

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM 2/3,
CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 29 SEPTEMBER 2011 AT
2.00PM

Present:-

Councillor E Dodd - Chairperson

Councillors

Councillors

D Buttle

M Gregory

C Davies

C Westwood

G Davies

M Wilkins

P A Evans

R Young

Officers:-

D MacGregor - Assistant Chief Executive – Performance
J Smith - Chief Accountant
H Smith - Chief Internal Auditor
I Pennington - Director - KPMG
K Evans - Manager - KPMG
M Arthur - Assistant Audit Manager - KPMG
R Ronan - Democratic Services Officer - Committees

208 APOLOGIES FOR ABSENCE

Apologies were received from the following Members:-

Councillor T Hacking - Work commitments

209 DECLARATIONS OF INTEREST

None.

210 MINUTES OF THE PREVIOUS MEETING

RESOLVED: That the minutes of a meeting of the Audit Committee dated 18 August 2011 were approved as a true and accurate record.

211 FORWARD WORK PROGRAMME 2011-2012

The Chief Internal Auditor presented a report to the Committee that outlined the updated 2011-2012 Forward Work Programme for the Audit Committee. She advised Members that all was on schedule and that there were currently no additions.

RESOLVED: The Committee noted the updated 2011-12 Forward Work Programme.

212 INFORMATION AND ACTION REQUESTS BY COMMITTEE

The Chief Internal Auditor submitted a report summarising the action and information requests made by the Audit Committee. The table attached to the

report outlined the issues highlighted by the Committee and she pointed out that there were three outstanding requests to be carried forward.

(1) Treasury Management Panel

The Assistant Chief Executive - Performance explained that it is proposed to present a report to Council in October recommending an amendment to the Financial Procedure Rules. This is in order to reflect the responsibility of the Audit Committee for ensuring effective scrutiny of the treasury management, strategy and policies. A 'treasury management panel' will then be established comprising of four Members of the Audit Committee and if deemed appropriate, the Cabinet Member - Resources. The Panel will receive appropriate training to allow them to undertake their duties and will receive the Annual Report and Half Yearly Report in advance of Council. The Assistant Chief Executive - Performance advised that it is to be decided who the Panel will report to.

(2) Governance Framework Case Study

The Chief Internal Auditor explained that the Committee had agreed to re-agenda this case study at a future meeting in order to give Members a chance to discuss their observations. Members therefore agreed to append this item to the Audit Committee meeting scheduled for the 10 November 2011.

(3) Benefit Fraud Investigations Outturn Statistics

The Chief Internal Auditor informed Members that further to their request for the statistics to be converted into actual money saved she could report that as a result of the work undertaken by the HB/CTB Fraud Investigation Team a total of £149,000 of recoverable overpayments had been identified, £131,000 related to prosecution cases. She thanked the Fraud Manager for her quick collation of the figures. The Committee suggested that as a deterrent these figures should be publicised. The Chief Internal Auditor confirmed that media releases were sent out on a regular basis.

RESOLVED: That the Committee noted the Information and Action requests by Committee report.

213 COMPLETED AUDITS

The Chief Internal Auditor presented a report that summarised for Members the findings of the audits recently completed by the Internal Audit Division.

She explained that in respect of Home to School Transport good progress has been made in respect of assurance over CRB checks of drivers and escorts. Satisfactory evidence of Insurance and appropriate training of escorts has also been provided. Twenty recommendations were made with one being fundamental. The Chief Internal Auditor told Members that immediate response was received from management and all recommendations have started to be implemented.

A Member of the Committee commented that a number of issues appear to be centred around CRB checks. The Assistant Chief Executive - Performance explained that this was mainly down to a deficiency in communication and assured the Committee that there were no major failings by the Authority on the safeguarding side. Sample testing has proved that overall, the level of

compliance is very good and system checks have indicated that there are no significant problems with checks in relation to social workers.

The Committee asked if in relation to Ynysawdre Pool there was any further update. The Chief Internal Auditor said that all issues were now being addressed and an Auditor has revisited. A further visit has been scheduled for a months time to ensure that all recommendations have been fully implemented.

RESOLVED: That the Committee noted the Completed Audits report.

214 FINAL STATEMENT OF ACCOUNTS 2010/11

The Assistant Chief Executive Performance in his capacity as Section 151 Officer introduced the report on the Council's final Statement of Accounts for 2010/11 and invited the Audit Director - KPMG and his team to update Members by way of a presentation on their main findings and to also summarise the audit work carried out in respect of the financial year 2010/11.

The Audit Director - KPMG explained to the Committee that the statement of accounts have been produced in line with a new Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2010.

This is in accordance with International Financial Reporting Standards (IFRS). He explained that as appointed auditor, Anthony Barrett of the Wales Audit Office is responsible for providing an opinion on whether the financial statements give a true and fair view on the financial position of Bridgend County Borough Council at 21 March 2011 and its income and expenditure for the year then ended. KPMG were engaged to carry out his detailed work on the Audit. The Audit Director - KPMG confirmed that his team members were all independent of the Council and its Officers and he was not aware of any potential conflicts of interest.

He told the Members that in KPMG's opinion the financial statements and related notes for 2010/11 provided a true and fair view. He also commented that Officers had taken a lot of care over the accounts, which were of a high quality and well produced.

The transition from the SORP to the IFRS code was on the whole handled well, with the exception noted in relation to capital accounting and financing where considerable effort had been necessary but this has been achieved.

The Audit Manager – KPMG explained that income and expenditure detailed on page 45 of the Statement of Accounts shows how the Authority is moving money in relation to the provision of services in accordance with generally accepted accounting practices, rather than the amount to be funded in cash terms when the budget is set.

The Audit Manager – KPMG told the Committee that for 2010/11 the Authority showed a surplus on the comprehensive Income and Expenditure Statement of £52.231m this does not however reflect the budgeted financial position of the Council, as it includes a credit for pension costs and capital charges.

The Audit Manager - KPMG explained to the Committee that public service pensions would be increased in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) from April 2011. Therefore in line with guidance a credit has been posted to 'non distributed cost'. The decision to move from RPI

to CPI is currently in judicial review, a post balance sheet events note has now been included in the Statement of Accounts which discloses the details of the possible reversal of the original decision.

The Audit Manager - KPMG also pointed out that grants no longer appear in Assets and Liabilities. Grant funding for capital assets is now recognised as income.

In relation to Revenue and Reserves the Audit Manager explained that Council funding has remained relatively stable. The delegated schools balance is showing that regarding PFI a reserve fund has been set aside for future use.

The Assistant Audit Manager- KPMG explained that the adoption of the IFRS based code has led to the re-classification of some balances and transactions with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10. These are, Capital classification of Bryngarw House as Asset held for sale. This is due to Bryngarw being actively marketed at year end, thereby meeting the criteria of an asset held for sale under IFRS. The Authority has decided subsequently not to sell the asset, so it will be reclassified back into operational assets in 2011-12.

The Section 151 Officer explained to the Committee that in relation to equal pay the Authority was currently dealing with 1,854 claims which fell into three categories - high risk, potential liability and low risk.

He informed Members that the Authority also has to factor into the budget anticipated future claims. Equal pay is the biggest financial risk that this Authority currently faced and a key factor in reducing this risk is the implementation of Job Evaluation. It was essential therefore that Job Evaluation is addressed and he gave Members an explanation of the rationale underpinning this judgement.

A Committee Member asked if the balance of the waste disposal liability of £700K to be paid at £50k per annum over the next fourteen years was in relation to MREC. The Chief Accountant confirmed that this was correct.

The Audit Manager - KPMG told the Committee that as reported in the Corporate Assessment letter, the Authority has improved its medium - term financial planning process during the year and better medium-term thinking has allowed the Council to plan for major service remodelling. No omitted costs have been identified.

The Audit Manager – KPMG informed Members that they have followed up on previous year's issues with payroll costs and their findings are in line with those of Internal Audit. It is understood that officers have introduced new procedures following these recommendations and as further issues have been identified.

The Audit Manager – KPMG updated the Committee on Internal Control Weaknesses and Recommendations as detailed in Appendix 5, no significant issues were identified and the matters covered in Appendix 5 have been discussed with the Section 151 Officer and the Chief Accountant and positive progress has been made.

The Audit Director - KPMG concluded by thanking the Section 151 Officer, Chief Accountant and their teams for their extensive help, patience and perseverance especially with regard to the change to Capital Accounting. He was very pleased

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with the quality of work and excellent working relationship between the Authority and KPMG.

The Committee thanked KPMG for their honesty and openness and endorsed the praise given to staff.

- RESOLVED:** (1) That the Committee noted the audited Statement of Accounts 2010/11
- (2) Noted and agreed the Final Letter of Representation to KPMG and the Wales Audit Officer.

The meeting closed at 3.35pm.