

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM 2/3,  
CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 20 JANUARY 2010 AT  
2.00PM

Present:-

Councillor E Dodd - Chairperson

Councillors

Councillors

D Buttle

M Reeves

C Davies

C Westwood

G Davies

R E Young

M Gregory

Officers:-

H Smith - Chief Internal Auditor  
G Doak - Group Auditor  
I Pennington - KPMG  
M A Galvin - Senior Democratic Services Officer - Committees

150 APOLOGIES FOR ABSENCE

Apologies for not attending the meeting were received from the following Members:-

Councillor T Hacking - Work commitments  
Councillor H M Williams - Work commitments  
Councillor M C Wilkins - Unwell

151 WELCOME

The Chairperson welcomed back Councillor D Buttle and Councillor G Davies after their respective periods of absence due to ill-health.

152 DECLARATIONS OF INTEREST

None.

153 MINUTES OF THE PREVIOUS MEETING

RESOLVED: That the minutes of a meeting of the Audit Committee dated 9 December 2010, be approved as a true and accurate record.

154 INFORMATION AND ACTION REQUESTS BY COMMITTEE

The Chief Internal Auditor submitted a report, which summarised for Members actions and information requests previously made by the Audit Committee, a summary of which were outlined in the table attached to the report.

She explained that two items had been added from the last Committee meeting, the first in respect of Human Resources records, where a further update would be given to Members at a future meeting.

In relation to the second item, a letter would be sent to school governing bodies and head teachers, reminding them that Auditors of private school funds should be independent.

RESOLVED: That the Committee noted the report.

155 INTERNAL AUDIT - OUTTURN REPORT - JULY TO DECEMBER 2010

The Head of Property and Finance submitted a report, which informed the Committee of actual Internal Audit performance against the 2010-2011 Plan for the period 1 July - 31 December 2010.

The Chief Internal Auditor reminded Members that the Audit year spanned July to June, rather than that of the financial year, so the information in the report covered the first six months of the audit year.

The Committee were advised, that the 2010/11 Internal Audit Plan had been formulated using the new management information system (APACE).

Appendix 'A' outlined a summary of the Audits commenced/outgoing, and those that had been completed for the period July - December last year.

The table in 4.2 of the report, showed an analysis of work undertaken in relation to the original plan.

The results revealed, that overall productive time against that planned for the six months was 97%, with 694.5 of the 712.5 days available being achieved. This included days where Vale audit staff had worked on Bridgend audits, mainly schools and a reciprocal arrangement where Bridgend staff worked on Vale audits.

The report expanded further by advising that at the end of the period, 31 reviews had been completed/closed, 24 of which had provided management with an audit opinion on the Internal Control environment, for each of the systems examined evidenced in Appendix 'A' of the report.

The reviews which revealed weaknesses in the system of Internal Control had been identified and reported to Committee, and these would be followed-up accordingly to ascertain if recommendations made by Internal Audit had been implemented by Management.

The Chief Internal Auditor reported that the number of days for audits being completed in the time allocated for them reflected that Bridgend fell short of the all Wales average, the Chief Internal Auditor explained that this was based on the Welsh Chief Auditors Group annual benchmarking exercise and it was not known from neighbouring authorities of the number of days they allocated per similar audits from commencement to completion. Therefore the comparison is only a guide.

Members requested, in light of the above, that Officers' undertake further consultation with Internal Audit Sections in neighbouring authorities, to ascertain how many days they allocated to similar audits undertaken by this Authority and that the findings of such research be reported to the next Committee, in order to have more accurate comparable information.

The Chief Internal Auditor confirmed that this would be pursued.

She added that only one significant recommendation made by Internal Audit as a result of audits carried out since July had not been agreed by Management, though in that instance the Manager responded with the reasons as to why this had been the case.

RESOLVED: That the Committee noted the report.

156 AUDIT COMMITTEE - RECOMMENDATIONS MADE

The Chief Internal Auditor presented a report, advising Committee on recommendations made since 1 July 2010, in accordance with the Audit Committee's Forward Work Programme.

Paragraph 4.1 of the report outlined in table format a summary of recommendations made by Internal Audit since 1 July, that had been prioritised according to risk.

Members acknowledged the fact that a large proportion of the recommendations made as a result of the audits undertaken had been agreed and followed-up by the relevant management areas of the Authority.

Paragraph 4.2 of the report explained that the recommendations so made had been graded according to their importance, and grouped by their risk element, should the recommendations made not be implemented.

Table 2 that followed then detailed the number of recommendations made grouped by risk factors attached to them, under the category of Significant and Merits Attention, which confirmed that 74 significant recommendations had been made and 136 Merits attention recommendations.

RESOLVED: That the report be noted by Committee.

157 COMPLETED AUDITS

The Group Auditor presented a report which summarised for Committee, findings of audits recently completed by the Internal Audit Division.

As Members were aware, Internal Audit conducted reviews according to the Annual Audit Plan and findings are included in reports presented to Committee.

Details of the recently Completed Audits were attached to the report and are summarised as follows:-

<u>Area Audited</u>	<u>Audit Opinion</u>
Establishments Assurance	- Reasonable Assurance
Tendering Process	- Reasonable Assurance
Members allowances, expenses and hospitality	- Reasonable Assurance
ICT Business continuity and Disaster Recovery test	- Substantial Assurance

The Group Auditor summarised the findings for the benefit of Members, as well as any actions that were required to be taken by Management, to improve or refine the area of works subject to the Audit.

He also confirmed that in accordance with custom and practice, any recommendations made by Internal Audit, regarding areas of concern that were not acted upon by Management, would be the subject of a further report to Committee.

RESOLVED: That the Committee noted the report.

158 INTERNAL AUDIT REVISED PLAN - JULY 2010 TO JUNE 2011

The Chief Internal Auditor submitted a report, which presented the Council's Revised Internal Audit Plan for the above period.

Following some background information, the report explained that the 2010/11 Audit Strategy and Annual Plan of work was presented to the Audit Committee for approval on 8 July 2010, which Officers monitored progress upon against the Audit Plan and kept it under review.

As there was now a necessity to make changes to the Plan along the lines explained in Paragraphs 4.1 and 4.2 of the report, the Chief Internal Auditor had revised the Internal Audit Plan as shown at Appendix 'A' to the report.

The Chief Internal Auditor explained that the original plan had been revised to reflect a number of factors which included:-

- An increase in unplanned work of a substantial number of days (ie 138);
- Staff shortages in Internal Audit totalling 186 days;
- Time spent on brought forward work from 2009/10 and current year audits, exceeding their original budgeted days.

Due consideration had be given she explained, to the impact of risk on all amendments made to the plan, ensuring that no high risk areas had been overlooked.

The Chief Internal Auditor considered that the revised plan was more realistically achievable within existing resources.

In response to a question from the floor, the Chief Internal Auditor did consider that in the future there may be some scope to look at charging for time allocated currently as non-chargeable activities.

She also explained that Bridgend was currently under resourced in terms of Internal Audit staff at present, and that with the Shared Services initiative ongoing, there was a reluctance to recruit staff at present. However, if work demands faced in the past continued, there would be little option, bearing in mind that the Head of Audit must produce an annual opinion on the Council's overall internal control environment, than to fill the vacant posts that are on the establishment she added.

Being mindful of the fact that Internal Audit had a heavy workload that was unlikely to improve with any significance, Members requested that the

Chairperson pursued on their behalf, further support as required in expediting progress on the Shared Services Agreement with the Vale of Glamorgan Council, and that feedback be given to Members on the outcome of this recommendation, in the immediate future.

RESOLVED: That the Committee noted the report, subject to the request outlined in the paragraph immediately above.

159 AUDIT COMMITTEE - PRESENTATION ON INTERNAL AUDIT PROCESSES

The Chief Internal Auditor submitted a report, and supported this with a power point Presentation, explaining how an audit is conducted from the point of planning to the submission of a report to Committee.

She explained that an audit of a particular service area was initiated from the Audit Plan, but could also emanate from a request of a Director or Head of Service, due to any perceived risk, or as a result of a special investigation.

Initially the Audit would be allocated to a Group Auditor, who would pass this to a Lead Auditor to undertake, but would be on hand to manage and supervise the audit.

The audit would then be subject to a risk assessment made by the Lead Auditor which would then be reviewed and signed off by the Group Auditor.

The Lead Auditor would compile an 'Audit Brief', so as to allow them to obtain a fundamental understanding of the work required to be undertaken.

The Lead Auditor would then discuss the audit with Directorate Management, to obtain any input from them, including any concerns they may have in that particular area of work, as well as looking at the implementation of control systems.

The Lead Auditor would subsequently put all the necessary documentation together, including checklists, etc., so as to ensure that the audit is conducted in a systematic and thorough manner.

The audit would always be compiled in such a way that it 'tailor fits' the piece of work being audited.

The audit would then be put through a process of "testing", which for example could be substantive, i.e. by directly verifying transactions such as from a school, or compliance testing, associated with a system, such as Trent.

The Lead Auditor would then establish a 'what, why and how' approach and the testing procedure would then be fully carried out.

All the work conducted would be recorded clearly and would be subject to review by the Group Auditor.

The conclusions and recommendations of the audit would then be drafted having looked at the assurance levels of the audit, and after identifying any weaknesses that require strengthening to secure improvements, which would be discussed both with the Client Manager and Group Auditor through a review process.

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The draft report would then be compiled and this would be based upon the findings of the Audit, which after being reviewed by the Group Auditor would then be discussed with the appropriate Manager, to correct any possible errors or misunderstandings that may infrequently occur.

The Manager would then be given an opportunity to respond to the audit.

The recommendations contained in the Audit would then be ranked, i.e. fundamental, significant or merits attention, following which an overall Audit Opinion would then be formed using the criteria of:-

- Substantial Assurance
- Reasonable Assurance
- Limited Assurance
- No Assurance

The process would then draw to a conclusion explained the Chief Internal Auditor, by way of a final report being prepared which would incorporate the Management responses.

This would then be reviewed by the Group Auditor and reported to the Audit committee, in the form of a final report.

The Management would then be asked, if considered appropriate, to follow-up any key recommendations made as a result of the audit, in due course.

The Chief Internal Auditor explained that management would finally then acknowledge acceptance of the recommendations of the audit, and whilst they may be requested to take appropriate action following any recommendations that had been made as a consequence of the audit, they were not obliged to act upon these. They would also be requested to give any feedback on the Audit.

It would be explained to them however, as to the risks that may be associated by them taking no action in terms of suggested improvements to their systems and processes, which would also be brought to the attention of the Audit Committee through the report processing mechanism.

As this concluded the Presentation, the Chairperson on behalf of the Committee, thanked the Chief Internal Auditor for her comprehensive submission.

RESOLVED: That the Committee noted both the report and accompanying presentation.

## 160 AUDIT COMMITTEE - AMENDED FORWARD WORK PROGRAMME

The Chief Internal Auditor presented a report to Members, which outlined an amended Forward Work Programme for the Audit Committee.

The report reminded Members in Paragraph 3.1, of the core functions of an effective Audit Committee and that to assist them in processing their work, a Forward Work Programme was developed and approved by the Committee last summer.

Members subsequently agreed at the last meeting however, to amend the Forward Work Programme to include an update on Anti-Fraud and Corruption (in

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April/May) and a further amendment on the Anti-Fraud and Corruption update, to reflect the responsible Officer as being the Head of ICT.

The amended Forward Work Programme was attached to the report at Appendix 'A'.

The Chief Internal Auditor requested that a questionnaire be sent to Members in relation to "governance" and in particular the effectiveness of the Audit Committee", for Members completion.

She would then arrange for a report to be submitted to the March meeting reflecting Members views on this as outlined in the Forward Work Programme.

Members agreed to this questionnaire being distributed.

**RESOLVED:** That Members considered and approved the Amended Forward Work Programme attached to the report.

The meeting closed at 3.20pm.