

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM 2/3,  
CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 15 MARCH 2012 AT  
2.00PM

Present:-

Councillor E Dodd - Chairperson

Councillors

C Davies  
P A Evans  
T Hacking

Councillors

M Reeves  
C Westwood  
R E Young

Officers:-

I Pennington - Director - KPMG  
D MacGregor - Assistant Chief Executive - Performance and Section 151 Officer  
J Jenkins - Benefits Manager  
J Monks - Democratic Services Officer - Committees

250 APOLOGIES FOR ABSENCE

Apologies were received from the following Members and Officers:-

Councillor D Buttle	- Funeral
Councillor H Williams	- Work Commitments
H Smith - Chief Internal Auditor	- Annual Leave

251 DECLARATIONS OF INTEREST

None.

252 MINUTES OF THE PREVIOUS MEETING

RESOLVED: That the minutes of a meeting of the Audit Committee dated 2 February 2012 were approved as a true and accurate record.

253 E XTERNAL AUDIT REPORT - FINANCIAL STATEMENTS AUDIT PLAN  
31 MARCH 2012

The Assistant Chief Executive - Performance introduced the report on the Council's External Auditor's Financial Statements Audit Plan 31 March 2012. He invited the Director, KPMG to update Members on their findings.

The Director, KPMG informed Members that this was the fourth year KPMG had presented the Annual Financial Audit to the Committee and advised that the style had slightly changed this year as it was now produced on a Wales Audit Office (WAO) template. This was due to a change of appointment last summer, with Anthony Barrett becoming the Appointed Auditor for the WAO. He confirmed that KPMG would still form information on the Authority's accounts, which would then be passed to the Appointed Auditor.

He referred the Committee to the summary of the main audit risks and proposed responses, detailed on pages 6, 7 and 8 of the Annual Financial Audit Outline. He highlighted the controlled environment risks, explaining that in order to make savings, it sometimes incurred costs and those risks would be considered at the end of the financial year so that they are brought into the accounts.

The Director, KPMG highlighted the introduction of the Carbon Reduction Commitment (CRC) and how the Authority is capturing the financial implications of this scheme, which is aimed at energy intensive organisations to reduce electricity consumption. Organisations that fall within this category will be required to account for all energy including electricity, gas and oil, targeted through the CRC, with penalties being incurred for non-compliance; the Authority already had controls in place.

In terms of the Authority's financial systems risks, the Director, KPMG indicated that the introduction of International Reporting Standards (IRS) last year had resulted in the financial team experiencing accounting difficulties regarding fixed assets, due to the number of unadjusted differences being identified in the 2010-11 Audit. However, he had been reassured by the introduction of a new CIPFA fixed asset accounting IT module and additional staff, which would reduce the audit risk in future years. He commented that several local authorities had experienced similar problems.

The Assistant Chief Executive - Performance advised that the Finance Team had successfully completed work on the new IT system so that it is fit for purpose in preparation for the 2011-12 accounts; which would now be tested by KPMG. He reported that although the Financial Statement had generally been well received in the past, they had experienced a blip last year on capital accounting, but unfortunately there had not been time to address it before the financial year end. However, this would be avoided in future years as a result of the new IT system being put in place, together with the realignment of staff responsibilities.

The Director, KPMG then referred to the change in leisure provision from the 1<sup>st</sup> April 2012, which would mainly be more applicable to next year's accounts; a similar situation to the new waste contract two years ago, when some transactions could not be included until the following year. The External Auditors would look at the way the year end cut-off is dealt with in terms of the new contract, to establish the material effect this would have on the accounts.

In relation to the payroll, one of the major areas of expenditure for the Authority, he advised that last year they had encountered some problems with the payroll deficit. This had resulted in a different approach being adopted this year and issues which had been identified in previous years would be followed up by concentrating on Internal Audit and the budget monitoring of payroll. He explained that KPMG would run some computer audit techniques and work closely with Internal Audit in order to pull down all the transactions from the purchase ledger and other parts of the Authority, as well as some diagnostic testing.

The Director, KPMG concluded by explaining one change this year in preparation of the accounts risks, in that heritage assets, such as paintings and works of art owned by the Authority, would need to be valued and included in the accounts.

**RESOLVED:** That the Committee noted and considered the Financial Statements Audit Plan 31 March 2012.

254 SELF ASSESSMENT CHECKLIST - MEASURING THE EFFECTIVENESS OF THE AUDIT COMMITTEE.

The Assistant Chief Executive - Performance presented the report to inform the Committee of the findings of the self-assessment checklist, designed to measure the effectiveness of the Audit Committee, attached at Appendix A to the report. A questionnaire had been circulated to all Members of the Committee for completion, and based on a significant number of positive responses the overall assessment of the effectiveness of the Committee was very good. He referred Members to a booklet published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which provides guidance on the role of audit committees. He reported that although the Authority had received a risk management report from the WAO in the last 12 months, it had changed its style of reporting and no longer issued individual reports on performance work.

Discussion took place and the Assistant Chief Executive - Performance advised that there would be a requirement in the new Local Measure to recruit an independent lay member to sit on both Audit Committees for BCBC and the Vale of Glamorgan. The Committee would be required to act on this after the Election in May.

RESOLVED: That the Committee received and considered the results of the Self-Assessment Checklist and the overall outcome relating to measuring the effectiveness of the Audit Committee.

255 COMPLIANCE OF INTERNAL AUDIT TO THE STANDARDS AS CONTAINED WITHIN THE CODE OF PRACTICE FOR INTERNAL AUDIT IN LOCAL GOVERNMENT IN THE UNITED KINGDOM 2006

The Assistant Chief Executive - Performance presented a report to inform the Committee of the findings of the Self-Checklist, which measures the compliance of Internal Audit to the Standards as contained within the Code of Practice for Internal Audit in Local Government. The compliance is an annual requirement for the Authority to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) standards. He advised that Appendix A to the report provided the background to each standard listed, with a synopsis of evidence based points to show that Internal Audit had considered whether the Authority was in compliance with those standards. This would be included in KPMG's review of Internal Audit.

Discussion took place and Members considered that one year was too short a period to preclude Audit staff, who had previously held an operational role within another area of the Authority, from undertaking an audit in that business area. The Assistant Chief Executive - Performance confirmed that this would be taken up with the Chief Internal Auditor. The Director, KPMG suggested that a period of two years would be more appropriate.

The Assistant Chief Executive - Performance referred Members to Standard Six of Appendix A and commented that more work would be carried out on the development of staff, including matching and slotting people to new roles and filling vacancies, in order to grow the team. The opinion was that Internal Audit was in compliance with the Code of Practice, however KPMG would consider the quality of work and he would report back to the Committee with their findings. He

was confident however that Internal Audit would now deliver an improved quality service.

**RESOLVED:** That the Committee:-

- (1) Received and considered the results of the Self-Assessment checklist and overall compliance of the Section with the Code of Practice.
- (2) That consideration would be given to the length of time a member of staff is precluded from auditing a business area they had previously worked in.

256 **DEVELOPMENT OF A SHARED SERVICE FOR INTERNAL AUDIT WITH VALE OF GLAMORGAN COUNCIL**

The Assistant Chief Executive - Performance presented a report, the purpose of which was to update the Committee on the progress being made in developing a shared service for Internal Audit with the Vale of Glamorgan Council.

He reported that Cabinet, at its meeting on the 6<sup>th</sup> March 2012, had approved the proposal that Bridgend become a partner with the Vale of Glamorgan in the Internal Shared Service (IASS) partnership as a joint discharge of functions under Section 101 of the Local Government Act 1972. The report summarised the background to the IASS project, with the key aim being to deliver a service with identifiable and shared directives.

He reassured the Committee that he had been encouraged during the past 18 months by the way colleagues from both authorities had worked together to achieve a professional service of quality. He emphasised the importance of having confidence in the work the Team were carrying out, with the Committee being responsible for challenging and addressing the effectiveness of the service through questioning and monitoring those arrangements.

In response to a question from Members, he advised that in the new structure each authority would retain separate audit plans, with an equal share of resources being deployed to meet the needs of both authorities. A Partnership Agreement would be entered into between the two authorities setting out the governance arrangements and formalising the provision of services and the basis for cost apportionment. The project will be overseen by a Joint Partnership Board comprising the Section 151 Officers from each Council. The Board will monitor the performance of the IASS to ensure that it delivers the standards and expectations set out in the Partnership Agreement. He reported that savings to the Authority in the order of £21,300 per annum had already been realised through the sharing of the Chief Internal Auditor with further savings being expected as the new structure is developed.

**RESOLVED:** That the Committee noted the progress being made.

257 **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 items of business because of the likelihood that, if members of the public are present during these items there

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will be disclosure to them of exempt information of the description specified in Paragraph 14 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>
258	Confidential Minutes of a meeting held on 2 February 2012.
259	Risk Based Verification