

MINUTES OF A SPECIAL MEETING OF THE AUDIT COMMITTEE HELD IN THE COUNCIL CHAMBER, CIVIC OFFICES, ANGEL STREET, BRIDGEND ON FRIDAY, 16 FEBRUARY 2007 AT 10.00AM

Present:-

Councillor J C Spanswick - Chairperson

Councillors

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

Councillors

R M Granville
W May
M L Simmonds
M C Wilkins

Officers:

Dr J Farrar - Chief Executive
Mr H Williams - Head of Business Effectiveness & Efficiency
Mr N Meredith - Chief Internal Auditor
Mr G P Jones - Principal Cabinet & Committee Officer

Invitees:

Mr A McQuaid - Wales Audit Office
Mr I Pennington - KPMG

163 APOLOGIES FOR ABSENCE

None

164 NON-ATTENDANCE DUE TO OTHER COUNCIL BUSINESS

Cllr A E Davies - Attending Scrutiny Chairs Meeting
Cllr W H C Teesdale - Attending Scrutiny Chairs Meeting

Members requested that meetings of the Audit Committee not be arranged on Friday mornings in future due several members of the Committee being required to attend the Scrutiny Chairpersons' meetings that are scheduled for this time. The Chairperson apologised for the inconvenience that the re-arrangement of this meeting had caused. He advised members that the Scrutiny Chairpersons meetings were now included as part of the Teamware Calendar which would prevent any future meetings being scheduled at this time.

165 DECLARATIONS OF INTEREST

None.

166 MINUTES OF THE PREVIOUS COMMITTEE MEETING

RESOLVED: That the minutes of the meeting of the Audit Committee held on 20 December 2006 be approved as a true and accurate record.

167 WALES AUDIT OFFICE - RELATIONSHIP MANAGER'S DRAFT ANNUAL LETTER AND REGULATORY PLAN

The Chairperson welcomed the invitees and the Chief Executive to the meeting. The Chief Executive thanked the Chairperson and stated that the Relationship Managers letter reflected the progress that Authority had made in the last 12 months. Mr A McQuaid stated that the following presentation would follow the format of the Relationship Managers Letter and use the questions shown below to determine the responses.

Has the Council continued to respond to the challenges it faces?

- are corporate management arrangements working effectively?
- are services performing well?
- are performance management arrangements working effectively?
- are arrangements in place to secure economy, efficiency and effectiveness in its use of resources?
- do the Council's Financial Statements present fairly the financial position of the Council in 2005/06?

He stated that there have been significant positive changes to the Council's corporate arrangements, which have included new appointments into key posts such as the Chief Executive. The Authority had changed its structure and had made improvements to management processes, however, it was too early to determine the effect upon staff & on service delivery. There were also financial pressures on revenue & capital budgets and a challenging improvement agenda which will require trust between the electorate & Authority, the administration & opposition, members & officers to achieve success.

It was advised that difficulties arising from the political balance and achieving a consensus on key financial issues should not detract from debating key priorities. Making decisions to achieve the Council priorities was needed rather than reactive cuts, which jeopardise constructive efficiency and may lead to failure in meeting the Council's priorities.

It had been identified that the commitment to service improvement had increased with seven corporate improvement themes & three flagship projects being consolidated into a single improvement action plan. Children's Services, which were still under the Social Services Inspectorate Wales intervention protocol had made progress and that steps towards integrating business planning & budget-setting processes were improving.

High risk areas had been identified which included; the condition of physical assets such as schools, leisure centres and highways; the sustainability of existing patterns of service provision in relation to social care, school places, school meals, home-to-school transport and leisure services and potential financial liabilities including waste disposal penalties, equal pay claims, pension fund deficits and an overcommitted Capital Programme.

The Council needed to implement its plans and deliver significant measurable improvements in services whilst responding to increasing financial pressures

The Corporate Improvement Plan complied with guidance and timetable. Although work was progressing in the areas of; the Human Resources Project, the Performance Management flagship project, the integration of risk management

business planning & financial management processes and greater use of performance indicators as management information, there was still a need to further improve Performance Management. The new National Performance Indicators had been collected in timely manner and their accuracy was expected to improve. The indications for this year suggested that 75% of the indicators had improved with 88% either improved or maintaining the same level.

The Wales Audit Office was satisfied with the arrangements that the Authority had in place during the year, to properly support the achievement of its responsibility to a secure economy, efficiency and effectiveness in its use of resources during 2005/2006.

Mr A McQuaid suggested that the use of available resources was the key element to making improvements. The Authority now needed to deliver on its plans and projects, and address the key issues of; the performance management of services and staff, the system of internal control (as evidenced by Chief Internal Auditor's annual report), the arrangements to maximise use of corporate asset base and the issues arising in year such as Children's Services, and the Corporate Culture Review.

Mr A McQuaid stated that the Council's 2005/2006 Financial Statements fairly presented the financial position of Bridgend County Borough Council as at 31 March 2006. It had been identified that there were significant financial pressures being faced by the Council including the need to maintain budgetary control, the medium-term financial strategy, improving the transparency of quarterly management accounts and capital accounting, faster timetable for 2006/7 and accounts new SORP requirements for 2006/7. There was a greater optimism that the Council can deliver significant improvement but that maintaining momentum over the next six months is critical to achieving the Council's goals.

The Budget needed to look at the longer term issues. Errors in the capital finance statement needed to be drilled into before the 2006/07 accounts were signed off in September.

Mr I Pennington informed members of the survey that he had undertaken to determine the level of reserves that were held by each Welsh Authority as at March 2006. These reserves were unallocated funds that provided a buffer for any unforeseen expenditure. He had used the average daily expenditure of each Authority to determine how many days the reserves would last if there was no other income. The more days of average daily expenditure that was available in reserves the greater the level of resilience to the unforeseen expenditure. Larger Authorities may have bigger risks and a need for greater reserves. Bridgend was estimated to have approximately 8 days of expenditure which above the Welsh average and was assessed as quite strong. This level of funding had been reasonably consistent over the last few years but the number of days of expenditure was slowly decreasing due to the increase in the overall expenditure of the Authority.

The Assistant Director of Finance confirmed for members that the potential cost of job valuation and equal pay claims would be approximately £4-6m. Mr A McQuaid added that there would be no funding available from the Welsh Assembly Government and that the each Authority would have to make their own provisions for covering the costs for this expenditure.

The Chief Executive answered Members queries regarding job evaluation and explained that Authorities in England and Wales had undertaken a great deal of

work on the potential costs. Provision had been made in this year's Budget to increase reserves in preparation for these costs. Members queried the high level of pay of senior offices and the impact from job evaluation. They were informed that there would be a review of senior management in the summer. Members also expressed their concern with the number of risks that were listed in the report. They were advised that all activities had a level of risk but once the risks had been identified, the Corporate Management Board were able to develop plans to mitigate those risks.

Members also queried the impact of fraud on the Authority. The Assistant Director of Finance explained that there had been 1 or 2 cases per year over the last 5 years. He added that huge progress had been made to reduce the numbers of incidents to this level. He suggested that most of fraud cases were the result of pensioners not declaring their occupational pensions and that all efforts to recover funds from these types of cases was made. The Chief Internal Auditor outlined the areas of work that had been undertaken regarding fraud and that a report would be presented to the next meeting of the Committee on this issue.

The Head of Business Effectiveness and Efficiency responded to queries regarding the Quarterly Business Review of Directorates which would include a condensed two day meeting where the Corporate Management Board and Chairs of Overview and Scrutiny Committees would be able to review the performance of a particular Directorate and monitor the progress of the efficiencies that were being made. He suggested that these meetings would not be public because they were part of an internal management process and that the details of the process for these meetings were still being considered.

Members requested further information regarding the appraisal of senior officers. It was explained by the Head of Business Effectiveness and Efficiency that appraisals throughout the organisation was not comprehensive and that a 360 degree appraisal process for senior directors was being introduced.

Members commented that the report had identified that the Code of Conduct had not been signed by many of the officers. The Chief Internal Auditor responded that some of the officers were considered as signing the code of conduct as part of their contract when joining the Authority and other longer serving officers had signed the code of conduct independently.

Clarification was sought from Members regarding comments from a Cabinet Member at a recent meeting, that the current administration had not taken any funds from the reserves. The Assistant Director of Finance explained that he did not have the details of the accounts with him and could not remember that exactly comments of the Cabinet Members concerned but he believed that there were plans to use funds from the reserves but due to other unexpected income was not actually used.

Members discussed the benefits of closely monitoring the budget process over the next few years but agreed that this was not the role of the Audit Committee and should be left to the Overview and Scrutiny Committees to undertake this process. However, the process for the Quarterly Business Review would be given time to develop before the Audit Committee would assess the processes used in this procedure.

The New Regulatory Plan set out the audit and inspection work identified during the Joint Risk Assessment (JRA). Regulation in line with risk and links to issues that

were covered in the Relationship Manager's Annual Letter (RMAL) and relating to other Regulators which included the SSIW, Estyn and the BFI

RESOLVED: That the report be noted and that the Chairperson, Vice-Chairperson, Chief Internal Auditor and the Head of Business Effectiveness and Efficiency would consult regarding how and when the audit of the Quarterly Budget Monitoring Process be undertaken.

168 COMPLETED AUDITS

The Chief Internal Auditor submitted a report, which gave details of a completed Audit in relation to Property Terrier – IT system, Management of contractors and IT Procurement & Asset Management, where the Audit opinion was that adequate controls were in place in this section.

The Chief Internal Auditor indicated that Property Terrier – IT system was shown as improvements needed regarding security of information had been addressed by the use of enforced password changes particularly after an address change of a user. He continued that the Management of Contractors was slow but he was now satisfied that this was progressing satisfactorily.

Members queried the details of what had not been implemented in the Management of Contracts. The Chief Internal Auditor stated that there were a few minor issues that were being dealt with.

RESOLVED: That the report on the completed audits outlined above, be noted.

The meeting closed at 12.10pm.