

27 June 2011 – At a meeting of the Committee held at 2.15 p.m. at County Hall, Chichester.

Present: Mr Deedman (Chairman), Mr Hodgson, Mr Lanzer, Mr Montyn, Mr Rice and Mr Stevens.

**Declaration of Interests**

1. In accordance with the code of conduct, Mr Montyn declared a personal interest as a member of Corporate Parenting Panel in relation to agenda items 6(b) i and 7: 16+ Leaving Care Systems; and Internal Audit – Annual Audit Plan respectively.

**Minutes**

2. Resolved – That the minutes of the Committee held on 21 March 2011 be approved as a correct record and that they be signed by the Chairman.

**Future of Local Public Audit**

3. The Committee received a draft consultation response from the County Council to the Future of Local Public Audit consultation (copy appended to the signed minutes).

4. Steve Harrison, Senior Financial Analyst, introduced the consultation response and explained the response welcomed greater competition in the public audit sector and the local appointment of auditors. It was felt that legislation resulting from the consultation would seek to align public sector audit practices more closely with those of the private sector.

5. The Committee was supportive of the consultation response subject to an amendment to answer 12 to emphasise the importance of an Audit Committee with a majority of elected members with the democratic mandate to scrutinise the activities of their Local Authority, and there being no need for the level of prescription regarding the role of independent members of the audit committee (such as the Chair and Vice Chair required to be independent members – this must be up to local discretion).

6. Helen Thompson (Audit Commission) provided an update on a letter recently sent by the DCLG to all Chief Executives of Local Authorities regarding the outsourcing of audit work from 2012/13. The length of audit terms and geographical audit areas had yet to be finalised but it was anticipated that a new audit provider would be known by June 2012.

7. Resolved – that subject to the amendment to answer 12 in paragraph 5 above the Committee supports the consultation response.

**Financial Report and Accounts 2010/11**

8. The Committee received a report by the Executive Director Finance and Performance (copy appended to the signed minutes) which set out the financial report and accounts for the 2010/11 financial year.

9. The report was introduced by Tim Stretton (Chief Accountant) who informed the Committee of changes to the financial statements and the procedure for approval of the accounts contained in the International Financial Reporting Standards (IFRS). The deadline for final approval was now 30 September but it was good practice to consult the Committee on the draft statement in June.

10. The Committee queried the performance of property asset valuers and it was explained that officers struggled to receive accurate valuations in a timely manner. Valuations that were challenged often increased in value and the Committee requested that the Cabinet Member investigate the performance of the appointed valuers. The Committee queried the provision for redundancy costs in the accounts and it was explained that an amount of £7.5m had been set aside in the current year with a reduction in the level of such costs anticipated in 2012/13. The Committee noted a significant increase in schools reserves, this would be investigated by officers.

11. Resolved – That the draft Statement of Accounts be approved for submission for audit.

### **Sustainability Report**

12. The Committee considered a report by the Director of Communities and Infrastructure (copy appended to the signed minutes) which outlined the County Council's sustainability performance in 2010/11. The report was introduced by Ruth O'Brien (Sustainability Officer) and Siobhan Walker (Climate Change Team Manager), who explained that WSCC had received a green result for the 2010/11 sustainability objectives and that Treasury guidance highlighted the County Council as providing a good example of sustainability reporting. A dedicated resource to assess energy data had resulted in more accurate reporting of the County Council's energy and carbon emissions.

13. The Committee noted that energy costs had fallen in 2010/11 which was at odds with the general increase in fuel costs. The decrease was attributable to the closure of less energy efficient buildings and programmes to increase insulation and pipe lagging in retained buildings. Further details of the disconnected sewer pipes referred to in the report was requested and would be provided to members after the meeting. The Committee provided its congratulations to the Sustainability Team for the positive results achieved during 2010/11.

14. Resolved – That the Sustainability Report be approved.

### **Treasury Management - Annual Compliance Report 2010/11**

15. The Committee received a report by the Executive Director Finance and Performance (copy appended to the signed minutes) that advised of compliance with the Treasury Management Strategy 2010/11. The report was introduced by Mr Stretton, who advised that there had been no external borrowing in 2010/11 but that borrowing had recommenced in the current year to take advantage of low interest rates. The County Council had continued to recover money from the administrators of Heritable and had been approached by organisations offering to buy the outstanding debt.

16. The Committee was keen that treasury management training was provided in order to enhance members' understanding and their ability to scrutinise compliance with the Treasury Management Strategy.

17. Resolved –

- (1) That the report be noted.
- (2) That a training session regarding the Treasury Management Strategy be scheduled for members of the Committee.

### **Annual Internal Audit Report 2010/11**

18. The Committee considered a report by the Executive Director Finance and Performance (copy appended to the signed minutes) which outlined the work undertaken in 2010/11 and outstanding actions to be addressed by services.

19. The report was introduced by Gavin Jones (Head of Internal Audit), who reported that there was a satisfactory framework of control and risk management in 2010/11. Several areas had been the subject of high priority recommendations and appropriate officers had therefore been invited to outline their planned actions to the Committee.

20. Colin James (Head of Capital and Asset Management) addressed the high priority recommendations concerning school managed capital projects. He advised that governing bodies of maintained schools allocated funds for projects and in some cases intervention by the County Council was required where standing orders had not been complied with. A paper was being prepared to take to the Schools Forum to strengthen standing orders and establish a Service Line Agreement with schools to manage the release of funds for projects and monitoring arrangements.

21. The Committee queried controls regulating the use of purchasing cards and requested that details of the monitoring regime and new procedures be reported to Committee in December following the appointment of a P Card subject matter expert.

22. Resolved - That the report be noted.

### **High Priority Internal Audit Recommendations**

23. The Committee considered a report by the Director of Children Services (copy appended to the signed minutes) which provided an update on the implementation of high priority recommendations relating to the Older Looked After Childrens Services and accommodation for young people 16+ leaving care systems. The report was introduced by Samuel Tearle (Principal Manager Specialist Support) and Jennifer Williams (Service Manager, Childrens Services) who advised that spending on accommodation had tripled during the three years leading up to 2010/11. In order to address the high priority recommendations a clearer understanding of the packages of support received by younger people was required and a strategy would be developed over the course of the next three months with an update provided to the meeting of the Committee in December.

24. The Committee considered a report by the Director of Resources and Performance (copy appended to the signed minutes) which provided an update on

the implementation of high priority recommendations relating to the residential payments holding account. Mr Stretton introduced the report and explained that the outstanding recommendations had been resolved with the closing down of the account in preparation for the introduction of Frameworki; outstanding debts from the account would be pursued in line with debt recovery policies. The Committee had been concerned that actions in the past had resulted in a misleading income against budget in the Adult Services portfolio, and was pleased that this would not happen under Frameworki. The Committee raised concerns regarding the inconsistent collection of client contributions, undertaken by either the care home or the County Council.

25. The Committee considered a report by Director Commercial Services and Employment Services Manager (copy appended to the signed minutes) which provided an update on the implementation of high priority recommendations relating to the car loan scheme. Derek Irvine (Director Commercial Services) introduced the report and explained that the recommended options at the head of the report went beyond what the Committee was required to approve. The intention of the report was to provide an update on the administration of the car loan scheme following the implementation of all Internal Audit recommendations. EU legislation, effective from February 2011, had encumbered the operation of the scheme, requiring a greater level of credit checks and placing a duty of care upon the lender. As a result of the legislation the viability of the loan scheme was to be reviewed. The Committee felt that its concerns had been addressed and recommended that the Cabinet Member investigate the viability of the scheme.

26. Mr Montyn and Mr Rice left the meeting at 4.05 p.m.

27. The Committee considered a report by Head of Finance and Head of Safeguarding (copy appended to the signed minutes) which provided an update on the implementation of high priority recommendations relating to the Adults safeguarding application. Sheena Lake (Community Solutions Manager) introduced the report and explained that most of the IA recommendations had now been implemented. The outstanding recommendation concerning reconciliation procedures would be resolved with the introduction of a new banking reconciliation system. Software had been introduced to enable the segregation of duties but the team manager was still undertaking a dual function and this recommendation was still outstanding. Francis Austin (Head of Finance) explained that responsibility had now passed to Finance and work was ongoing to resolve the outstanding recommendations with the new banking contract. The Committee was content that its concerns had been addressed.

### **Internal Audit – Annual Audit Plan 2011-12**

28. The Committee received a report by the Executive Director Finance and Performance (copy appended to the signed minutes) which proposed the Internal Audit Plan for 2011/12. The report was introduced by Mr Jones who advised the Committee of the key priorities for the current year: post implementation reviews of SAP, Frameworki and One Way To Buy; and the emerging Governance issues arising from the transfer of responsibilities from the Health Service to the County Council.

29. The Committee noted the reduced resource available for Internal Audit work during 2011/12 and supported the chosen priorities for the year.

30. Resolved - That the draft Internal Audit Plan 2011-12 as shown in appendix A be approved.

### **External Audit Reports**

31. The Committee considered a report by the District Auditor (copy appended to the signed minutes), which included details of the fees for 2010/11 and progress in auditing the 2010/11 accounts.

32. The report was introduced by Helen Thompson (Audit Commission), who advised that the 2010/11 fees remained as indicated in March 2010. Specific risks identified in the opinion statements for the accounts included the introduction of IFRS, PFI Schemes, provision for restructuring costs and the introduction of One Way To Buy. Significant risks identified in the audit opinion plan for the pension fund were unquoted investments that were difficult to value accurately and the absence of regular monthly reconciliations.

33. The Committee sought clarification on the amount of the pension fund that was invested in private equity. It was explained that an investment of 5.6% of the pension fund in private equity was unusual but was within the limit of 10% for pension fund investment.

34. Resolved – That progress on the 2010/11 audit opinion plans be noted.

### **Risk Management Arrangements**

35. The Committee received a report by the Executive Director for Finance and Performance and Head of Strategy and Insight (copy appended to the signed minutes) which advised of progress made in improving the County Council's risk management arrangements.

36. The report was introduced by Martin Farrell (Performance Manager – Strategy and Insight), who advised that senior management had received greater training during the year to support improved risk management practices.

37. The Committee supported the provision of greater risk management training for management and requested that members of the County Council receive training on risk management and the Corporate Risk Register. The Committee agreed to raise the prospect of training with the Member Development Focus Group (MDFG).

38. Resolved –

- (1) That progress made to date in improving the risk management arrangements of the County Council be noted.
- (2) That the proposal that the Risk Management Group continues to review risk management arrangements and provides the Committee with its annual review in 12 months' time be approved.
- (3) That MDFG be asked to consider a request to provide member training on risk management and the Corporate Risk Register.

## **Draft Annual Governance Statement 2010/11**

39. The Committee received a report by the Head of Legal and Democratic Services (copy appended to the signed minutes) which introduced the draft Statement for 2010/11 and progress on the associated action plan.

40. The report was introduced by Lindy Nash (Policy Officer), who advised that three of the priorities contained in the draft statement had been taken from Internal Audit reports and two had emerged from an assessment of evidence contained in Internal Audit Assurance Statements for each Directorate. Currently the Annual Governance Statement was undergoing a review to ensure that work was not duplicated with other reports taken to the Committee.

41. Patrick Ellis (Head of Customer Services) addressed the priority concerning the implementation of One Way To Buy. It was confirmed that compliance with the requirements of the system was currently at 92%. Non-compliance was largely attributable to the use of the system by Manpower and a meeting had been arranged to address issues, in particular the receipting of goods. Non-compliance issues also resulted from suppliers not providing a PO number on invoices which members of SMG were currently approving rather than imposing a strict refusal of payment. The remainder of non-compliance issues related to staff neglecting to goods receipt and software had been introduced to remind staff of the importance of compliance with this stage of the procurement process.

42. The Committee supported the priorities identified in the draft Annual Governance Statement and a review to identify reports to Committee that duplicated information.

43. Resolved –

- (1) That the draft Annual Governance Statement 2010/11 be supported for adoption by the Leader and Chief Executive,
- (2) That the Committee review progress on the 2011/12 Annual Governance Statement action plan in six months time.

### **Date of Next Meeting**

44. The Committee noted that its next scheduled meeting would take place on 26 September 2011 at 2.15 p.m. at County Hall, Chichester.

The meeting ended at 4.45 p.m.

Chairman