

AUDIT COMMITTEE

Minutes of the meeting held on 4 February 2014

- PRESENT:** Councillor R.Llewelyn Jones (Chair)
Councillor Trefor Ll.Hughes (Vice-Chair)
- Councillors Jim Evans, John Griffith, Richard Owain Jones,
Raymond Jones
- Lay Member: Mrs Sharon Warnes
- IN ATTENDANCE:** Chief Executive
Deputy Chief Executive
Head of Function (Resources) & Section 151 Officer
Audit Manager (JF)
Head of Service (Housing Services) (for item 5)
Transformation Programme Manager (DE) (for item 3)
Accountant (GR)
Committee Officer (ATH)
- APOLOGIES:** Councillor Dafydd Rhys Thomas, Mr Richard Barker (Lay Member)
- ALSO PRESENT:** Councillor H.Eifion Jones (Portfolio Member for Finance), Mr Andy Bruce
(WAO) Bev Symonds (Scrutiny Manager)
-

1 DECLARATION OF INTEREST

No declaration of interest was received.

2 MINUTES 11TH DECEMBER 2013 MEETING

The minutes of the previous meeting of the Audit Committee held on 11 December, 2013 were presented and confirmed as correct.

3 TRANSFORMATION PROGRAMME FRAMEWORK

Members of the Committee were provided with a presentation on the Transformation Programme Framework which covered the governance arrangements of the transformation programme boards; the process for commencing and reporting programmes and projects and the status of current change programmes and projects.

The Deputy Chief Executive summarised the background to the establishment of the Transformation Programme including the principles and purpose on which the Programme is founded. She explained that the Transformation Programme provides the apparatus whereby change plans and schemes within the Council can be taken forward purposefully and in accordance with project management disciplines.

The Transformation Programme Manager proceeded to elaborate on the various elements of the Transformation Programme and the functions they fulfil and she highlighted the following points –

- The focus of the transformation programme in delivering on the objectives of the Council's Corporate Plan; in providing the mechanism and framework to drive forward change and improvement and in ensuring that the change programme is managed and delivers to expectations.

- The terms of reference of the three Transformation Programme Boards and their purpose in overseeing change within the Council.
- Membership of the Programme Boards in drawing on representation from a range of interests including the Executive, scrutiny, relevant services and external expertise as required.
- The governance model and reporting structure from the point of a project's inception and mandate through to challenge, oversight and completion.
- The key drivers for prioritising projects and tasks and the process for project initiation and carry through.
- Communication channels and the mechanisms for communicating the outcomes via a project register which holds information about where each project reports to and how they inform direction and priorities. Minutes of meetings are shared with the Penaethiaid and key messages are posted on Monitor. Scrutiny, SLT and the Sustainability Board are provided with feedback on progress.
- Next steps in terms of undertaking a first year review of governance arrangements, the underpinning processes and the prioritisation of transformation activities.

Members were afforded the opportunity to ask questions on the information presented. The following issues were raised in the ensuing discussion:

- The process for dealing with and managing any uncertainties within the programme that might hinder progress.
- The adequacy of the support structure for the programme in order to ensure that it progresses to timescales and targets. It was noted that the programme appears short on person power support.
- The adequacy and breadth of the reporting arrangements in terms of keeping all Members informed on progress.
- The need for the Transformation Programme framework to be able to deliver to targets in a way that is smart and expeditious. The importance of the Programme being able to provide tangible and timely results was emphasised.
- Whether the recommendations made by the Audit Committee with regard to the management and governance of information have been followed through in terms of making managers across the Council aware of their responsibilities in this respect.

The Officers responded to the matters highlighted by further clarifying the principles on which the Transformation Programme is based; the project management environment and methods which govern the way the programme framework works and the timelines for delivery of results. They also pointed out that additional capacity has been allocated to the Programme to provide support and expertise with the delivery of some of the larger projects. The Head of Function (Resources) said that it was imperative that the Transformation Programme is accelerated as it is the main area for meeting the budget gap in 2014/15 and over the subsequent 3 years, otherwise the approach to budget cuts will have to revert to salami slicing. The Officer said that she believed it would be difficult to deliver services efficiently based on this approach. Consequently she deemed it essential that regular monthly reports on the progress of the Transformation Programme in bridging the budget gap are produced. The Deputy Chief Executive said that the boards meet bi-monthly and are now engaged on the business cases which will identify the level of savings required and whilst the need for regular reporting about end delivering on projects is recognised, not all the transformation projects are about delivering savings.

Members of the Audit Committee emphasised the importance of regular and timely reporting on the Transformation programme and they indicated that they as a committee would appreciate being kept abreast of progress on those programmes specifically involved in identifying and developing efficiencies in terms of service delivery linked to bridging the budget gap. The Deputy Chief Executive suggested that the Officers consider the most appropriate and relevant forum to which to relay information on progress on transformation specifically with reference to monitoring efficiencies and the substance of that information, and that they would in the meantime keep the Chair and Vice-Chair of the Audit Committee briefed on the matter.

It was resolved to note the information presented.

ACTION ARISING: Deputy Chief Executive and Transformation Programme Manager to consider the reporting lines in relation to monitoring the delivery of efficiencies and to report back to this Committee. The Chair and Vice-Chair of the Audit Committee to be briefed in the meantime.

4 INFORMATION GOVERNANCE

It was reported and noted by Members of the Audit Committee that the Executive at its meeting held on 13th January, 2014 resolved as follows with regard to the concerns expressed by the Audit Committee at its December, 2013 meeting in relation to Information Governance issues –

Resolved to refer the concerns of the Audit Committee to the SLT for consideration with a request that they submit a status report to the Executive in March.

5 HOUSING SERVICES BUILDING MAINTENANCE UNIT

A report by the Head of Housing Services on progress to date with regard to the review of the Building Maintenance Unit was presented for the Committee's consideration. The report outlined the options under consideration for the future of the Repairs and Maintenance Service (BMU) along with the next steps and key milestones in the review process.

Members sought clarification of certain points and they highlighted the importance of having in place robust procurement arrangements and ensuring compliance therewith. They noted that the report consequent upon the final review event scheduled for 11 February, 2014 would be presented to the Audit Committee.

It was resolved to note the position with regard to the review of the Housing Services Building Maintenance Unit.

NO FURTHER ACTION ARISING

6 TREASURY MANAGEMENT QUARTER 3

A report by the Head of Function (Resources) outlining Treasury Management activities in the third quarter of 2013/14 along with the plans for the remainder of the year was presented for the Committee's consideration.

Members considered the report and sought reassurance about the creditworthiness of certain counterparties particularly where there has been a change in their credit rating.

It was resolved to accept the report and to note the Treasury Management position as at Quarter 3.

NO FURTHER ACTION ARISING

7 TREASURY MANAGEMENT STRATEGY 2014/15

A report incorporating the Treasury Management Strategy Statement for 2014/15 covering the Authority's policies on borrowing, investment and creditworthiness was presented for the Committee's consideration and endorsement.

The Senior Accountant (Strategic Planning) informed Members of minor updates to the 2013/14 Statement as set out in paragraph 3 of the report.

Members considered the report and Statement and they commented as follows –

- That it would be useful for Members of the Audit Committee if for training purposes, the Officers could focus on a specific aspect of the Treasury Management Statement.
- They sought clarification of the reasons for the unavailability within the Authority of documented Treasury Management Practices.

- They sought clarification of the Council's borrowing position and concern was expressed regarding the cumulative effect of increasing borrowing costs. They pointed out the disparity between the return on investment and the interest paid on the Council's debt which position they felt was unsustainable in the long term. It was suggested that the Executive be informed of the Audit Committee's concern regarding the Council's borrowing situation particularly in the context of a challenging financial climate and the difficult decisions that will have to be made as a result.

The Officers responded to the issues raised by further explaining the Authority approach in terms of borrowing and investment. The Portfolio Member for Finance acknowledged the point made with regard to borrowing and the associated costs especially as conversely, returns on investment have been weak for some time. He suggested that the situation might be ameliorated to some extent by a more strategic approach to asset management and better and smarter use of the Council's offices thus creating opportunities to dispose of assets no longer required thereby generating capital and reducing borrowing needs.

It was resolved –

- **To note the contents of the report.**
- **To endorse the Treasury Management Strategy Statement for 2014/15 including the Prudential and Treasury Indicators as at Annex A to the Statement.**
- **That the Executive/Council be informed of the Audit Committee's concern regarding the sustainability of the Authority's borrowing/debt position and the costs thereof in the long term.**

ACTION ARISING: Head of Function (Resources) to convey the Committee's sentiments regarding the Council's borrowing position to the Executive/Council.

8 EXTERNAL AUDIT - UPDATE ON PERFORMANCE WORK PROGRAMME

An update by External Audit on the status of planned and ongoing performance work was presented and noted by the Committee.

9 EXTERNAL AUDIT - IMPROVEMENT ASSESSMENT LETTER 2

The WAO's Assessment Letter 2 was presented for the Committee's information. The Letter set out the extent of the Authority's compliance with its improvement planning and reporting duties under the Local Government (Wales) Measure 2009.

The Chief Executive welcomed the positive tenor of the IA Letter 2 which confirmed that the Authority had discharged its improvement planning and reporting duties under the Measure and that the Auditor General for Wales had no further proposals or recommendations for improvement in this respect.

A Member of the Committee suggested that the contents of IA Letter 2 be more widely publicised as testimony of the Authority's continuing improvement. Mr Andy Bruce, WAO suggested that the Committee may wish to defer further publicity until after the publication of the Annual Improvement Report which draws together all aspects of improvement within the Council whereas IA Letter 2 covers compliance only.

Following discussion, it was determined that a press release be issued to be accompanied by a foreword by the Chair to the effect that IA Letter 2 demonstrates that the Isle of Anglesey County Council is moving forward on its improvement journey. Councillor Jim Evans wished it to be noted that he was in favour of deferring publicity until after the publication of the Annual Improvement Report.

It was resolved to note the contents of IA Letter 2.

ACTION ARISING: Corporate Communications Officer to liaise with the Chair to issue a press release as per the above.

10 AGENCY STAFF

The Audit Manager informed the Committee that the arrangements for procuring temporary agency staff are under consideration with a view to moving to a managed service to ensure a more efficient procedure. Under the proposed new policy, a managed provider would be responsible for the procurement process thus leading to more streamlined and cost efficient arrangements. The Officer said that currently each service manages its own procurement arrangements with regard to agency staff which means it is more difficult to track overall expenditure on agency staff across the Council. However, some other organisations approach the procurement of agency staff by producing a business case to justify the engagement which is then authorised at the highest level.

Members of the Committee indicated they were keen to ascertain the costs associated with the procurement/engagement of agency staff, the numbers involved across the Council along with the possibility there may be duplication.

It was resolved to note the information as presented.

ACTION ARISING: Audit Manager to provide the Committee with an analysis of the number of agency/contract/self-employed staff engaged by the Council, the reasons for the engagement and costs thereof along with alternative approaches as taken by other organisations/bodies.

**Councillor R.Llewelyn Jones
Chair**