

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM  
2/3, CIVIC OFFICES, ANGEL STREET, BRIDGEND ON WEDNESDAY, 22 APRIL 2009  
AT 2.00PM

Present:-

Councillor T Hacking - Chairperson

Councillors

C Davies  
G Davies  
E Dodd

Councillors

P A Evans  
A Jones  
M Reeves

Councillors

W H C Teesdale  
M C Wilkins  
H M Williams

Officers:-

D MacGregor - Assistant Chief Executive - Corporate Development and Partnerships  
G Doak - Group Auditor (GD)  
E Samways - Group Auditor (ES)  
K Lucas - Computer Auditor  
A Phillips - Head of Property and Finance  
A McQuaid - Relationship Manager - Wales Audit Office  
I Pennington - KPMG Director  
J Monks - Cabinet and Committee Officer

Invitee:

S Lewis - Senior Audit Manager - Provider Audit and Governance Service

46 APOLOGIES FOR ABSENCE

Apologies were received from the following Members for the reasons so stated:-

Councillor D Buttle - Unwell  
Councillor M Gregory - Holiday

47 DECLARATIONS OF INTEREST

None.

48 MINUTES OF THE PREVIOUS MEETING

RESOLVED: That the minutes of the meeting of the Audit Committee held on Wednesday, 11 March 2009, be approved as a true and accurate record.

49 WELSH ASSEMBLY GOVERNMENT REVIEW OF BRIDGEND COUNTY  
BOROUGH COUNCIL AUDIT APPROACH TO SIXTH FORM FUNDING AND  
ADULT COMMUNITY LEARNING

The Corporate Director - Resources submitted a report the purpose of which was to inform members of the findings of a follow up review on the approach to auditing school sixth form funding and adult learning funding.

The Group Auditor (ES), reminded Members that the Authority's role was to give assurances to the Provider Audit and Governance Service (PAGS) on monies provided to schools in the form of grant aid from WAG.

In 2006 new grant conditions were put in place to enable WAG to place more reliance on the work of the Authority's internal auditors in providing assurance on the use of these monies. An initial audit by PAGS was undertaken in 2008 followed by a review in February this year, to assess progress made against the recommendations.

The Group Auditor introduced Mr Steve Lewis, Senior Audit Manager for PAGS, and invited him to present his report to the Committee.

The Senior Audit Manager explained that PAGS was part of the Department for Children, Education, Lifelong Learning and Skills and a three year cycle for a full review was the standard programme to ensure audit arrangements complied with WAG guidance. The previous report presented to the Committee in July 2008 had acknowledged the Authority had made proper arrangements to obtain assurance that WAG funds were being used appropriately. The principal objective of the current review was to assess progress made.

The Senior Audit Manager concluded that recommendations had been implemented by the Authority, which had included the internal audit for PLASC (Pupil Level and All Schools Census) testing and governance checks.

Members asked for clarification that these additional audits would not prove a strain on the Authority's resources and workloads. The Head of Property and Finance explained that this issue had been raised across all the Authorities based on the risk with outside agencies, who insist on certain checks being undertaken in terms of specific grants thus distorting the audit process. He assured the Committee that the Authority's external auditors, KPMG, provided a good service but he agreed that costs for providing those services could not be ignored.

The Group Auditor (GD) added that the internal auditors were required to assess risks to the Authority as a whole, in this instance it would be an extra cost which would be charged against the Children's Directorate in terms of the Audit Service.

Members requested ongoing dialogue and discussion with Local Authority Treasurers in order to ensure efficient and effective use of the Authority's resources.

The Committee congratulated the Audit Department on the progress they had made and thanked the Senior Audit Manager - PAGS for his input.

RESOLVED: That the report be noted.

50 WALES AUDIT OFFICE REGULATORY PLAN FOR 2009/10

The Assistant Chief Executive - Corporate Development and Partnerships advised Members that the Annual Regulatory Plan which had been developed by the Wales Audit Office and KPMG, included the audit of accounts and Statutory Improvement Plan, together with other activities connected with the Authority's corporate priorities. He explained that the Regulatory Plan would influence the internal audit work programme for 2009/10 to avoid duplication.

The Wales Audit Office Relationship Manager introduced the Regulatory Plan and explained to the Committee that it would help ensure the Authority was dealing with relevant issues that were identified as areas of risk.

The KPMG Director referred Members to the audit of accounts section in the plan and explained the risks identified where there were complex areas, particularly in relation to equal pay and the possible impact on the Authority. He also highlighted the move to accounting under International Financial Reporting Standards (IFRS) in which the Authority had to support the consolidation of public sector resource accounts prepared under IFRS. The Authority would move to accounting under IFRS from year ending March 2011 and as part of the conversion process the balance sheet for 31 March 2009 would form the opening balance sheet for the first IFRS accounts.

Members requested an explanation of the arrangements for the certification of grant claims and returns. The Assistant Chief Executive - Corporate Development and Partnerships explained that auditors were required to undertake a series of checks on behalf of the bodies that provided grant aid which was additional work. Each claim had to be authenticated by an Auditors Certificate to ensure that the Authority was not claiming money that had not been spent.

Members further enquired if this audit work was proportional to the size of the grant. The KPMG Director explained that the WAO auditors negotiate with grant giving bodies for specific tests to be carried out on a particular grant and every effort was made to reduce the number of tests where possible. The Head of Property and Finance added that caution was needed when considering not to have input from external audit as, if some of this responsibility fell on internal audit, it would create additional work pressure and the grant making Authorities relied on the fact that the external auditors were totally independent from BCBC.

In response to a question from Members, the KPMG Director advised that the Auditor General appointed all the external auditors and the Wales Audit Office were the auditors for the majority of local authorities but a small number of commercial audit firms were appointed by the Auditor General for Wales through a competitive procurement process. Before that point was reached all such firms had to pass a number of quality procedures. He explained that there were three firms operating locally who had contracts with the Auditor General and these were rotated between Local Authorities.

In conclusion the Relationship Manager informed Members that reports would be filtered through to them as soon as they were completed.

RESOLVED: That the Audit Committee endorse the Regulatory Plan for 2009/10.

51 ANNUAL INTERNAL AUDIT OPINION

The Corporate Director - Resources submitted a report which summarised to Members the Head of Internal Audit's opinion on the overall adequacy of the Authority's internal control environment.

The Head of Property and Finance presented the report and advised Members that in the absence of the Chief Internal Auditor, due to ill health, he had been tasked with preparing it and had requested the Head of Internal Audit at the Vale of Glamorgan Council to assist him, in order to ensure impartiality.

The report impacted on the Corporate Improvement Plan and other corporate priorities and noted that without an audit assurance, any assessment was incomplete. A brief description of the role of the Internal Audit included the control environment within which it operated, together with a summary of work carried out during the year to 31 March 2009.

The internal audit opinion had highlighted under paragraphs 4.1 and 4.2 that the system of control could only provide reasonable assurance regarding the internal control environment, with the conclusion that the work undertaken during 2008/09 by Internal Audit was an effective and economic operation of the Authority's financial affairs.

The attention of Members was drawn to the original plan, together with the decisions made and the reviews had provided assurance of the adequacy of the systems which enabled the external auditors to rely on the work carried out.

The Head of Property and Finance highlighted three reviews which had received limited assurance. The Health and Safety Unit and the Criminal Records Bureau were both in the process of undergoing major change and the Head of Human Resources had been requested to report back to the Committee with an update. Also the administration of the payroll function was being revised due to communication issues across the Directorates, primarily with schools. All three areas would be subject to follow up reports which would be presented to the Committee at their next meeting.

In response to a question from Members that resources spend for Internal Audit seemed high, the Head of Property and Finance assured that although staff levels were marginally high, the Authority was not extravagant as to the number of internal auditors it employed. Also partnership working across the South East Wales Authorities between audit sections was being considered, with the support of the Chief Internal Auditor at Vale of Glamorgan Borough Council, but this would be a long term plan.

RESOLVED: That the report be noted.

52 NATIONAL FRAUD INITIATIVE

The Corporate Director - Resources submitted a report to update Members on the progress of the Authority's response to the Audit Commission's National Fraud (NFI).

The Computer Auditor outlined the background to this initiative and explained that the NFI is the Audit Commission's data matching exercise designed to help participating bodies to detect erroneous and fraudulent payments from the public purse, with one mechanism used for detection.

She informed Members that although a great deal of work was carried out internally, this initiative gave the opportunity to cross the boundaries, particularly in areas such as the Housing Benefit Fraud Section where the NFI had proved useful. It also showed up anomalies such as National Insurance Numbers that are recorded incorrectly.

Members referred to paragraph 3.4 of the report in relation to Concessionary Travel Pass Holders. The Computer Auditor explained that there had been incidents where relatives of deceased persons had been claiming concessions for people who had died.

RESOLVED: That the report be noted.

53 GOVERNMENT CONNECT

The Corporate Director - Resources submitted a report to update Members on the process in relation to CoCo (Government Connect Code of Connection) with specific reference to GSI (Government Secure Internet) take up.

The Computer Auditor presented the report and informed Members that Government Connect was a strategic partnership between national and local government aimed at supporting better collaboration amongst all of the public sector through more effective use of shared systems and services. The Authority, along with other organisations, had to ensure that security measures were in place to transfer electronic information, especially confidential information, between itself and government departments, such as the Department of Works and Pensions (DWP).

She explained that before data, e-mails etc are transferred and before connecting to the network, Local Authorities had to meet the requirements of the GSI Code of Connection (CoCo). Non-participation in this was not an option as Central Government would only exchange sensitive data via GSI. The security documentation and policies had been accepted and the Authority had achieved final connection on 27 March 2009.

The Committee congratulated the ICT Team on their tremendous achievement in obtaining this initiative.

RESOLVED: That Members note the report.

54 INTERNAL AUDIT SHARED SERVICES

The Corporate Director - Resources submitted a report on proposals in respect of shared internal audit services across the ten South East Wales Authorities.

The Head of Property and Finance explained that a Consultant's Report undertaken in 2005/06 had identified 120 internal auditors employed across ten Authorities. The South East Wales Board had studied proposals for merging audits particularly schools and contract auditing, but had concluded that internal audit was not a priority because in terms of Local Government expenditure, twelve people employed by BCBC were not a significant number as opposed to other savings or efficiencies that could be made. He advised that SEWB preferred to concentrate on Human Resources and payroll services across the ten Authorities to make these efficiencies and the Corporate Director - Resources had suggested BCBC took the lead working with those Authorities to achieve this aim.

The Head of Internal Audit had undertaken a review of the audit functions and an action plan for close future collaboration had been prepared.

RESOLVED: That the report be noted.

The meeting closed at 4.06pm.