

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COUNTY HALL, CHELMSFORD ON 13 DECEMBER 2010****Membership**

- |                          |                                    |
|--------------------------|------------------------------------|
| * W J C Dick             | * Mrs I Pummell                    |
| * A M Hedley             | * T C Smith-Hughes (Vice-Chairman) |
| * M C M Lager (Chairman) |                                    |

(\* present)

The following officers were present in support throughout the meeting:

Peter Lewis, Interim Director – Financial Strategy  
Cajetan Chukwulozie, Head of Internal Audit and Risk Management  
Peter Tanton, Counter Fraud Manager  
Sarah Harris, Senior Manager, Internal Audit  
Karen Bellamy, Audit Manager, Internal Audit  
Oliver Timson, Contract Auditor, Internal Audit  
Colin Ismay, Governance Manager  
Judith Dignum, Governance Officer

Louise Wishart, Audit Manager from the Audit Commission (External Auditors) was also present.

**76. Apologies for Absence**

Apologies for lateness were received on behalf of Councillor A M Hedley.

**77. Declarations of Interest**

Councillors M C M Lager and T C Smith-Hughes declared a personal interest in agenda item 4 (Annual Audit Letter 2009/10 – Essex County Council and Essex County Pension Fund, minute 79 below refers) in that they were members of the Essex Pension Fund Board.

**78. Minutes****Resolved:**

That the minutes of the meeting held on 27 September 2010 be approved as a correct record and signed by the Chairman.

**79. Annual Audit Letter 2009/10 – Essex County Council and Essex County Pension Fund**

Councillors M C M Lager and T C Smith-Hughes declared a personal interest in this item (minute 77 above refers).

The Committee considered the Annual Audit Letter for Essex County Council and the Essex County Pension Fund, presented by Louise Wishart of the Audit Commission.

Ms Wishart advised that the report summarised key findings from the 2009/10 audit, bringing together the content of previous reports. The audit, excluding that for the Pension Fund, had been problematic and work was in progress to resolve the significant issues identified. By contrast, the audit of the Pension Fund Board had been a smooth process, resulting in a reduction of the fee for this piece of work.

Arising from consideration of the report, the Committee noted that Internal and External Audit adopted a joint approach to the identification of internal control problems. It would be rare for External Audit to highlight an issue of which Internal Audit was not already aware. Ultimately, responsibility for assuring that adequate internal controls were in place lay with the Council.

The Committee accepted the report.

## **80. Transformation Programme Review**

Louise Wishart introduced the report, explaining that the effective monitoring and management of the transformation project had previously been identified as a key risk. The risk-based audit plan had then identified this as an area for review. The main conclusions, which included the identification of significant risks, were set out in paragraphs 10 and 11, and the position would continue to be monitored in future years as part of the Council's financial resilience.

The Chairman commented that Members' understanding of the transformation project appeared to have increased as a result of better communication. Other improvements included the introduction of clear procedures for risk assessment and the establishment of a risk register.

The Committee expressed concern that the report's negative comments about partnership working were historical and not an accurate reflection of the current position. There was a danger that casual readers may not realise this, and also that partners may assume that the report's findings were based on negative comments made solely by the County Council. Ms Wishart confirmed that the report reflected circumstances at the time the review was undertaken and considerable progress had been made since then. It was agreed that a paragraph should be inserted at the beginning of the report clarifying the timescales involved, and that some commentary should be added with the online version emphasising the progress made.

The report was received, subject to the comments set out above, and it was agreed to refer it to the Executive Scrutiny Committee, which had responsibility for overview of the entire transformation project.

**Resolved:**

- (1) That the report be received, subject to the comments set out above.
- (2) That the report be referred to the Executive Scrutiny Committee for consideration.

## **81. 2009/10 External Audit Action Plan**

The Committee considered a report (AC/30/10) by the Interim Director - Financial Strategy which brought together the recommendations from a number of External Audit reports (the Interim Audit Report, the Annual Governance Report and the Final Accounts memo) into a consolidated Audit Action Plan. The Plan summarised the Council's responses to the matters raised by the External Auditor and the actions that were underway or were proposed to address those matters. It was noted that the actions would be pursued according to the timetable set out in the Plan and would be closely monitored, with progress being reported to the Committee at regular intervals. It was proposed that any actions that were 'complete' and/or 'ongoing' should be removed from the Action Plan in future reports, to enable the Committee to focus on the live actions.

In introducing the report, Christine Golding explained the background to the main recommendations, which related to Fixed Assets. She detailed the progress made to date, and advised that discussions with the valuers were ongoing.

In response to a query regarding the non-agreement of Recommendation R7 (relating to authorisation of non-Marketplace invoices) Ms Golding advised that although the Head of Shared Services had not disagreed with the issue raised, he did not consider the proposed action to be necessary.

Members requested that future reports detail whether or not the target dates for completed actions had been achieved.

### **Resolved:**

- (1) That the report be received.
- (2) That 'complete' or 'ongoing' actions be removed from the Action Plan in future reports, subject to the provision of information as to whether or not the target dates for completed actions had been met.

## **82. Annual Governance Report 2009/10 Action Plan**

The Committee considered a report (AC/31/10) by the Governance Manager detailing progress against the Action Plan associated with the Annual Governance Report 2009/10.

In introducing the report the Governance Manager, Colin Ismay, referred to the issues around Safeguarding Children which the Committee had agreed to include in the Plan at its last meeting. Mr Ismay advised that progress had been made since that date and the situation was being kept under close review by the Children and Young People Policy and Scrutiny Committee.

The Chairman drew the Committee's attention to the progress against key milestones that had now been achieved in this area.

In response to a question, Mr Ismay undertook to liaise with the Cabinet Member for Children's Services and the Director for Schools, Children and Families to ensure that appropriate measures were in place to provide progress updates to all Members, in accordance with the motion agreed by the Council on 15 December 2009.

The report was **received**.

### **83. Monitoring of External Audit Reports**

The Committee considered a report (AC/32/10) by the Governance Officer which provided an update on recent changes to the external regulation and inspection landscape. It also provided an overview of the process for monitoring the outcomes of external recommendations as well as an update on action plans against two recent inspections of adult social care and children's services. The report was presented by Paul Abraham, Assistant Director for Performance and Organisational Intelligence.

In introducing the section of the report relating to the inspection of children's services, Mr Abraham advised the Committee that Ofsted had subsequently acknowledged the Council's positive direction of travel and that progress had been made. He also advised that Sheila Bremner, Chief Executive of NHS Mid Essex, had become a permanent member of the Essex Safeguarding Improvement Board, and that health outcomes had now been incorporated into the Improvement Plan.

In considering the report Members accepted the proposal that, although the Committee should continue to receive advance warning of any inspections due to take place and maintain an overview of progress against the recommendations from external inspection, in future inadequate or insufficient progress against service-specific action plans would be reported on an exception basis only, once revised action plans were in place.

The Committee concurred with comments made by the Head of Internal Audit and Risk Management regarding the importance of providing timely information to Members, and agreed that extraordinary meetings should be arranged as necessary in response to matters of urgency.

#### **Resolved:**

- (1) That the report be received.

- (2) That the future arrangements for the Committee to monitor the outcome of external recommendations be noted.
- (3) That extraordinary meetings of the Committee be arranged as necessary in response to matters of urgency.

#### **84. Forward Look**

The Committee considered a report (AC/33/10) by the Governance Officer which set out the latest work programme for consideration. It was **agreed** as follows:

- The Committee must receive the Statement of Accounts sufficiently in advance of the June 2011 meeting to allow Members time for preparation.
- Time should be made available at a future meeting to allow the Committee to consider the format of the accounts, to ensure that information was being presented in as accessible a way as possible (within the statutory constraints on content).
- In future, efforts should be made to finalise and publish the accounts well within the current three month timescale.
- A report concerning a review and self-evaluation of the Committee's effectiveness (to include an assessment of any value being added to the Council's work and an identification of Members' development needs) should be added to the list of items for the 26 September 2011 meeting.
- An informal, private meeting between members of the Committee and the External Auditors would take place on the rise of the January 2011 meeting.

#### **85. Date and Time of Next Meeting**

The Committee noted that the next scheduled meeting would take place on Monday 17 January 2010 at 10.00am in Committee Room 2 at County Hall.

#### **86. Dates of Future Meetings**

**Resolved:**

- (1) That future meetings of the Committee be held as follows:

<b>Date</b>	<b>Time</b>	<b>Venue</b>
<b>2011</b>		
Monday 17 January	10:00	Committee Room 2
Monday 14 March	10:00	Committee Room 1

Monday 16 May	10:00	Committee Room 1
Monday 27 June	10:00	tbc
Monday 26 September	10:00	tbc
Monday 12 December	10:00	tbc
<b>2010</b>	10:00	tbc
Monday 16 January	10:00	tbc
Monday 14 May	10:00	tbc

- (2) That extraordinary meetings of the Committee be arranged as necessary.

**87. Urgent Part 1 Business: Ofsted - Annual Children's Services Assessment**

The Chairman agreed to consideration of this issue as urgent on the grounds that it had arisen since the publication of the agenda for the meeting.

The Committee **received** the outcome of the Ofsted Annual Children's Services Assessment for 2010 and requested that it be placed on the schedule of external inspections, indicating how it would be dealt with across the Council.

In response to a query, the Governance Manager undertook to ascertain whether the issue was to be included on the agenda for the next meeting of the Children and Young People's Policy and Scrutiny Committee.

**88. Exclusion of the Public**

**Resolved:**

That the public (including the press) be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 (paragraph 3, relating to the financial and business affairs of another party).

**89. Internal Audit Progress Report and implementation of Internal Audit Recommendations**

(Public and press excluded)

The Committee considered a report (AC/34/10) by the Head of Internal Audit and Risk Management to which was attached the draft Internal Audit Progress Report 2010/11. This summarised the progress made with regard to the 2010/11 Internal Audit Plan, approved by the Committee in March 2010. In presenting the report, the Head of Internal Audit and Risk Management highlighted the areas of key concern.

The report was **received**.

**90. Information Services Approval Process Map**

(Press and public excluded)

The Committee considered a report (AC/35/10) by the Head of IS Delivery setting out the process for IS approvals, following a request made by the Committee at its previous meeting. James Jordan, Head of IS Delivery, was in attendance to present the report and respond to Members' questions.

The report was **received**.

#### **91. Special Payments Authorisation Process**

(Public and press excluded)

The Committee considered a report (AC/36/10) by the Head of Advice and Support concerning the Internal Audit report on the Special Payments Authorisation Process. Janet Tindall (Team Manager, Advice and Support) was in attendance to present the report, advise the Committee on action taken in response to its findings and to respond to Members' questions.

##### **Resolved:**

- (1) That the report be received.
- (2) That the Head of Internal Audit and Risk Management consider whether to issue a factual correction to the Internal Audit report on the Special Payments Authorisation Process to the effect that the current terms of reference of the Chief and Deputy Chief Officers Committee do not include the consideration of redundancy payments.
- (3) The further information regarding the ongoing review of the process for appointing Chief and Deputy Chief Officers be submitted to a future meeting of the Committee.

#### **92. Corporate Governance Review**

(Public and press excluded)

The Committee considered a report (AC/37/10) by the Director of Finance which provided an update on progress since the last meeting of the Committee. Philip Thomson, County Solicitor, and Kim Mayo, Solicitor, were in attendance to present the report and respond to Members' questions.

##### **Resolved:**

- (1) That the report be received.
- (2) That a detailed implementation plan, to include details of key milestones and accountabilities, be submitted to a future meeting of the Committee.

#### **93. IFRS Review**

(Public and press excluded)

The Committee considered a report (AC/38/10) by the Head of Internal Audit and Risk Management concerning the Final Internal Audit Report 2009/10 on the preparations for IFRS (F14). Christine Golding (Head of Financial Standards and Regulation) was in attendance to present the report and respond to Members' questions.

Members noted the provision on the Forward Look for a progress update to be included on the agenda for the next meeting of the Committee.

The report was **received**.

Chairman  
17 January 2011