

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM 2/3, CIVIC OFFICES, ANGEL STREET, BRIDGEND ON WEDNESDAY, 9 JULY 2008 AT 2.00PM

Present:-

Councillor T Hacking - Chairperson

Councillors

D Buttle
C Davies
G Davies
E Dodd

Councillors

M Gregory
A Jones
M Reeves

Councillors

W H C Teesdale
P J White
M C Wilkins

Officers:

I Pennington - KPMG Director
A Phillips - Head of Property and Finance
N Meredith - Chief Internal Auditor
G Doak - Group Auditor
M A Galvin - Senior Cabinet and Committee Officer

7 APOLOGIES FOR ABSENCE

Apologies were received from Councillor P A Evans who had work commitments.

8 DECLARATIONS OF INTEREST

None.

9 MINUTES OF PREVIOUS MEETINGS

RESOLVED: That the minutes of the meeting of the Audit Committee dated 4 June 2008, be approved as a true and accurate record, with it being noted that Councillor G Davies does not have a middle name initial of C.

The Chief Internal Auditor stated that on page 3 of the minutes in relation to the Phase 2 and 3, Reviews on the provision of schools in different geographical areas, information should by now have been sent to Committee Members. Any Member who had not received this information, should contact the Chief Internal Auditor direct.

10 AUDIT COMMITTEE TRAINING PRESENTATION

The Chief Internal Auditor submitted a report on the above, supported by a Presentation entitled "From Plan to Report - How Internal Audit conduct an Audit".

The Presentation covered the following areas:-

Selecting the Audit

- Audit Plan, but also sometimes:
- Special Request
- Special Investigation

Allocated to a 'Lead Auditor' and a Supervisor

Assessing the Risks

- Initial assessment of risks
- Made by Lead Auditor
- Reviewed by Supervisor

Agreeing the Scope

- Draft 'Audit Brief'
- Outlines Objectives of Audit
- Discuss with Management
- Sign off by supervisor and Chief Internal Auditor

Sharpening the Tools

- Choose or Prepare the Checklists and Audit Programmes
- Sometimes these will be 'Off the Shelf'
- Sometimes out own
- Always Tailored

Identify the System

- Discuss with Management key elements of the control system
- Identify Areas for testing

Testing

- Substantive or Compliance Testing
- Mostly Compliance
- Identify what why and how
- Carry on testing

Recording

- RECORD IN CLEAR WORKING PAPERS
- Working papers are reviewed by Supervisor

Initial Conclusions and Recommendations

- Draft initial conclusions and Recommendations
- Discuss and review with Supervisor

Discussion Document

- Draft Discussion document
- Not always Done
- Very first draft of report
- Reviewed by Supervisor
- Then discussed with Management
- Correct Errors and Misunderstandings
- Get Management's Initial Reaction

Ranking the Recommendations

- **Fundamental** - action imperative to ensure that the Authority is not exposed to high unacceptable risks;

- **Significant** - action necessary to avoid exposure to significant risks;
- **Merits Attention** - action that is desirable and should result in enhanced control or better value for money (VFM)

Draft Report

- Prepare Draft Report
- Reviewed by Supervisor
- Send to Management for comment and response

Audit Opinion

- **Substantial Assurance** -
- Key controls exist and are applied consistently and effectively; and
- Objectives are being achieved efficiently, effectively and economically (VFM)
- **Adequate Assurance** -
- Key controls exist but there may be some inconsistency in application
- Compensating controls operating effectively; and
- Objectives achieved after a fashion, e.g. VFM could be improved
- (Some risk of loss, fraud, impropriety, or damage to reputation)
- **Limited Assurance** -
- Key controls exist but they are not applied, or significant evidence that they are not applied consistently and effectively; and
- Objectives are not being met, or are being met without achieving VFM
- (a high risk of loss, fraud, impropriety or damage to reputation)
- **No Assurance** -
- Key controls do not exist; and
- Objectives are either not met, or are met without achieving VFM
- (a very high risk of loss, fraud, impropriety, or damage to reputation)

Earlier Audit Opinions

- Best Practice/Adequate/No control
- Well controlled/Satisfactory Controlled/Unsatisfactorily Controlled/Uncontrolled

Final Report

- Prepare Final Report incorporating Management Responses
- Review
- Dispatch

Client Acceptance and Questionnaire

- Management's Formal Acceptance of report
- Management's Feedback on conduct of Audit undertaken by Internal Audit

Following conclusion of the Presentation Members asked a number of questions particularly relating to risks and areas of risk assessments/protection.

The Chief Internal Auditor added that when the Audit Plan is submitted before the Committee for consideration, in due course, explanation how the Authority gauge and assess risks will be included, particularly in relation to Corporate Risks.

This could also be subject of a further Presentation to the Committee sometime in the future.

RESOLVED: That Members receive and notes both the Presentation and report of the Chief Internal Auditor.

11 COMPLETED AUDITS

The Corporate Director - Resources submitted a report, which summarised for Members the findings of the audits recently completed by the Internal Audit Division.

The service areas subject of the Completed Audits, which numbered 16 in total were shown in table format in Paragraph 4.1 of the report.

The Chief Internal Auditor commended procedures and practises in place in Treasury Management upon which audit opinion was deemed as "Substantial Assurance".

He also referred to the audit of Web Enabled Services where provision had been assessed as 'Standard' by Socitm in 2007, with a target being set to achieve the next highest classification of 'Transactional', which if reached would assist customers in having clear information which would enable them to book venues for this and pay bills such as Council tax, etc, on line.

Concern was raised over the view expressed following the audit of Street Lighting, namely the absence of a formalised structural/inspection scheme for street lighting.

The Chief Internal Auditor confirmed that this was a weakness identified at the time the Audit was undertaken, which should have now been addressed and that was why the Audit opinion was deemed as Adequate assurance rather than Inadequate assurance.

Further information was requested verbally at the next meeting on progress regarding the above.

The Chief Internal Auditor when asked, also gave an explanation in respect of Street Lighting and the lack of evidence of VFM in awarding work to the Direct Services Organisation. When asked by the Chairperson the Chief Internal Auditor confirmed the procedures in place in relation to guidance set for competitive tendering was generally followed.

A question was asked as to whether illuminated signs being left on continually would have an impact upon sustainability. The Chief Internal Auditor confirmed that this had not been examined in the Audit but would be looked at in future Audits.

Clarification was sought on the School Governance Audit and if the key messages of the Audit applied to all categories of governors, particularly in relation to attendance at meetings. Officers confirmed that in relation to attendance at meetings this applied more to LEA appointed governors, in order to ensure they are fulfilling their roles by attending governor meetings.

The Chief Internal Auditor concluded by stating that this was a follow-up Audit, to ensure that all the recommendations suggested in the original Audit had been applied.

The Catering - follow up Audit revealed that whilst there were no agreed recommendations from the audit outstanding, there were areas of disagreement between Internal audit and Catering Management.

The Chief Internal Auditor confirmed that whilst Internal Audit can suggest recommendations that should be made to service areas arising from an Internal audit, they did not have the Authority to impose that Managers implement these recommendations.

He added that Audits are arranged annually on various key service areas as part of a programme, and particularly in areas where there are significant risks.

A Member stated that if something is found to be deficient following an audit conducted, the Committee did have scope to summon Officers before them to give explanations on such deficiencies and to advise how these could be rectified.

RESOLVED: That Members note the report.

12 WELSH ASSEMBLY GOVERNMENT REVIEW OF BRIDGEND COUNTY BOROUGH COUNCIL AUDIT APPROACH TO SIXTH FORM FUNDING

The Corporate Director - Resources submitted a report, the purpose of which, was to inform Members of results arising from Internal Audit's approach to sixth form funding conducted by WAG Auditors.

The report advised that although channelled through Bridgend County Borough Council, the vast majority of sixth form funding in schools was provided by WAG in the form of grant aid, and that in 2006 new grant conditions were put in place, in an attempt to enable WAG to place more reliance on the work of Internal Auditors in providing assurance on the use of these monies.

The report added that as part of these new conditions, WAG Auditors would periodically visit Internal Audit and review its approach to determine the extent that they can place reliance on their work.

The first such review had been conducted and a copy of the report from WAG on the outcome of this, was appended to the report.

All the recommendations had been accepted and were or would be, implemented.

The Chief Internal Auditor confirmed that Post 16 funding was not based on the number of pupils plus fixed sums, but rather on the minimum class contact hours.

This had already occurred he added, in two of the nine schools in the County Borough currently being audited. Internal Audit presently audited a secondary school every three years.

The Findings and Recommendations of the WAG were shown in bullet point format on page seven of the Appendix. The Chief Internal Auditor added that this was additional work for Audit as these were considered as risks.

Members raised some concern in relation to difficulties with school funding, where pupil numbers in schools could change, perhaps significantly during the year, and was anyone collecting data regarding any such changes.

Officers confirmed that it was not the role of Audit to do this, though sample testing on data was generally undertaken periodically.

A Member advised that clawback regarding pupil adjustments and additions could be made within the following financial year, should pupil input within schools increase in the previous year.

The Chief Internal Auditor concluded by stating that it was likely that audits would, in all probability, continue to be undertaken in respect of schools every three years by Internal Audit in any event.

RESOLVED: That the report be noted.

Meeting ended at 3.35pm.