

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM  
2/3, CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 1 JUNE 2006 AT  
2.15PM

Present:-

Councillor J C Spanswick - Chairperson

Councillors

Councillors

D T Anderson  
D A D Brett  
A E Davies  
G Davies  
P A Evans

W May  
M Simmonds  
W H C Teesdale  
M Wilkins

Officers:

Mr L M James - Deputy Chief Executive and Executive Director – Resources  
Mr N Meredith - Head of Internal Audit  
Mr I Pennington - KPMG  
Ms J Radzimierski - Head of Exchequer Management  
Mrs R Harries - Trainee Cabinet & Committee Officer

101 CHAIRPERSON'S ANNOUNCEMENT

The Chairperson thanked the previous chairperson, Councillor A E Davies, for her good work during the previous year.

102 APOLOGIES FOR ABSENCE

Apologies were received from Councillor R M Granville.

103 NON-ATTENDANCE DUE TO OTHER COUNCIL BUSINESS

None.

104 DECLARATIONS OF INTEREST

None.

105 MINUTES OF PREVIOUS MEETINGS

RESOLVED: That the minutes of the Audit Committee dated 11 April 2006 and 20 April 2006 be approved as a true and accurate record.

106 LETTER FROM MINISTER FOR FINANCE, LOCAL GOVERNMENT AND PUBLIC SERVICES

The Head of Internal Audit submitted a report on the above matter. A copy of the letter was attached at Appendix A. He advised members of his intention to provide a detailed comparison of CIPFA's new guidance with Bridgend County Borough Council's (BCBC) arrangements at the next meeting.

Members were pleased to note that there were a number of points that the Committee already complied with.

RESOLVED: That the report be noted.

107 PAYROLL PROGRESS REPORT

The Head of Internal Audit presented the above report as a follow-up to the audit previously discussed by the Committee. He advised the Committee that significant progress had been made, but the solution to a number of problems depended on enhancements being made to the new TRENT system. The Head of Exchequer Management agreed that further development of the software was key, but noted the need to continue to examine existing processes as well.

Members discussed the issues surrounding the possible integration of the two payroll dates, which would result in all employees being paid at the end of the month. It was agreed that the efficiency savings and the additional checks that this would allow meant that the issue should be addressed as a matter of urgency with a view to setting a timeframe for this to be achieved.

Members queried the likelihood of unauthorised starters being added to the payroll. The Head of Internal Audit clarified that this has been highlighted as a risk, rather than a suggestion that there were actual unauthorised persons on the payroll. The Head of Exchequer Management informed members that she was confident that the checks in place were sufficient to ensure that this was not possible. In support of this, she distributed copies of a table outlining the division of duties and validations in the recruitment and payroll section.

Members noted the importance of the TRENT system and suggested members should be provided with a greater understanding of the system and its capabilities. The Head of Exchequer Management advised that attempts had been made to organise a demonstration to Council, but this had so far not come to fruition. It was agreed that a demonstration be arranged for a future meeting of the Audit Committee.

Regarding the issue of calculating maternity pay, the Head of Exchequer Management advised that one directorate had not been informing employees that they had a choice of two options regarding the calculation of their maternity pay. However, they were now doing this. She further advised that it was not currently possible to provide a control report of the number of people on payroll from the computer system. Alternative methods of producing the totals were currently being considered, with for-reporting by August 2006.

In response to further questions, the Head of Exchequer Management identified the need to work with the audit department in order to streamline the Audit Report generated by the TRENT system. In relation to a query regarding payroll differences, she explained that should a problem arise, it would be difficult to locate it, but problems in this area were extremely rare.

RESOLVED:

- (i) That the report be noted
- (ii) That Officers further investigate the issues surrounding the merger of the two payroll dates and report back to the appropriate Committee(s).

108 STATEMENT OF INTERNAL FINANCIAL CONTROL

The Deputy Chief Executive and Executive Director – Resources presented a report which outlined the reasons for publishing a Statement of Internal Control (SIC) and the process required to achieve this. Supporting documentation and the draft Statement of Internal Control were attached at Appendices A and B respectively. He noted that the SIC offered a reassurance regarding the way in which the Local Authority operated and represented a good start to the process. He advised the Committee that the statement itself identified eight risks in particular that needed to be addressed. The Head of Internal Audit added that this did not represent a complete list of all risks facing the authority, but stated that all identified risks, including those mentioned in the SIC, were being addressed.

Members noted the hard work that had gone into the production of the document but observed that some areas, such as the numbers of Looked After Children, were outside the control of the Authority, at least in the short term.

The Head of Internal Audit noted that a risk had been identified regarding the increased use of partnership arrangements, but controls were in place to minimise that risk. He advised that a report on this issue was due to be put before the Committee in the future.

The Deputy Chief Executive & Executive Director – Resources clarified that there was no set date for the for the implementation of the Excelsis Performance Management system, but the new version was due to be released in June, with it being operational by September 2006.

Mr Pennington of KPMG confirmed that the external auditors were pleased with the way in which BCBC had collected information for the SIC.

RESOLVED: That the draft Statement of Internal Control be recommended for inclusion on the Statement of Accounts 2005/ 2006

109 ANNUAL INTERNAL AUDIT OPINION

The Head of Internal Audit outlined his report on the above matter and the reasons for him having formed the opinion that the Council's internal control arrangements provide an unsatisfactory level of assurance, which included:-

- The number and significance of those audits given adverse opinions.
- I.T. security issues, such as use of passwords or locking the P.C. when leaving the room.
- The views of other Assurance Bodies

He added that the Internal Audit department were currently working on methods of improving I.T. security. Regarding special investigations, he advised that the majority of these were the result of accidents and honest mistakes, rather than deliberate wrongdoing.

Members expressed concern regarding the opinion formed by the Head of Internal Audit and requested further details regarding the proposed actions to remedy the situation. The Head of Internal Audit advised that work was ongoing in all areas of concern, with progress being made on a number of issues.

Members noted that of these issues, particularly those eight identified in the SIC, a number were already being looked at by the relevant Scrutiny Committee. It was

agreed that it was neither possible or appropriate for the Audit Committee to examine in detail all areas of concern, particularly when other bodies, such as Scrutiny Committees or the Corporate Management Board, might already be looking into them.

After careful consideration, it was

- RESOLVED:
- (i) That the report be noted.
  - (ii) That a progress report be submitted to the Audit Committee in six months time to provide an update on the identified priorities and any additional risks.

The meeting closed at 4.15pm.