
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. 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

2. These minutes are attached for information purposes only.

Legal Implications

3. 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 on 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

4. 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.

RECOMMENDATION

Members are recommended to note the minutes of the Audit Committee attached to this report.

MARIE ROSENTHAL

County Clerk and Monitoring Officer
29 April 2014

AUDIT COMMITTEE

20 JANUARY 2014

Present: Sir Jon Shortridge (Chairperson), Professor Maurice Pendlebury and Sir Richard Lloyd Jones

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

Apologies:

42: APPOINTMENT OF COUNCILLOR WEAVER

The Chairperson welcomed Councillor Weaver, who was recently appointed to the Committee.

43: 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.

44: MINUTES AND ACTION PLAN

RESOLVED – That the minutes of the meeting of the Audit Committee of 2 December 2013 were agreed as a correct record of the meeting and signed by the Chairperson.

At its meeting on 2 December 2013 the Committee agreed that for each meeting it would like to receive an action plan checklist showing all outstanding actions and not just those arising from the previous meeting. This will allow the progress that is being made on actions to be tracked.

Derek King, Audit & Risk Manager, introduced the new action plan format for the Committee's approval.

RESOLVED – That the new format for the action plan be approved.

45: STATEMENT FROM PAUL ORDERS, CHIEF EXECUTIVE

Paul Orders, Chief Executive, attended the meeting to address the Committee. He informed the Committee that he is mindful of the significance of the issues dealt with by the Committee and underlined the importance he attaches to the

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Committee. The Council is going through a period of organisational change and significant savings have to be made. In this, the Committee has an essential role to play in the development and improvement of policies. Referring to the letter he had received from the Committee in relation to Personal Performance Development Reviews (PPDRs), he advised the Committee that he strongly welcomes this type of intervention and that he shares the Committee's concerns about PPDR compliance. He concluded by saying that he would like to develop a strong relationship with the Audit Committee.

46: MATTERS ARISING

(i) Budget Update from Section 151 Officer

The Committee was informed that the Cabinet had recently received an urgent report on the Workforce Agreement. The Section 151 Officer summarised the proposals, which include:

- the reduction of full time weekly working hours for a number of staff groups from 37 to 36 hours per week, pro rata for part time employees.
- a 2.7% pay contribution from those covered by the JNC for Chief Executives and JNC for Chief Officers (i.e. Operational Managers and above). This in % terms is equivalent to a reduction in working hours.
- ceasing payment of professional fees; ceasing payment of interview /relocation expenses; and suspension of the honoraria scheme for any new requests or extensions requested.

If agreed by trade unions it is expected that these proposals will generate approximately £5 million of savings. The unions are considering whether to ballot their members on the proposals and it is expected that they will do so. If agreement on the proposals is not reached the Cabinet will go back to the negotiating table.

An expected 1% pay award has been built in to the budget proposals.

Another way in which the Council might balance its budget is by increasing Council Tax. However a 1% increase would only bring in just over £1 million. The Council could also consider using some of its reserves but would be very reluctant to do so particularly to support recurrent expenditure.

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During February there will be a series of scrutiny committee meetings to consider budget proposals. The budget process will end at the budget meeting of the full Council on 27 February.

(ii) Constitution Task & Finish Group – Property and Procurement Delegations

At its meeting on 2 December 2013 the Committee agreed that the outcome of the Task and Finish Group set up by the Constitution Committee will be shared with the Audit Committee. The report is being finalised and there are findings in relation to the children's home in Thornhill Road, a project with which there were significant issues. The report will first be presented to the Constitution Committee for approval and will then be circulated to Audit Committee Members. The Audit Committee will consider the report recommendations and whether any further action is required.

RESOLVED – That:

- 1) the Constitution Committee Task and Finish Group report be circulated to the Audit Committee.
- 2) the Audit Committee will consider the report recommendations and whether any further action is required.

(iii) Domiciliary Care Internal Audit

The Committee was advised that the audit report contained thirteen recommendations, four of which were red. The follow-up audit is now coming to an end. All four red recommendations have now been fully or partly implemented and the contract requirements in respect of the Electronic Time Management system are now being enforced.

The Committee was concerned that the Council has to trust that carers have been on site when they say they have, and that there is a risk that service users might not have been getting the care that they are entitled to. The Committee asked whether Care Plans are being updated when they need to be and was advised that they are. Siân Walker, Director of Health and Social Care is due to attend a meeting of the Committee later in the year. The results of the follow up audit will be ready for the Committee meeting in March.

RESOLVED – That at its meeting in March 2014 the Committee is to be provided with an update following the issue of the final report.

(iv) Pentyrch Primary School

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At its meeting on 2 December 2013 the Committee agreed that the Chairperson should write to the Director of Education and Lifelong Learning highlighting the Committee's concerns relating to the poor controls and governance arrangements at Pentyrch Primary School. The Committee was informed that this letter was sent on 10 January 2014.

There are still some areas where further improvements are needed but there has been significant progress in all areas. There are still some amber/green recommendations to be addressed.

RESOLVED – That the Director of Education and Lifelong Learning's response to the Committee's letter of 10 January 2014 be shared with the Committee.

(v) Schools Procurement Issues

Following discussion in relation to Procurement, the Committee requested that Internal Audit provide an update in response to Members' concerns relating particularly to school procurement / contract matters.

RESOLVED – that Internal Audit will provide update at the Audit Committee meeting in March 2014.

(vi) Recruitment of new independent member to the Audit Committee

It is necessary to recruit a new independent member to the Audit Committee. Marie Rosenthal, County Clerk and Monitoring Officer, informed the Committee that an advertisement will be placed during the first week of March 2014. It was agreed that the Chairperson will sit on the interview panel along with Professor Pendlebury and Councillor Cowan. It is expected that interviews will take place after Easter.

RESOLVED –

- 1) That the interview panel will be comprised of the Chairperson, Sir Jon Shortridge, Professor Pendlebury, Councillor Cowan, with Christine Salter, Section 151 Officer, to advise.
- 2) Shortlisting to take place before Easter and interviews to be scheduled for May.
- 3) A reserve list is to be maintained for future appointments.

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- 4) Marie Rosenthal to provide the Chair with a copy of the advertisement before it is placed.

47: OPERATIONAL ITEMS

(i) Children's Services – Risks and Challenges – Director's report

Tony Young, Director of Children's Services was expected to attend for this agenda item but due to illness he was unable to do so. Angela Bourge, Operational Manager (Resources) attended in his place but the Committee felt that the item should be deferred and rescheduled for the next meeting of the Committee.

RESOLVED –

- 1) That Tony Young and Councillor Siobhan Corria attend the next meeting of the Committee to provide a risk assessment and action plan to address the concerns raised in the report to Children and Young Peoples Scrutiny Committee 14 January 2014.
- 2) That the letter sent to Councillor Corria by the Chairperson of the Children and Young People Scrutiny Committee following its meeting on 14 January 2014 be shared with the Audit Committee.

(ii) Child Protection Core Group Processes

Appendix B to the report for agenda item 10.1 – Internal Audit – contained exempt information as defined in Section 100 (1) (1A) of, and paragraphs 14 and 21 of Schedule 12A to, the Local Government Act 1972.

As the matter of Child Protection Core Group Processes was reported in Appendix B, the Chair sought the Committee's approval to consider matters relating to the exempt information and it was AGREED – that the public be excluded for the duration of this part of the discussion of this item of business on the grounds that if members of public were present during the discussions, due to the nature of the business to be transacted, there would be disclosure to them of exempt information of the description in Paragraphs 14 and 21 of Schedule 12A of the Local Government Act, 1972. Any members of the public and press that were present left the meeting for the duration of the discussion of the exempt information.

The Committee was informed that the Child Protection Core Group Processes follow-up was part of the Audit plan for the year. A report was presented to the Director of Children's Services and it was a limited assurance report.

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Sarah Woelk, Operational Manager (Intake and Assessment), informed the Committee that a plan is currently being implemented by team managers in Case Management. With social workers they are going through CareFirst, the Children's Services database of service users, to identify where meetings have not been recorded. The Committee asked whether it would be helpful if social workers had tablet devices so that work completed, such as visits made to service users, could be recorded more quickly. The Committee was advised that a project looking at mobile working is currently underway and that social workers are presently able to access Council computer systems from home.

The Committee asked whether for social workers there is the right balance between administrative work and case work. The Committee was advised that the process of recording on CareFirst is reviewed regularly to ensure that it is as streamlined as possible and it is thought that the balance is about right.

The Committee asked for further explanation on what the consequences of poor recording might be on the risks of the safety of children. The Committee was advised that it is important that the Emergency Duty Team (EDT) is able to easily access up to date information on the work that has been carried out in relation to a child. EDT might require access after the end of the working day so it is important that the CareFirst system is kept as up to date as possible as without accurate and up to date information children's safety may be put at risk.

RESOLVED – That Tony Young, Director of Children's Services also provide the Committee with his assessment of the risks associated with Child Protection Core Processes as outlined in Appendix B to agenda item 10.1 – Internal Audit when he next attends Committee.

(iii) Procurement Update

Steve Robinson, Operational Manager (Procurement and Supplies) and John Paxton, Strategy & Development Manager (Commissioning and Procurement) gave the Committee a presentation on Buying Responsibly. Objectives include:

- To raise awareness and understanding across the Council of procurement policies, procedures and contract arrangements
- To provide timely information to Directorate leadership to challenge, manage and spend
- To raise visibility and priority of compliance with adopted policies and procedures

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- To provide improved controls and preventative action

The Committee was informed that there is a spend threshold of £10,000, above which the central Procurement team needs be involved in the procurement process. One area of concern is the volume of confirmation orders, where purchase orders are approved after there is a commitment to expenditure. The Council is trying to clamp down on the matter of purchase orders not being raised until after invoices have been received.

The Chair invited the Committee to ask questions.

The Committee asked about the extent of Procurement's power to enforce compliance. The Committee was informed that the £10,000 spend threshold gives a significant point of control.

The Committee observed that with relation to tender decisions, these are often taken under delegated powers and Councillors tend not to have sight of these unless for very large amounts. An ongoing theme seems to be that amongst Council officers there is a lack of awareness of Procurement and Financial Procedures and rules. The Committee was informed that there is a need to develop and publish for Councillors a forward plan of procurement activity. It is also important to make sure that officers understand and comply with the rules, although this is not just an issue for Procurement. Important guidance and spend information for directorates has been put online.

The Committee asked how widespread is the problem of purchase orders being issued only after invoices have been received, and asked what is being done to address the problem. The Committee was informed that the challenge is to fully centralise all payments of invoices as at present some invoices are going to directorates for processing.

The Committee asked what safeguards are in place for junior partners when consortia are bidding for the same contracts and may share information which could influence who wins the tender. The Committee was informed that the suitability of the consortia to bid would be assessed. The local authority encourages consortia bids but has to make sure what each member of the consortia is bringing. There are safeguards against collusion.

The Committee asked how systematically checks are made with those who fail to comply with procedures, in order to identify the reasons for their non-compliance. The Committee was informed that some work has been done on this. A large part of the problem is a lack of awareness, so it is important that officers are directed to the proper procedures. A significant training initiative was instigated following

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audit reports and procurement concerns. The aim going forward is to share procurement spend profiles with Directors and work with them to analyse potential non compliance issues.

(iv) Attendance and Wellbeing Update

Philip Lenz, Chief Officer, HR People Services, attended the meeting to give the Committee an update.

The Committee was informed that the new Attendance and Wellbeing Policy came into effect in July 2013 and so the report only covers Quarters 2 and 3.

Nevertheless, the results so far are encouraging. The Quarter 3 figure of 7.45 Full-Time Equivalent (FTE) days lost is the lowest recorded Quarter 3 figure since records began in 2005. Based on Quarter 3 data the forecast for sickness absence in 2013/14 is approximately 10.4 FTE days. The target is 10 FTE days.

The Committee was informed that improved monitoring has enabled more in depth analysis in response to requests from service areas.

The Committee asked how much discretion individual managers have in applying the policy; could they, for example, deduct pay for the first three days of an employee's absence. The Committee was informed that individual discretion for managers was never an agreed part of the policy, but the message has gone out to the Directors that sickness absence levels have to improve. If the Committee has particular concerns about levels in a particular service area then the Director could be invited to attend the Committee to answer questions about sickness absence in their service area.

The Committee noted that there is significant variation between directorates and that for Environment, Children's Services and Health and Social Care, the figures on sickness absence are particularly poor.

The Committee noted that the Policy Review and Performance Scrutiny Committee has the matter of sickness absence in its work programme. It was felt that the Audit Committee should consider the matter annually, preferably after Quarter 4.

RESOLVED –

- 1) That the Committee is to receive an annual monitoring report on sickness absence after the year end, showing analysis by directorate and aggregate on long-term and short-term sickness.

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- 2) That the Wales Audit Office review to be considered following report to Policy Review and Performance Scrutiny Committee.

48: GOVERNANCE AND RISK MANAGEMENT

- (i) Business Continuity – Information and Communication Technology (ICT) Infrastructure Update.

Philip Bear, ICT Service Manager, gave the Committee an update.

The Committee was informed that two years ago it was recognised that there had been under-investment in ICT. The Council moved to improve this position by including investment in the budget between 2011/12 to 2014/15. The replacement of the Corporate File Store has recently been completed and work to replace the server infrastructure and improve reporting capability has continued. A Business Continuity Officer post has been created. Work to replace current operating systems and software with Windows 7 and Microsoft Office 2010 continues. Tape back-ups have been replaced with disk back-ups and end-user devices are gradually being replaced.

The Chair invited the Committee to ask questions.

The Committee asked whether the Blackberry service is being updated and was informed that Blackberry is an older service, the use of which is being discouraged. Eventually it will be discontinued.

The Committee asked what protection the system has against cyber attack. The Committee was informed that two weeks ago the schools' internet service was attacked over a two day period. The system is resilient 'on the pipe'. The attack pattern is being identified and the provider is changing its filters.

The Committee asked if the identity of the cyber attackers is known and asked what the local authority can do to safeguard itself against future attacks. The Committee was advised that the service area has staff with expertise in this area. The identity of the attackers is not known. It was a malicious attack and its objective seems to have been nothing more than to bring about a loss of internet service.

The Committee was advised that Audit is looking at safeguarding controls around ICT. A lot of ICT equipment is moved around within the local authority and this is a big challenge for the ICT service. Audit can only give limited assurance.

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The Committee asked what assurances can be given that the service area is implementing the audit recommendations. The Committee was advised that through a combination of systems the locations of items of equipment are logged throughout their lifecycle. One of the recommendations was that quarterly checks were done. Mobile devices give particular challenges. A new post, dedicated to the tracking and management of mobile devices, has been created.

The Committee noted that one of the recommendations was that directorates are informed when ICT devices are nearing the end of their life and asked if this is happening. The Committee was advised that the ICT service has found that it needs to publish a 'road map' for change. Service areas often do not see the need for change and are resistant to it mainly on a cost basis but the change from Windows XP to Windows 7 is an example of this.

The Committee asked if the delivery of ICT items to users is recorded. The Committee was advised that a record is kept. Items are not signed for but ICT receives a customer feedback form. Often, ICT staff do not see the individual end users. The Committee felt that there is a need to get signatures for equipment as there are huge cost implications if it is lost. The Committee also felt that although the ICT service is following recommendations a limited assurance situation can not be allowed to continue.

RESOLVED –

- 1) That in light of the recent cyber attack on the schools' internet service the risk register should be updated.
- 2) That Internal Audit undertakes a review as part of its Audit Plan for 2014/15 and reports back to the Committee.
- 3) That consideration be given to improved control through a requirement for officers/Members to sign for ICT equipment.

(ii) Annual Governance Statement (AGS) – Update

Managers have been asked to complete a Senior Management Assurance Statement questionnaire and all have responded. It covered the period April to September 2013. The results were mainly positive, although some managers qualified their positive responses to varying degrees.

The Committee requested to have sight of the outcomes of future six-monthly questionnaires. The Committee was advised that timing is an issue. There are three meetings a year at which the AGS is considered. Issues considered are the

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strengthening of controls around partnerships and the effectiveness of the evaluation of risk management.

(iii) Audit Committee Self Assessment Workshop - Feedback

A workshop was held prior to the December meeting of the Audit Committee to undertake a Self Assessment exercise and it was agreed that the outcomes would be summarised and reported back to Committee for approval.

One outcome of the workshop is that an eight point action plan has been developed, covering things such as terms of reference, progress on the Committee's recommendations and training for the Committee. As a result of the workshop, future considerations were also identified. These included the profile of the Committee and potential for engagement with Scrutiny.

It was suggested that some outside evaluation of the Committee might be useful, perhaps being undertaken in liaison with the Chair of another local authority's audit committee.

RESOLVED –

- 1) That the Action Plan and Future Considerations be progressed.
- 2) That an Audit Committee Self Assessment Workshop be held annually prior to the Audit Committee Annual Report.

49: WALES AUDIT OFFICE

The Wales Audit Office had no items for this meeting.

50: TREASURY MANAGEMENT

(i) Treasury Performance Report as at 31 December 2013

Appendix 1 to the report for agenda item 9.1 – Treasury Performance Report as at 31 December 2013 – contained exempt information as defined in Section 100 (1) (1A) of, and paragraphs 14 and 21 of Schedule 12A to, the Local Government Act 1972. As the matter of the Treasury Performance Report was reported in Appendix 1, the Chair sought the Committee's approval to consider matters relating to the exempt information and it was AGREED – that the public be excluded for the duration of this part of the discussion of this item of business on the grounds that if members of public were present during the discussions, due to the nature of the business to be transacted, there would be disclosure to them of

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exempt information of the description in Paragraphs 14 and 21 of Schedule 12A of the Local Government Act, 1972. Any members of the public and press that were present left the meeting for the duration of the discussion of the exempt information.

Anil Hirani, Operational Manager, Capital and Treasury, presented this item.

The Committee was informed that cash balances are falling. Borrowing is also falling and this is a reflection of the uncertainty on capital borrowing spend.

The Committee asked whether cash flow and borrowing are being managed effectively and expressed concern that there may be a pinch point in 2015/16. The Committee was advised that there is a need to focus on how the local authority can minimise that risk. The authority has been working closely with its advisors and has identified what would be the trigger rates in terms of borrowing. These are regularly reviewed.

The Committee asked what analysis has been done on Invest to Save schemes and was advised that the local authority tries to ensure that its assumptions are prudent in terms of payback from these schemes.

The Committee noted that there have been one or two erratic maturation spikes and asked if it is possible to re-finance to smooth out these spikes. The Committee was advised that the Public Works Loan Board has issued penalties. There are options to restructure but the local authority has to make sure that short-term savings are not made at the expense of long-term costs.

(ii) Treasury Management Strategy 2014/15 Update

RESOLVED –

- 1) That once prepared the Treasury Management Strategy 2014/15 is circulated.
- 2) That the Chair co-ordinates responses to the Strategy.
- 3) That the Committee receives a final update on the Strategy.

51: INTERNAL AUDIT

Appendices B and E of the report for agenda item 10.1 – Internal Audit – Summary Progress Report – contained exempt information as defined in Section 100 (1) (1A) of, and paragraphs 14 and 21 of Schedule 12A to, the Local

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Government Act 1972. As the matter of the Internal Audit Summary Progress Report was reported in Appendix 1, the Chair sought the Committee's approval to consider matters relating to the exempt information and it was AGREED – that the public be excluded for the duration of this part of the discussion of this item of business on the grounds that if members of public were present during the discussions, due to the nature of the business to be transacted, there would be disclosure to them of exempt information of the description in Paragraphs 14 and 21 of Schedule 12A of the Local Government Act, 1972. Any members of the public and press that were present left the meeting for the duration of the discussion of the exempt information.

Discussion of the exempt information contained in Appendix B – Child Protection Core Group Processes – had already taken place earlier in the meeting during discussion of Operational Items – Children's Services. Similarly the view on the ICT Asset Management limited assurance report was sought from the ICT Service Manager, earlier in the meeting.

(i) Summary Progress Report

In addition to the two above there were two other Limited Assurance reports:

Direct Payments

Direct Payments are payments made by the Council as a manual process, without an official order having been previously raised and approved on the SAP system. The key weakness lies within directorates where there were cases of insufficient evidence being provided to support the use of direct payments and limited control over who is authorised to approve the payment. It is important that the appropriate manager at the appropriate level signs off these payments, and it is important that the authorised signatory list is kept up to date. It was noted management had agreed to the audit recommendations and were making progress implementing them. A follow up visit will be undertaken in line with normal follow up protocols.

St Teilo's School

An audit has taken place and the report identified twenty-three recommendations, nine of which were red. Senior Managers from Audit are due to attend a meeting of the governing body of the school in March to reinforce messages around sound financial controls. The governing body will be told that if the situation at the school is not turned around then representatives from the school will be asked to attend a meeting of the Audit Committee in June.

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Internal (Non Benefit) Fraud Cases

The Committee received a list of internal (non benefit) cases of fraud. Audit is seeking to get consistency in the sanctions imposed. There has been a variety of investigations and Committee were asked to note an increased number of suspected fraud referrals, over the same time last year.

The Committee challenged the sanction at a school, which raised a question over other decisions being made by that school. The Committee was advised that whenever fraud is reported Audit seek assurance around the control environment and ensure controls have been reviewed and recommendations satisfactorily implemented. It is still the case that there is inconsistency in sanctions and it is considered this requires further consideration.

RESOLVED – That further information is to be provided on the employee benefit fraud investigation in the primary school.

(ii) Streetlighting Follow Up

The Committee received an information note

As a result of insufficient progress in addressing control weaknesses identified through the audit process, two follow up reviews have been undertaken with the second completed in September 2013. Committee requested a short note to provide assurance that controls had now been introduced and risks managed more effectively. The conclusion of the follow up review is that systems for control over procurement of works, supplies and services are now in place to mitigate the risk of loss or misappropriation. There are some control weaknesses in the design and/or operation of controls, however, the likely impact of these weaknesses on the key system and function objectives is not expected to be significant.

RESOLVED – That the information report be noted.

52: WORK PROGRAMME

The Committee received the draft Work Programme for 2013/14.

RESOLVED – That the Draft Work Programme be noted.

53: Minutes of Policy Review and Performance Scrutiny Committee meeting of 1 October 2013

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The Committee received the minutes of Policy Review and Performance Scrutiny Committee meeting of 1 October 2013.

RESOLVED – That the minutes be noted.

54: DATE OF NEXT MEETING

The next meeting will be held on Friday 28 March at 10.30am in Committee Room 1, County Hall.

The meeting closed at 4.50pm