

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN THE COUNCIL CHAMBER, CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 25 APRIL 2012 AT 2.00PM

Present:-

Councillor E Dodd - Chairperson

Councillors

C Davies
G Davies
P A Evans
M Gregory

Councillors

T Hacking
M Reeves
C Westwood
M Wilkins
R E Young

Officers:-

D MacGregor - Assistant Chief Executive - Performance and Section 151 Officer
I Pennington - Director - KPMG
M Smith - Chief Internal Auditor
R Martin - Insurance and Risk Management Officer
R Ronan - Democratic Services Officer - Committees

260 APOLOGIES FOR ABSENCE

Apologies were received from the following Members and Officers:-

Councillor D Buttle - Illness
N Young - Assistant Chief Executive - Performance - Other Council Business

261 DECLARATIONS OF INTEREST

None.

262 MINUTES OF THE PREVIOUS MEETING

RESOLVED: That the minutes of a meeting of the Audit Committee dated 15 March 2012 were approved as a true and accurate record subject to the minute relating to apologies for absence being amended to include Councillor M Wilkins - illness and the minute relating to attendance to include Councillor G Davies.

263 REVIEW OF CORPORATE RISK ASSESSMENT AND RENEWAL OF INSURANCE

The Assistant Chief Executive - Performance presented a report to the Committee that explained the outcome of the recent review of the Council's risk assessment and shows how some risk is transferred from the Council to the insurance market.

He told Members that at its meeting of 8 July 2010 the Committee agreed proposed amendments to its Terms of Reference which require the Committee to monitor the effective development and operation of risk management and corporate governance in the Council and to consider the Council's risk

assessment. The risk assessment identifies the main risks facing the Council and takes into consideration the likely impacts of these on its activities and the wider County Borough.

The Assistant Chief Executive - Performance told the Committee that good risk management and prevention minimise the number of claims received by the Council. He informed Members that the authority was performing extremely well in this area.

Welfare Reform

The Assistant Chief Executive - Performance explained to the Committee that changes being made by the UK Government have created a great deal of uncertainty. It is not yet known how the benefit changes will impact on the client base and the wider community.

He explained that as this is a central government led initiative the Council is still unsure what its role will be in the implementation. The implication for staff is that rather than driving the changes they are constantly reacting and therefore cannot plan ahead.

The Assistant Chief Executive - Performance said however that he had every confidence in the staffs' ability to manage the changes.

A Member of the Committee asked if there had been any analysis as to what is acceptable in respect of the type of accommodation claimants were paid for e.g. were allowed to claim for e.g. are claimants expected to share accommodation. The Assistant Chief Executive - Performance said that this would be an area that would be considered in the future through the scrutiny process.

Job Evaluation

The Assistant Chief Executive - Performance explained that progress is being made and with the end of the current consultation period being the 16 May. Negotiations are ongoing with the Trade Unions and there is a need to engage with Governing Bodies who had been very positive over the issue of equal pay. He told Members that if consensus over the proposals could not be reached other methods of implementation would have to be considered.

Young Voices

The Assistant Chief Executive - Performance told the Committee that the programme of school modernisation has been slowed down because of issues with funding therefore the timetable is having to be adjusted. He explained that finance has been secured for the next couple of years, however this is a long term programme. He assured Members that the Authority are well placed and have a good track record of delivering projects on time.

In terms of Adult Social Care the Assistant Chief Executive - Performance said that savings would be made by Service remodelling. Extra Care now provides a high quality modern service and illustrates that sometimes difficult decisions need to be taken in order to move forward. He explained to Members that the Authority has to find ways of delivering some services differently; when finance is tight innovation has to take place.

Using Resource Effectively

The Assistant Chief Executive - Performance told Members that the lowering of the risk score to medium showed a marked progress. He explained that the Authority benefitted greatly from responsible and mature political relationships.

Educational Attainment

The Assistant Chief Executive - Performance explained to the Committee that although work is being undertaken and focussing on school improvement the risk score may go up if this does not improve. Although the amount of funding has increased the resource base is still low.

Impact of the Recession

The Assistant Chief Executive - Performance told Members that from an Authority perspective this risk had decreased as the situation has stabilised and we are more certain of the funding base.

The Impact of Homelessness

The Assistant Chief Executive - Performance explained to the Committee that as a consequence of the Welfare Reform Bill an increase in people presenting as homeless was expected.

Collaboration with Partners

The Assistant Chief Executive - Performance told the Committee that there is evidence that partnership working and good effective collaborative arrangements permeate all the main risk areas of the Authority. Progress is continually being monitored via the scrutiny process.

Supporting Vulnerable Children and Young People

The Assistant Chief Executive - Performance explained to Members that it was very encouraging that this risk score was coming down and there were no major issues identified in a recent report. He told Members that the recently launched "Connecting Families" project was intended to be fully operational within the next eight months and has to date received positive feedback.

Maintaining Infrastructure

The Assistant Chief Executive - Performance told the Committee that there has been increased investment in this area by the Authority which has resulted in improvements to the main infrastructure.

Supporting Regeneration

The Assistant Chief Executive - Performance told the Committee that the Authority was making steady progress with all its regeneration initiatives in Bridgend, Maesteg and Porthcawl.

Equal Pay Claims

The Assistant Chief Executive - Performance informed Members that the Authority was now in the final stages of settlement. He explained however that this risk would not then be removed as further claims/issues could arise.

Management of Leisure Centres and Swimming Pools

The Assistant Chief Executive - Performance told the Committee that although the Council has now secured a partner in GLL/HALO to manage its leisure centres and swimming pools, the issues now would now be in relation to monitoring and compliance.

The Committee asked if in relation to the "Impact of the Recession" it was wise to reduce the risk score, especially as it has just been announced that we have entered a double dip recession. The Assistant Chief Executive - Performance reiterated that from an Authority perspective we are in a stable place.

The Director - KPMG said that there had previously been a level of uncertainty about the economy but we were now in a more contained position and things feel less uncertain. He advised that it was right that the risk register reflected this fluctuation.

The Insurance and Risk Management Officer explained to the Committee that Appendix B gave a summary of the Council's Principal Insurance policies. Bridgend County Borough Council has property with reinstatement value of £709m. He told Members that there were 325 buildings on the asset register with more than half of these being schools.

The Insurance and Risk Management Officer told Members that the business interruption insurance would enable the Council to cover any extra costs it incurred if for instance there was a major fire in one of its main administrative centres.

He informed the Committee that the Council owned approximately 280 vehicles which are all insured on a comprehensive basis. However, the main fleet is covered for third party liability only.

The Insurance and Risk Management Officer told Members that Appendix C detailed the cost of insurance. He explained that the Council's brokers were Marsh UK, a leading global firm who carried out a lot of business with the Public Sector. Marsh UK place a great deal of emphasis on the solvency of the insurers they recommend, this he explained is paramount from an Authority point of view.

The Insurance and Risk Management Officer informed the Committee that Appendix D, gave a summary of public liability claims, these mainly related to accidents to members of the public. He told Members that the majority of the claims were for highways, trips on the pavement or vehicle damage due to potholes. There is a very high rate of repudiation in relation to these claims and this is largely due to the highways department being able to prove that they undertake regular road inspections.

In terms of Employers liability claims, the Insurance and Risk Management Officer told Members that these were harder to defend as the duty of the employer to the employee is a very high one.

The Assistant Chief Executive - Performance said that good staff support arrangements had resulted in fewer on the job injuries and therefore fewer claims, large settlements were also not so common.

The Insurance and Risk Management Officer explained that although losing claims was very expensive he was pleased to report that we have won 10 out of the recent 11 claims. The Assistant Chief Executive - Performance said that this was a very positive picture in comparison with other Councils.

In relation to property damage claims the Insurance and Risk Management Officer told Members that most claims were because of burst pipes. The Committee asked what the position was with Church schools. The Insurance and Risk Management Officer told Members that the Archdiocese had the responsibility to insure the 'watertight' envelope i.e. the walls and roof, the LEA provides insurance for everything else.

A Member of the Committee asked if the Authority is insured against planning appeals. The Insurance and Risk Management Officer told Members that he had cause to investigate this issue as part of the disposal of the Ogmores Residential Centre and he confirmed that we are able to insure against costs. The Committee questioned whether in planning cases which were under the excess of £10,000 would we pay costs. The Insurance and Risk Management Officer confirmed that we would as we would not reach the threshold, he said however, that he would look into the subject of insurance and planning further and report back to the Committee.

RESOLVED: The Committee considered the information provided in relation to the review of the Annual Risk Assessment.

264 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 said that the Committee between May 2011 and April 2012 had reviewed 53 reports which were listed in Appendix A. This demonstrated the commitment to good corporate governance of the Audit Committee and the Council and complied with the terms of reference for the Committee.

RESOLVED: Members gave due consideration to the updated 2011/12 forward work programme to ensure that all aspects of their core functions are being adequately reported.

265 COMPLETED AUDITS

The Chief Internal Auditor presented a report which summarised the findings of the Audits recently completed by the Internal Audit Division.

School Meals

The Chief Internal Auditor told Members that a review of school meals had been requested by ICT especially in relation to the recording of income. This information is currently logged on an excel spreadsheet. Around 1.4 million is collected per year and there were concerns over the security of the spreadsheet, the degree of instability and large amounts of data inputting. There is also a high risk of fraud. The Children's Directorate have been consulted and it has been agreed that they will procure the SIMS dinner money module and that it is hoped that this will be implemented with training across all schools by September 2012.

A Member of the Committee asked if the use of the SIMS system would be mandatory. The Chief Internal Auditor said that as the maintenance costs would be covered by the schools we could not make it mandatory, she told Members however that schools would be encouraged to participate and a large number have already signed up.

CRB Audit

The Chief Internal Auditor informed Members that this issue mainly related to renewals being out of date and the lack of follow up procedures or escalation within the process. She said that there was still an expectation gap between the CRB Team and the schools. The Assistant Chief Executive - Performance assured the Committee that more work was being undertaken to resolve this important issue.

The Committee asked if governing bodies are informed if there are problems with CRB checks. It was agreed that this would be followed up by Audit.

Data Security

The Chief Internal Auditor explained to the Committee that a BCBC employee had experienced difficulties accessing files on a memory stick and when the stick was checked by ICT it was found that the information held was unencrypted. Out of 15 memory sticks that were checked it was found that 5 were unencrypted. Senior management have therefore agreed a training programme regarding the handling of data.

RESOLVED: Members noted the report.

266 ANNUAL OPINION REPORT OF THE HEAD OF INTERNAL AUDIT FOR THE PERIOD JULY 2011 TO MARCH 2012

The Chief Internal Auditor presented a report to the Committee outlining her opinion on the overall adequacy of the Council's internal control environment. She explained that Appendix A and B detailed the work undertaken by Internal Audit and the report is to satisfy the requirements of the Accounts and Audit (Wales) Regulations 2005 as amended and the Head of Internal Audit's annual reporting requirements as set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

She told Members that attached at Appendix A and B is a detailed report (including the outturn July 2011 to March 2012) on the work undertaken by Internal Audit during this period. The opinion in this report relates to the system of internal control at the Council and the overall internal control in place. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve corporate/service policies, aims and

objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness.

The Chief Internal Auditor explained to the Committee that of the 93 reviews undertaken 10 have identified weaknesses in control to a level that only limited assurance could be given, all of which have been reported to the Audit Committee and management have given written assurance that the recommendations made will be implemented to address the weaknesses identified.

She told Members that one review identified significant weaknesses and therefore an opinion of no assurance was given, this was reported to the Audit Committee separately and the action plan was discussed. Early indications are that progress has been made and this will be the subject of a further report in due course.

The Chief Internal Auditor informed the Committee that the volume of Internal Audit recommendations accepted by management was 99.7%. Table 4 shows the results of the audit client satisfaction questionnaires, the results are excellent and show a high level of customer satisfaction.

The Chief Internal Auditor explained to the Committee that the Internal Audit Plan presented to the Committee in July 2011 was based on a provision of 1,166 productive days. During the period, the Internal Audit Section experienced significant change the impact has been a shortfall of 142 productive days, representing a 12% reduction. She said that as a consequence the work undertaken during this period has focused on covering the high risk areas.

The Assistant Chief Executive - Performance told Members that on two occasions he has asked Internal Audit to respond to a situation at short notice and the impact of this is obviously that other work plans have to be reprioritised.

The Chief Internal Auditor explained to Members that a review of Corporate Governance was also undertaken and a number of strengths and areas of good practice were identified; including the development and adoption of a Code of Corporate Governance. No significant weaknesses were identified during the review.

RESOLVED: Members gave due consideration to the Head of Internal Audit's Annual Opinion covering the period July 2011 to March 2012 to ensure that all aspects of their core functions are being adequately reported.

267 INTERNAL AUDIT PROPOSED PLAN APRIL 2012 TO MARCH 2013

The Chief Internal Auditor presented a report to Members which proposed the Council's Internal Audit Plan for the year, April 2012 to March 2013.

She explained that Appendix A showed a full list of proposed work. The plan however was flexible as it was important to ensure that there is scope for unforeseen work. The Chief Internal Auditor told Members that the plan has also taken into consideration the concerns of Directors and Heads of Service.

RESOLVED: Members considered and approved in principle the proposed Annual Audit Plan as outlined in the report.

268 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 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:-

Minute Nos.

Summary of Items:

269

Confidential Minutes of a meeting held on 15 March 2012.