

**Bridgend County Borough Council**  
**Audit Committee**  
**3 rd November 2005**  
**Report of the Deputy Chief Executive**  
**And Executive Director - Resources**

**Completed Audits**

1 Recently completed audits are summarised in the following table.

<b>Report</b>	<b>Draft Report Issued</b>	<b>Key Messages</b>	<b>Audit Opinion</b>	<b>Key Action Plan Dates</b>
Youth Offending team	Jan 2005	<p>Need to:</p> <ul style="list-style-type: none"> <li>• Formulise existing funding sources and investigate new income streams.</li> <li>• Review Management resources with the YOT.</li> <li>• Formalise the delegation of powers to the YOT Manager.</li> <li>• Improvements in documenting and monitoring training needs and CRB checks.</li> <li>• Provision of a specific BCBC policy for the YOT.</li> <li>• Formal protocols/Service Level Agreements with all agencies and partners.</li> <li>• Review of Council Members association with YOT activities.</li> <li>• Review of compliance of BCBC policy on the Welsh Language.</li> </ul>	Satisfactory	Early 2006

Creditors - Core System	Aug 2005	<ul style="list-style-type: none"> <li>Any changes to master-file details must be requested and authorised by the directorate responsible for the expenditure.</li> <li>There should be independent review of the cheques control spreadsheets to ensure accuracy.</li> </ul>	Satisfactory	Sept 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.

#### **CIPFA Guidance on Audit Committees**

- Members will recall that in the August meeting of the committee I updated them on CIPFA's position statement on audit committees in local government in England and Wales.
- I indicated in that report that further guidance was expected shortly from CIPFA. Publication of this further guidance has been delayed several weeks but is now imminent.
- However the Chief Internal Auditor and the Chair of the Audit Committee recently attended a workshop run by IPF (CIPFA's commercial arm) entitled 'The Role and Operation of an Audit Committee' that was designed coincide with the release of further guidance. I'm sure that they would like to share with the committee their initial impressions.
- Members are **recommended** to
  - Note the delay in publication of CIPFA's further guidance;
  - Receive and note the initial impressions of the Chair & Chief Internal Auditor on the IPF workshop.

#### **Internal Audit Charter**

- The above document is 'owned' by this committee and minor changes are required to update them to take into account the:
  - Accounts and Audit Regulations (Wales) 2005
  - Change of my title to Executive Director – Resources.
- Amended copies of these documents are attached in appendix 1. Originally it had been my intention not to reproduce it fully but it occurred to me that since these were last reviewed in November 2003 many members may not have seen them.
- Members are **recommended** to endorse the changes to this document.

## **Audit Report – Corporate Improvement Plan 2005/2008**

10. The above has now been discussed by both Cabinet and Council, but I think it important to give the committee a chance to discuss it from the point view of their own role.
11. KPMG will be present to comment on their report and members are asked to bring to the meeting the copies distributed for the Cabinet meeting of 18<sup>th</sup> October.
12. Members are **recommended** to note the report.

## **Forward Work Programme**

13. It will be obvious to members that the committee's plan for a forward work programme has got off to a stuttering start, and I am anxious to get this back on track.
14. A number of discussions are taking place at the moment which I will be able to update members on at the committee meeting. However I would like to inform members that The next meeting of the committee on the 15<sup>th</sup> December will mainly be devoted to the:
  - Statement of Accounts and Relationship Manager's Letter for 2004/05,
  - Management's initial plans for the preparation of the Statement of Internal Control for 2005/06.
15. Members are **recommended** to note the report.

**L.M. James**

**Deputy Chief Executive and Executive Director - Resources**

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Background documents:

Audit Reports within the internal audit division.

**INTERNAL AUDIT CHARTER**

**Introduction**

To be effective, Internal Audit must be seen to be independent. To ensure this, Internal Audit will operate within a framework that allows:

- unrestricted access to senior management
- reporting in its own name
- segregation from line operations.

Every effort will be made to preserve objectivity by ensuring that all audit members of staff are free from any conflicts of interest and do not undertake any non-audit duties, with the exception of data protection and associated activities.

Internal Audit's powers are contained within the financial procedure rules of Bridgend County Borough Council and the Accounts and Audit Regulations (Wales) 2005.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

**Objectives of Internal Audit**

As an independent appraisal function within the authority, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources. To provide an objective service to the Authority, Internal Audit operational objectives are :

- To support the Executive Director - Resources in his role as S.151 Officer, Local Government Act 1972.
- To promote and assess whether services are provided with full regard to value, probity, integrity and efficiency.
- To identify risk areas throughout the Council taking account of the Council's aims and objectives.
- To carry out audit assignments as detailed in an audit plan or as directed by the Executive Director - Resources.
- To determine whether the Council's financial procedures conform with relevant statutes and codes of practice.
- To provide quality advice and support to Members, Directors and their staff.
- To promote compliance with and co-ordinate the Council's responsibilities under current Data Protection Legislation.

**Scope of Internal Audit**

The scope of Internal Audit allows for unrestricted coverage of the authority's activities and unrestricted access to all records and assets deemed necessary in the course of an audit. In addition, Internal Audit, will have unrestricted access to:

- The Audit Committee
- the Chief Executive

- members of Council
- individual chief officers
- all authority employees.

### **Status of Internal Audit**

Internal Audit is located within the Corporate Services Directorate reporting directly to the Executive Director - Resources.

### **Internal Audit Responsibility**

The main areas of Internal Audit responsibility within the authority are to:

1. Review, appraise and report on:
  - the soundness, adequacy and application of internal controls
  - the suitability and reliability of financial and other management data, including aspects of performance measurement.
  - the extent to which the assets and interests are accounted for and safeguarded from loss
2. The efficiency, economy and effectiveness of services.
3. Investigate frauds and irregularities where appropriate.
4. Advise on internal control and risk implications of enhancements to existing or new systems.

### **Audit Style and Content**

The primary task of Internal Audit is to review the systems of internal control operating throughout the authority, and in this will adopt a predominantly systems-based approach to audit.

The Chief Internal Auditor will be required to manage the provision of a complete audit service to the authority which will include systems, regularity, computer and contract audit. In discharge of this duty, the Chief Internal Auditor will:

- prepare a rolling strategic risk-based audit plan in consultation with senior management, for formal ratification by the Executive Director - Resources and Audit Committee. This strategic plan will be regarded as flexible rather than as an immutable expression of audit policy
- translate the strategic plan into annual plans for formal agreement with the Executive Director - Resources and Audit Committee.
- ensure a system of close supervision of audit work, and maintain a review of audit files.
- provide resources when required for VFM studies, where the achievement of economy, efficiency and effectiveness will be reviewed
- prepare, for agreement with the Executive Director - Resources, an annual report on audit activities for presentation to the Audit Committee.

### **Audit Resources**

The staffing structure of the section will comprise a mix of qualified, technician and trainee posts with a mix of professional specialisms to reflect the varied functions of the section.

As far as is practicable, Internal Audit will not participate in the day-to-day operation of any systems of internal control. However, in strict emergency situations only, audit personnel may be called upon to carry out non-audit work on a short-term basis.

Members of the internal audit section will be expected to contribute to the general management and conduct of business through membership of working groups and participation in ad hoc exercises.

Upon request from the Executive Director - Resources, appropriate specialists from departments other than Finance should be made available to take part in any audit or VFM review requiring specialist knowledge.

### **Audit Training**

The Chief Internal Auditor will carry out a continuous review of the development and training needs of all audit personnel and will arrange in-service training covering both internal and external courses.

### **Audit Reporting**

All audit assignments will be the subject of formal reports. Where appropriate draft reports will be sent to the managers responsible for the area under review for agreement to the factual accuracy of findings. After agreement, the reports will be issued to the relevant director with a copy sent to the authority's external auditors.

### **Related Documents**

This document is one of a series that, together, constitute the policies of the authority in relation to anti-fraud and corruption. The other documents are:

- Anti-Fraud and Corruption Policy
- Anti-Fraud Strategy – Housing Benefits and Council Tax Benefit Policy Statement
- Housing and Council Tax Benefit Sanctions Policy
- Whistle-Blowing Policy
- Data Matching Policy
- Code of Conduct for Members and Co-opted Members
- Officers Codes of Conduct.

