

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM
2/3, CIVIC OFFICES, ANGEL STREET, BRIDGEND ON WEDNESDAY, 6 JANUARY 2010
AT 2.00PM

Present:-

Councillor T Hacking - Vice-Chairperson in the Chair

Councillors

Councillors

Councillors

D Buttle
C Davies

G Davies
P A Evans

W H C Teesdale

Officers:-

A Phillips - Head of Property and Finance
D MacGregor - Assistant Chief Executive - Corporate Development and Partnerships
K Lucas - Computer Auditor
G Doak - Group Auditor
M A Galvin - Senior Cabinet and Committee Officer

83 APOLOGIES FOR ABSENCE

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

Councillor E Dodd - Adverse weather conditions
Councillor M Gregory - Holiday
Councillor A Jones - Adverse weather conditions
Councillor M Reeves - Adverse weather conditions
Councillor M C Wilkins - Adverse weather conditions
Councillor H M Williams - Adverse weather conditions

84 DECLARATIONS OF INTEREST

None.

85 MINUTES OF THE PREVIOUS MEETING

RESOLVED: That the minutes of the meeting of the Audit Committee held on Wednesday, 18 November 2009, be approved as a true and accurate record.

86 COMPLETED AUDITS

The Corporate Director - Resources submitted a report, which summarised for Members the findings of Audits recently completed by the Internal Audit Division in relation to the following areas:-

- (i) Centralisation of Human Resources Project
- (ii) Creditor Payments
- (iii) Establishments (Children and Adults)
- (iv) Risk Management
- (v) Redevelopment of Civic Offices
- (vi) Insurance Services (Follow up)

In relation to item (i) above, Internal Audit had been asked to carry out a review of this project, so as to identify lessons learned that can be applied to future projects

within the Authority, in accordance within the Bridgend's Centre of Excellence for Programme and Project Management toolkit.

Members commented as follows in relation to the above commencing with Creditor Payments.

Creditor Payments

No comments to make. The Audit opinion following an audit of this work area was deemed as being of Adequate Assurance.

Establishments (Children and Adults)

A Member of the Committee agreed with the key message of Management to the effect that they had agreed that Internal Audit receives copies of all reports (both internal and external), as well as future Schedules of Inspections.

It was noted that feedback regarding the POVA Inspection report undertaken last November by the SSIW, had not yet been received.

The Assistant Chief Executive - Corporate Development and Partnerships confirmed that the issue regarding proposals to improve the process of Rota Visiting to Homes would be the subject of further investigation by the appropriate Scrutiny Committee, to include a proposal to improve the visiting arrangements to schools at times out of their normal hours.

Risk Management

Key messages from the Children's Services Business Plan, included initiatives to follow so as to ensure that risks identified in relation to the Plan are mitigated, and other Directorates processing similar type Plans and Policies would be asked to follow the approach adopted in relation to this Plan, i.e. such as those highlighted and identified in the School Modernisation Programme.

Redevelopment of Civic Offices

No comments to make. The Audit opinion following an audit of this work area was deemed as being of Adequate Assurance.

Insurance Services (Follow-Up)

A Member of the Committee enquired as to what suggestions were made in respect of inspections of Council plant and equipment.

The Group Auditor advised, that as part of our Insurance Policy, the Authority needed to ensure that its plant and other associated equipment were inspected annually by qualified persons, so as to fulfil a commitment to the terms of the Policy.

One of the issues picked upon in relation to this, was a need for an improvement to the flow of information between the Council and its Insurers.

This matter had also been identified within the Authority's Risk Management Group.

The Head of Property and Finance added, that this would be a continued monitoring exercise in order to ensure that equipment continues to be inspected by external companies.

The risks were not in relation to injury to employees, but more about looking at ways to providing the costs associated with replacement of plant and equipment as and when this may be necessary.

In response to a query from a Member, the Head of Property and Finance advised the Committee that he would check and report back to them in relation to cover in terms of Insurance regarding leased buildings.

Centralisation of HR

The Group Auditor informed the Committee that Internal Audit had been asked to undertake a review of the above Project, to identify lessons learned, that could in turn be applied to future similar projects within the Authority.

The key messages of the review, identified that significant financial savings were made as a result of the Centralisation of Human Resources, which had been completed in 2007 within a relatively short timescale.

In addition the implementation of the Project following the WAO Culture Review, was part of wider changes at management level within Bridgend County Borough Council.

Though there were difficulties initially in resourcing the Project, in that some objectives were not (met due largely to some original project targets being overly ambitious) the Department was now showing signs of bedding in.

The final Internal Audit report on the Centralisation of Human Resources in its entirety, was appended to the main cover report.

The Project Management Toolkit that had since been put in place had addressed most of the key risks identified in the Project, and would also assist in the management of future centralisation projects that the Council may undertake.

The Group Auditor advised that though some significant savings had been made as a result of the centralisation, the objectives set for completion of the Project were vast resulting in the project being undertaken too quickly without resource levels available to fully support the Project within the timescales agreed for its completion.

The Group Auditor added that the report had been considered by the Corporate Resources and Improvement Overview and Scrutiny Committee last Monday.

The Assistant Chief Executive - Corporate Development and Partnerships had been invited to the meeting to comment on the audit findings.

He commenced by stating that he had assumed responsibilities for Human Resources since June 2009, and was therefore only in a position to comment authoritatively on progress within the Department since that time.

He confirmed that he had discussed the audit report in detail with the Head of Human Resources and conceded that some uncomfortable messages had led to the centralisation of Human Resources in 2007.

However, the Assistant Chief Executive - Corporate Development and Partnerships advised, that five years further down the line since the WAO Culture Review, a lot had changed at management level and performance within the Authority.

He acknowledged that lessons had been learnt from the Centre of Excellence for Programme and Project Management, and that the management arrangements for projects in the Authority were far more effective now than had previously been the case. An example of evidence of this had been the School Modernising Programme, which had recently been the subject of some positive external review by the WAO.

He advised that it had been a painful and unfortunate process in making some staff redundancies quite quickly as part of the Centralisation of Human Resources, but added that although this had impacted in a detrimental way upon service delivery, these redundancies had to be made, to ensure the savings were made.

The Assistant Chief Executive - Corporate Development and Partnerships added that within the last two years or so, a Management Development Programme had been introduced by the Chief Executive, to improve areas of competency particularly in how key service areas are managed.

In conjunction with this, CMB and Cabinet were promoting a work ethos which ensured that Heads of Service were now managing work areas more effectively than previous, with accountability in terms of Performance Management being more prevalent now than in the past.

Examples of this were a more extensive Business Plan process, as well as more in-depth staff appraisals which set aims and objectives and required more accountability in terms of performance from Heads of Service which cascaded down to managers and other support staff.

Also introduced had been Quarterly Business Review meetings and the Programme Board. These improvements and changes in direction affecting the management structure had led to increased confidence within the Authority and with our regulators.

The Assistant Chief Executive - Corporate Development and Partnerships advised that the above changes had taken place within the last two years, though within the next three years further improvements in Performance Management were anticipated.

A Member of the Committee commended the audit review of the Human Resources Project that had been undertaken, and the fact that it had been shared recently with the Corporate Resources and Improvement Overview and Scrutiny Committee, where both the Assistant Chief Executive - Corporate Development and Partnerships and the Human Resources Officer had responded positively to questions from Members in relation to the Centralisation of Human Resources.

The Chairperson asked how the cost of the Project compared with the savings the Council had made in the restructure of HR, together with any other associated benefits.

The Assistant Chief Executive - Corporate Development and Partnerships advised that the costings of the exercise including the savings were outlined in Paragraphs 1.5 and 1.6 of the Internal Audit Final report. He added that where previously there had been some inconsistencies and a lack of strategic direction in terms of the Council's approach to management, which included the management of HR, the Cultural Review had addressed both these and the wider issues of Management where there had also been some concerns.

He added that the main deficits had resulted from staffing reductions, which had a knock-on effect with service delivery. He further added however, that the situation now compared to when the Centralisation of HR had commenced had shown improvement.

He confirmed that it was apparent at the time of the Cultural Review that management changes were required within the Authority.

The Chairperson of the Committee enquired if any feedback had been received via customer satisfaction surveys regarding the performance of HR since the Centralisation had taken place.

The Assistant Chief Executive - Corporate Development and Partnerships advised that he had received some positive feedback from Directorate Management teams, including some external input from schools, with the perception being that within the last six months, feedback was more positive than had previously been the case in relation to the HR function, though this was anecdotal evidence. He added that a wider ranging staff survey would be undertaken at sometime in the future.

The Assistant Chief Executive - Corporate Development and Partnerships was steered by the Committee to the aims of the toolkit and Centre of Excellence.

He commented that within the last 15 months or so there had been multiple training events which Managers had participated in as a result of the toolkit and Centre of Excellence established by the Programme Board and championed by the Chief Executive.

The reason for this, was to enable Managers to be trained in the principles and techniques of the toolkit and in order that they are better equipped to support major projects they may be involved in within the future, with such projects being in turn overseen and monitored by the Programme Board.

The Assistant Chief Executive - Corporate Development and Partnerships, added that he saw no reason why the application of the toolkit could not be sample tested and shared with the Audit Committee, so as to see how the new internal arrangements that have been put in place are working.

A point was made of the importance in having baselines to measure progress of Projects such as the Centralisation of HR, together with others that came before the Committee and of the importance of shared working with Scrutiny in any areas that overlap into both the Audit and Scrutiny remit.

The Assistant Chief Executive - Corporate Development and Partnerships agreed with this suggestion, particularly in relation to compliance with the toolkit and areas of high risk, in order to properly exercise appropriate monitoring control functions. He suggested that the Committee should have information on the School Modernisation Project as they had considered the WAO report which spoke positively on the programme management arrangements.

The Group Auditor made the point that management comments against the Internal Audit recommendations in relation to the Review of the Centralisation of HR had now been agreed and completed in respect of this Audit.

There were reports to be awaited for the Committee on audits completed in respect of Ynysawdre Pool and the Bridgend Day Centre. He added however, that it was not feasible to audit all local authority projects that were ongoing as these were numerous. He considered that it was a more realistic aim for the Committee to concentrate on the more major projects.

He confirmed that there was some partnership working taking place between Internal Audit and the Centre of Excellence on major projects.

He added that it may be a suggestion to examine more closely, how project management is working generally in conjunction with the toolkit.

The Committee felt it important to embed the principles of the toolkit into the way projects and programmes are managed, so as to provide greater assurance that associated risks attached to the various Projects are sufficiently managed.

It was stressed that ongoing commitment of not only managers, but others involved in the various projects was required for them to succeed.

Members agreed that the progression of future projects needed to reflect the positives that had arisen from the culture changes that had taken place within the Authority.

The Assistant Chief Executive - Corporate Development and Partnerships agreed with this, and added that members of the Scrutiny Office were soon to be given training in the toolkit, so as to provide an increased robustness in the support to the Scrutiny Committees and Research and Evaluation Panels who often investigate major projects and key service areas of the Council.

The toolkit he added could have been used in recent projects such as the ongoing research into the problems associated with Homelessness.

RESOLVED: Members agreed to note the report detailing the completed audits.

87 INTERNAL AUDIT'S ANNUAL REPORT ON SCHOOLS

The Corporate Director - Resources submitted a report that had been issued to the Corporate Director - Children, summarising the findings and recommendations made by Internal Audit in relation to the school based audits conducted in the 2008/09 audit year.

The attachment at Appendix B to the report, provided Members with details of the key findings made during these audits.

The report gave some background information, following which the Group Auditor advised that audit reports on individual schools did not come before the Audit Committee as these went to the Chairperson of the School Governing Body and the Corporate Director - Children.

He added that schools were normally audited on a three yearly basis, with increased visits undertaken if necessary on the basis of risk assessments undertaken.

The audits would cover areas such as budgetary control, ordering, the receipt and payment of goods, school meals and income administration, child protection and health and safety issues, etc.

The Programme for primary and secondary schools was reviewed on an annual basis to ensure that the resources deployed were used to assess controls in the areas of the school deemed to pose the greatest risk.

The audit of secondary schools the Group Auditor confirmed took far longer than the audit of a primary school, which was reflective of the size and nature of operations that were in place in the former.

Follow up reports on audits of schools were dependant upon the outcomes of the original audit, particularly if there were found to be negative feedback surrounding the area of Risk Assessment. The Group Auditor added, that there was provision to undertake audits of schools at any time, and one of the reasons for this was that around £80 million was allocated to schools, a figure which formed around a third of the Council's entire budget.

Paragraphs 4.2 - 4.4 of the report, then summarised some key findings of Internal Audit having completed the Annual Report.

The Group Auditor highlighted that of the 34 primary schools that had been visited one school had been allocated with an audit opinion of No Assurance, largely due to major issues in respect of a shortfall of £3,700 in uncollected dinner money for the period September 2008 - May 2009, and other problems regarding neglected accounts and school security.

The Group Auditor added that as at October 2009, the Education Finance Officer had confirmed that the school was making little progress in collecting this income and that in fact this debt had now increased even further.

These findings together with certain key recommendations of Internal Audit had been reported to both the Children's Directorate, the school itself and the Chairperson of the school governing body the Group Auditor added.

Members raised some considerable concerns regarding this matter, and felt that the Internal Audit recommendations were not strong or direct enough to enforce changes to correct the current situation and make good the outstanding debt.

The Head of Property and Finance advised that it was the responsibility of the Corporate Director - Children in conjunction with the Head of the school and the Chairperson of the Board of Governors to recoup the monies, as it was an administrative shortfall, via a process whereby the deficit was collected from parents.

He added that this was a school that had recently merged and that the monetary problems referred to formed a part of certain other wider issues that were proposed to be investigated.

Further concern was raised by a Committee Member, as the arrears accrued had amounted to £22k over two years, £17k of which had been written off, and this was a considerable amount of money.

The Committee were concerned that if it was not within their remit to enforce the school in question to take positive action in this matter, then something firm was required to be put in place to ensure that the losses stop and ways to recoup this money are pursued.

Members stressed the importance of Internal Audit reports in relation to the audits of schools being sent to the Chairperson of the Board of Governors.

The Group Auditor advised that such reports are distributed to the Chairperson of the school governing body, as well as questionnaires in relation to auditing procedures.

The Head of Property and Finance stated that the identity of the school where these problems were being experienced, would remain private until the school governors had met to discuss the Audit report.

Members then agreed that a number of issues were required to be explored in relation to the failings that had been outlined in the Annual Report.

It was therefore,

- RESOLVED:
- (1) That Members note the report.
 - (2) That the Group Auditor contacts the Corporate Director - Children, outlining the Committee's concerns on the lack of administrative and audit controls in operation at the school.
 - (3) That further information be obtained for a future Committee, in relation to how the debt regarding school meals had incurred.

88 NATIONAL FRAUD INITIATIVE

The Computer Auditor presented a report, the purpose of which was to update the Committee on the Council's response to the Audit Commission's National Fraud Initiative (NFI).

The report informed Members that the NFI was the Audit Commission's data matching exercise that was designated to help participating bodies detect erroneous and fraudulent payments from the public purse.

The scheme included participants such as local authorities, Fire Services, Pension Authorities (including NHS), Housing Associations, the Student Loans Company and various Central Government departments.

The Computer Auditor added that data matching included areas such as Housing Benefits, Payroll, Housing Rents and Student Loans.

The NFI 2008/09, included a match between Council Tax and Electoral Registration data, aimed primarily at the detection of single person discount.

Since the last report was considered on this initiative, investigation of potential cases was ongoing added the Computer Auditor.

The Computer Auditor further added that, to date 3,613 cases had been processed of which 1,074 were the subject of further investigation.

The remainder of the included a summary of Investigations being made in respect of Housing Benefits and Council Tax (single persons entitlements), and other like issues.

The Computer Auditor confirmed that though a lot of work had been processed and was ongoing, only two cases of fraud had been identified thus far.

She added that a figure of £27k had been identified to date in terms of savings.

In response to a question from the Chairperson as to if the National Fraud Initiative was an ongoing exercise, the Computer Auditor replied that the National Fraud Initiative was undertaken approximately every two years.

The Head of Property and Finance explained that his Department had written to persons in the County Borough claiming single person discount, so as to clarify whether or not they are actually entitled to this claim or not by law.

He added that an outside Company was also currently checking a list of all properties within the County Borough, in case any new build properties had been missed from the electoral register and/or Council Tax records.

It was explained to Committee that it was extremely difficult to prove that the information disclosed by members of the public and property owner/occupiers on forms such as the electoral role and for claiming benefits, given the size of the Borough and the amount of forms that are submitted.

RESOLVED: That the report be noted.

The meeting closed at 3.53pm.