

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM 2/3,  
CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 20 JUNE 2013 AT 2.00PM

Present:

Councillor E Dodd - Chairperson

Councillors

G Davies  
G W Davies MBE  
C A Green

Councillors

J Lewis  
J R McCarthy

Councillors

C Westwood  
R E Young

Lay Member: J Williams

Officers:

J Smith - Head of Finance and Performance  
H Smith - Chief Internal Auditor  
D Gilbert - Audit Director - KPMG  
A Rees - Democratic Services Officer - Committees

67 APOLOGIES FOR ABSENCE

Apologies for absence were received from the following Members for the reasons so stated:-

Councillor M Reeves - Hospital appointment  
Councillor E Venables - Attending conference

68 DECLARATIONS OF INTEREST

None.

69 INFORMATION AND ACTION RQUESTS BY COMMITTEE

The Chief Internal Auditor submitted a report which summarised the actions and information requests made by the Audit Committee. She informed the Committee that it will receive presentations on how an audit is conducted and on a KPMG case study from the Council's external auditor.

The Chief Internal Auditor commenced her presentation on undertaking an audit by stating that an audit would take three stages, namely, planning; conduct and reporting. The planning stage involved preparing for the assignment. The Service to be audited would be included within the annual audit plan and once the audit had been assigned to the most appropriate auditor, an audit brief would be prepared. The auditor would contact the auditee and notify the auditee in writing and schedule an opening meeting. The lead auditor in preparing for the assignment would need to gain an understanding of the nature of the work, activity, organisation or initiative being audited and following an opening meeting with the auditee would prepare standard documentation (control evaluation sheets, working papers, report format) before commencing the audit field work.

The second stage of the process involved conducting the audit which involved recording and evaluating the system. Within this stage objectives of recording systems would be set and methods of recording which could be through systems notes and descriptive questionnaires. Sources of information would be looked at and this would be gained from previous files,

guides, manuals, committee reports, organisation charts, job descriptions, desk top instructions and previous inspection reports. Control objectives would be set which involved author controls, substantiation and validation controls, classification controls and physical controls which would enable risks to be identified. Actual controls would be determined by testing and evidence which would take the form of walk through tests; compliance tests and substantive tests. An overall assessment of the system would be made by a benchmark comparison with actual control as determined from the outcome of the tests performed and evidence gathered.

The final stage of the process involved reporting and the aim of every report should be to prompt management action to implement recommendations for change leading to improvement in performance and control and provide a formal record of points arising from the audit and, where appropriate, of the actions agreed with management. The draft report, once prepared would be reviewed by the Senior Group Auditor/Chief Internal Auditor who would review the points documented and addressed. The draft report would then be issued to the auditee including an implementation action plan for completion. A response would then be received from auditee and reviewed to ensure acceptance of recommendations, the timeliness of implementation and accuracy. A final audit report issued would be diarised for follow up. The Chief Internal Auditor informed the Committee that she undertook monthly checks and the Senior Group Auditors undertook quality assessment checks of audit undertaken. The Chief Internal Auditor informed the Committee that should an auditee object to recommendations in the audit report she would write to the manager expressing her concerns.

The Committee received a presentation from Darren Gilbert of KPMG, the Council's external auditors on a case study on decision making in local government. He stated that the case study involved a district council in England who had decided to build a new council office which had seen significant local opposition and delays to the proposed development. The development had also given rise to a formal objection from local electors requesting the external auditor issue a public interest report.

The external auditor stated that the business case looked at the current offices, regeneration plans and proposals for the new offices. Issues which arose from the case study involved the selection of a site and contractor which involved looking at the tender process, wider decision making and tender evaluation. The external auditor outlined the findings on the process of the selection of the site and contractor.

The external auditor informed the Committee of the information gathered on the decision making processes in the case study and on the auditor's findings. He also highlighted the decision making processes which were found to be effective with the call-in of the decision working effectively.

The external auditor informed the Committee that the engagement and communication arrangements were reviewed and he outlined the findings. He highlighted the key learning points from this case study which were to ensure that processes were fair and balanced; an awareness of perception risks; being clear as to who makes what decisions; ensuring all options and costs were considered; making use of advisers and specialists and proactive communication and engagement to save time and costs.

The Committee thanked the Chief Internal Auditor and External Auditor for their presentations.

**RESOLVED:** That the Committee noted the report.

70 **STATEMENT OF ACCOUNTS 2012-13**

The Head of Finance and Performance introduced the report on the unaudited Statement of Accounts for 2012/13. The Statement of Accounts had to be signed and dated by the responsible financial officer before 30 June 2013, certifying that it presents a true and fair view of the financial position of the Authority. The audited accounts must be approved by this Committee before 30 September 2013. She stated that it was the role of the responsible financial officer (Corporate Director - Resources) to make appropriate judgements in accordance with their professional judgement about the best and proper practices to be followed. The Statement of Accounts comprised different statements relating to the financial performance and reserves as well as a statement on corporate governance arrangements.

The Head of Finance and Performance informed the Committee that the accounts would be placed on deposit from 2 July - 29 July 2013 for public inspection and from 30 July 2013 would be presented to the Council's external auditors KPMG.

In response to a question from the Committee, the external auditor distinguished between reserves and balances and commented on the difficulty of predicting the correct level of balances, but it would need to be based on prudence and risk management. The Head of Finance and Performance informed the Committee that the base budget could not be funded from reserves on a recurring basis as this would lead to reserves being depleted. As yet, the Council had not had to fund service over-spends through using the council fund balance and the first option would always be to identify an alternative solution. She stated that the Council did not hold a large central contingency within the base budget to fund overspends. She also stated that there was a wide variation of reserves and council fund balances across local authorities in Wales and the level at which the council fund was kept was one for local decision depending on each local authority's financial strategy. The Head of Finance and Performance informed the Committee that a 0.5% cut in revenue support grant was anticipated for 2014-15 when the Medium term Financial Strategy was agreed by Council in February 2013. This equated to a cut in RSG of around £900k. However, it was likely that the CSR announcement on 26 June 2013 would result in a much larger cut in RSG..

In response to a question from the Committee on the movement of central services expenditure, the Head of Finance and Performance stated that she would submit a response on central services expenditure which related to the establishment of a provision for any liabilities of the former Ogwr Borough Council and Mid Glamorgan County Council from the scheme of arrangement with Municipal Mutual Insurance and to finance the large amount of equal pay claims. She stated that this expenditure was not mirrored in 2012/13.

**RESOLVED:** That the Committee noted the unaudited Statement of Accounts for 2012/13.

71 **COMPLETED AUDITS**

The Chief Internal Auditor reported on the findings of the audits recently completed by the Internal Audit Division. She stated that there was substantial assurance given for the traffic management and creditors' audits and reasonable assurance given to the payroll audit.

**RESOLVED:** That the Committee gave due consideration to the completed audits reported to ensure that all aspects of their core functions were being adequately reported.

72 AUDIT COMMITTEE - FORWARD WORK PROGRAMME 2013 -14

The Chief Internal Auditor presented a report on an update to the Forward Work Programme for the Audit Committee.

RESOLVED: That the Committee gave due consideration to the 2013-14 Forward Work Programme to ensure that all aspects of their core functions were being adequately reported.

The meeting closed at 3.40pm