

Bridgend County Borough Council
Audit Committee
25th August 2005
Report of the Deputy Chief Executive
And Executive Director - Resources

Completed Audits

1. Recently completed audits are summarised in the following table.

Report	Draft Report Issued	Key Messages	Audit Opinion	Key Action Plan Dates
Personal Services:-Cross client BCBC maintained establishments (residential and day care)	May 2005	<ul style="list-style-type: none"> • 5 Residential Establishments and 2 Day Centres reviewed with a combined budget in excess of £3m p.a. • Inconsistencies in interpretation, particularly in respect of inventories 	Satisfactory	March 2006
Tourism & Marketing	Aug 2005	<ul style="list-style-type: none"> • Highly motivated and committed team, with a budget of approx. £0.3m. • No recommendations were made as a result of the Audit. 	Satisfactory	N/A
Roundabout Sponsorship Scheme	June 2005	<ul style="list-style-type: none"> • Brief review of the scheme prior to its expansion. • Although a few minor potential risks were brought to management's attention, overall the risk to the Council is considered low. 	Satisfactory	N/A

Housing Benefits	July 2005	<ul style="list-style-type: none"> • One of the Council's major systems with controlling annual expenditure in excess of £33m, mostly recovered via Government Grant. • Supervisor checks need to be carried out in a timely manner. • Monthly reconciliations need to be completed in a timely manner. 	Satisfactory	July 2005
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2. I will be happy to deal with any points members wish to raise on these audits or if they wish produce fuller reports on selected reports to the next meeting and would **recommend** they note the report.

Control Risk Self Assessment in Schools

3. I reported to this Committee on 9th October 2003 that a pilot exercise was being carried out with some schools whereby the school would evaluate the standard of internal control operating within their school against best practice as identified by Internal Audit.
4. The pilot was deemed successful by both the head teachers involved and Internal Audit. As a result approximately half of primary, infant, junior and special schools were invited to participate in the first phase of a 'roll-out' of the scheme. A toolkit was delivered to each of these schools by an internal auditor who gave an outline of its contents and purpose. Options for completion included the use of electronic media to both record the controls for future reference at the school and to return the results to Internal Audit. A similar exercise was carried out with all secondary schools.
5. Completion of the toolkit is currently voluntary and it is encouraging that the vast majority of primary schools invited did participate in the exercise. Five of the nine secondary schools made returns to Internal Audit.
6. The original intention was that a score would not be given to the results of responses. However, to help in analysing the results to identify possible weaknesses either in internal control or in the clarity of the toolkit a nominal score has been derived for each school and for control areas within each school. The schools will be informed of their 'scores' in the next academic year and given a chance to verify them.
7. The results indicate that there is some misunderstanding of the expected controls. This opinion is supported by the results of a full audit of one of the secondary schools who participated in the scheme whereby the audit indicates that the school's financial and related areas of risk are generally well controlled.

8. The primary schools who were invited to complete the CRSA toolkit are included in Internal Audit's planned cyclical review this year. Their individual CRSA returns will be discussed in the course of the review. The remaining primary schools will be invited to complete the toolkit this year.

Policy on CRB Checks

9. Internal Audit has raised concerns in a number of reports over the lack of consistent procedure across the Authority for the Criminal Records Bureau checking of employees. At their March meeting members requested an overall position statement on such checks. This report is meant to discharge that request.
10. As this is a report on the current position and not an audit no testing has been undertaken by Internal Audit.
11. Currently, new staff (since 2002) should be CRB checked prior to the commencement of their employment, where appropriate to their position. Prior to this (since 1986) checks on relevant new education and social services staff were performed with the police. Existing staff are not requested to have a CRB check, with the exception of Personal Services. Furthermore there are no further follow up checks. Terms and conditions for new employees have recently been changed requiring them to notify the Authority of any criminal convictions which may arise in the future.
12. In preparing the report Internal Audit have consulted the CRB and others and established:
 - That the disclosure printed is only valid on the date it is requested.
 - There is no formal guidance on how often a re-check should occur with the exception of Personal Services staff, governed by the Care Standards Act.
 - Advice received from the CRB stated 'it is solely a matter for the employer to determine whether existing staff should be re-checked within a given period of time'.
 - We are advised it is an offence under certain legislation e.g. the Protection of Children's Act 1999 and Care Standards Act 2002 to employ someone who has not been appropriately checked, irrelevant to the date of employment.
13. In addition The Head of Legal services has advised that:-
 - A single check of a prospective employee is inadequate.
 - Checks should be carried out on all (relevant) staff periodically.
 - All staff should have a contractual obligation to inform the employer of any likely or planned proceedings against them.
14. And has further advised that consideration would need to be given as to whether there are any existing provisions within employment contracts in relation to ongoing checks. All prospective employees should be informed that a check will take place prior to employment and that as part of the employment contract periodic checks will take place. If existing employee contracts that do not have such a provision, they should be amended, which will of course require some consultation with Unions. From there periodic checks should be undertaken on all staff.

15. Internal Audit has consulted with Directors and Personnel Officers in the Authority to ascertain the current position:

- Office of the Chief Executive and Corporate Services-Checks are made in respect of Children's and Young People's Partnership, Youth Offending Team and taxi licensing. Apparently, no other checks are performed. The rehabilitation of offenders legislation does not apply to Solicitors and each member of staff is under a professional obligation to inform the employer of criminal convictions.
- Personal Services-The directorate has advised Internal Audit that robust arrangements are in place. New staff are CRB checked where appropriate and a program of three year follow up checks is underway. In addition, extra resources were employed to back check existing employees as required by the Care Standards Inspectorate for Wales
- Education, Leisure and Community Services-The directorate has a code of practice for managers to follow. All members of staff who have unsupervised access to children and vulnerable adults are required to undertake a disclosure. List 99 is also checked. With regards to back checks and re-checks the directorate is working to advice issued in 1993 by the Home Office and the then Departments for Education and Health and the Welsh Office which states that 'checks on existing employees should not generally be carried out unless serious allegations are made against an individual'. Where an employee changes to a relevant post a CRB check is performed.
- Environment and Planning Services-Education, Leisure & Community Services manages checks on behalf of this directorate. Checks are made for School Crossing Patrols & CCTV. Rechecks of School Crossing Patrols were made for those who had the old police checks; this is being considered for existing CCTV staff. In addition 3 yearly re-checks of School Crossing Patrol personnel is planned as per Personal Services.

16. Whilst the Authority has a policy in respect of CRB checks of employees, In Internal Audit's opinion there is a need for more detailed guidance and procedures which should include:

- what posts should be checked and the type of CRB check
- whether there is a need for all relevant existing staff to be checked
- follow up checks on a regular basis where necessary
- responsibility for CRB checks of staff in partner organisations
- the need and responsibility for checks of suppliers of services and also users of Council facilities by third parties..

17. Members are requested to note this report and resolve whether they wish to consider the matter further.

CIPFA Statement on Audit Committees

18. Shortly after my report to the last committee was finalised CIPFA issued a position statement on audit committees in local government in England and Wales. Which I attach in Appendix 1 for members' information.
19. This statement is the first of its kind in England and Wales and is certainly to be welcomed. However some of its current suggestions are a little problematic, but further guidance is promised shortly from CIPFA and in the meantime members are recommended to note the report.

Annual Internal Audit Opinion

20. The Chief Internal Auditor has issued to me his annual opinion on the council's internal control arrangements which is quoted verbatim below:

*“Based on work carried out by the Internal Audit Division I have formed the opinion the council's internal control arrangements provide a **satisfactory level** of assurance.*

This assessment is similar to last year and as then is higher than might be expected from reading the Statement of Internal Financial Control (SIFC) for 2004/05 but this merely reflects the different foci of the Internal Audit's work for the period compared to the work of other agencies and staff that has informed the production of the SIFC. In no way should this be seen as contradicting the assessment in the SIFC.

This opinion primarily applies to the financial year 2004/05 but given the nature of internal audit as a 'current' audit it also relies on work completed before and since

Nyall Meredith CPFA

18th August 2005”

21. Members are recommended to note the Chief Internal Auditors opinion.

L.M. James

Deputy Chief Executive and Executive Director - Resources

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Background documents:

Audit Reports within the internal audit division.

Responses from Directorates on CRB checks

AUDIT COMMITTEE PRINCIPLES IN LOCAL GOVERNMENT

POSITION STATEMENT

This statement reflects the views of CIPFA's Audit Panel on the role of audit committees in local government. It emphasises the importance of audit committees being in place in all principal local authorities.

Audit committees are a key component of corporate governance. They are a key source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance.

Guidance on implementing and running audit committees in local government lags behind other sectors. CIPFA will therefore be publishing further guidance, drawn from practical examples and experience of other parts of the public sector in 2005.

The way in which an audit committee is organised will vary depending upon the specific political and management arrangements in place in any local authority. CIPFA's further guidance will explore how audit committees relate to local authorities different arrangements for managing and governing themselves. It is not therefore appropriate to prescribe any particular model. But there are features that should be common to all:

- 1 A Statement of Purpose
- 2 Core Functions
- 3 Features
- 4 Structure and Administration

1 A Statement of Purpose

The local authority should formally approve a Statement of Purpose, along the following lines:

The purpose of an Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

2 Core functions

Audit Committees will:

- Approve (but not direct) internal audit's strategy, plan and performance.
- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.

- Consider the reports of external audit and inspection agencies.
- Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements. Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
- Be satisfied that the authority's assurance statements, including the Statement on Internal Control¹, properly reflect the risk environment and any actions required to improve it.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

3 Features

Good audit committees will be characterised by:

- Strong chairmanship – displaying a depth of skills and interest²
- Unbiased attitudes - treating auditors, the executive and management equally
- The ability to challenge the Executive (leader/chief executive/mayor or whatever combination) when required
- A membership that is balanced³, objective, independent of mind, and knowledgeable.

4 Structure and Administration

Although no single model of committee is prescribed, all should:

- Be independent of the Executive and Scrutiny functions.

¹ Extract from CIPFA's guidance *'The Statement on Internal Control – meeting the requirements of the Accounts and Audit Regulations 2003'*. "The Accounts and Audit Regulations 2003 state that the relevant body is responsible for ensuring that the body (authority) has "a sound system of internal control". Members and member committee committees should therefore establish procedures to provide sufficient assurance for them to be able to attest to this".

² There are many personal qualities needed to be an effective chair, but key to these are promoting apolitical open discussion, managing meetings to cover all business and encouraging a candid approach from all participants. An interest, and knowledge in financial and risk management, accounting concepts and standards, and the regulatory regime are also essential. A specialism in one of these areas would be an advantage.

³ The political balance of a formal committee of an authority will reflect the political balance of the council. However, balance in terms of apolitical attitudes is as important.

- Have clear reporting lines and rights of access to other committee /functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups.
- Meet regularly – at least four times a year with a quorum, and have a clear policy on those items to be considered in private and those to be considered in public.
- Meet separately with the external auditor at least once a year.
- Include, as regular attendees, the Responsible Finance Officer, Chief Executive, Head of Internal Audit and Appointed External Auditor and Relationship Manager. Other attendees may include the Monitoring Officer (for standards issues) and the Head of Resources (where such a post exists) The committee should have the right to call any other officers or agencies of the council as required.
- Be properly trained to fulfil their role⁴.

⁴ Further guidance will be available on the skills, knowledge and personal attributes required of committee members but key areas for training would include financial and risk management, auditing and accounting concepts and standards, regulatory requirements for financial reporting, and corporate governance.