

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM 2/3,  
CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 22 DECEMBER 2012 AT  
2.00PM

Present:-

Councillor E Dodd - Chairperson

Councillors

Councillors

G Davies

P A Evans

M Reeves

M Wilkins

M Gregory

C Westwood

Officers:-

D MacGregor - Assistant Chief Executive - Performance and Section 151 Officer  
H Smith - Chief Internal Auditor  
D Sutherland - Head of ICT and Property  
R Martin - Insurance and Risk Management Officer  
R Ronan - Democratic Services Officer - Committees

226 APOLOGIES FOR ABSENCE

Apologies were received from the following Members:-

Councillor D Buttle - Family commitments  
Councillor C Davies - Hospital appointment  
Councillor T Hacking - Work commitments

227 DECLARATIONS OF INTEREST

Councillor M Wilkins declared a personal interest in Agenda Item 6 as a school governor of the primary school situated in her Ward.

228 MINUTES OF THE PREVIOUS MEETING

RESOLVED: That the minutes of a meeting of the Audit Committee dated 10 November 2011 were approved as a true and accurate record subject to the minute relating to apologies for absence being amended to include Councillor M Reeves - other Council business, Councillor M Wilkins - illness.

229 FORWARD WORK PROGRAMME 2011-2012

The Chief Internal Auditor presented a report to the Committee that outlined the updated 2011-2012 Forward Work Programme for the Audit Committee. She advised Members that all was still on schedule to be completed by the end of the financial year.

The Chief Internal Auditor confirmed to Members that in relation to "Governance - Effectiveness of the Audit Committee" to be presented to the Committee on the 15 March, Members would as previously be sent a questionnaire to complete and return.

RESOLVED: Members considered the updated 2011-12 Forward Work Programme to ensure that all aspects of their core functions are being adequately reported.

230 INFORMATION AND ACTION REQUESTS BY COMMITTEE

The Chief Internal Auditor presented a report summarising the action and information requests made by the Audit Committee. She confirmed that all were complete.

In relation to Schools Catering - opt out for schools the Assistant Chief Executive - Performance informed Members that the Corporate Director – Children has written to Councillor Dodd and Councillor Hacking and they were reassured that nutritional monitoring was in place. A Member of the committee asked if this response could be shared. The Assistant Chief Executive - Performance confirmed that he would circulate the written response to Audit Committee members.

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

231 THE CORPORATE RISK ASSESSMENT AND WALES AUDIT OFFICE REVIEW OF RISK MANAGEMENT ARRANGEMENTS

The Assistant Chief Executive - Performance presented a report to the Committee which explained the outcome of the annual risk assessment. He explained that the Audit Committee Terms of Reference requires the Committee to monitor the effective development and operation of risk management and corporate governance in the Council and to consider the annual risk assessment. The Assistant Chief Executive - Performance informed Members that when the Wales Audit Office (WAO) reported on risk management within the Council in August 2011 they undertook to establish if risk management is understood, embedded and supporting decision making. Their report was included as Appendix 4 to the report.

The Assistant Chief Executive – Performance explained to the Committee that the risk assessment has been developed in consultation with Corporate Management Board and has been reviewed by Cabinet. A scoring matrix was used which takes into account probability of the risk occurring and severity of the consequences if it did.

The Assistant Chief Executive - Performance told Members that Appendix 3 illustrated how risk has changed over the last three years and would give them some sense of how trends are identified and that risks are mitigated.

The Insurance and Risk Management Officer presented the Corporate Risk Assessment to Members included as Appendix 1.

(1) Impact of the Recession

The Insurance and Risk Management Officer told Members that this risk is influenced by the wider economic picture. Growth in revenue is small and does not compensate for inflation which is currently 5%. This lack of growth will obviously impact on the Council's ability to provide services at current levels. Changes being made by the UK Government to benefit entitlements mean that the

demand for some services is likely to increase. The Council has addressed this risk by good financial planning and a determination to make difficult decisions.

(2) Using Resources Effectively

The Insurance and Risk Management Officer explained to the Committee that £17m savings are required over the three year period from 2011 to 2014. If these savings require cuts to essential services there is a potential for vulnerable people to be put at risk.

The Council has moved to address risk through strong leadership and efficiency initiatives that include lean thinking and improving sickness absence.

(3) Implementing a New Pay and Grading System

The Insurance and Risk Management Officer informed Members that historically Job Evaluation and Equal Pay claims have been considered as one risk. They have now been separated into two. In relation to job evaluation the budget risk also incorporates potential additional pension fund contributions and implementing job evaluation is likely to add approximately £3m to the pay base. The impact on staff morale and motivation also needs to be considered.

The Assistant Chief Executive – Performance told the Committee that the Council was still in consultation with the trade unions and further pay modelling is currently being undertaken.

(4) Collaboration

The Insurance and Risk Management Officer explained to the Committee that the Welsh Government are encouraging authorities to deliver services using a variety of resources. Successful collaborative working also forms part of the formula for determining the level of Outcome Agreement Grant.

Bridgend has led the way on a number of diverse partnership and collaborative initiatives such as the Bridgend Compact for the Local Service Board, the Memorandum of Understanding with the Vale of Glamorgan Council, SEWTA and Waste Management.

(5) School Modernisation

Members were told that due to Welsh Government reducing match funding to 50%, progress on some school building improvements may be delayed. This will have a negative impact in a number of areas and potential health and safety implications, especially in relation to older facilities.

The Insurance and Risk Management Officer explained to the Committee that it was the intention to continue to implement the schools modernisation programme but with a more modest remit and revised timetable.

(6) Adult Social Care

The Insurance and Risk Management Officer informed Members that due to an ageing population with more complex medical needs the percentage of residents receiving a service has increased. The impact of this is a possible extra cost of between £700,000 and £1m per annum over the next 10 years. The remodelling

of services is therefore essential to meet this challenge. A framework for the care of older and disabled people is therefore being established with ABMU Health Board and the Council is moving towards a service model that helps service users to maintain or regain their independence.

(7) Educational Attainment

The Insurance and Risk Management Officer explained to the Committee that Wales did not rate very well in the PISA scoring. The effect of falling school standards and pupil attainment is significant not least in school leavers ability to compete in the workplace.

To mitigate this risk the aim is to develop a regional education service and increase the percentage of delegated funding to schools to 85%. Driving forward with the school modernisation programme will also provide an environment that will encourage learning.

(8) Supporting Vulnerable Children

The Insurance and Risk Management Officer informed Members that the Council takes its responsibilities in this area extremely seriously and has moved towards early intervention to address problems before they develop. This will however place greater demands on services that support vulnerable children and their families.

The Assistant Chief Executive - Performance explained to the Committee that over the past couple of years, risks in this area have been significantly reduced. Time has shown that decisive actions that have been taken by the Authority have led to a general improvement. Progress continues to be made.

(9) Maintaining Infrastructure

The Insurance and Risk Management Officer told Members that the severe weather over the last couple of years has significantly stretched budgets. This has been compounded by a reduction in funding that has the potential to restrict the delivery of the improvement programme.

Any increases in the highways budget have been offset by a reduction in the Welsh Government's capital highway maintenance grant. The Council is currently targeting resources towards main roads, which has been to the detriment of minor roads.

(10) Equal Pay Claims

The Assistant Chief Executive - Performance gave the Committee an update on the significant risk associated with Equal Pay Claims and explained that negotiations with the legal representatives of claimants are ongoing. To mitigate the financial risks the Council has progressively developed a earmarked provision to deal with claims.

(11) The Impact of Homelessness

The Insurance and Risk Management Officer explained to Members that although the number of people presenting as homeless has reduced, this is against a

background of straightened economic conditions which have resulted in stalled housing projects, job losses and a review of welfare benefits.

The Council is however taking a pro-active/prevention approach and has instigated a number of successful initiatives to help residents to find solutions to their housing needs.

(12) Disposal of Waste

The Committee were advised that recycling rates are improving and the Council has received awards in recognition of its achievements. However, targets were now getting more demanding and if new services do not deliver on these targets fines will be imposed by the Welsh Government.

Improved recycling rates will be achieved in the short term by education and communication and the plans for the regional anaerobic digestion facility are proceeding and expected to be in place by 2014.

(13) Supporting Regeneration

The Insurance and Risk Management Officer told Members that without regeneration our Town Centres would not be able to compete with neighbouring retail developments. Capital schemes have commenced in Bridgend, Maesteg and Porthcawl funded through the Convergence Programme.

(14) Reconfiguring of Leisure Services

The Committee were informed that this was an ongoing project and is on track to be implemented by the target of April.

The Assistant Chief Executive - Performance explained to Members that Appendix 3 illustrated that risks could be escalated over time and that new risks could be added. Risks were not only financial but could be reputational. He pointed out that by 2012 Equal Pay will hopefully be a reduced risk and that the impact of the recession has noticeably moved up as a risk and has stayed high over three years. The table illustrates that risks can change over time and that the actions of the authority have to change accordingly.

The Committee commented that in relation to collaboration with partners it was encouraging to see that the Council has made significant progress however it was important that collaboration was done effectively.

The Assistant Chief Executive - Performance told Members that a good example of effective collaboration was the shared Audit Service.

A Committee Member noted that with a lot of difficult challenges being faced by the Authority over the coming year it was important that a change in attitude towards collaboration occurred as one of the biggest risks we faced came from not working together. The Assistant Chief Executive - Performance confirmed that there has been a significant culture change within the Authority over the last few years and that Bridgend was seen as a Council that embraces change. This is reflected in the external Auditor's reports which acknowledge good governance across the Authority and an openness to change.

## AUDIT COMMITTEE - 22 DECEMBER 2012

He informed Members that the WAO Report on risk management arrangements came overall to very positive conclusions overall.

The audit report had concluded that the Authority not only worked towards eliminating risk but understood and managed it effectively. Using the impact of homelessness corporate risk as a tracer, the purpose of the WAO review was to answer the question "Is risk management understood and embedded within the Council, supporting effective decision making? Their overall conclusion is that there is a clear corporate risk management process in place which is well understood at a strategic, corporate and operational level with scope to strengthen the approach to managing residual risks.

The Assistant Chief Executive - Performance explained that the body of the WAO report draws out why they reached these conclusions. He explained to Members that one recommendation was that some performance information given to Members could be confusing and not easily understood. He told the Committee that plans were now in place to improve the quality of information through the development of new performance reports for Overview and Scrutiny Committees.

The Assistant Chief Executive - Performance informed Members that the report identified four areas for improvement as detailed on Page 10 Item 39. He said that Members could be reassured by the report as it confirms that the Council has processes and systems in place to address risk appropriately.

- RESOLVED:**
- (1) That the Audit Committee considered the annual risk assessment.
  - (2) Receives a further report in April 2012 when progress will be reviewed.
  - (3) Received the Wales Audit Office report and noted the areas for improvement.

## 232 AUDIT COMMITTEE - RECOMMENDATIONS MADE

The Chief Internal Auditor presented a report to the Committee the purpose of which was to report on the recommendations made since 1 July 2011, in accordance with the Audit Committee's Forward Work Programme.

She explained to Members that table 1 provided a summary of the recommendations made by Internal Audit since 1 July; prioritised according to risk. There were 146 recommendations of which 145 were agreed and one was fundamental.

Table 2 detailed the number of recommendations made grouped by risk, this showed that compliance generated the highest number of recommendations, 51 in total.

The Chief Internal Auditor told the Committee that only one recommendation has still not been agreed, it should be noted however, that this is a live and changing document.

- RESOLVED:** Members gave due consideration to the Implementation of Recommendations report to ensure that this aspect of their core functions is being adequately reported.

233 COMMITTEE AUDITS

The Chief Internal Auditor presented a report to the Committee the purpose of which was to summarise for Members the finding of the audits recently completed by the Internal Audit Division.

She told Members that since the last Committee the main audits that have been finalised were the validation of grant claims and Engineering Services Projects. There were no overall concerns on any of the completed audits.

RESOLVED: (1) That Members noted the report.

234 INTERNAL AUDIT'S ANNUAL REPORT ON SCHOOLS

The Chief Internal Auditor presented a report to the Committee that summarised the findings made by Internal Audit in relation to the school based audits conducted in the 2010/11 audit year.

She explained to the Members that on an annual basis Internal Audit visit a proportion of the Authority's Primary, Secondary and Special Schools and aim to audit every school at least once every three years. Visits will be increased if a risk assessment deems it necessary. The risk assessment will take into account schools who have provided limited or no assurance in controlling risks in the past, schools where there have been changes in key personnel or schools who have just amalgamated or are due to amalgamate.

The Chief Internal Auditor told Members that Section 3 of the report gave a summary of Primary School findings. The findings indicate that the number of recommendations made per school is consistent with 2009/10, however the number of significant recommendations made per school has increased and the number of merits attention has decreased.

The Chief Internal Auditor explained to the Committee that a Control Risk Self Assessment (CRSA) Programme was rolled out to all schools who were not subject to an audit visit in 2010/11. Unfortunately the response rate was 55% which was disappointing but of the responses received it was encouraging to note that all schools gained either a good or very good rating. The Chief Internal Auditor noted that this was a new process and would hopefully become routine in the future.

She told Members that after the coming together of the Vale of Glamorgan Internal Audit Service and Bridgend's the current schools work programmes used by both Authorities were reviewed and a combined work programme has been developed. From 2011/12 all schools subject to an audit visit will be issued with a pre audit questionnaire and be required to submit documentation prior to the visit. Other priorities include ensuring that the schools programme is achieved, improving the response rate on the Self Assessment Questionnaires and ensuring a good response rate on the Client Satisfaction Questionnaires.

A member of the Committee asked if one primary school that had been given limited assurance was the same school that was experiencing difficulties previously and if so what action is being taken in relation to this school. The Chief Internal Auditor informed Members that she was not aware that either of the

schools given limited assurance has experienced any previous difficulties but that she would clarify this and report back to the Committee.

The Committee commented that the issue of CRB checks was cropping up time and time again as a problem area. The Chief Internal Auditor said that in the case of schools receiving written confirmation that new starters have been CRB checked this was not purely the responsibility of Human Resources, it is also the role of the Head Teacher and the Governing Body. The Chief Internal Auditor confirmed that she was writing to the Corporate Director - Children in response to this issue.

RESOLVED: The Committee considered the Internal Audit report on schools to ensure that all aspects of their core functions are being adequately reported.

235 EXCLUSION OF THE PUBLIC

RESOLVED: That under Section 100A(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business because of the likelihood that, if members of the public are present during this item there will be disclosure to them of exempt information of the description specified in Paragraph 18 of Part 4 of Schedule 12A and Paragraph 21 of part 5 of Schedule 12A of the said Act:-

<u>Minute Nos.</u>	<u>Summary of Items:</u>
236	Confidential Minutes of a meeting held on 10 November 2011.
237	Internal Audit - Building Maintenance Report - Management Action Plan.