



Minutes of the meeting of the AUDIT COMMITTEE held on WEDNESDAY 28 MARCH 2012 at 7.00 pm

Present: Councillor White (Chair)
Councillors Barney (substituting for Councillor Bald), Brackenbury, McLean, Jury, Mr C Fogden (Independent Member) and Mr A Peck (Independent Member)

Officers: T Hannam (Corporate Director Resources), G Tolley (Corporate Director Children and Families) A Constantinides (Assistant Director [Transport]), P McCourt (Assistant Director, [Law and Governance]), K Holland (Solicitor - Employment and Governance), S Jewell (Assistant Director [IT and e-Government]), P Fleming (IT Consultant), S Morrissey (Portfolio Office), N Jones (Assistant Director [Financial Management]) D Wilkinson (Assistant Director, [Audit and Risk Management]), L Baker (Head of Internal Audit), and D Imbimbo (Committee Manager)

C Ryan (Audit Commission)

Apologies: Councillor Bald and Burke

Also Present: Councillors Crooks and Hopkins

AC45 MINUTES

RESOLVED -

That the Minutes of the meeting of the Audit Committee held on 25 January 2012 be approved and signed by the Chair as a correct record.

Mr A Peck asked that his thanks be recorded for the good wishes he received during his recent illness and advised the Committee that it was his intention to resign as an Independent Member at a convenient time for health reasons.

AC46 DECLARATION OF INTERSTS

Councillor White declared a general personal interest as he was the Chair of the United Sustainable Energy Agency that administered the Council's carbon offset fund.

AC47 SECKLOW GATE BRIDGE INVESTIGATION REPORT AND BRIDGES REVIEW KEY RECOMMENDATIONS

The Committee received an oral update on the actions being taken following the Secklow Gate Bridge Investigation Report and the

Bridges Review.

The Committee heard that progress had been made in producing an action plan which was available for Members to review. The action plan consisted of 7 key work strands each owned by a named officer or an identified group of officers, these were;

- i. Bridge Repairs - Assistant Director [Transport]
- ii. SLA and Client Function - Assistant Director [Partnership]
- iii. Project Management and Incident Planning – Corporate Leadership Team
- iv. Leadership - Assistant Director [HR Strategy]
- v. Risk Management - Head of Risk & Insurance
- vi. Finance - Assistant Director [Financial Management]
- vii. Other – Various as detailed on the action plan

The Committee heard from the Corporate Director Resources that funding for the necessary work had been identified and a significant number of bridge inspections were completed and the remainder were ongoing with urgent repairs having been prioritised.

The Committee recognised that the action plan was comprehensive and covered all the relevant areas of concern.

The Committee heard that a full report would be presented at the next meeting of the Committee on 26 June 2012.

RESOLVED –

1. That the report be noted and that the Action plan be approved.

AC48

LATE PAYMENT OF INVOICES

The Committee considered a report in respect of the late payment of invoices and measures that had been taken or were planned to be taken to address delays being experienced in making payments. The Committee heard from the Assistant Director [Financial Management] that a process was in place to seek to identify local businesses that were awaiting payment but it had proven impractical to identify small businesses.

The Committee expressed concern that the report failed to put emphasis on recognising the risk presented to small businesses where payment was late and the risk to the Council's reputation should a late payment result in a business experiencing financial difficulty.

The Committee also questioned whether having only one performance indicator in respect of late invoice management was sufficient. It was noted that this was a matter being looked at by the Overview and Scrutiny Management Committee.

The Committee heard that the introduction of the Sales and Purchasing Hub sought to address many of the previously identified blockages in invoice management but there remained a need to

continue to ensure that proper practice was followed. The Assistant Director [Financial Management] stated that training for managers was a part of the process to ensure that there was an understanding of the issues, but cultural change was necessary to embed a more efficient system within the Council.

RESOLVED –

1. That the range of issues impacting on the payment of invoices and the activities both underway and planned to continue to improve performance in this area, be noted.
2. That the Committee welcomes the cultural changes underway and emphasises the importance it places on ensuring that managers are fully trained and understood the need to ensure that the Authority addresses the issue of risk and the impact of late payment on small and local businesses.

AC49 IT SYSTEMS – UPDATE REPORT ON SYSTEMS INTERFACES & INTEGRATION

The Committee considered a report in respect of the IT Systems – Update on Systems Interfaces & Integration. The Committee heard from the Assistant Director [IT and e-Government] that the report was a follow up to the report submitted to the Audit Committee in September 2011. The original report was prepared after an audit report identified weaknesses in the interfaces and business processes relating to one aspect of miscellaneous income management within Building Control.

The Assistant Director [IT and e-Government] reported that investigative work had been carried out and that the report set out the framework for documenting and managing interfaces and provided examples of the insight that this approach would bring.

Members expressed concern that the report failed to look at the governance processes and arrangements with regard to IT. It was recognised that there would be benefit in forming a working group to look at these issues from an auditing aspect.

The Committee heard from the Corporate Director Resources that the Organisational Transformation Project sought to address many of the IT issues identified but was mindful that IT should be used to assist in delivery of services. This was a view endorsed by the Committee.

RESOLVED –

1. That the progress made to date regarding the analysis and further development of IT systems interfaces be noted, and that the direction of travel is satisfactory as assessed jointly by the IT and Internal Audit services.
2. That the additional work been undertaken to refine the documentation and understanding of the current interfaces be noted, including:

- a. the further investigation of the processes for handling income for Building Control;
 - b. plans to implement a central repository documenting all system interfaces and control mechanisms;
 - c. continued support for the EDRMS and LLPG projects/programmes as key enablers for integration between systems;
 - d. continued support for the self service portal to provide a platform for consistent and comprehensive citizen access; and
 - e. continued consideration of the Data Protection implications of new and existing interfaces.
3. That a Working Group be set up to look at the governance processes and arrangements with regard to IT and to examine the issues that arose from the Audit report in September 2011.

AC50 ORGANISATIONAL TRANSFORMATION PROGRAMME - UPDATE

The Committee considered a report in respect of the Organisational Transformation Programme (OTP) from the Corporate Director Children and Families who was now the project sponsor of the Programme.

The Committee heard that the OTP was continuing to make good progress across the board. Service redesigns linked to the OTP were under way in several areas of the Council and since the last quarterly report in January 2012, the OTP Board had approved a number of major feasibility reports that would now proceed (subject to Member approval) to deliver significant change to various areas of service delivery.

The Committee heard that The OTP Communications Strategy had been refreshed. An update had been circulated to all staff on 26 February 2012 and the Chief Executive would be undertaking a programme of visits to staff teams in their workplaces to brief them on the OTP and deal with their questions.

Quarterly updates were being submitted to the Cabinet.

Members received assurances that the process was being managed by the MK Approach. It was noted that cultural change within the organisation was being managed and very much dictated the speed of change.

RESOLVED –

That the progress made by the Organisational Transformation Programme from January 2012 to April 2012, be noted.

AC51 ANNUAL GOVERNANCE STATEMENT ACTION PLAN PROGRESS UPDATE

The Committee considered a progress report in respect of the Annual Governance Statement Action Plan.

RESOLVED –

1. That the actions reported as key issues for Quarters 3 and 4, be noted.
2. That the actions that have been delivered be removed from the reporting structure.

AC52 INTERNAL AUDIT UPDATE

The Committee considered the Internal Audit Update. It was expected that 78% of the plan would be completed to at least draft report stage by 31 March 2012 and 90% by 30 April 2012. Only the PPP audit (including Benefits Realisation of the WBT programme) was not expected to be complete by 30 April, mainly due to current resource issues within the Partnership Delivery Team.

RESOLVED –

That the report be noted.

AC53 ANNUAL AUDIT PLAN

The Committee considered a report in respect of the Annual Audit Plan 2012-13 and asked that the Plan include spot checks of a nature similar to those introduced in 2011 – 12 and a review of Neighbourhood Services.

RESOLVED –

1. That the report be noted.
2. That the Audit Plan includes 'Spot Checks' and a review of Neighbourhood Services.
3. That the amended Audit Plan 2012/13 be approved.

AC54 REVENUE BUDGET AND CAPITAL MONITORING REPORTS

The Committee considered a monitoring report in respect of the Revenue Budget and Capital Budget.

The General Fund revenue forecast outturn was an underspend of (£0.210m) (an improvement of (£0.142m) since P10). This position would allow for the commitments made in the 2012/13 budget resolutions to be met. Service Groups were currently forecasting an overspend of £0.184m while there was an underspend on Debt Financing (£1.316m). This had been offset by provision for voluntary redundancies and pension strain of £0.400m in line with required accountancy practice for likely costs.

The Dedicated Schools Grant was reporting a forecast underspend of (£1.810m) against budget (an increase in underspend of (£0.557m) since P10).

The Housing Revenue Account was reporting a forecast in year underspend of (£0.688m) which was a movement of £0.096m since P10. The overall position for the year, including the balance brought forward from 2010/11, was an overspend of £1.200m. The forecast position for HRA reserve was £0.778m above the minimum prudent level. This would allow the decisions made in the 2012/13 budget resolutions to be implemented.

The Capital Programme was forecasting an underspend of (£5.400m) against the latest spend approval which was mainly due to rephasing of schemes (£4.948m).

RESOLVED –

1. That the overall forecast outturn position be noted.
2. That the overall forecast for the General Fund revenue position of an underspend of £0.210m, be noted.
3. That the expenditure to date, projected outturn and funding position for the Capital Programme 2011/12, be noted.

AC55 EXTERNAL AUDIT - AUDIT COMMISSION REPORT

The Committee considered the External Audit progress report and the Audit Plan.

RESOLVED –

That the reports and action plan be noted.

AC56 FUTURE OF EXTERNAL AUDIT

The Committee considered a report in respect of the future of External Audit.

The Committee heard from the Assistant Director, [Audit and Risk Management] that whilst the Council would be able to procure and appoint its own external auditors, the commissioning arm of the Audit Commission had recently completed a procurement process.

The Committee heard that the process had awarded contracts to 10 Regions. The South East region (including Milton Keynes) had appointed Ernst and Young and therefore for the 2012/13 financial year and 4 subsequent years the Council's external auditor would be Ernst & Young. Interim arrangements were in place to provide a smooth handover and continued oversight at the start of 2012/13.

RESOLVED –

That the report be noted.

THE CHAIR CLOSED THE MEETING AT 9:58 PM