

AUDIT COMMITTEE

Monday, 27 February, 2006, at 6.00 p.m.

Conference Room at the Council House, Walsall

Present

Councillor David Turner (Chairman)
Councillor Rose Martin (Vice-Chairman)
Councillor Keith Chambers
Councillor Albert Griffiths
Councillor Desmond Pitt
Councillor Ian Robertson
Councillor Mrs. Doreen Shires

260/06 Apology

An apology for non-attendance was submitted on behalf of John Gregory – Audit Commission.

261/06 Minutes

Referring to minute no. 255/06, Councillor Chambers drew attention to the fact that the report on the risks involved in non-Manifesto commitments had not been submitted. He requested that the report be submitted to the next meeting of the Committee.

Resolved

- (1) That the minutes of the meeting held on 19 January, 2006, a copy having previously been circulated to each Member of the Committee, be approved and signed by the Chairman as a correct record;
- (2) That a report on the risks involved in non-Manifesto commitments be submitted to the next meeting of the Committee.

262/06 Declarations of Interest

There were no declarations of interest.

263/06 **Deputations and Petitions**

No deputations were received or petitions submitted.

264/06 **Late Items to be introduced by the Chairman**

There were no late items to be introduced by the Chairman.

265/06 **Local Government (Access to Information) Act, 1985**

Resolved

That the public be excluded from the meeting during consideration of the items set out in the private part of the agenda for the reasons set out therein and by reason of Section 100A of the Local Government Act, 1972.

Non-Executive Functions

266/06 **Annual Audit and Inspection Letter 2004/05**

The report of the Audit Commission was submitted:-

(see annexed)

Brian Warwick drew attention to the key messages contained in pages 5 and 6 of the report then reported on the CPA score. With reference to the direction of travel, he indicated that this showed that the Council was moving forward well to achieve its target of excellence by 2008. He added that the Council had continued to improve despite the bar being raised by the CPA's harder test so the continued improvement was very good news.

Councillor Robertson highlighted the problems which had arisen over benefits and Sure Start. Brian Warwick replied that in relation to benefits a new system had been implemented so there were bound to be some problems as they bedded in. However, the commitment to training was having a beneficial effect.

Councillor Robertson raised a number of additional questions which Brian Warwick answered.

Councillor Chambers referred to page 6 of the report and asked if the Action Plans which were to be put in place would be submitted to Committee for consideration. Andy Burns replied that, following the receipt of the Annual Audit Letter, progress reports were submitted to Committee in June, October and early 2007.

Councillor Chambers referred to paragraph 65 on page 20 of the report and to the overspend of £2.3 million. Andy Burns reported that, as a result of robust measures being taken by Directorates the forecast overspend had reduced to £500,000 and further plans were being put in place to reduce this still further.

Councillor Chambers referred to the fact that school balances had increased from £808,000 in 2004/05 to £3.275 million this year. Brian Warwick replied that many school overspends had been turned around as a result of Action Plans being developed in conjunction with the Education Partner.

Councillor Griffiths referred to value for money and asked how this was assessed. Brian Warwick replied that value for money could be identified from inspections, examining performance indicators and examining Council procedures and processes.

Jamie Morris advised that the Executive Management Team had been examining value for money and had elected Champions in each Directorate to carry this forward. He added that, as a result, in-year savings had been achieved without affecting service delivery.

Several Members then thanked Brian Warwick for his assistance during the year and it was:-

Resolved

That the report be noted.

267/06 Putting the Citizen First – Strategic Partnership

The report of the Audit Commission was submitted:-

(see annexed)

An Audit Commission news release dated 27th February 2006, was handed to Members present at the meeting:-

(see annexed)

Brian Warwick reported that the Audit Commission had looked at the way in which the Council had made its decision not to proceed with the Putting the Citizen First project and felt that the decision had been made in the proper manner. He referred to paragraph 6 of the report and advised that the decision had been adequately reviewed by the Scrutiny Panel on 31 January 2006. He added that the risk management process had been investigated and it was clear that the Local Authority had gone into the project with the full knowledge of the risks inherent in a project of this size and nature. The risk had been regularly reviewed at EMT going from 15 (high) in June 2005 to 6 (medium) in October 2005 then back up to 18 (high) in January 2006.

Referring to the use of consultants, Brian Warwick stated that their use was justified and the cost of £1.5 million over 3 years was within the required parameters. The difference between the expenditure and in-year budget allocation contained in Table 1 could be explained by the protracted nature of the negotiations.

Brian Warwick then referred to Table 2 in detail and concluded by stating that, on balance, appropriate action had been taken in terminating the project.

Andy Burns reminded the meeting that Audit Committee's role was not to question the decision, but rather to question how the decision was reached.

Councillor Griffiths hoped that the Council would learn from this experience. He asked whether external consultants had provided value for money and whether the money paid to them was justified? He also asked what was in the partnership for Fujitsu?

Jamie Morris replied that the consultants had been appointed by the Project Team and had been managed by them. The work of financial consultants had also been overseen by Carole Evans. With respect to value for money, Jamie Morris felt that the contribution the Council had received from the consultants had been exemplary and they had given real added value. In respect of Fujitsu, Jamie reported that Deloitte's had examined the financial model of the company. They had helped the Council with the preparation of the contract, but the final decision as to whether to go ahead or terminate rested solely with the Council.

Councillor Pitt asked whether the risk matrix had been robust enough? Jamie Morris replied that its scores had followed the negotiations faithfully.

Councillor Chambers expressed concern that the decision regarding the Fujitsu project had never been to Council for ratification, therefore, it was not a collective decision of all 60 Councillors. He added that the matter had been dealt with professionally apart from this point. Jamie Morris replied that the decision to embark on the project and then terminate it was an Executive matter. He added that the Leader of the Council had wanted to let the Council debate it, but the Executive had made the decisions. Stuart Portman confirmed that legally it was for the Executive to make the decision in this matter.

Councillor Chambers was concerned that a decision could be made which involved up to 80% of the staff being transferred without the support of Council.

Councillor Turner commented that Council would have had the opportunity to support the project or, otherwise, at some stage in the process.

Jamie Morris referred to the fact that Members had the opportunity to raise the matter at Council and that a notice of motion had been submitted for debate with regard to the project.

Councillor Chambers asked for guidance as to when a decision of Cabinet became that of the Council.

Councillor Mrs. Shires agreed with Councillor Chambers' comments. She was concerned that Cabinet could make a decision which the Council was supposed to ratify even though Members had never had the opportunity to debate it in Council. She added that non-Cabinet Members felt that they had no say in this matter.

Jamie Morris advised that the Cabinet made key decisions within the policy framework. Council could debate the framework and, by approving the corporate plan, give Cabinet the approval to implement matters contained within it.

Councillor Robertson referred to the press release issued by the Audit Commission regarding this matter and asked whether it was robust enough. Brian Warwick replied that, in his opinion, it was, and that it was a concise summary of his report.

Councillor Robertson referred to the use of consultants and asked if bringing them in earlier might have been advantageous. Brian Warwick replied that the negotiations were protracted and difficult. Costs had escalated because of the slow progress made in producing the contract.

Jamie Morris stated that the consultants could not have been brought in earlier. Detailed negotiations could only commence once the preferred bidder had been appointed.

Councillor Robertson referred to the staffing cost of the project and whether the risk assessment could have been made earlier.

Brian Warwick replied that managing the contract effectively was important. Jamie Morris felt that the contract manager for the project had been appointed at the right time.

Councillor Robertson asked how the future re-organisation would be funded. Jamie Morris replied that some of the cost of the Transformation Plan was included in next year's budget.

Andy Burns advised that the Strategic Transformation Programme would be a major risk for this Committee to manage.

After further discussion it was:-

Resolved

That the report and press release of the Audit Commission be noted.

268/06 Draft Finance and Contract Rules

The Report of the Executive Director was submitted:-

(see annexed)

Stuart Portman, Legal Services, explained the background to the preparation of the report.

Steve Osborne, Internal Audit, gave a PowerPoint presentation with the aid of slides:-

(see annexed)

Councillor Robertson referred to the fact that local firms had difficulty in tendering for work from the Council because they were normally small in size. Steve Osborne replied that officers had been looking at this problem in an attempt to make it easier for small and medium sized local firms to compete.

Stuart Portman stated that, until recently, European law would not allow the Local Authority to give assistance to local companies but this was now changing.

Councillor Chambers referred to page 29 and paragraph 10 of the report regarding "preparing to purchase". He asked if cross referencing could be included in the report as this would be helpful.

Councillor Pitt suggested that a glossary would be useful at the back of the document to explain all abbreviations in full.

Councillor Martin stated that this was a pleasing document which was easy to read and written in plain English. She asked what happened to tenders that were received late. Steve Osborne explained the procedure for dealing with late tenders, after which, it was:-

Resolved

That the report be noted and the draft rules be endorsed subject to the amendments/suggestions referred to above.

269/06 Private Session

Exclusion of Public

Resolved

That, during consideration of the remaining items on the agenda, the Committee considers that the items for consideration are exempt information by virtue of the appropriate paragraph(s) of Part 1 of Schedule 12A of the Local Government Act, 1972, and accordingly resolves to consider those items in private session.

270/06 Internal Audit: Internal Audit Work Plan 2006/07

The Committee considered a report of the Executive Director regarding this matter and formally endorsed the internal audit work plan for 2006/07.

(Exempt information under paragraphs 5 and 7 of Part 1 of Schedule 12A of the Local Government Act, 1972)

271/06 Payroll and Personnel Internal Audit Follow Up Report

The Committee considered a report of the Executive Director regarding this matter and noted the contents of the payroll and personnel follow up report. The Committee also noted the positive action taken to implement the recommendations contained in the payroll and personnel audit report issued in June, 2005.

(Exempt information under paragraph 1 of Part 1 of Schedule 12A of the Local Government Act, 1972)

272/06 Submission of Sports and Operational Reports for Scrutiny

The Committee considered a report of the Executive Director regarding this matter and noted its contents.

(Exempt information under paragraphs 1 and 4 of Part 1 of Schedule 12A of the Local Government Act, 1972)

273/06 Risk Management Update - 2005/06

The Committee considered a report of the Executive Director regarding this matter and noted the current risk register contained in Appendix 1 of the report. The Committee selected a number of risks for review at a future meeting of the Committee and noted the action undertaken to progress the corporate risk management action plan contained in Appendix 2 to the report.

(Exempt information under paragraphs 1 and 8 of Part 1 of Schedule 12A of the Local Government Act, 1972)

274/06 Submission of Corporate Risks for Scrutiny

The Committee noted the report of the Executive Director regarding this matter.

(Exempt information under paragraphs 1 and 8 of Part 1 of Schedule 12A of the Local Government Act, 1972)

Termination of Meeting

There being no further business, the meeting terminated at 8.25 p.m.

Chairman:

Date: