

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM 2/3,
CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 4 OCTOBER 2012 AT
2.00PM

Present:-

Councillor G Davies – Vice-Chairperson in the Chair

<u>Councillors</u>	<u>Councillors</u>
G W Davies	E Venables
E Dodd	C Westwood
C A Green	H M Williams
C Jones	R E Young
J McCarthy	

Officers:-

H Smith - Chief Internal Auditor
M A Galvin - Senior Democratic Services Officer - Committees

10 APOLOGIES FOR ABSENCE

Apologies were received from the following Members:-

Councillor E Dodd - In another meeting (to arrive late)
J Williams - Holiday

11 DECLARATIONS OF INTEREST

None.

12 AUDIT COMMITTEE FORWARD WORK PROGRAMME 2012-13

The Assistant Chief Executive – Performance submitted a report that presented to Members an update of the 2012-13 Forward Work Programme for Members information.

The updated Forward Work Programme was attached at Appendix A to the report.

The Chief Internal Auditor advised that the Forward Work Programme was subject to change during the course of a year, and after 12 months, Members would be given a summary report detailing all the items that the Committee had considered as part of the Forward Work Programme during this period.

RESOLVED: That Members considered the updated Forward Work Programme for 2012-13, so as to ensure that aspects of their core functions are being adequately reported.

13 INFORMATION AND ACTION REQUESTS BY COMMITTEE

The Chief Internal Auditor presented a report that summarised for Members the actions and information requests made by the Audit Committee.

She explained that the Internal Audit Section conducted reviews in accordance with an annual Audit Plan, and then in turn, reported their findings to the Audit Committee

A summary of actions and information provided was included in the table contained in the report from the last scheduled meeting and the Chief Internal Auditor gave a verbal update on each of these.

The Chief Internal Auditor explained that at the last meeting of the Committee, a question was raised about whether a third parties legal costs would be paid by the Council Insurers in the event that BCBC made a planning decision which was subsequently overturned at Appeal.

The Council's Risk Management and Insurance Officer had confirmed that he didn't believe that the Council's Insurance cover had much of a role to play in such circumstances. In general terms, the Planning Appeal system was designed to work on the basis of each party paying its own costs. Therefore, in the vast majority of circumstances the outcome of an appeal is irrelevant to any issue of costs. However, if an appeal by a third party is successful and the appeal decision triggers a claim from the third party for their financial loss, then the BCBC Officials Indemnity policy would operate. The third party in such an occurrence would however have to do more than simply win the appeal. They would also have to demonstrate that the Council had acted in a negligent manner.

The Chief Internal Auditor confirmed that whilst it rarely happened, the Inspector does have it in his power to make an award for costs against the Council, if they believe that the Council has refused an application for spurious reasons that were not based on valid planning evidence. This would not be insured by the Council's liability cover because it is a financial loss to the council rather than the third party.

The second item the Committee had asked to be updated on at the last meeting, was whether the SIMS dinner money module had been implemented, and how many Schools had signed up to using the system.

The Chief Internal Auditor explained that when this had been implemented, 9 schools had signed up to the module, however, as at 27 September 2012, 43 new schools had signed up to it and been trained to operate the system. Therefore, all 52 primary schools were now operating under SIMS.

Members thanked the Chief Internal Auditor for her verbal updates.

RESOLVED: That the Committee noted the report.

14 INTERNAL AUDIT'S TERMS OF REFERENCE

The Chief Internal Auditor presented a report the purpose of which was to present the Internal Audit's Terms of Reference for approval.

The Terms of Reference were shown as Appendix A to the report, and they set out a number of areas, including Responsibilities and Objectives; Reporting Lines and Relationships and Independence and Accountability, amongst others.

The Chief Internal Auditor explained that it was planned to review the Terms of Reference annually, and in turn, present this to the Committee for approval each year.

She reminded Members that the local authorities of Bridgend and the Vale of Glamorgan presently provided a shared Internal Audit Service, and that the Terms of Reference recommended would apply to both Councils.

She advised that Officers' in Internal Audit would remain sufficiently independent of the activities that it audits, to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgement and recommendations that are free from any conflicts of interest. An Auditor would not conduct an audit of a service area where they had previously worked unless a period of 12 months had lapsed since their employment within that service area. This would allow auditors to have a more independent and transparent role.

A Member noted that in the Policy Statement adopted by the Internal Audit Shared Service included as an Appendix to the Terms of Reference, under the heading Rotation of Duties that work assignments of Internal Auditors **should** be rotated from time to time where this was possible. She felt that this should be altered to **will**.

The Chief Internal Auditor explained that if Members were in agreement with this part of the document being amended as suggested, then she would arrange for this to be undertaken. In instances where it was not possible to rotate duties, perhaps due to staff shortages, etc, then she suggested that a report be presented to the Committee advising Members of this. The Committee agreed to this suggestion

A Member asked if the Internal Audit Section had sufficient resources available to adequately support its responsibilities and achieve its objectives, as this was a key provision of the document.

The Chief Internal Auditor explained that though the staffing compliment was satisfactory at present, she would need to look at a recruitment campaign at the end of the year, to account for current or anticipated future vacancies.

RESOLVED: That the Committee approved the Terms of Reference set out in Appendix A to the report, and that the Internal Audit Shared Service Policy Statement be slightly amended as referred to in the preceding paragraph above.

15 INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN – APRIL 2012 – MARCH 2013

The Assistant Chief Executive – Performance submitted a report which presented Members with the Council's Internal Audit Strategy and Annual Audit Plan for the above period.

The report gave some background information, and confirmed that the 2012/13 Annual Audit Plan of work had been formulated to ensure compliance with the Standards as contained within the Code of Practice. This was attached as Appendix A to the report.

The Chief Internal Auditor explained that the Plan had been based upon six main areas of audit coverage across Directorates, and these encompassed Assurance, Corporate Governance, Performance Management, Risk Management, Anti-Fraud and Corruption and Contingency.

Attached at Appendix B to the report, was the Internal Audit Strategy document for 2012-13. This demonstrated how the Internal Audit Section would be delivered and developed, in accordance with its Terms of Reference and how it links to Council objectives and priorities.

The Chief Internal Auditor advised that the Strategy would be reviewed in consultation with the Corporate Management Board, External Auditors, senior management, and most importantly the Audit Committee..

The Plan provided for 1,475 productive days being delivered during 2012-13, which equated to approximately 9 full time equivalent employees.

In terms of the last two bullet points of 16.1 of the Internal Audit Strategy, a Member considered that the wording of these should be revised so as to reflect that the Internal Audit Section are adopting a more robust approach to any suspected internal financial irregularities.

The Chief Internal Auditor confirmed that this part of the document would be re-examined to achieve the above by providing an alternative form of wording, and the Committee agreed with this course of action being pursued.

RESOLVED: That Members considered and approved the Internal Audit Strategy and Annual Audit Plan for 2012-13, as outlined in the report, subject to the proposed modification to 16.1 of the Internal Audit Strategy outlined above.

16 INTERNAL AUDIT – OUTTURN REPORT – APRIL TO AUGUST 2012

The Assistant Chief Executive – Performance submitted a report which informed the Audit Committee of actual Internal Audit performance against the first five months of the audit plan year, April 2012 – March 2013.

The Chief Internal Auditor reminded Members that the Internal Audit Plan 2012-13, was submitted to Members at the last Committee meeting, and it outlined the assignments to be carried out and their respective priorities.

The Chief Internal Auditor added that a summary of the audits commenced or ongoing, and those completed for the period April to August were detailed in Appendix A to the report.

Paragraph 4.2 of the report then showed a Table that included an analysis of work carried out in relation to the Plan.

The Chief Internal Auditor explained that the figures reflected that 605 actual days had been achieved for this work, which was slightly below that expected by a total of 9 days.

The Chief Internal Auditor added that at the end of the period, 15 reviews/jobs had been completed and closed, all of which had provided management with an overall audit opinion on the internal control environment for each of the systems examined.

RESOLVED That Members gave due consideration to the Internal Audit Outturn Report covering the period

April 2012 to August 2012, in order to ensure that all aspects of their functions are adequately reported.

17 COMPLETED AUDITS

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

The areas covered by the audits were detailed in the report and the Chief Internal Auditor gave a resume of each of these, all of which were categorised as Reasonable or Substantial other than two areas, ie Home to School Transport and Initial Building Maintenance (Follow-up) which had been regarded as Limited.

In relation to the audit of Payroll, a Member asked if the Trent System had now been developed fully in terms of its functionality, capacity and areas of data it covered since it was introduced some 4 years or so ago. The Chief Internal Auditor explained that she thought this was the case, however, she confirmed that she would look into this query and update Committee Members accordingly.

In terms of overpayments made in the last 12 months, a Member asked if this figure could be shared with Members. Similarly, the Chief Internal Auditor confirmed that she would obtain this information and pass it on to Members.

In relation to the audit of Sundry Debtors, the Chief Internal Auditor following Committee requests, advised that she would ascertain why ICT were unable to provide the relevant report on write-offs, despite this being available in previous years, as well as reporting back to Members upon the issue regarding a number of Invoices previously raised with Rhondda Cynon Taff in dispute and not as yet having been paid.

In terms of the audit of Home to School Transport, the Chief Internal Auditor referred Members to the concerns outlined in the report, and added that a follow-up audit would be undertaken within the next 3 months, in order to ensure that recommendations made by Internal Audit are implemented.

With regard to the follow-up audit of Initial Building Maintenance, the Chief Internal Auditor explained that although key control issues were being addressed and some progress was being made, the newly developed controls had not as yet had time to bed-in due to the timing of the follow-up audit. Limited Assurance had therefore been given, until such time as these controls are operational.

RESOLVED: That Members gave due consideration to the completed audits, to ensure that all aspects of their core functions are being adequately reported.

The meeting closed at 3.10pm.