



Meeting of the Audit Committee

Minutes - 14 July 2014

Attendance

Members of the Committee

Cllr Keith Inston (Chair)
Cllr Harbans Bagri
Cllr Phil Bateman
Cllr Alan Bolshaw
Cllr Jasbir Jaspal
Cllr Christine Mills
Cllr Mrs Wendy Thompson

Independent Members

Mike Ager
Terry Day

Employees

Peter Farrow	Head of Audit
Chris Forrester	Finance Manager
Dereck Francis	Democratic Support Officer
Keith Ireland	Strategic Director, Delivery
Richard Morgan	Senior Audit Manager
Mark Taylor	Assistant Director, Finance

External Auditors

Richard Bacon	PricewaterhouseCoopers
Sophia Mouyis	PricewaterhouseCoopers

Item No. *Title*

- 1 **Apologies for absence**
Apologies for absence were submitted on behalf of Cllr Dr Michael Hardacre.
- 2 **Declaration of interests**
No declarations of interests were made.
- 3 **Minutes of previous meetings**
 (a) Audit Committee – 10 March 2014
 Resolved:
 That subject to the substitution of the name 'Alan' for the name 'Ian' in the third paragraph on page 5, the minutes of the meeting held on 10 March 2014 be approved as a correct record and signed by the Chair.

**(b) Audit (Monitoring of Audit Investigations) Sub-Committee –
28 April 2014**

Resolved:

That the minutes of the meeting held on 28 April 2014 be noted.

4 Matters arising

With reference to Minute No. 8 (Internal audit update quarter three) Peter Farrow, Head of Audit confirmed that a letter had been circulated and a full response had now been received from heads of service to the Audit Service questionnaires about appraisal interviews.

With reference to Minute No. 8 (Corporate Risk Register) Cllr Wendy Thompson reported that she had not received a response to her question 'whether the Council was providing Saturday classes to support children to pass their maths examination earlier. The Chair asked that the response be progressed.

5 Internal Audit Report - Performance Appraisal Scheme

The Committee discussed the report from an internal audit review of the Council's new performance appraisal scheme.

Cllr Phil Bateman commented that the Council's employee personal development policy went hand in hand with the performance appraisal scheme and would be key to the Council moving forward. Therefore managers must not lose sight of the personal development of employees when they undertake a performance appraisal. Peter Farrow confirmed that personal development was one part of the appraisal process along with work planning for the year ahead.

Mike Ager, Independent Member requested more detail on who held responsibility for performance appraisals within the Council and on the targets and deadlines for implementing the suggested/agreed actions to address the issues identified by the review. He requested that the appropriate employee update the Committee on these two points.

The Chair reported that the views of the Committee on the low take up of the Council's performance appraisal scheme were well known. He supported the proposal for the appropriate senior employee to attend the Audit (Monitoring of Audit Investigations) Sub Committee meeting on 21 July 2014 to discuss the review report and its recommendations further.

Referring to one of the suggested/agreed actions from the review, Cllr Christine Mills stated that managers should be 'engaging' with appraisals and the various training/policy opportunities available to them to perform appraisals rather than being 'encouraged' to do so.

In response to the Committee's comments Keith Ireland, Strategic Director Delivery reported that ultimately he was responsible for this area. He reported that he believed there was an element of underreporting of appraisal interview meetings but that the figures were disappointing. He informed the Committee that the issue for him was the quality of the conversations taking

place between managers and employees during an appraisal. Following completion of the Equalities training for employees and councillors the next focus would be performance culture and appraisals.

Cllr Alan Bolshaw reported that through his conversations with Council employees some found the appraisals process overly bureaucratic and too tightly structured with a one size fits all approach. Also at a time when employees are leaving the Council some employees have said that they have more important things to think about than to plan their work for the next year and their personal development needs.

In response to these points Keith Ireland reported that the Council was a corporate body with a single policy for all its employees. In the application of the policy there was flexibility as to how the appraisal is conducted. In Service Facilities where some employees work small contracted hours, team goals are set and social workers have supervision instead of appraisal. He also reported that the appraisals process had been slimmed down and was not overly bureaucratic. Moving forward the Council was making progress and there were some pockets of good practice within the organisation but in the main it was not good and the Council was nowhere near where it needed to be. Employees would need to be more performance orientated and this transformation would take two to three years.

Peter Farrow also reported that Audit Services would undertake a follow up review of the appraisals process in six months' time, the results of which would be reported back to the Committee.

Resolved:

That the Cabinet Member for Performance and Governance and the Strategic Director for Delivery be requested to attend the meeting of the Audit (Monitoring of Audit Investigations) Sub-Committee to continue the discussion on the internal audit review report.

6

Annual Review of the Effectiveness of Internal Audit

Peter Farrow, Head of Audit presented a report that provided the Committee with sources of information and measures in place in order to assist it in being able to reach a conclusion on the adequacy and effectiveness of the Internal Audit Service.

In response to a question Peter Farrow confirmed that every five years a public service organisation would be required to obtain an external view on the effectiveness of its internal audit.

Resolved:

That the annual review of the effectiveness of internal audit be approved in order to discharge the Committee's responsibility under Regulation 6 of the Accounts and Audit Regulations 2011, where "the relevant body shall, at least once in each year, conduct a review of the effectiveness of internal audit."

7 **Audit Committee Annual Report - 2013/14**

Peter Farrow, Head of Audit presented the report which summarised the main areas of work undertaken by the Committee during 2013/14.

Cllr Phil Bateman asked whether there were any competitions for this type of report to highlight where there are pockets of good practice within the organisation. Peter Farrow reported that the Chartered Institute of Public Finance and Accountancy ran an annual competition and councils are invited to make a bid for an award. If the opportunity arises in the next awards process he undertook to seek the views of the Committee on whether it would wish to make a submission.

Resolved:

That the Audit Committee Annual Report for 2013/14 be endorsed and referred to Full Council for approval.

8 **Draft Statement of Accounts 2013/14**

Mark Taylor, Assistant Director, Finance presented for information, the draft Statement of Accounts for 2013/14, which he had approved and was subject to audit. The report provided an overview of the document and a summary of the Council's financial performance for the year and its position at 31 March 2014.

During the ensuing discussion, Cllr Christine Mills sought clarification on the amount spent on redundancy payments. Mark Taylor undertook to clarify the figure.

Cllr Phil Bateman reported that he took some comfort from the Council's medium term financial strategy particularly the investment the Council planned make on housing over the next 30 years.

Resolved:

1. That it be noted that the Assistant Director Finance approved the Draft Statement of Accounts 2013/14 on 30 June 2014, as required by the Accounts and Audit (England) Regulations 2011.
2. That it be noted that the 2013/14 Draft Statement of Accounts is to be audited by PricewaterhouseCoopers LLP from July through to September, and that any material changes required as a result of the audit will be reported to the Audit Committee.
3. That it be noted that formal approval by the Council and publication of the 2013/14 Statement of Accounts is required by 30 September 2014 (Accounts and Audit (England) Regulations 2011).
4. That it be noted that the Statement of Accounts incorporates a copy of the Annual Governance Statement as required by the Accounts and Audit (England) Regulations 2011.

9 **Annual Governance Statement - 2013/14**

The Committee received, for review and comment, the Council's Annual Governance Statement for 2013/14 which had been signed by the Leader of the Council and the Chief Executive.

Cllr Wendy Thompson reported that the governance statement was realistic. She noted the reference in the statement to the Council's Section 151 post not having the usual status as Section 151 posts on other councils. She also welcomed the push within the statement on contract management and monitoring and the recognition to the Council's vision for and strategic approach to school improvement.

Resolved:

That the contents of the Council's Annual Governance Statement for 2013/14 be noted.

10 **External Audit Progress Report 2013/14**

Richard Bacon and Sophia Mouyis from PricewaterhouseCoopers presented their update on progress in delivering their audit plan, their view of progress of the closedown process, the results of their review of the work of internal audit and detail about some recent publications from PwC's Public Sector Research Centre.

Resolved:

That the report be received and noted

11 **Corporate Risk Register**

The Committee received, for information, a report on the Council's corporate risk register containing the key risks the Council faces and how it could gain assurance that the risks were being mitigated.

Referring to risk ref 5 'FutureWorks', Mike Ager, Independent Member noted that the risk category had improved from red to amber. He sought assurance that the operation of the new finance system (Agresso) was improving following the reported problems since it went live. Keith Ireland, Strategic Director Delivery reported briefly on areas where problems had been experienced following the system going live and the action taken by employees to address them. He undertook to present a report to the next meeting on the implementation of the system and the action taken to resolve problems encountered. He also informed the Committee that with any major transformation programme problems would be encountered. By the end of the year the Agresso system would be fully operational and he indicated that the Committee would be pleased with the outcome. He also offered to arrange for the Committee to receive a presentation on the Agresso system from Lisa Taylor and her team in FutureWorks. The Chair reported that he was sure that the Committee would take up the offer.

In response to questions from Cllr Alan Bolshaw, Richard Bacon PricewaterhouseCoopers gave an independent view of the introduction of the Agresso system and the external auditor's involvement and support to the

project. In doing so he informed the Committee that the project had gone well and that on average it had been managed better than other Agresso system introductions that he had witnessed.

In response to a request from members of the Committee for more information on assurance on the issues raised as well as in the areas of Looked After Children and budgetary control relating to children, young people and families, Peter Farrow undertook to present to the next meeting the assurance map.

Resolved:

1. That the latest summary of the Council's corporate risk register be noted.
2. That reports be submitted to the next meeting of the Committee on:
 - a. The introduction of the Agresso system
 - b. The assurance map.

12

Annual Internal Audit Report - 2013/14

Peter Farrow, Head of Audit outlined the salient points of the report which aimed to provide the Committee with an annual internal audit opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control processes.

Referring to the section of the report on an internal audit exercise regarding information governance in schools, Cllr Alan Bolshaw asked about the action that would be taken against schools in the event of a poor response to Audit Service questionnaires. Peter Farrow reported that when responses are poor the issue would be brought back to the Audit Committee. He went on to inform the Committee that Internal Audit Service had a good relationship with schools and would be able to contact them to chase any required response. Given the limited time the service had to undertake the audit exercise, it was felt that a 50% response provided a good snapshot and a feel for schools' general knowledge and understanding of information governance.

Cllr Wendy Thompson reported that a number of good employees had recently left Audit Services. She requested a report on the staffing of the Service to provide her and the Committee with the assurance that staffing levels were at an optimum level.

Resolved:

1. That the contents of the Annual Internal Audit Report and the overall opinion that "based on the work undertaken during the year, the implementation by management of the recommendations made and the assurance made available to the Council by other providers as well as directly by Internal Audit, Internal Audit can provide reasonable assurance that the Council has adequate and effective governance, risk management and internal control processes" be noted.
2. That a report on the staffing of Internal Audit be submitted to the next meeting.

13 **Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committee Update - Issue 13**

The Committee received, for information, the latest of regular briefing issued by CIPFA for audit committee members in public sector bodies.

Peter Farrow, Head of Audit informed the Committee of changes in the near future to the Council's external auditors. Richard Bacon confirmed that PricewaterhouseCoopers would continue to undertake this and next year's audit. Thereafter Grant Thornton would be the Council's new external auditors for the next two years.

Resolved:

That the contents of the latest CIPFA Audit Committee Update, Issue 13 – helping audit committees to be effective be received and noted.

14 **Payment Transparency**

Peter Farrow, Head of Audit updated the Committee with the current position regarding the Council's publication of all its expenditure activity since the last meeting of the Committee.

Resolved:

That the Council's position with regards to the publication of all its expenditure be noted.