

MINUTES OF A MEETING OF A SPECIAL AUDIT COMMITTEE HELD IN COMMITTEE ROOMS 2/3, CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 24 JANUARY 2008 AT 2.00PM

Present:-

Councillor J C Spanswick - Chairperson

Councillors

D T Anderson
A E Davies
G Davies

Councillors

R M Granville
W May

Councillors

W H C Teesdale
M C Wilkins

Officers:

G Moss - Executive Director - Resources
A Phillips - Assistant Director – Finance
K Lucas - Computer Auditor
A McQuaid - Welsh Audit Office
I Pennington - KPMG
L O'Brien - Cabinet and Committee Officer

223 APOLOGIES FOR ABSENCE

Apologies were received from:-

Councillor D A D Brett - Domestic commitment
Councillor P A Evans - Other commitment
J Farrar - Chief Executive
N Meredith - Chief Internal Auditor

224 DECLARATIONS OF INTEREST

None.

225 MINUTES OF PREVIOUS MEETINGS

RESOLVED: That the minutes of the following Audit Committee meetings be confirmed as a true and accurate record:-

8 November 2007
16 November 2007

226 WALES AUDIT OFFICE RELATIONSHIP MANAGER'S DRAFT ANNUAL LETTER

The Executive director – Resources introduced the report and the officers from KPMG and the WAO to the Audit Committee. The KPMG and WAO officers gave a presentation to the Committee outlining the key features of the report. The presentation included slides focused on:

- Key Messages From Regulators
- Performance Audit and Inspection Conclusions
- Financial Audit Conclusions

- Trend in Council Fund to 31 March 2007
- Benchmarking of Reserves as at 31 March 2006
- Benchmarking of reserves as at 31 March 2007
- Use of Resources
- Areas for Continued Improvement
- Key Audit Areas for 2007/2008 Regulatory Plan (draft)
- Inspection focus for 2007/2008 Regulatory Plan (draft)
- What is the Overall Message?

Following the presentation, Members queried the inclusion of risk in all reports within the Authority. The Executive Director – Resources explained that CMB had taken the view that all reports should include any implication of risk, but that it should be embedded in the report body itself rather than having a separate section along the lines of financial and legal implications. CMB had raised the concern that there were too many sections included at the end of reports and that they were pleased with risk being included within the body of any reports. Members commented that risk should be included in all reports as a key priority. They noted that reports had become standardised with the inclusion of financial and legal implications, but felt that a risk implication section should also be evident at the end as well. The Executive Director – Resources explained that he was happy to go back to CMB with the issue highlighted by Members and undertake further consideration. He concluded that there would be no need for the issue to be taken before Scrutiny as CMB had already undertaken robust discussion on the issue. In response to a further question, the WAO representative explained that whilst the report included the evaluation of audited accounts for 2006/2007 and was finalised in December 2007, the non financial aspects of the report covered the period up to the end of the calendar year.

Members requested further information on the issue of the Highways assets of Bridgend and why the budget increase of £240,000 earmarked for highways had not been forthcoming in 2007/2008. The Assistant Director – Finance explained that the budgets can never be set in advance and must remain flexible in order to meet arising circumstances. It is anticipated that the 3 year budgets and preliminary forecasts prior to the budget rounds for the next 3 years will allow for a better strategic view and forward planning. The WAO representative explained that medium term financial planning had improved and allowed for longer term views to be considered. Members expressed concern that the Authority had undertaken too much patching up of highways assets and that this raised the concerns of the community of Bridgend. They suggested that the £240,000 increase would be the key to better highways assets throughout the County Borough.

Members raised the fact that the presentation of information had improved over the last few years, but they requested information regarding the challenges facing leisure services and the environmentally friendly strategies. The WAO representative explained that there had been discussions with leisure services involving setting out options and implications for any service changes. The WAO has identified leisure services as a significant area of risk and expenditure, and will continue to focus on developments. Members asked when they would be made aware of the risks involved in leisure services, to which the Executive director – Resources responded that the issue was on the next Cabinet agenda. In terms of environmental strategies, the WAO representative indicated that this was an area where the Authority could improve and do more. The Executive Director – Resources explained that there were many pressures on the Authority and that environmental issues raised in the report regarding carbon reductions and efficient

energy were not statutory requirements. Therefore, other, more immediate areas have taken precedence given that they relate to statutory obligations and requirements.

Members noted that shared learning had been highlighted in the report in relation to sickness absence monitoring and they welcomed further comments on this issue. The WAO representative explained that sickness absence needed to be actively managed by management throughout the Authority. As such, the Authority had engaged fully with the WAO in developing good practice in this area and progress would be monitored by HR as part of their risk management responsibilities. He concluded that the WAO was helping the Authority to develop better absence management and would follow it up in the future. The Executive Director – Resources explained that a lot of senior management time was being devoted to this issue and he could assure Members that it was being addressed.

Members asked what could be realistically done to manage vehicle assets. The WAO representative explained that benchmarking and information pooling from various sources would highlight evidence of good practice that would benefit the Authority.

Members noted that efficiency and effectiveness were key elements and queried as to whether or not there were systems in place to make appropriate savings. The WAO representative explained that current arrangements could be improved upon and would be expected to be embedded before any testing was undertaken. He further explained that the Regulatory Plan focus for next year would be to link efficiency systems to the auditing process. This would result in hard numbers to highlight in the next report as part of a corporate level and thematic focus. The Executive Director – Resources explained that there were no plans to formalise the testing process as Scrutiny and the Quarterly business Review were the means by which efficiency and effectiveness could be reviewed.

The WAO representative explained to the Audit Committee that the PI figure alluded to in the presentation is different to that in the body of the report. He confirmed that the figure given in the presentation was the accurate version and would help for year on year comparisons.

The Chair expressed the thanks of the Committee for the efforts of the WAO, KPMG and the Directors.

RESOLVED: That Members note the report.

227 PAYMENT CARD INDUSTRY DATA SECURITY CARDS

The Computer Auditor presented the report and indicated to Members that 31 December 2007 had been the deadline for the Authority to meet the Data Security Standards. She explained that consultation with the Bank had indicated that the Authority was classified as Category 4 (the lowest level), and required for compliance completion of a Self Assessment Questionnaire only this was completed by the IT Department and forwarded to the Bank with a statement specifying the risk mitigation measures that had been put in place, before the 31 December 2007 deadline.

However, the Authority has been targeting Category 3 compliance: a higher category which will be required if the volume of transactions increases. Work to achieve this level of compliance is almost complete following a successful network

vulnerability scan conducted by an Approved Scanning Vendor. Members requested to review the progress in 6 months following the positive report from the Computer Auditor.

RESOLVED: Members noted the report.

228 COMPLETED AUDITS

The Computer Auditor presented the report and Members raised the question as to what were the issues in relation to the Community Focused Grant. The Assistant Director – Finance explained that it merely referred to elements of detail required in grant applications and other such low level technical details rather than anything of any substance or real concern. Members requested clarification as to whether the Community Focused Grant was a specific or range of grants. The Assistant Director – Finance clarified that it related to grants for school activities. The Chair requested that description of the grant for the future would be useful for Members of the Committee.

Members requested further details of the percentage of stocktaking accuracy in County borough supplies for a future meeting.

RESOLVED: Members noted the report.

229 NATIONAL FRAUD INITIATIVE

The Computer Auditor presented the report and highlighted the progress of the Authority to date in this area. She explained that progress had been good in housing benefit in that 799 cases had been earmarked for review and only 29 remained for investigation. To date, Officers had only found £4.5K that presented concern and the figure included fraudulent claims and errors made by the Authority itself. Members suggested that the good news surrounding the housing benefit review should be put out into the public domain as a press release. The Computer Auditor supported this, but suggested that it should include a caveat that the review had only taken the form of one set of investigative parameters.

The Computer Auditor explained that Payroll had been reviewed and that some areas had been thrown up as requiring investigation, but that there had been no evidence of fraud.

The Computer Auditor explained that in relation to the single Person's discount for Council Tax, the Audit Commission had requested full electoral registration and council Tax details from the Authority. This had raised concerns and that Finance had sought advice from Legal Officers in order to determine what information could and should be released to the Audit Commission. In answer to Members' queries as to why the data was required by the Audit Commission, the Computer Auditor explained that it was to identify fraud, but the Audit commission pilot scheme only related to the Single Person's Discount and should not include every council Tax payer. Members indicated that under the Freedom of Information Act, any data release should be fully protected given the current issues of data being lost through the postal system. Members suggested this request could be dealt with through the Corporate Services Overview and Scrutiny Committee. The Assistant Director – Finance indicated that the issue had been dealt with sufficiently by the Legal Officers and that there was no real need for it to be taken to the Corporate Services OVSC. Members suggested that the Legal Officers could present their reasons behind the decision to the Corporate Services OVSC. The Computer auditor

suggested that the review of any fraudulent activity in relation to the Single Person's Discount could be conducted in house given the Authority's access to the relevant information. The assistant Director – Finance indicated that the alternative to utilise a private personal vouching company was disregarded on the grounds that they generally have low detection rates and would not be an efficient or effective investigative operation in these circumstances. He assured that the Audit Committee would be kept informed with regards to this matter.

RESOLVED: The Committee noted the report

Meeting ended at 4.05pm