

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM  
2/3, CIVIC OFFICES, ANGEL STREET, BRIDGEND ON WEDNESDAY, 31 MARCH 2010  
AT 2.00PM

Present:-

Councillor E Dodd - Chairperson

Councillors

D Buttle  
C Davies  
G Davies

Councillors

P A Evans  
M Gregory  
T Hacking

Councillors

M Reeves  
M C Wilkins  
R E Young

Officers:-

D MacGregor - Assistant Chief Executive - Corporate Development and Partnerships  
A Phillips - Head of Property and Finance  
G Doak - Group Auditor  
I Pennington - KPMG  
K Evans - KPMG  
H Smith - Chief Internal Auditor  
M A Galvin - Senior Cabinet and Committee Officer

89 WELCOME

The Chairperson welcomed to their first meeting, Helen Smith, Chief Internal Auditor, Katie Evans, KPMG and Councillor R E Young.

90 APOLOGIES FOR ABSENCE

Apologies were received from Councillor W H C Teesdale who had a prior engagement.

91 DECLARATIONS OF INTEREST

Councillor D Buttle and Councillor M Reeves declared a personal interest in the Relationship Manager's Annual Letter, due to their connections with the Maesteg Private Finance Initiative (PFI) school referred to on Page 16 of the document.

92 MINUTES OF THE PREVIOUS MEETING

In respect of Minute 86 entitled Completed Audits, relating to Children and Adults Establishments, a member of the Committee enquired if any feedback had yet been received on the POVA Inspection report.

The Assistant Chief Executive - Corporate Development and Partnerships advised that feedback on this report had been received, however, this would be subject of a further report to Cabinet prior to it then being submitted to the Health and Wellbeing Overview and Scrutiny Committee and subsequently to the Audit Committee.

These steps would ensure that all aspects of the Inspection report would be considered carefully by the Authority.

The Assistant Chief Executive - Corporate Development and Partnerships explained that it may be necessary at a future date to establish a more clear demarcation between the respective roles and responsibilities of Scrutiny Committees and the Audit Committee which did overlap. He added this would be pursued by way of a report to future meetings of both the Audit Committee and the Scrutiny Strategy Group and that he would be working closely with the Acting Chief Internal Auditor and the Scrutiny Manager on this issue.

Mr Pennington advised that in accordance with the new regime for future external audit reviews, it was intended that the Audit Committee examines key areas of risk within the Authority and include these in an Internal Audit Work Programme along with feedback on other completed audits of work areas, that the Committee can periodically monitor and action as required.

This Work Programme would be used as a framework to link into external reports such as the Regulatory Plan and Relationship Managers Annual letter, reviews of which in future will be superseded by new arrangements introduced as a result of the Local Government (Wales) Measure.

On page 60 of the minutes, the Head of Property and Finance gave an update in respect of Insurance cover arrangements for leased buildings.

He advised that as landlord of any of its buildings, the Council would insure the building itself, whilst the tenant would be responsible for the contents insurance liability.

He added that in terms of any risk liability, the Council could be liable for any injury caused by the building itself. However, this would dependant upon the terms of the lease agreement for that particular property.

The above also applied generally in relation to lease agreements at a peppercorn rent, the Head of Property and Finance added.

He confirmed that the Insurance Unit and Property Section had recently undertaken an exercise whereby all the Council's property stock had been examined so as to ensure that they were insured and that the insurance was set at an appropriate rate given the nature of the property and its value.

In response to a question regarding Completed Audits on larger projects such as Ynysawdre Pool, referred to in Minute Number 86 on page 63, the Group Auditor confirmed that a report on this would be submitted to the next scheduled meeting of the Committee.

He agreed in response to a question from the floor, that whilst the Audit Committee should concentrate on monitoring progress of the more major projects, the Committee should also have some part to play in monitoring minor projects and service areas that have been audited, should these audits receive an Inadequate Assurance, in order to ensure that the Department are taking steps to put in place recommendations made as a result of the audit.

The Group Auditor added that any operational issues identified as a result of audits undertaken would be scheduled in the Audit Work Programme.

He further added that a review of Leisure Centres was due at the end of the Audit year this coming June, which would be shared with Members.

In relation to Minute 87, entitled 'Internal Audit's Annual report on Schools', it was moved, duly seconded and agreed by Committee that point (3) of the resolution be amended as follows:-

- (3) That a further report be received at a future meeting advising how accrued debts within schools in the Bridgend County Borough are followed-up and claimed.

Mr Pennington enquired whether or not it would be feasible to put something in place which would assist in ensuring follow-up actions on various issues that have been previously considered by the Audit Committee are acted upon and completed.

The Assistant Chief Executive - Corporate Development and Partnerships, suggested that consideration could be given to introducing a type of Decision Record for the Audit Committee to achieve this.

This Decision Record could then be reviewed periodically by the Chairperson and Vice-Chairperson of the Committee and lead officers, with any issues outstanding then being followed up accordingly with the appropriate department, culminating in a further report to Committee should the need arise.

93 RELATIONSHIP MANAGER'S ANNUAL LETTER 2008/09

The Assistant Chief Executive - Corporate Development and Partnerships submitted a report which introduced the Wales Audit Office Relationship Manager's Annual Letter (RMAL) (incorporating the Appointed Auditor's report) for 2008/09, attached at Appendix 1 to the report.

The background of the report reminded Members that the RMAL was a statutory document which had been considered by Council at its meeting on 10 February 2010.

The RMAL revealed that the Authority presented a positive assessment in terms of the management of the Council's operations and its resources, with some of the key findings of the RMAL being outlined in Paragraph 4.2 of the report. There were areas however, for further improvement and these were also detailed in the document.

Assurances from the report included:-

- Positive examples of good governance principles in the way the Council operated;
- Improvement in its performance management processes;
- Effective management of its financial and operational risks;
- Evidence of delivery of its responsibilities and priorities in an economic, efficient and effective way.

The report advised that the Chief Internal Auditor had confirmed that the RMAL would be used to inform the development of the Internal Audit Work Programme in 2010/11 through collaborative working between, Internal Audit, KPMG and the Wales Audit Office, in areas deemed necessary.

The Assistant Chief Executive - Corporate Development and Partnerships confirmed that arising from consultations between the Welsh Assembly Government, local authorities and the wider communities in respect of political changes, a key issue established and recommended was that all local authorities should have an Audit Committee (or equivalent) to deal with probity issues and the financial affairs of the Authority.

The Assistant Chief Executive - Corporate Development and Partnerships added that though this Committee existed within the Authority, further clarity as alluded to earlier, was required in defining and establishing the Committee's role, particular in relation to the scrutiny process. To fully achieve this he felt that consideration may be needed to developing and/or reviewing the Audit Committee's powers, i.e. Terms of Reference, in accordance with the CIPFA Code of Practice for Internal Audit in local government which the Council had adopted.

Members suggested that recommendations made by the external Auditors through documents such as the RMAL were fed into the Internal Audit Work Programme, to ensure that actions arising from completed audits are addressed by Managers and reported back to Committee.

Members added that it was important that follow-up action on Completed Audits undertaken, such as recently on the centralisation of Human Resources, where there were still some concerns regarding overpayments and issues in respect of payroll, needed to be completed.

The Group Auditor assured Members that any service areas of concern following Completed Audits, are taken up further with appropriate Managers and reported to Committee, including actions required from a follow-up audit.

The Assistant Chief Executive - Corporate Development and Partnerships in response to a question, confirmed that the Internal Audit Work Programme could encapsulate any Committee follow-up action required on the Audit of Highways and the Asset Management Plan, which had been the subject of some previous recommendations following an external audit undertaken by the Wales Audit Office.

Mr Pennington reiterated a comment made earlier, that it would be beneficial for the Committee to receive a record of recommendations made in respect of audits undertaken previously, to include in a summary report, so as to advise the Committee of any outstanding actions required and completed.

The Chief Internal Auditor confirmed that the Audit Section were soon to implement a Management Information System and issues such as those contained within the Risk Assessment Programme would be built into this as would the Internal Audit Work Programme.

These risks would be categorised as high, medium and low status, and information from the system would be shared with both the Council's external Auditors and the Audit Committee.

The Assistant Chief Executive - Corporate Development and Partnerships responded to points from Members and indicated that within the next three months or so, a task would be undertaken by him whereby recommendations made in WAO reports over the last two years in respect of Audits undertaken

would be reviewed and a Position Statement then submitted before Members at the Audit Committee after next.

The Head of Property and Finance added that when the Work Programme is introduced, work areas identified as either being of high/moderate risk or deemed as weak in terms of service delivery, would be audited and recommendations from the Audit would be incorporated into an Action Plan to ensure that Departments look for improvement in Service areas by working upon any areas of weakness so identified. This would help he added to ensure that internal control is fully achieved.

Members enquired whether a similar process to this could be achieved through external audits of future Plans and Schemes of the Council.

The Assistant Chief Executive - Corporate Development and Partnerships advised that this may be difficult as external audits such as those detailed in the RMAL tended to concentrate more on governance, leadership, financial controls and the management performance of the Authority, whereas Internal Audits concentrated more on particular service areas, so there was a distinct difference between the two.

Where however inspections were undertaken on service areas of the Authority, or in relation to major Plans, Policies or Schemes, the main issues arising from these would in turn be submitted before the Audit Committee for consideration at an appropriate time.

He added that recent RMAL's had shown improvement within the Authority in key corporate areas, and that any areas where improvements were identified as being required, would be taken up by the Corporate Management Board and Heads of Service.

Members thanked Officers' for their submissions in respect of feedback from the RMAL report.

RESOLVED: That the Audit Committee notes the content of the RMAL to inform the Internal Audit Work Programme for 2010/11.

94 COMPLETED AUDITS

The Head of Property and Finance submitted a report presented by the Group Auditor, which summarised for Members the findings of audits recently completed by the Internal Audit Division, within work areas outlined in the report.

The main findings of the respective audits were also detailed in the report and are summarised as follows, together with the Audit opinion given as a result of the Audits, all of which were deemed to be of Substantial or Adequate Assurance.

(i) Schemes of Delegation

The system was working well in ensuring that decisions were appropriately recorded and open to scrutiny under the provisions of the scheme.

Structured training for staff was available and the scheme was updated when deemed necessary and subsequently publicised.

(ii) Whistleblowing Policy

Whilst the Policy demonstrated commitment to addressing and dealing with complaints regarding malpractice, the Policy did require some general updating in certain areas. Suggestions had been made in respect of agency workers and contractor staff and a revised Policy was to be proposed to the Standards Committee (by September of this year).

(iii) Trading Standards

It was shown that this service benefited from committed staff and a keenness for continued improvement with controls in place operating effectively.

(iv) Recoupment

The SEN service was addressing issues relating to contracts with other Authorities in terms of school placements and recommendations had been made in respect of financial contracts and documentary evidence of Agreements and Assessments.

Management had positively acknowledged the findings of the Audit and were taking steps to strengthen procedures identified where improvements could be made.

(v) Volunteer Drivers (Follow-Up)

The report highlighted that there had been a change of Manager since the original audit was undertaken which could have accounted for some of the recommendations made not having been implemented. Audit recommendations were made in relation to ensuring that confirmation was made on the portability of Criminal Records Bureau (CRB) checks, as well as increased budget monitoring being regularly undertaken.

Members raised some concerns in relation to drivers not being fully CRB checked, and requested information on how many volunteer drivers there were.

The Group Auditor confirmed he would advise Members of this number accordingly.

A Member of the Committee also made the point that CRB checks would only reveal offences of a criminal nature and that as volunteer drivers, checks should also be pursued to establish if the drivers had committed any previous road traffic offences.

The Group Auditor added that he would follow-up these points and submit the full report on this Completed Audit to the next scheduled meeting of the Audit Committee.

(vi) Highways Maintenance (Follow-Up)

The majority of agreed recommendations as a result of this Audit had been implemented by Management. There were however still outstanding improvements to be made in documentation and procedures relating to the tendering process, i.e. how the Department decides upon which contractors to

invite to tender for a particular scheme, as well as stock checks and controls being more regularly carried out. Finally, information had also been requested as a result of the follow-up audit, on instructions and procedures which govern highway inspection work. The Highways Maintenance Manager had given an assurance that this follow-up work would be completed by June 2010.

Members requested that an update be given following the above date within the Internal Audit Work Programme.

(vii) Street Lighting (Follow-Up)

Members were informed that not all the recommendations suggested by Internal Audit had been implemented, largely due to sickness absence to a member of staff who undertook the management of inspection and remedial works.

An assurance had been given by management that all lighting columns would be visited and inspected within the next eighteen months as part of the energy saving project roll out. The audit also revealed that a demonstration of providing 'value for money' in some operations could be improved.

Members felt that a progress report giving a percentage breakdown of lighting columns that have been inspected should be submitted to the Committee, in the immediate future rather than at the conclusion of this exercise in eighteen months time.

Officer's accepted this course of action being followed.

- RESOLVED:
- (1) That the report be noted.
  - (2) That the Committee at the next scheduled meeting receives:-
    - (a) A copy of the full follow-up Audit report in relation to Volunteer Drivers, including an update on the number of these and progress regarding their CRB checks;
    - (b) A progress report giving feedback on the number of lighting column inspections undertaken within the County Borough, prior to receiving the final report upon completion of the exercise eighteen months from now.

The meeting closed at 3.25pm