



Minutes of the meeting of the AUDIT COMMITTEE held on WEDNESDAY 10 APRIL 2013 at 7.00 pm

Present: Councillor Brackenbury (Chair)
Councillors Bald (Substitute for Councillor Jury), S Burke, McDonald, Marland and White

Officers: D Hill (Chief Executive), T Hannam (Corporate Director Resources), J Pryor (Assistant Director [Highways and Transport]), I Ali (Deputy Assistant Director [Law and Governance]), D Wilkinson (Assistant Director [Audit and Risk Management]), L Baker (Head of Internal Audit), A Jackman (Team Leader Traffic and Road Safety), and T Milner (Committee Manager)

Independent Members: I Farookhi and W Preston

Also Present: A Clewer (Ernst and Young), C Ryan (Ernst and Young), M West (Ernst and Young) and 8 Members of the Public

Councillors Bint, Dransfield, A Geary and Miles

Apology: Councillor Jury

AC50 DECLARATION OF INTERESTS

1. Councillor Brackenbury declared an Interest in Item 7, by reason of his wife working at St Pauls Catholic School.
2. Councillor S Burke declared an Interest in Item 11, by reason of knowing the Assistant Director (Audit and Risk Management).

AC51 MINUTES

RESOLVED –

That the Minutes of the meeting of the Audit Committee held on 15 January 2013 be approved and signed by the Chair as a correct record.

AC52 WOLVERTON STATION PROJECT OVERSPEND

The Committee considered a report in respect of the Wolverton Station Project Overspend that had been commissioned at the Audit Committee at its meeting held on 6 November 2012.

The Committee heard from the Head of Internal Audit and Assistant Director (Highways and Transport), who informed the Committee the report delay was due to waiting for the final outcome of investigations and the complex negotiations with the contractor in respect of project overruns.

The Committee heard from four Members of the Public.

Members expressed concern that despite previous findings and failure aspects of Project Management at the Council, that previous lessons learnt had not been taken into account during the life of this project. Members requested that a more professional approach to Project Management be applied throughout the Council.

The Committee heard that a Management Action Plan had been drawn up and had been shared with the Project Managers' Network, and actions were being implemented by the various services involved.

The Committee made four recommendations for changes to the Management Action Plan:

1. Contract Award - Reference 6: Poor tender quality scores – a contractor with a quality score lower than 60% will only be accepted in exceptional circumstances and the reasons should be very clearly laid out in the procurement reports. Reports to the Procurement Cabinet Committee should fully set out the impacts of such a low score and the actions that will be taken to ensure that the Council is not at risk as a result.
2. Contract Award - Reference 7: Works supervision – the project sponsor shall be responsible for ensuring that where there is a certain risk value and complexity on future construction works, there will be a mandatory requirement to have a 'Clerk of Works', to ensure that they are built to a good quality and fit for purpose. This should include ensuring adequate records are taken to enable any claims to be properly assessed.

The Assistant Director (Highways and Transport) offered to review the professional Institute Guidance and would provide wording on future guidance.

3. Governance/assurance - Reference 10: Programme Boards – should challenge project sponsors on a regular basis. They should encourage more honesty and realism from the project sponsor. Members of the board should have an open invitation to attend project team meetings to enable them to undertake some reality checks. If necessary a technical audit by an internal or external expert may be requested. They should also act decisively if weak project management is apparent.

Members of both programme and project boards should be sufficiently staffed and responsibility allocated to spot difficulties, and to ensure robust challenges are made to minimise the risks. The programme and project boards should also consider undertaking site tours at appropriate frequency and key stages of the project.

4. Reference 14: Rail related projects - that all future project approvals on land not owned by Milton Keynes Council should include a Cabinet Procurement Committee stage, an analysis of the risks and a consideration if Milton Keynes Council were the most appropriate to lead on the project.

The Committee expressed disappointment to learn that there was a lack of evidenced communication in the report between/from officers in the post at the time, the Corporate Leadership Team (CLT) and Members. The report also highlighted a lack of escalation of concerns held by senior officers to the CLT from the outset of the project. The Committee welcomed the increased scrutiny in procurement that the Cabinet Procurement Committee had brought about since February 2012.

The Committee asked that the Head of Internal Audit reviewed the Council's GRACE Risk Management system as part of the next Risk Management audit. The audit should encompass a 'fit for purpose' review and the use made of the GRACE system in project management.

Members requested a review of how the client side management by the Council had changed. Repeated reassurances of improvement in this area had been received and yet there was insufficient evidence in the report to support this.

One of the key issues identified in the report was the constricted timetables and decision making during April 2011. The report lacked any significant findings as to why the crucial issues occurred, however, the report was clear about the date the decision was made by the then Corporate Director Highways/Organisational Transformation Programme.

RESOLVED –

1. That the report be noted.
2. That the Committee welcomed the report having been discussed in full Public session and that thanks be passed on to all Officers in Audit, Highways and the Senior Management Committee for their efforts in compiling the report.
3. The committee noted that many of the issues highlighted would have been avoided had Network Rail managed the project.
4. That the wording of the Management Action Plan be amended to reflect the comments of the Audit Committee.
5. That the Head of Internal Audit conduct an audit of the CLT role and the process for management of projects with the Terms of Reference to be agreed by the party spokespersons of the Committee.
6. That the usage of GRACE be included in the Annual Governance Statement.

7. That a report on how the Client Side Management has been changed to increase the capacity and capability of the Authority, be prepared by the Head of Internal Audit for the Audit Committee with a view to referring the report to Cabinet.
8. That the Project Manager, the Corporate Director Highways/Organisation Transformation Programme, and the Assistant Director Highways and Transport Group, all of whom had now left the Council, be invited to comment on why the decision was taken to progress so quickly, and that individual responses be circulated to the Audit Committee.
9. That a full follow-up audit and opinion report on the implementation of the Management Action Plan, be brought back to the Audit Committee at a later date during 2013.

AC53

INTERNAL AUDIT PROGRESS PLAN

The Committee considered a report in respect of the Internal Audit Progress Plan from the Head of Internal Audit.

Members expressed concern about the weakness of systems control in the Taxi Licence Service, in the administration of the database 'Taxi Live', income control and the vehicle safety checks. The Committee was reassured by the Chair of the Regulatory Committee that a referral would be made to the Regulatory Committee to investigate further.

The Committee was also concerned that the current staff Appraisal system was not equipped to take into account outcomes or findings of Audit reports, and therefore any findings were not reflected in the Appraisals.

RESOLVED –

1. That the report be noted.
2. That the Regulatory Committee be recommended to review the Taxi Licences service issues.
3. That Audit findings be considered when undertaking Appraisals and as part of Performance Management data, and the Strategic Human Resources Manager requested to submit a statement to Members of the Audit Committee to say how this is being done.

AC54

2013/14 INTERNAL AUDIT PLAN

The Committee considered a report in respect of 2013/14 Internal Audit Plan from the Head of Internal Audit.

Members offered their full support to Internal Audit and expressed concerns about the risk to the Council in not being able to recruit the appropriate professional staff to positions within Internal Audit.

The Committee requested that the Core Strategy Project Healthcheck and the Community Asset Transfer programme be reviewed and moved from low priority to medium priority in the 2013/14 Plan.

RESOLVED –

1. That the report be noted.
2. That the risk status of the Internal Audit Plan be raised to reflect the failure to recruit appropriate staff within the Audit and Risk Management service.
3. That the 2013/14 Audit Plan be approved as amended.

AC55

SECKLOW GATE BRIDGE INSURANCE CLAIM

The Committee received a report in respect of the Secklow Gate Bridge Insurance Claim from the Assistant Director (Audit and Risk Management). He informed the Committee that the delay in submitting the report was due to waiting for the conclusion of negotiations over the final contract price.

The Committee recognised that settlement had finally been agreed but were disappointed that the Council's Tax Payers' money had gone into this project.

The Committee noted that the lessons learnt from this project and previous projects should be applied throughout the Council to help improve project management and financial management reporting.

RESOLVED –

1. That the report be noted.
2. That the Audit Committee noted that the financial settlement had been agreed.
3. That the Council be encouraged to apply the lessons learnt.

AC56

REVENUE AND CAPITAL BUDGET MONITORING – TO END OF FEBRUARY 2013

The Committee considered a report in respect of the Revenue Budget and Capital Monitoring to the end of February 2013 from the Corporate Director Resources. The Committee heard that the forecast General Fund revenue position was an under-spend of £0.752m.

The Corporate Director Finance told the Committee that Finance had put in place a new Council Tax Benefit reserve to take account of changes in the system.

RESOLVED –

1. That the report be noted.

2. That the forecast outturn positions reported by Service Groups and the overall forecast General Fund revenue position being an under-spend of (£0.752m), be noted.
3. That the expenditure to date and projected outturn for the 2012/13 capital programme be noted.
4. That the creation of a new Council Tax Benefit reserve to mitigate against the risk of future payments for backdated changes in circumstances be noted.

AC57

PROPOSAL TO TRANSFER AUDIT AND RISK SERVICES TO MILTON KEYNES SERVICE PARTNERSHIP (MKSP)

The Committee considered a report in respect of the proposal to transfer Audit and Risk Services to Milton Keynes Service Partnership (MKSP) from the Assistant Director (Audit and Risk Management).

The Committee felt that the business case did not consider all the options including whether to retain some Internal Audit service within Milton Keynes Council, including the Head of Internal Audit role, to remain independent of MKSP.

The Committee heard from the Corporate Director Resources that there would be future opportunities and potential increased revenue to the Council by transferring the services to MKSP. That as a first step, the Audit and Risk Services be transferred to MKSP who could better explore opportunities from shared and traded services.

The Committee was concerned about the strategic and operational situation of transferring the services to MKSP, and requested reassurance that the appropriate staffing levels would be maintained, and stressed the importance of Milton Keynes Council work not suffering as a consequence.

RESOLVED –

1. That the report be noted.
2. That the Chief Executive be requested to refer the decision on the transfer Audit and Risk Services to MKSP to the Cabinet and in the event of the Chief Executive not agreeing, the Council be advised accordingly, with any decision taking account of the possibility of the Head of Internal Audit role and key staff being retained within the Council, to allow the audit of functions transferred to MKSP.

AC58

EXTERNAL AUDIT AND 2013/14 AUDIT PLAN

The Committee considered a report in respect of External Audit Progress and the 2013/14 Audit Plan from the Audit Director, Ernst and Young.

The Committee heard that the Council would have to prepare group accounts for the first time in 2012-13, following the creation of two Limited Liability Partnerships.

RESOLVED –

1. That the Audit Progress report be noted.
2. That the Audit Planning Board report be noted.

AC59

AUDIT COMMISSION 2011/12 GRANT CERTIFICATION

The Committee considered a report in respect of the Audit Commission 2011/12 Grant Certification from the Head of Internal Audit.

RESOLVED –

1. That the report be noted.
2. That the External Audit letter and progress made be noted.

AC60

PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)

The Committee considered a report in respect of the Public Sector Internal Audit Standards (PSIAS) from the Head of Internal Audit.

The Committee heard that the PSIAS would be best practice for the future delivery of the Internal Audit service within Milton Keynes Council, and that the Audit Committee's Terms of Reference required amendment to reflect changes in adopting the PSIAS.

RESOLVED –

1. That the report be noted.
2. That the Audit Committee adopted the Public Sector Internal Audit Standards with effect from 1 April 2013.
3. That the Audit Committee agreed to perform the functions of the Board, other than those highlighted in Section 3.8 of the report.
4. That Council be recommended to amend the Audit Committee Terms of Reference to reflect the PSIAS requirements.

AC61

DATE OF NEXT MEETING

That the next meeting of the Audit Committee be held on 25 June 2013 at 7.00pm.

THE CHAIR CLOSED THE MEETING AT 11:30 PM