

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM 2/3,  
CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 9 DECEMBER 2010 AT  
2.00PM

Present:-

Councillor E Dodd - Chairperson

Councillors

C Davies  
P A Evans  
M Gregory  
T Hacking

Councillors

M Reeves  
C Westwood  
M C Wilkins

Officers:-

D MacGregor - Assistant Chief Executive - Corporate Development and Partnerships  
S Kingsbury - Head of Human Resources and Organisational Development  
A Phillips - Section 151 Officer  
H Smith - Chief Internal Auditor  
G Doak - Group Auditor  
J Bryant - Group Manager - Human Resources  
J Ferris - Group Manager - Procurement  
R Martin - Insurance and Risk Management Officer  
R Hayward - Project Manager - Job Evaluation  
J Monks - Democratic Services Officer - Committees

138 APOLOGIES FOR ABSENCE

Apologies were received from the following Members:-

Councillor D Buttle - Unwell  
Councillor G Davies - Recovering from an operation

139 DECLARATIONS OF INTEREST

None.

140 MINUTES OF THE PREVIOUS MEETING

RESOLVED: That the minutes of the meeting of the Audit Committee held on 28 October 2010 be approved as a true and accurate record subject to Councillor D Buttle being shown as having been in attendance at the meeting.

141 AUDIT COMMITTEE - AMENDED FORWARD WORK PROGRAMME

The Chief Internal Auditor presented to Members the amended Forward Work Programme (FWP) and informed the Committee that the responsible Officer for Programme and Project Management is the Head of ICT and Property and not the Assistant Chief Executive.

The Chief Internal Auditor informed Members that a review of the fraud strategy, which was currently taking place, would now come before the Committee in April or May 2011 as they were awaiting guidance on the new Bribery Act.

She informed Members that she had included an additional column on the Forward Work Programme to include "Update" this would keep track of those issues which had or had not been completed, as well as additional items which had been brought to the attention of the Committee.

Members were advised that due to a packed agenda, a training session for Members on the work of Internal Audit had been deferred to the January meeting.

**RESOLVED:** That the Committee considered and approved the amended Forward Work Programme.

142 **HALF-YEAR TREASURY MANAGEMENT REPORT 2010/11**

The Section 151 Officer presented his report, the purpose of which was to comply with the Authority's Treasury Policy Statement 2010/11 to make the Audit Committee responsible for ensuring the effective scrutiny of the Treasury Management Strategy and policies. This was approved at Council on the 10<sup>th</sup> February 2010.

He advised the Committee on the activities of the Authority's investments during the last six months and the rules by which those investments are managed.

He summarised the Authority's borrowings and investments and highlighted for Members the fact that the principal outstanding of Investments as at 30 September 2010 was £27m, at an average interest rate of 0.76%. Other liabilities included £1.09m invested on behalf of Bridgend Football Club to provide alternative facilities; £1.41m Invest to Save monies (this is a three year interest free loan from the Welsh Assembly Government) and £21.19m for the Authority's Public Finance Initiative (PFI) arrangement for the provision of a secondary school in Maesteg and £1.45m in respect of Finance Leases.

The Section 151 Officer reported that the Borrowing and Debt Strategy for 2010/11 had been detailed extensively for both Cabinet and Council, as a result of the financial changes all local authorities faced, setting out the limits of what the Authority would be permitted to lend and borrow. He advised that the Authority was extremely prudent in terms of where money was invested; with no money being invested overseas. As a result of the revised procedures, limits had been placed on amounts which could be paid to external banks and the majority of the Authority's surplus cash is therefore invested short term with Central Government, as well as highly rated UK registered banks and building societies. He commented that although banking with the Government provided higher security, the interest rate was low.

The Section 151 Officer then drew Members' attention to the options for long term borrowing. (The current rates were between 4½% - 5%). He advised that as long as the Authority had short term investments it did not need to borrow long term; the majority of the Authority's loans had therefore been borrowed from the Public Works Loan Board at long term fixed interest rates.

**RESOLVED:** That the Committee noted the Half-Year Treasury Management Report 2010/11.

143 **INFORMATION AND ACTION REQUESTS BY COMMITTEE**

The Chief Internal Auditor presented a progress report to summarise for the Committee the actions and information they had requested. These requests had all now been completed and would be closed down.

RESOLVED: That the Committee noted the report.

144 COMPLETED AUDITS

The Group Auditor presented a report which summarised for Members the audits which had recently been completed by the Internal Audit Division.

Referring to the audit on Ynysawdre Swimming Pool, he advised that management would be given the opportunity to improve matters, after which if the Audit Opinion still showed "limited", then those Managers would be called to account before the Committee.

He reported that although there were a number of concerns over the general lack of compliance with BCBC policies and procedures across a number of areas within the Inclusion Service, assurance had been given that this would be rectified by Spring 2011.

The Chief Auditor informed the Committee that a report would be presented to them in the near future on the operational controls within Special Education needs and the Psychology Service.

He reported that the audit on Housing Options, Homelessness and Innovation had shown up concerns as to whether the Authority was following proper legal practice, as well as the right to lend homeless people bond money to enable them to rent a property; there were specific Regulations involved with lending money and it needed to be established whether local authorities had the power for such undertakings.

The Group Auditor reported that the Group Manager - Procurement had requested a review of the Purchasing Cards system in terms of whether agreed spending limits were appropriate and how the system's administration worked in terms of acquiring Purchasing Cards and making sure they were held by appropriate staff.

He reported that a meeting had taken place with the Value Wales Procurement Finance and Audit together with a representative of the bank which operates the Purchasing Card system.

The Group Auditor reported that there were concerns as a result of the follow-up audit of procurement cards and limited assurance had been given in terms of how the cards were operated by the card holders. It was recommended that responsibility should be assigned at a Corporate level to regularly review transactions on a monthly basis to ensure that they have been reviewed by the appropriate supervisor. He added that the Council would not yet be in a position to roll out the use of Purchasing Cards throughout the Authority due to these concerns which would be monitored. He advised that this was the second time that the audit opinion had been rated "Limited" for this particular audit.

The Committee were concerned that this issue was a persistent problem and asked for clarification.

The Group Manager - Procurement explained that an Officer had been employed to oversee the administration of the system, but had subsequently left the Authority which had created some difficulty which had been rectified since the appointment of a new Officer. He fully supported Internal Audit's recommendations and advised that these recommendations had been fully implemented with effect from the 6<sup>th</sup> December 2010. He also stressed the need to discipline persistent offenders if the cards were not regularly reviewed; the appropriate supervisors and card holders were recently sent details of the new Agreement to this effect.

The Section 151 Officer advised that the system now had links in place with the Finance Department and the Chief Accountant was currently examining the system. Once closer supervision was established, he would report back to the Committee on its progress.

The Chief Internal Auditor advised that recommendations made by Internal Audit would be quickly followed up to ensure they had been implemented.

RESOLVED: That the Committee noted the report.

145 INTERNAL AUDIT'S ANNUAL REPORT ON SCHOOLS

The Chief Internal Auditor presented to Members a copy of the report which had summarised the findings made by Internal Audit in relation to school based audits for 2009/10. She informed Members that Internal Audit visited annually a proportion of the Authority's Primary, Secondary and Special Schools to carry out a pre-determined programme of work in order to ensure controls were operating effectively. The previous audit outcome of each school is taken into account as well as any key changes in personnel and whether the school had undergone an ESTYN Inspection. In total, 29 schools had been visited during 2009/10, three of which had been visited for a second time as a result of "Limited Assurance" being given during 2008/09 and as a result, significant recommendations had been made.

She informed the Committee that an audit conducted a year later in 2009/10 showed two of the schools had undergone significant improvement. The third remaining school was still marked as "Limited", however, a visit to the school in the current year showed initial indications that there was improvements.

The Chief Internal Auditor reported that the main issue in primary schools centred around school meals income as well as some concerns over the lack of independent checks in relation to the level of money banked compared to expected income. There were also issues around stock control and inadequate risk assessments.

The Chief Internal Auditor reported that there were also problems in secondary schools with school administration and housekeeping, but this would improve with the revised Internal Audit School Guidance manual which had recently been distributed, giving guidance on key risks and controls in school administration. She concluded that the Internal Audit Report had been issued to the Children's Directorate.

One Member referred to an anonymous letter which had been received which had questioned the procedure for auditing private school funds. She asked whether it was within the Authority's jurisdiction to audit such funds.

The Chief Internal Auditor advised that the Authority did not have an automatic right to audit private school funds; however, there were occasions when Internal Audit would be asked by a Head Teacher to inspect them. The administrator responsible for a private school fund is required to submit to the Finance Department a certificate verifying that the fund has been audited independently.

The Section 151 Officer explained that the Finance Regulations were worded in a certain way to ensure that schools were responsible for private funds and not the Local Authority; otherwise it would be a major cost to the Council, as they would have to audit the private funds for all schools. However, this was nevertheless public money and if there was cause for any concern with a particular school, then the school governors would be approached. He commented that he had been appalled by the anonymous letter, as the auditors were there to protect the Authority and reaffirmed that they had the right, on behalf of the Council, to examine anything for any member of staff.

Members asked for assurance that the Auditors of each private school funds were truly independent and not closely associated with the school.

The Section 151 Officer informed Members that a statement is signed by both the Head Teacher and the Chair of the governing body to confirm that the accounts have been independently audited. He suggested writing to each governing body to remind them of the fact that auditors of private school fund should be independent.

**RESOLVED:** That the Committee noted the report.

146 **INTERNAL AUDIT - CONTROL RISK SELF ASSESSMENT**

The Chief Internal Auditor presented a report to update the Committee on Control Risk Self Assessment (CRSA). The initiative is being piloted with one cluster group of schools with a view to rolling it out to all schools within the Borough during 2011/12.

The pilot exercise is to introduce CRSA as a methodology for evaluating controls through a questionnaire to enable Head Teachers to comply with the requirements of the Financial Scheme for Schools and provides a level of assurance on control systems which would ultimately reduce the need for more frequent audit visits.

She reported that the pilot cluster group consisted of one comprehensive and seven primary schools and confirmed that she would e-mail a copy of the questionnaire to Members of the Committee for their information.

She concluded that she would update the Committee on the progress of the pilot.

**RESOLVED:** That the Committee noted the report.

147 **CORPORATE RISK ASSESSMENT**

The Assistant Chief Executive - Corporate Development and Partnerships presented a report to update the Committee on risk management within the Council. He explained that under the new Local Government Measure there was no longer a requirement to have a joint risk assessment agreed with our auditors and the WAG Inspectorates. However, to ensure good corporate governance and

to support delivery of the Authority's corporate priorities it was good practice to continue to develop a corporate risk assessment. The Audit Committee oversees risk management, and the Committee's Terms of Reference had been amended to show this.

He referred Members to the main risks currently facing the Council, shown at Appendix 1 to the report, and advised that the Scrutiny Committees would review the list and include in their Forward Work Programmes, those which posed a strategic risk such as School Modernisation and Job Evaluation. He reported that meetings had taken place with Cabinet Members and Corporate Directors to discuss risk areas and to establish if sufficient work was being done to ensure the risk is ameliorated.

The Insurance and Risk Management Officer took Members through some of the main issues outlined in Appendix 1 and reported that extensive work had been carried out during the past six months. Working closely with the Corporate Directors and Heads of Service a total of 13 risks had been identified, each of them ranked according to their level of risk.

He advised that since the publication of the report, the Public Sector Spending Review had been announced; therefore the next quarterly review would enable the impact of this to be assessed.

He referred Members to page 9 of the report and explained that there was a requirement for the Authority to modernise the way it delivered Adult Social Care Services and the main aim of the programme.

The Assistant Chief Executive - Corporate Development and Partnerships reported that Children's Social Services had presented as the highest risk a few years ago, but the improvements the Authority had since put in place had reduced that risk; however, as it was such an important area, it would remain an "At Risk" issue. He added that every local authority was facing pressure with regard to Looked After Children.

RESOLVED: That the Committee endorsed the Annual Risk Assessment and would receive a further report in April 2011 when progress would be reviewed.

148 AUDIT COMMITTEE REPORT ON JOB EVALUATION AND EQUAL PAY

The Assistant Chief Executive - Corporate Development and Partnerships introduced a report to update the Committee, at their request, on the progress of the Job Evaluation Project and Equal Pay.

He reported that considerable work had been carried out in the last 12 months in conjunction with the trade unions and good progress was being made, with the final stages in sight. However, in July the trade unions had confirmed that as a result of a national decision they could not enter into a collective agreement with the Authority. A collective agreement would have involved the trade unions carrying out a ballot on the proposals with their members, and should an overall majority vote in favour, it would enable the unions to work with the Authority and proceed to implementation. Therefore in the absence of a collective agreement, alternative ways of consulting with employees are being developed, but this inevitably will impact on the timescale for implementation.

He explained that the situation was quite fluid and referred to a meeting this week with the trade unions where it was indicated that there had been a relaxation of the position at national level and they may now be able to enter into an agreement with the Authority.

He reported that there had been negotiations with the trade unions on proposed changes to the terms and conditions of employment such as overtime rates, call out payments, weekend working rates and car mileage, in order to help finance the new pay and grading structure.

He informed the Committee that equal pay claims which had been lodged with the Employment Tribunal were proceeding with approximately 1684 claims lodged at present. These claims were all being responded to and the solicitors acting for the Authority were being provided with all the information they needed.

He then introduced Richard Hayward, the Project Manager for the Job Evaluation Project.

The Project Manager - Job Evaluation gave Members a Presentation and advised that a number of factors had been used to assess each post (not person) - He explained that the Job Evaluation Project was about building a new pay and grading structure, which is: fair and transparent; harmonises terms and conditions; was equality impact assessed and defensible if legally challenged. The new structure required a review of Part 3 Terms and Conditions to help with the financing of the overall package.

He reported that the Greater London Provincial Council Scheme (GLPC) had been used extensively across England and Wales and he highlighted the various factors such as job requirements, work environment, knowledge and skills. He outlined the benchmarking exercise which had been carried out and advised that there had been nearly 1800 individual generic jobs evaluated within the Authority.

He explained that Job Families had been created to group jobs from the same functional area related through the activities carried out, but where elements such as the levels of responsibility, knowledge and skills etc. differed.

He reported that work involving Pay Modelling was progressing and sample pay structures had been populated with Job Evaluation scores to produce outline costings using specialist software. Grade breaks were being explored to enable an analysis of the groups of gainers and losers and the aim was to develop a new structure with very short grades. Many current jobs have long grades and the change in approach would create gainers and losers; 40% of posts in scope now have more than four points. The expectation is that overall, the new structure would result in increased costs, but this would be partially offset by some employees' grades going down.

The Assistant Chief Executive reported that progress with the development of Job Families had been significant and this gave a clear structure for jobs within each Family.

Responding to a question from Members, the Head of Human Resources and Organisational Development explained that it had taken 10 years to reach this stage of development.

In terms of consultation from Members, the Head of Human Resources and Organisational Development explained that it had taken 10 years to reach this stage of development.

She reported that plans were being put in place to communicate the process to staff through road shows and a helpline. She explained that the second run of road shows would feed back information from the first stage consultation and would explain the process for the ballot.

RESOLVED: That the Committee noted the report.

149 PERSONNEL RECORDS

The Assistant Chief Executive - Corporate Development and Partnerships presented a report updating Members on the concerns which had been raised by the Committee following the payroll audit earlier in the year and by the Council's external auditors. Internal Audit and KPMG were contacted and had provided details of documents that they had not been able to trace within the testing work they had carried out during 2009/10. He had investigated the points raised by both Auditors and had been able to satisfy himself that most of the documents identified had since been found. He commented that in future he would ensure closer liaison to avoid potential misunderstandings.

RESOLVED: That the Committee considered the information provided in the report and would receive a further report in 2011 once the work referred to under paragraphs 4.4 to 4.6 had been completed.

The meeting closed at 4.37.