, unless requested, for officers to attend.

Dates of future meetings beyond May 2013 were being considered in consultation with officers and the requirements of the work programme and would be agreed with the Chair prior to submission as part of the the report detailing the calendar of Council and Committee meetings to the Annual Council in May.

The Chairperson inquired about the timescales for the consideration of the Draft Statement of Accounts and asked if this could be made available to the Committee to make comment prior to consideration by Council, and if it did not fit into the scheduled meeting pattern that Committee Members be provided with the draft when available.

RESOLVED – That

- (1) the Work Programme with the inclusion of the draft Annual Governance Statement be noted;
- (2) the draft annual Statement of Accounts be circulated to Committee Members as soon as it is available.

36 : DATE OF NEXT MEETING

The next meeting was scheduled for Wednesday 27 March 2013 at 4.30pm in Committee Room 4, County Hall, Atlantic Wharf.

(Meeting closed at 16.05)

Chairperson: _____

Date: _____

AUDIT COMMITTEE

3 DECEMBER 2012

Present: Sir Jon Shortridge (Chairperson);
 Sir Richard Lloyd Jones and Prof. Maurice
 Pendlebury;
 County Councillors Cowan, Marshall, McGarry and
 Walker.

Apologies: Dr Nick Cooling, County Councillors Hinchey, Howells
 and Mitchell.

14 : COMMITTEE MEMBERSHIP

The Chairperson advised that Councillor Jonathan Evans had stood down from the Committee as he had been appointed Chair of the Corporate Parenting Panel which required a significant time commitment.

15 : 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	General Interest	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)

16 : MINUTES

RESOLVED – That the minutes of the meeting 17 December 2012 were agreed as a correct record and signed by the Chairperson subject to a typographical error on page 10.

17 : MATTERS ARISING

- (i) Terms of Reference
Council on 27 September approved the amendments proposed by the Committee to its Terms of Reference.
- (ii) Audit Panel Annual Report
Cabinet on 11 October had received and noted the Audit Panel Annual Report for 2011/12.
- (iii) Wales Audit Office: Fee for Improvement and Assessment
With regard to the matter raised on the Wales Improvement Programme grant provided to the Wales Audit Office and whether it could or should be apportioned on a per capita basis rather than equally across all 22 Councils, the Committee was advised that the WAO apportions the grant equally across all Councils because it supports delivery of the basic work required at all Councils to meet the statutory duties of the Auditor General. The work is the basic “compliance” testing that leads to the letters produced for each Council during the summer and autumn of each year. There are no plans to change the allocation arrangements at present.

18 : BRIEFING REPORT ON ITEMS FROM THE MINUTES
17 SEPTEMBER 2012

- (i) Budget Update
The Corporate Chief Officer and Section 151 Officer provided an update. The provisional settlement from Welsh Government was received on 18 October 2012, and the final settlement would be delayed until after the Chancellor’s Autumn statement. Council agreed the budget strategy on 19 July 2012 and Chief Officers had been asked to propose savings to the budget of £21m for 2013/14, and submit details of financial pressure bids going forward. Following discussions with Cabinet, Chief Officers had been asked to find additional savings to support the financial pressures.

Detailed discussions were ongoing with the Cabinet on the acceptability of proposed savings, and on the assessment by Chief Officers of risks and achievability of savings within the time profile.

The provisional settlement had indicated that Cardiff would receive 1.94%, the second highest percentage in Wales on the basis of an

increase in population and increase in pupil numbers. The budget setting Council was scheduled for 28 February and the proposals would be subject to the usual scrutiny process.

The Corporate Chief Officer indicated that the population figures were based on a mid year figure and not the latest Census data which would be imported for the 2014/15 calculations.

The Corporate Chief Officer advised that the final settlement may change from the provisional settlement however it was hoped that any changes would be marginal. The Committee was advised that the Welsh Government was not yet in a position to announce the detail on specific grants for all Wales distribution and that this information may not be received prior to the Council's budget meeting in February.

RESOLVED – That the update be noted

(ii) Senior Management Model

The Corporate Chief Officer and Section 151 Officer circulated a copy of the Senior Management Model approved by Cabinet on 11 October 2012 and Employment Conditions Committee on 5 November 2012.

The recruitment process would commence in January 2013 and it was envisaged that the new structure would be in place early in the new financial year. The structure was lead by the Chief Executive; 2 Corporate Directors; and 10 Directors and was a more streamlined and consistent model. Assistant Directors would be recruited to support key service and function lead Directors. The cost of the new structure would be met from savings from management consultants. The Council would still require specialist consultancy support in the future.

(iii) Update on Single Status & Job Evaluation

The Corporate Chief Officer and Section 151 Officer provided an overview of the current position on Single Status introduced in the Council from April 2012. As part of the process Job Evaluation and the grading of all job roles had been undertaken. The resulting grading process had grouped employees into either green white or red circles - green being those employees whose roles had been graded higher; white those that had been graded the same; and red those that had been graded downwards. Those that fell within the

red circle had salary protection for 12 months until 31 March 2013. As part of the appeals process approximately 1500 appeals had been lodged and the two Appeal Panels were sitting 3 times a week to deal with the appeals. Those marked red circle were being prioritised and it was envisaged that all of these would be completed by February 2013.

A process was in place to enable all outstanding valid Equal Pay cases and the sign off process to be completed by the end of December.

The Committee was concerned about the number of appeals; what proportion of the appeals were red circle; whether the Council would complete all the appeals within the time frames; the spread of appeals across services areas as Members were aware of a possible disproportionate number of appeals within school services; and concerns about the impact on staff in general.

RESOLVED - That a briefing note on the queries raised be circulated with the minutes as part of the papers for the next meeting.

19 : TRANSFORMATION PORTFOLIO UPDATE

The Chairperson welcomed Andrew Kerr, Chief Operating Officer and Natalina Cottrell, Operational Manager – Transformation who had been invited to update the Committee on the activities being taken forward as part of the transformation programme.

The Chief Operating Officer appraised the Committee on the transformation governance and progress since the last update to Audit Panel. As part of the 2011/12 budget strategy a Transformation Portfolio was established with the aim of accelerating the changes; and delivering savings and efficiencies on a range of programmes, at the same time as improving services. Additional external support had been provided to meet this target. The out-turn position in 2011/12 on cashable savings broken down by programme were detailed in the report. Members noted that the portfolio achieved savings of £8.538m while the total expenditure to support the delivery of transformation was £4.884m. The agreed savings target for transformation in 2012/13 was £10.847m and at this stage it was projected that there would be a shortfall.

The Committee was advised that there was a refocusing of transformation in 2012 to address:

- the reduction in the use of external support;
- greater ownership/accountability at management level;
- reduction in the number and complexity of projects ;
- improve the benefits ratio and focus on the financial benefits;
- monitor target savings and work on realisation of savings going forward over future financial years;
- improve cross service/functional approach;
- improve engagement with staff and trade unions;
- embed the new approach.

The Chairperson indicated that the role of the Audit Committee was to monitor the process to ensure it is fit for purpose; the identified risks and how they are managed; and ensure that the portfolio meets its financial objectives.

In discussion a number of matters were raised:

- Land & Buildings – it was noted that this was RAG rated Amber and Members were keen to understand the latest position on the review and rationalisation of non-operational buildings and the use of property assets. A Corporate Property Asset Group was to take a coherent corporate approach to future property requirements, and matters relating to property assets requirements would be considered as part of the Asset Management Plan, the Corporate Plan, and budget setting.
- Commissioning & Procurement – matters relating to under-achievement of target savings in Adult Services. It was noted that savings were being made in other areas to ensure that the overall target would be met. There was a need to track the deliverability of savings in these areas and ensure that there is a robust business case going forward. Members were concerned that the targets set were unrealistic. This was recognised and mitigating actions had been taken since April 2012 to deal with these matters;
- Achievability of £55m savings over 3 years. Members were advised that the transformation programme was only part of the overall savings to be achieved in 2013/14. The overall savings target was £21m of which £8m was from transformation projects. In 2011/12 and 2012/13 an additional £14m/£15m would be saved from services other than the transformation.
- Collaboration – Members were advised of areas where collaboration was being undertaken currently – for example the South Central

Consortium approach on education, and work on NEETS; and of work that was being taken forward to investigate other options with private, public and voluntary organisations who were all equally under pressure and having to provide more for less.

Steve Barry, Wales Audit Office Manager advised that the WAO would report to a future meeting on Performance Evaluation and Improvements.

The Committee in conclusion welcomed the update and the re-focusing of the current programme; and the embedding of the programme within the organisation. There were concerns about the disparity in targets and projected achievement; the driving through of savings; and the risks of not achieving targets. The Committee indicated that they would wish to receive regular updates on progress.

RESOLVED – That the Committee receive progress reports at alternate meetings on the Transformation Programme and the key issues raised.

20 : TREASURY MANAGEMENT PERFORMANCE REPORT AND MID-YEAR REPORT 2012-13

The Committee received performance information and a position statement on Treasury Management as at 31 October 2012 and details of the mid -year position prior to submission to Cabinet on 6 December and Council on 13 December 2012. The performance report was a snapshot of treasury performance and position statements on investments and borrowing.

It was noted that the financial position was stable, and that the current Treasury Management activities undertaken complied with policies and professional codes established by CIPFA.

RESOLVED – That the report Treasury Performance Report as at 31 October 2012 and the Mid Year report 2012-13 be noted

19 : INTERNAL AUDIT

The Audit & Risk Manager presented the following reports:

(i) Quarter 2 Progress Report 2012-13

The report detailed the work of the Internal Audit team to 30 September 2012, and highlighted issues around

- Resources and ongoing vacancies. It was noted that a restructure proposal was being progressed, and it was hoped that 3 posts

including two Senior Auditors would be advertised and filled by Quarter 4;

- Reassessment of priorities and risks to be undertaken to prioritise resources;
- There were 42 open audits mostly for the current year, however there were also old reports outstanding;
- The figures for planned against actual audit days had seen an increase in number of days completed;
- The number of benefit fraud referrals remained high and details were included in the report;
- The launch of the Single Fraud Investigation Service was due in April 2013, and consideration was being given to the impact on the Council's investigation team and the training requirements.
- Councillor Huw Thomas, Cabinet Member was the appointed Risk Champion for the Council;
- Marsh, the Council's Risk Management partners, continued to work closely with the team on a number of issues including Transformation Programme; impact of Welfare Reform and training and good practice.
- A number of key areas had been identified from audit work as risks and these were detailed in Appendix E to the report.

The Committee welcomed the updated position and discussed a number of issues:

- IT Business Continuity Planning;
- the need for greater detail for Members of the Committee on the information behind unsatisfactory audits;
- concerns about sign up from Head teachers and School Governors on the new Financial Procedure Rules in Schools ;
- consistency around sanctioning
- instances of audit recommendations being accepted but not implemented.

RESOLVED - That

- (1) the Chairperson write to the Chief Executive expressing the Committee's concern on the delays in responding to Internal Audit reports and to highlight the issue that when follow-up audits are undertaken that previous agreed recommendations are not always being implemented;

- (2) the Committee receive a summary report on unsatisfactory audits to provide greater awareness of outstanding issues;
- (3) the Audit & Risk Manager prepare two current cases for Committee to consider in more depth;
- (4) the work undertaken with the Schools service be welcomed and the Committee endorsed the need for further follow-up work to be undertaken with schools that had not adequately engaged previously.

(ii) Briefing Report: Processes Involved in Investigating Suspected Fraud

The Audit and Risk Manager provided a briefing report outlining the processes involved in investigating suspected frauds and how the decisions are made and matters around ensuring a fair and consistent approach. The report detailed how the system works at present and proposed actions to be taken as follows:

- the firming up the Anti-Fraud, Anti-Corruption and Bribery Policy on a zero tolerance approach to fraud;
- Induction training for all new starters to raise awareness of financial rules and compliance;
- a higher level awareness induction for new Managers;
- developing a training package around fraud awareness for Managers (who may be asked to lead an investigation or chair a Disciplinary Panel) and Advisors. To include looking at the possibility of providing an on-line, e-learning solution;
- introduction of a form of peer review – where a CO or Panel Chair reports outcomes and lessons learnt from investigations (possibly through SLT) - the aim being to ensure accountability for decisions taken, to present a challenge to the robustness of the investigation and sharing of experiences to enhance control and prevent similar cases elsewhere. (This is known to work in other organisations).

The Committee supported the proposition of a ‘Peer’ Review in principle but felt that this was a matter to be agreed at official level.

RESOLVED - That the proposed actions as outlined be introduced and the Audit Committee continue to monitor internal investigations and sanctions.

(iii) Briefing Report: Audit of Schools

The Audit and Risk Manager provided a briefing report on audits of schools resulting in unsatisfactory or unsound opinions and the proposed actions to be put in place to improve the current position as follows:

- Training on financial matters should be made available to school staff, such as newly appointed Head teachers and Finance staff. This should also be extended to new Governors;
- Internal Audit continue to develop and review guidance notes provided to schools (in conjunction with Local Financial Management team) and make these available to schools through the Council's intranet site, as well as provide specific advice to schools upon request;
- Head teachers who continually receive unsatisfactory audit opinions should be targeted for additional training. A training course should be arranged for each term and appropriate officers or Governors invited to attend;
- Schools Audit newsletters should, at least annually, make reference to the importance of financial control and the need for compliance with Rules;
- Audit management meet one to one with the Head teacher at the conclusion of any unsatisfactory or unsound audit. The aim will be to agree and sign off the Action Plan to enhance control.
- Audit management seek to attend all Governing Body meetings of schools where an unsatisfactory or unsound audit opinion is issued following an audit.
- Audit management meet one to one with the Head teacher at the conclusion of any unsatisfactory or unsound follow up visit audit. The aim will be to understand the delay in implementing improvement and to agree and sign off the Action Plan to enhance control.
- Education management to receive copies of all final reports, and should support the need for robust financial control and reflect on this in any meetings they have with schools' staff or Governors.
- Where Councillors sit on governing bodies they could play a proactive role in advocating sound controls and compliance with Council and Schools Financial Procedure Rules and best practice

It was felt that the approach should be more robust and that there should be a mandatory requirement for schools to comply. It was therefore proposed that the word 'should' should be changed to 'must'.

RESOLVED - That the proposed actions were agreed subject to the strengthening of the mandatory element of the requirements for schools to comply and that the Audit Committee continue to monitor internal investigations and sanctions

20 : RISK MANAGEMENT: CORPORATE RISK REGISTER HALF-YEAR REPORT

The Committee received the Corporate Risk Register (CRR) detailing the strategic risks facing the Council. The CRR identifies the main risks facing the Council so that elected members and senior management can make informed decisions and prioritise actions. The Audit Committee last had sight of the CRR at their June 2012 training session.

The register is updated quarterly and presented to the Senior Leadership Team (SLT) to obtain their agreement. The current version of the CRR reflects the mid year point. The CRR is a key governance document and the intention is to continue to bring the CRR to the attention of Audit Committee and the Policy Review and Performance Scrutiny on a biannual basis in line with reporting to Cabinet.

In order that there is a direct link between the Council's Risk Management process and Elected Members, Councillor Huw Thomas, Cabinet Member has taken on the role of Member Risk Management Champion. Councillor Thomas met with the Audit and Risk Manager in August to identify the risk management arrangements in place within the Council.

The Audit & Risk Manager identified some of the high risk areas that had been included in the recent update of the CRR, in particular the risks associated with Welfare Reform and its impact on Council Tax. It was recognised that the CRR identified the risks and that the level of risk may change, and it was the actions to mitigate or reduce risk that were of interest to the Committee.

RESOLVED – That the content of the updated Corporate Risk Register be noted and the Committee have regard to the register when considering its work programme.

21 : WALES AUDIT OFFICE: REGULATORY PROGRAMME UPDATE 2012-13

Steve Barry, Wales Audit Office Manager provided an update on matters arising from the Audit Committee 17 September 2012; an update on information on WAO performance work planned 2012/13; and a copy of the Auditor General letter with regard to audit and work carried out under the Local Government (Wales) Measure to assess whether Cardiff

Council has discharged its duties and met the requirements of the measure.

The following areas had been highlighted in the Auditor General's Letter

- The use of technology to deliver efficiencies and service transformation;
- the Senior Management Restructuring;
- the impact and demands of the transformation programme.

A further letter will be provided on the Council's performance assessment will follow in the New Year.

The Committee was advised that the all Wales study on NEETS was likely to commence in March 2013.

Steve Barry confirmed that the Wales Improvement Programme grant provided to the Wales Audit Office was apportioned equally across all Councils to support the delivery of the basic work required at all Councils to meet the statutory duties of the Auditor General. This work was the basic "compliance" testing that leads to the letters produced for each Council during the summer and autumn of each year. The current grant is allocated at £35,000 per Council. He indicated that there are no plans to change the allocation arrangements at present.

With regard to the Audit fee the budget was currently under review and details of the proposed fee for 2013/14 would be provided in due course.

In response to a query regarding the Council's performance in respect of delayed transfer of care, Steve Barry indicated that this had been identified as an area for potential work and would be considered as part of the 2013/14 programme. Discussions had been held with WAO colleagues responsible for performance audit at Cardiff and the Vale University Health Board and were scheduled with the Care and Social Services Inspectorate Wales to ensure any proposed work is coordinated.

RESOLVED – That the update be noted

22 : 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 5 and 18 September and 3 October, 2012 for information. Members noted the minutes relating to the use of Management Consultants as discussed as part of the scrutiny of

the Senior Management Model on 5 September 2012.

RESOLVED – That the minutes as circulated be noted

23 : AUDIT COMMITTEE WORK PROGRAMME

Following the last meeting the work programme had been updated to include the key items for further consideration at meetings up to September 2013 in addition to the standard and statutory items previously agreed. It was recognised that there was a need to have some flexibility in the work programme to include items that arise from meetings.

The Committee agreed that it would consider the Efficiency Programme again in 6 months; Commissioning and Procurement in March 2013. It was also proposed that outcomes from the Senior Managers Governance Assurance Statements be added to the future work programme.

24 : FUTURE DATES AND TIMES

The following dates of future meetings were confirmed:

Monday 28 January 2013 at 2.30pm in Committee Room 4

Wednesday 27 March 2013 at 4.30pm in Committee Room 4

Monday 20 May 2013 at 10.30am in Committee Room 4

(Meeting closed at 13.05)

Chairperson _____

Date _____