

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM 2/3,
CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 18 AUGUST 2011 AT
2.00PM

Present:-

Councillor E Dodd - Chairperson

Councillors

Councillors

D Buttle

C Westwood

C Davies

M Wilkins

P A Evans

H M Williams

T Hacking

R Young

M Reeves

Officers:-

H Smith - Chief Internal Auditor
I Pennington - KPMG Director
R Ronan - Democratic Services Officer - Committees

200 APOLOGIES FOR ABSENCE

Apologies were received from the following Members:

Councillor G Davies - Recuperating
Councillor M Gregory - Holiday

201 DECLARATIONS OF INTEREST

None.

202 MINUTES OF THE PREVIOUS MEETING

RESOLVED: That the minutes of a meeting of the Audit Committee dated 7 July 2011 were approved as a true and accurate record.

203 EXTERNAL AUDITOR'S PRESENTATION TO THE COMMITTEE ON A GOVERNANCE FRAMEWORK CASE STUDY

The external Auditor gave a presentation to the Committee on a case study relating to governance. The aim of the presentation was to help the Committee understand what can go wrong, even in a good Council, when governance frameworks fail.

The presentation summarised the findings of an investigation that the external auditor had previously carried out into issues surrounding the ending of the employment of the Managing Director at an English local Council. The Committee were provided with a handout detailing the overall conclusions of this investigation.

The external Auditor explained the background to the investigation. He informed the Committee that after paying a large sum of compensation to its former managing director, the Council had taken the individual to court over alleged problems with her application form in an attempt to recover its losses. The Court

found in favour of the former managing director, costs had to be covered by the Council and eventually totalled £2.1 million including the original compensation. Due to the scale of cost there was huge public interest and an investigation into what went wrong was called for.

The external auditor outlined the main conclusions of this investigation - circumstances had put too much stress and pressure on the council's governance structure and it had failed. It was concluded that no single issue had caused this governance failure and the investigation had generated 26 recommendations.

The final conclusion was that it had not been unreasonable for the Council to go to Court and that even if processes had been followed correctly they may still have chosen to go to Court and lost.

The external auditor advised the Committee that one of the failings had been in the body that had been used to make decisions relating to Mrs Laird's case namely the Staffing Support Services Committee (SSSC). This Committee was made up of different political groups in order to give a cross party view, however it stood outside the main structure of the Council. It was therefore not surrounded by the right framework to enable it to make informed decisions and its boundaries and jurisdiction were not clear. Ideally the decision should have gone to the Cabinet. The confusion was compounded by lack of communication between officers and the SSSC, nobody knew who was driving the decisions and this was made worse by changes in the membership of committees.

The Committee agreed that the issues highlighted above confirmed the importance of having a clear structure that could withstand changes in decision makers.

The external auditor informed the Committee that the Council during the course of the dispute had obtained external legal advice that indicated it had a 60/40 chance of winning. However a proper analysis of all the legal, financial etc implications was never carried out, this would have taken into account that although the Council had a 60% chance of winning they also had a 40% chance of losing and at great cost. The external auditor told the Committee that it was good practice to apply the Wednesbury Principle to decisions of public bodies to determine the reasonableness of their decisions. In this case, some decisions were made by default, for example reports were received by the SSSC for noting and officers were taking this as an agreed course of action. The external auditor explained that it was important for Committees to recognise when decisions were being made and to make sure that the wordings of resolutions were clear.

In light of this Members questioned whether the wording on report recommendations used by the BCBC needed to be changed. The external auditor responded that it was important that Councillors were encouraged to challenge reports if they felt uncomfortable with the content. A Member also commented that in respect of the recent decision by BCBC to remove lawyers from some Committee/Scrutiny meetings they were concerned that this could have an impact on the quality/legality of the decisions of Members. The external auditor pointed out that all Committee reports are checked legally before being issued and that this should have taken into consideration the risks involved in the decision. He also confirmed that if during the course of a meeting Members were concerned about matters being agreed an adjournment/deferment should be asked for in order to seek further legal advice.

The Committee asked the external auditor if he thought that there were any obvious parallels with the governance structure in place in Bridgend and the one detailed in the case study. The external auditor replied that he did not believe there were any obvious parallels.

The Committee said that they would like to revisit this subject after they had had an opportunity to read the supporting document more fully.

RESOLVED: The Committee noted the presentation and agreed to re-agenda the Governance Framework Case Study at a future meeting in order to give them a chance to discuss their observations.

204 INTERNAL AUDIT-OUTTURN REPORT - JULY 2010 TO JUNE 2011

The Chief Internal Auditor presented the above report which outlined the actual Internal Audit performance against the 2010-2011 Plan for the period 1 July to 30 June 2011.

She advised that the revised plan provided for a reduction in overall planned days available from 2,535 to 2,271 to take account of vacant posts within the section and maternity leave.

The Chief Internal Auditor informed the Committee that as shown in table one the overall productive time against that planned for the year has been exceeded, this is despite the Section carrying two vacant posts and having one staff on maternity leave. She advised the Committee that this was a huge achievement and was aided by the assistance provided by Audit staff from the Vale of Glamorgan.

The Chief Internal Auditor advised the Committee that 78 reviews have been completed and closed and that as previously reported to the Committee significant weaknesses in the system of internal control were identified in six of these reviews. Five have now been revisited and the necessary assurances gained, the remaining review will be followed up in the coming month. Of the remaining 67 jobs, 18 have been carried forward into the new audit year as work is ongoing. The balance of 49 refers to productive work where due to the nature of the work, i.e. ICT security forum, e-procurement, advice and guidance the focus is not in providing an audit opinion.

The Chief Internal Auditor advised the Committee that in 2010/2011 Internal Audit made a total of 429 recommendations of which 423 had been agreed by management. As regards the remaining 5 where management have not agreed to implement, response has been received in writing that they are prepared to accept the risk associated with not implementing the recommendations.

The Chief Internal Auditor informed Members that subsequent to the Annual Internal Audit Opinion report that was received by the Committee on the 26 May 2011 concerns had come to light relating to compliance with the Council's Contract Procedure Rules. She confirmed that the investigation into this issue is near completion and will be reported to the Audit Committee in due course.

To conclude the Chief Internal Auditor advised that the internal audit team's achievements had been exceptional, especially in a year when they moved office twice and merged with staff from the Vale. This had necessitated developing new management and working procedures and training staff accordingly. She was

pleased to report that the joint team had now set up working procedures and was fully committed to the personal development of all staff.

The Chief Internal Auditor informed the Committee that Bridgend undertook two audits for the Vale which were unplanned but had been requested by senior officers. She advised that the challenge for the internal audit team was to now build quality into the reports to ensure that they are providing the support that officers need.

The Committee congratulated the Chief Internal Auditor on the team's achievements and acknowledged that they were during a time of difficult transition.

A Member referred to table 3 in the report and the fact that in the number of significant recommendations the second highest figure of 47 had been in regard to compliance. The Chief Internal Auditor confirmed that this was mainly due to training issues or lack of understanding of work or procedures. She assured the Committee that recommendations are always accepted and complied with.

The Committee asked whether the Audit reports produced by the Vale of Glamorgan followed the same format as Bridgend and whether they too have an Audit Committee. The Chief Internal Auditor confirmed that the Vale's reports were of a similar standard format and that they do have an Audit Committee albeit one that does not meet as regularly. She informed the Committee that our Chairperson has received and accepted an offer to attend a Vale Audit meeting. It was therefore agreed by the Committee to extend a similar invitation to their Chairperson.

RESOLVED: That the Committee noted the Internal Audit Outturn report July 2010 to June 2011.

205 HOUSING AND COUNCIL TAX BENEFIT FRAUD INVESTIGATIONS OUTTURN 2010/11 AND A COMPARISON OF POSITION IN THE FIRST THREE MONTHS OF THIS YEAR.

In the absence of the Benefits Manager who sent her apologies the Chief Internal Auditor presented the above report. The purpose of the report is to inform Members of the activities that have been undertaken in the first three months of this financial year with regard to Housing and Council Tax Benefit fraud investigations compared with the position during the same period in 2010/11. The Chief Internal Auditor explained the responsibilities of the fraud team and confirmed that the team currently consists of a Fraud Manager, 3.6 FTE Fraud Investigators and an administrative officer. She advised the Committee that during the first quarter of 2011/12 there had been a 38% increase in the number of referrals to the team. This increase may be in part due to the success of the recent fraud awareness sessions and the production of the benefit fraud newsletter which had in itself generated 46 new referrals. There had also been an increase in anonymous telephone calls and letters.

The Chief Internal Auditor referred Members to Table 1 of the report which illustrated these increases and pointed out that Table 2 showed that of the type of cases that have been investigated 48% were alleged living together situations. This type of investigation she informed the Committee is extremely difficult to prove as it requires a very strong standard of evidence.

The Chief Internal Auditor explained to Members that Tables 3 and 4 showed there has been an increase in joint cautions and prosecutions with the Department of Work and Pensions (DWP) and this was due to the concentration on high quality thorough investigations.

The Chief Internal Auditor advised that over the period 2013-15 the Government intends to create a single fraud investigation service (SFIS) combining the resources across DWP, Her Majesty's Revenue and Customs (HMRC) and local authorities. This is intended to improve efficiency and April 2013 is the date that has been given for the initial merge. She explained that it appears that all investigators will be transferred over to the SFIS but there has been no indication regarding administrative staff or managers. Obviously she told Members there is currently a great deal of uncertainty within the sections and extensive implications for local authorities with regard to the future arrangements for the detection and prevention of fraud. In relation to the introduction of the Council Tax Rebate local authorities will no longer have Local Fraud Units and there are no current plans for this work to be carried out by the SFIS.

The Chief Internal Auditor informed the Members that further information on these changes is due in November and a report will then be presented to the Committee.

Members asked how easy it would be to turn the statistics shown in the report into actual money saved. The Chief Internal Auditor responded that this would be easy to generate and it was agreed that this information would be presented to the Committee as an addendum to the report.

Members queried how anonymous telephone calls were dealt with to ensure that malicious accusations were identified. The Chief Internal Auditor assured the Committee that officers were expert in their field and were provided with a check list and scoring matrix which helped determine which investigations were taken forward. The key was in asking the right questions and the training of staff.

A Member of the Committee questioned whether a more robust application system would stop fraudulent claims before they progressed. The Chief Internal Auditor assured the Committee that the application procedure was already robust and extensive validation by staff was carried out on documentation and information before authorisation.

A Member of the Committee asked if the Local Authority had been involved in the consultation on the proposed changes especially as we work closely with the Department of Works and Pensions. The Chief Internal Auditor confirmed that local authorities had been largely excluded from the pre-publication consultation process even though the changes have far reaching consequences. She said that there was concern that valuable local intelligence and knowledge will become diluted. The Committee agreed that this was a real concern.

RESOLVED: That the Committee noted the report.

206 AUDIT COMMITTEE - FORWARD WORK PROGRAMME 2011-12

The Chief Internal Auditor presented a report to the Committee that outlined the updated 2011-2012 Forward Work Programme for the Audit Committee. She confirmed that all was on schedule.

AUDIT COMMITTEE - 18 AUGUST 2011

RESOLVED: That the Committee noted the updated 2011-12 Forward Work Programme.

207 **INFORMATION AND ACTION REQUESTS BY COMMITTEE**

The Chief Internal Auditor presented the above report which summarised for Members the actions and information requests made by the Audit Committee. She advised that the Assistant Chief Executive - Performance still intends to form a Treasury Management Panel from Members of the Audit Committee and would be contacting Members in due course.

It was agreed by the Committee to add the savings report requested in minute 205 to the list.

RESOLVED: That the Committee noted the Information and Action requests by Committee report.

The meeting closed at 3.50pm.