

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM 2/3,  
CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 26 MAY 2011 AT 2.00PM

Present:-

Councillor E Dodd - Chairperson

Councillors

Councillors

C Davies

T Hacking

G Davies

M Reeves

P A Evans

C Westwood

M Gregory

M C Wilkins

Officers:-

H Smith - Chief Internal Auditor  
I Pennington - KPMG Director  
K Bagott - KPMG Manager  
J Monks - Democratic Services Officer - Committees

182 APOLOGIES FOR ABSENCE

Apologies were received from the following Members:

Councillor D Buttle - Holiday  
Councillor R E Young - Work commitments

183 DECLARATIONS OF INTEREST

Councillor M Reeves declared a personal interest under Item 4, paragraph 4.1.1 in that he is Chair of BAVO.

184 MINUTES OF THE PREVIOUS MEETING

RESOLVED: That the minutes of a meeting of the Audit Committee dated 14 April 2011 be approved as a true and accurate record subject to the following amendment:

Item 175, page 118, first paragraph should read:-

One Member asked what impact would the improved recycling figures have, given the agreed tonnage expectancies under contract, either in savings or extra costs. The Assistant Chief Executive - Performance informed Members that he would look into it and report back to the Committee.

185 ANNUAL INTERNAL AUDIT OPINION

The Assistant Chief Executive - Performance submitted a report the purpose of which was to inform Members of the Head of Internal Audit's annual opinion on the overall adequacy of the Council's internal control environment.

The Chief Internal Auditor advised the Committee that as the audit planning year covered the period 1 July to 30 June, the summary would span over two planning years 2009/10 and 2010/11. She explained that one of the main aims was to provide assurance on the internal control environment within the Authority. This

was achieved in part through delivery of the Annual Audit Plan, which is based on risk, taking into consideration the results of the audits and also the follow up work which is carried out. High risk recommendations were monitored to ensure implementation, as well as any material changes happening within the Authority.

The findings of work performed by the external auditors, i.e. KPMG, CSSIW and Estyn, were also taken into account. Based on the work which had been carried out she reported that her findings were that the internal control environment was satisfactory.

The Chief Internal Auditor informed the Committee that the Audit team was comprised of 11 members of staff; therefore the Annual Audit Plan had been presented to the Committee for approval based on the resources which were available at the time. The Plan was regularly monitored and updated, and changes to work included in the Plan were based on an assessment of risk. There had been a number of changes during the year as a result of vacant posts and maternity leave, and under the shared services agenda, assistance was sought from the Vale of Glamorgan Council Internal Audit Team, resulting in the Authority exceeding what was expected. She referred Members to the list of completed audits attached to the report at Appendix A, with the completed computer audits shown at Appendix B.

### **School Audits**

The Committee had received at its meeting on the 9<sup>th</sup> December 2010, a summary of the school audit, which gave an overview of the overall opinion of the 29 schools visited between July 2009 and June 2010. In total, three comprehensive schools, 25 primary schools and one special school were visited. One school which had received no assurance was revisited by the audit team on two additional occasions, after which there had been significant improvements.

During the period July 2010 to March 2011, a total of 11 schools were visited; three comprehensive schools and eight primary schools and the overall assurance rate was either satisfactory or reasonable, including one school which had achieved no assurance the previous year.

The Chief Internal Auditor then referred the Committee to the programme of Control Risk Self Assessments (CRSAs), where schools are issued with a self assessment questionnaire to complete. She explained that it was a pilot scheme which had been rolled out to five schools. The CRSA questionnaires would be issued annually in order to form the level of work in schools, with follow-up visits taking place every three years. She had been pleased with the positive response from schools to self assessment, which she believed would assist with risk assessment.

### **Anti-Fraud and Corruption Arrangements**

The Chief Internal Auditor advised that Internal Audit had responsibility for raising awareness of the Authority's Anti-Fraud and Corruption and Whistleblowing Procedure. The Audit team had assisted on a small number of investigations and concerns had come to light, which was currently under investigation in relation to non-compliance with the Council's Contract Procedure Rules. The outcome of the investigation would be reported to the Audit Committee in due course and would also be reflected in the Annual Opinion report next year.

She reported that the Authority participated in the biennial National Fraud Initiative (NFI), which involved the data matching of records which included benefits, pensions and payroll. The Internal Audit team undertook a leading role in co-ordinating this exercise, with the result that 2,656 recommended matches were identified during 2010/11. She added that involvement in the NFI would provide further assurance that the Authority had effective procedures in place to prevent fraud, as well as identifying potential fraud cases based on information held by other Local Authorities.

### **Homelessness**

The Chief Internal Auditor reported that progress has been made on implementing the recommendations made. The Chief Internal Auditor informed the Committee that approval has been given regarding discretionary payments and assurance has been obtained on the system of paying bonds and advance rent payments.

### **Procurement**

The Chief Internal Auditor reported that follow-up work had been undertaken, with some progress having been made in implementing the recommendations. However, there was still a failure within one department to perform authorisations in a timely manner, which was linked to anti-fraud under paragraph 4.12 of the report, and this would be picked up as part of the review.

### **Access and Inclusion**

The Chief Internal Auditor advised that there had been significant progress in managers responding quickly to the recommendations and implementing them, and as a result reasonable assurance had been given.

### **Ynysawdre Pool and Fitness Centre**

The Chief Internal Auditor advised that having followed up on the main areas of concern regarding Ynysawdre Pool, improvements to the control environment have been made sufficiently to be able to give reasonable assurance that effective controls are in place.

### **Corporate Governance**

The Chief Internal Auditor advised that a review had been carried out on corporate governance across the Authority, which had highlighted positive examples of good governance. She reported that the Assistant Chief Executive - Performance was in the process of completing a Code of Corporate Governance which would be presented to the Committee later in the year.

**RESOLVED:** That Members of the Audit Committee considered and noted the Head of Internal Audit's Annual Opinion 2010/11.

## **186 INTERNAL AUDIT OUTTURN REPORT - JULY TO MARCH 2011**

The Assistant Chief Executive - Performance submitted a report, the purpose of which was to inform the Committee of actual Internal Audit performance for the period 1 July to 31 March 2011 against the 2010-2011 Internal Audit Plan.

The Chief Internal Auditor reported that as of the 23<sup>rd</sup> May 2011, after 18 months of dividing her time between BCBC and the Vale of Glamorgan (VOG), the Internal Audit teams for both BCBC and VOG Councils had merged as one unit and relocated to the Innovation Centre in Bridgend. She advised that the team was now comprised of 25 staff, reducing the overall capacity by 30% as a result of hot desking and home working. She explained that by not having designated desks, it enabled the team to mingle freely and get to know each other. Staff had embraced the amalgamation and so far the new arrangement was working well. Due to the differing terms and conditions of employment between the two Councils, it was hoped to formalise the arrangement with a uniform structure within the next year in order to provide the best service needed for both authorities.

One Member commented that it was good news for collaborative working and Bridgend could be regarded as a flagship for future joint working. The Chief Internal Auditor added that the Authority was a trailblazer and during this transitional period more work is needed to formalise a structure, standardise terms and conditions and determine which of the two authorities would become the host authority, all of which will be subject to formal consultation.

One Member asked what benefits would be forthcoming from the Welsh Government (WG) as a result of the collaborative working between the two authorities.

The Chief Internal Auditor explained that as a Council, benefits of economies of scale and efficiency savings should be realised, she would be required to concentrate on establishing the correct structure for the Department as a whole over the coming months. She was not certain whether there would be any financial recognition from the WG, but collaboration is high on the WG agenda. She added that although Bridgend was the first Authority in Wales to embark on such joint working, both Newport and Monmouthshire Councils had shared a Chief Internal Auditor for a number of years, but had not so far taken the step to bring the two divisions together.

One Member asked the KPMG Director if his company was comfortable with the new arrangement.

The KPMG Director commented that there were benefits to be derived from joint working with the ability to move people around, allowing for greater flexibility; one advantage for VOG being access to the strong computer audit structure that existed within Bridgend. He stated that there had already been improvement during the past 12 months, including the introduction of the Committee's Forward Work Programme, as well as the summary of recommendations, which would assist in improving the controlled environment of the whole organisation.

The Chief Internal Auditor invited Members to the Audit team's new location in the Innovation Centre to witness the team in action. It was agreed that the Committee would hold its next meeting at the Centre.

RESOLVED: That Members noted the arrangements that are in place.

187 INFORMATION AND ACTION REQUESTS BY COMMITTEE

The Chief Internal Auditor introduced a report, the purpose of which was to summarise the action and information requests made by the Audit Committee.

One Member stated that it was unacceptable that the Committee had not yet received a response to the request for details on why three secondary schools had opted out of the catering service and that this situation should not be allowed to continue. The Chairperson agreed and confirmed that she would look into the matter further.

RESOLVED: That the Committee noted the report.

188 FORWARD WORK PROGRAMME 2011-12

The Chief Internal Auditor submitted a report on the Forward Work Programme for 2011-12 attached Appendix A to the report.

One Member enquired if the Assistant Chief Executive - Performance still intended to form a Treasury Management Panel from Members of the Audit Committee. The Chief Internal Auditor confirmed that it was still the Assistant Chief Executive – Performance intention and she would update Members when she had spoken with him.

RESOLVED: That the Committee considered and approved the 2011-12 Forward Work Programme.

The meeting closed at 2.50pm.