



Minutes of the meeting of the AUDIT COMMITTEE held on TUESDAY 26 JUNE 2012 at 7.00 pm

Present: Councillor Brackenbury (Chair)
Councillors S Burke, Marland, McDonald and White.

Mr A Peck (Independent Member)

Officers: D Hill (Chief Executive), T Hannam (Corporate Director Resources), G Tolley (Corporate Director Children and Families), P McCourt (Assistant Director, [Law and Governance]), M Hodgson (Head of Finance Mouchel), K Holland (Solicitor - Employment and Governance), T Hughes (Interim Bridges and Structures Team Leader), J Moffoot (Assistant Director [Democratic Services]), S Morrissey (Portfolio Office), D Wilkinson (Assistant Director, [Audit and Risk Management]), L Baker (Head of Internal Audit), and D Imbimbo (Committee Manager)

Also Present: M West (Audit Commission) and 1 member of the public.

AC03 CHAIR'S WELCOME

The Chair welcomed Members to the meeting and advised the Committee that although reappointed as an Independent Member of the Committee at the Annual Meeting of Council Mr. Chris Fogden had tendered his resignation. The Chair asked that the thanks of the Committee be recorded for the commitment and work conducted by Mr Fogden. The Committee heard that Mr. Peck had also indicated his intention to resign when a replacement for him had been appointed and asked that thanks be recorded for his agreement to remain on the Committee for the interim period.

AC04 MINUTES

RESOLVED -

That the Minutes of the meeting of the Audit Committee held on 28 March 2012 be approved and signed by the Chair as a correct record.

AC05 DECLARATION OF INTERESTS

Councillor White declared a general personal interest as the Chair of the United Sustainable Energy Agency that administered the Council's Carbon Offset Fund.

Councillor Marland declared a personal interest in Item 14 Fleet Investigation as an employee of a fleet management company.

AC06

COMMITTEE INTRODUCTION

The Committee received an overview of the functions of the Committee, the roles and responsibilities of the principal officers and the terms of reference of the Audit Committee.

RESOLVED –

That the introduction be noted.

AC07

STATEMENT OF ACCOUNTS

The Committee considered the Annual Statement of Accounts.

Members sought clarity from the Corporate Director Resources on a number of matters and in particular expressed concern that the heading of Organisational Transformation Programme (OTP) did not have any details of saving realised through actions taken. The Committee heard that savings made were shown under the respective service budgets rather than under the heading of OTP. A view was expressed that this represented a lack of transparency in the OTP.

Members asked the Corporate Director Resources how assets such as public art and heritage items that had not been valued could be managed and in particular how insurance arrangements were made, this issue having been identified by the Audit Commission as a weakness. The Corporate Director Resources agreed to consider this matter further.

Members heard that Section 106 money was included in the figures for planning reserves which explained why the figures appeared to be what could be considered excessive. It was noted that the Overview and Scrutiny Management Committee were reviewing arrangements for use of S106 funds and would be recommended to include in that review arrangements for holding funds.

RESOLVED –

1. That the Statement of Accounts be approved for referral to the Audit Commission.
2. That future savings achieved through the OTP be shown under the heading of OTP rather than solely under the heading of respective service budgets.
3. That research be conducted to identify and value Council assets not previously individually valued.
4. That the Overview and Scrutiny Management Committee be asked to include in its review of S106 monies consideration of how funds are held and managed.

AC08**DRAFT ANNUAL GOVERNANCE STATEMENT 2011/12 AND 2012/13 ACTION PLAN**

The Committee considered the draft Annual Governance Statement (AGS) 2011/12 and 2012/13 action plan.

Some concern was expressed about the infrequency of meetings of the various scrutiny committees and the risk this posed to how expediently matters could be investigated. It was noted that a new structure had been put in place and the overall effectiveness of this would continue to be reviewed.

The Committee heard that the action plan had been drawn up in consultation with a working group which included Members of the Audit Committee, and it was recommended that this arrangement be continued.

RESOLVED –

1. That the Committee approved the Annual Governance Statement for 2011/12 and the accompanying action plan.
2. That Members of the Audit Committee be appointed to an Annual Governance Statement Working Group to assist in scrutiny and assurance in the process and drafting of the AGS 2012/13.

AC09**INTERNAL AUDIT 2011/12 ANNUAL REPORT**

The Committee considered the Internal Audit 2011/12 Annual Report.

Members noted that there had been a failure to complete the action plan for 2011/12 due to staff shortages and that there remained a risk to the completion of the 2012/13 action plan due to the continued staff shortages and difficulties recruiting replacement staff. The Committee heard that it was proposed to restructure the Audit team to make best use of resources available.

The Committee noted particular areas of concern as follows:

- (a) Project Management – although there are some excellent areas, the quality of project management and adherence to the MK Approach was reported as still being inconsistent throughout the Council. Members emphasised their expectation that a robust approach would be taken. The Committee noted the intervention processes adopted by the Portfolio Office to ensure that this was effected.
- (b) Music Service – The Committee noted that a significant number of assets could not be located as a result of weak stock control. It was recognised that many of these items had significant value and that a system to control stock was necessary to prevent loss. The Committee heard that there was no record of disposals of assets and missing assets were

not necessarily due to theft, but rather poor management, and that this was subject to a review of processes.

- (c) Members Questions and Resolutions – The Committee heard that there existed no process to ensure that Members questions or decisions were followed up.

RESOLVED –

1. That the report be noted
2. That the risk to the completion of the 2012/13 Audit Plan due to staff issues be noted and that initiatives to restructure the Division be supported.
3. That the areas of concern be noted.

AC10

APPOINTMENT OF EXTERNAL AUDITORS FROM SEPTEMBER 2012

The representative of the Audit Commission reported that it was anticipated that the Audit Commission would announce who had been formally appointed as the Councils external auditors by the end of July 2012 and that the appointment would be for a period of 5 years. The Audit Commission was in the process of preparing for the handover.

RESOLVED –

That the arrangements be noted.

AC11

BRIDGE MANAGEMENT AND THE SECKLOW BRIDGE INCIDENT: ACTION PLAN

The Committee considered the progress made on the action plan for Bridge Management.

The Chief Executive reported that he continued to oversee the action plan. It was noted that an Interim Bridges and Structures Team Leader had been appointed and contractors had started to work on repairs to bridges as prioritised in the plan.

Members questioned how contracts were managed and what systems and safeguards were in place to ensure that work was conducted to a satisfactory standard. The Committee was told that a system of spot checks was in place and that the Portfolio Office had been appointed to undertake an overview of contract management across the organisation. Members asked that consideration be given to the potential impact of assets not belonging to the Council having a negative impact on Council assets and how this might be managed. Assurances were also sought that processes were in place to identify weaknesses in contractors before problems were identified.

The Committee heard that the Assistant Director Highways and Transport had left the Authority to take up a role elsewhere and that an Interim Assistant Director would be appointed.

RESOLVED –

1. That reported outcomes from the action plan need to be supported by evidence.
2. That the Cabinet be recommended to take note of the potential risks associated with arrangements around contract management.
3. That the introduction of the incident management framework be welcomed.
4. That as contracts become more complex and specialised every effort be made to strengthen safeguards and contract management.
5. That progress be reported to the Committee in due course.

AC12

ORGANISATIONAL TRANSFORMATION PROGRAMME (OTP) GOVERNANCE

The Committee considered a report in respect of the Organisational Transformation Programme.

The Committee heard from the Corporate Director Children and Families that as part of the development of OTP and within Strand 5 of the Programme, the overall responsibility of OTP was transferred to the Corporate Director Children & Families from March 2012 and that Scrutiny of the OTP would transfer to the new Corporate Affairs and Performance Committee, with effect from their first meeting on 17 July 2012.

The Committee heard that the Corporate Director Children and Families had taken note of earlier discussions in respect of there being a need for the Programme to demonstrate benefits achieved and would seek to ensure in future quarterly reports would include detail of financial savings achieved through the Programme.

Members expressed concern that there remained a lack of clarity and transparency about what was hoped to be achieved and what was being achieved and that channels of communication with Members from the project team were poor. This resulted in a lack of understanding of the overall vision, what were considered to be the milestones, and how they were to be measured.

Members also expressed concern that without the transparency they sought there was a risk that where staff rationalisation was taking place there were no assurances that individuals appointed possessed the requisite skills and competencies required to fulfil the roles.

Members re-emphasised their desire to see a robust approach to project management of the programme and that simply stating that the MKApproach was being adhered to was not sufficient assurance.

Members expressed concern about the process to bring about a cultural change and that there was a need to engage with them to ensure that the Council as a whole demonstrated a commitment to the Programme.

RESOLVED –

1. That the report be noted.
2. That the scrutiny function of the programme be transferred to the Overview and Scrutiny Management Committee, but that any issues relating to governance remain within the remit of the Audit Committee.
3. That the project team be encouraged to engage with Members to ensure that there is a full understanding of the vision and desired outcomes.

AC13

FLEET INVESTIGATION

The Committee considered a report in respect of an investigation into the management of the vehicle fleet.

The Committee heard from the Assistant Director Audit and Risk Management that a whistleblowing referral was received alleging the inappropriate personal use of Council vehicles by a Director for a prolonged period. The investigation identified evidence to support the allegations and disciplinary action was taken.

The investigation had identified governance weaknesses and wider issues. The Corporate Leadership Team had developed an Action Plan to address all the issues identified, and this had now commenced.

Members asked that it be placed on record that they applauded the robust and professional manner in which the CLT approached the matter and the support that was given to the investigation.

The Assistant Director Audit and Risk Management informed the Committee that there were investigations still ongoing into isolated matters that had been identified through the investigation but that there was no evidence that there was a widespread culture of abuse.

A weakness in the operational culture around Whistleblowing involving a senior staff member had been identified and training and a programme of guidance had been developed to tackle those issues.

The Committee heard that a debt amounting to in excess of £20,000 had been identified through the misuse of vehicles and this was being recovered.

RESOLVED –

1. That the report be noted.
2. That the example of applying the Council's zero tolerance policy was welcomed.

AC14

MEMBERSHIP OF THE COMMITTEE

The Committee noted the resignation of the Independent Member and the notice given by the remaining Independent Member.

RESOLVED –

1. That officers be authorised to commence a process for identifying potential new non-voting independent members
2. That a group of Members be appointed to consider any applications received and to make appointments.

THE CHAIR CLOSED THE MEETING AT 11:18 PM