

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM 2/3, CIVIC OFFICES, ANGEL STREET, BRIDGEND ON WEDNESDAY, 23 JANUARY 2013 AT 2.00PM

Present:

Councillor E Dodd - Chairperson

<u>Councillor</u>	<u>Councillor</u>	<u>Councillor</u>
G W Davies MBE	J McCarthy	E Venables
C A Green	C Rees	C Westwood
C Jones	M Reeves	

Lay Member

J Williams

Officers:

J Smith	-	Head of Finance and Performance
D Sutherland	-	Head of Technology, Property and Customer Service
R Doak	-	Group Auditor
M Arthur	-	Assistant Manager - KPMG
J Monks	-	Democratic Services Officer - Committees

The Chairperson welcomed those present to the meeting and wished everyone a happy new year. On behalf of the Committee, she congratulated Councillor Wyn Davies on receiving his MBE in the Queen's New Year Honours list.

29 APOLOGIES FOR ABSENCE

Apologies were received from the following Members and Officers:

Councillor G Davies	-	Other Council business
Councillor H M Williams	-	Prior commitment
Councillor R Young	-	Vehicle problems
H Smith - Chief Internal Auditor	-	Unable to attend due to the weather
D Gilbert - Director KPMG	-	Other commitments

30 DECLARATIONS OF INTEREST

None.

31 MINUTES OF THE PREVIOUS MEETING

RESOLVED: That the minutes of a meeting of the Audit Committee held on the 29<sup>th</sup> November, 2012 were approved as a true and accurate record.

32 INFORMATION AND ACTION REQUESTS BY COMMITTEE

The Head of Finance and Performance summarised the actions and information which had been requested by the Committee. She reported that the request for a Risk Report would now be presented to the Committee by the Insurance and Risk Officer at its meeting in April and advised that the Risk Management Register would be reviewed monthly by Cabinet and

the Corporate Management Board. Consideration was being given to a case study being undertaken by KPMG, to establish how risks are managed in practical terms.

The Assistant Manager - KPMG advised Members that Darren Gilbert had been appointed to replace Ian Pennington as the Senior External Auditor to the Authority. He explained that KPMG's Senior Auditors worked on a rota basis in order to avoid any independent conflicts that may arise. Unfortunately, Darren was unable to attend today's meeting, however he would discuss with Darren the possibility of conducting a case study on risk management.

RESOLVED: That the Committee noted the report.

33 AUDIT COMMITTEE - FORWARD WORK PROGRAMME 2012-13

The Group Auditor provided an update on the Committee's Forward Work Programme for the financial year 2012-13. He advised that the Completed Audits which were due to be presented at the Committee's meeting in January had been delayed due to a packed agenda.

The Head of Finance and Performance informed Members of suggested revised dates for the Treasury Management training which was postponed due to the recent inclement weather. She advised Members to let the staff in Members' Services know of their preferred dates for training to take place at the beginning of March, as the suggested dates in February were not suitable.

RESOLVED: That the Committee gave consideration to the updated 2012-13 Forward Work Programme to ensure that all aspects of their core functions are being adequately reported.

34 INTERNAL AUDIT'S ANNUAL REPORT ON SCHOOLS

The Group Auditor presented a report which summarised the findings made by Internal Audit in relation to school based audits conducted in 2011/12. He informed Members that a significant amount of audit work with schools had been carried out in order to provide each school, its governing body and the Authority with assurance that controls were operating effectively and also to provide guidance on compliance with financial procedures. He explained that individual schools were reported on to the Corporate Director – Children, and a summary is provided to the Committee on the work carried out during the year. Greater detail was provided within the attached appendix.

The Group Auditor reported that since the Authority formed a shared service with the Vale of Glamorgan Council, Internal Audit had used the opportunity of working together to achieve best practice in both audit sections. This had resulted in a combined work programme being developed which incorporates a risk strategy to take into account the results of any previous audit work. Some improvements have been made to the process, which includes self-assessment questionnaires issued to individual schools on an annual basis. The schools are asked to complete those assessments and provide documentary evidence to prove they carry out controls. The aim is to audit each school at least every three years, and to use the self-assessment document to focus on areas where more in-depth analysis is required.

In response to a question from a Member, the Group Auditor would arrange to send Members of the Committee a template of the Control Risk Assessment Questionnaire (CRSA) and the Pre-Audit Questionnaire (PAQ).

The Group Auditor referred Members to the Table on page 8 of the report which summarised the audit reviews on primary and nursery schools. The reviews had revealed a common theme of weaknesses which related to the following:-

- School meals income
- Child Protection
- Procurement and Payments

He advised that control of income from school meals was now the responsibility of individual schools, and the weakness identified was related to arrears; a lack of monitoring outstanding amounts and non-compliance with the Authority's catering policy on arrears.

The Group Advisor concluded by reporting that Head Teachers had been asked to complete a Client Satisfaction Survey (CSS) on the audit process, where the school had been subject to an audit review. He commented that the small number who had responded was disappointing, but nevertheless, the replies that were received were all positive. The Committee requested a copy of the CSS questionnaire.

RESOLVED: That the Committee gave due consideration to the Internal Audit annual report on schools to ensure that all aspects of their core functions are being adequately reported.

### 35 INTERNAL AUDIT OUTTURN REPORT - APRIL TO DECEMBER 2012

The Group Auditor presented a report to update the Committee on the actual Internal Audit performance against the last nine months (April 2012 to December 2012) compared with the annual Audit Plan which had provided for a total of 1,475 productive days to cover the period April 2012 to March 2013.

He advised that the breakdown against each service area within the Authority was not straightforward, as more audit work may be carried out in a particular Directorate in one quarter than in others. He pointed out that there had been a shortfall in the actual number of audit days in each area, and drew Members' attention to the Table shown at paragraph 4.2 of the report. The Table explained that the actual audit days achieved in ICT and Property were 160, although there were 206 available days, and advised that it was not a uniform input of audit resources for each quarter. The actual numbers of days achieved in all were 1,038 days, which was 68 days less than expected, due to staff vacancies and sickness absence levels within the service. He informed Members that three new auditors had been recruited into the joint service during the last year, but there was still a shortfall which would continue until the end of the financial year in March.

He gave assurance that the focus had been on auditing the high risk areas, all of which would have been completed by the end of March. Also all of the limited reports had been followed up, to ensure that management had the required improvements in place.

One Member asked if the reduced number of days spent on audits meant that they were ahead of schedule.

The Group Auditor explained that generally they would be ahead of schedule, but there were occasions when unexpected investigations were required, which often proved time-consuming, and although they were mindful of the risks involved, this sometimes meant that other audits in that Directorate would not be completed. The Head of Finance and Performance added that there was some scope built into the number of allocated days to allow for unforeseen circumstances.

In response to a question from a Member, the Group Auditor informed the Committee that the 10 days spent on external work involved the two Joint Committees: Coychurch Crematorium

and Catalogue Supplies, and the audit work carried out on each one was reported to the individual Committee, as Internal Audit was required to give assurance to those two bodies.

The Lay Member referred to the Table shown at paragraph 4.2 and asked whether a more realistic profile could be adopted in order to reflect the fact that the system was not straightforward.

The Group Auditor explained that it was possible to give a more realistic account, but this would be time-consuming and he was not sure whether it would be accurate as there were many factors involved. The team were in the process of identifying shortfalls and whether more work needed to be carried out in specific areas, or if more time needed to be spent on the higher risk audits. The Head of Finance and Performance advised that the Member's suggestion would be given consideration to establish if it would provide added value. The Group Auditor added that consideration would also be given on how the risks are reported to the Committee.

RESOLVED: That the Committee gave due consideration to the Internal Audit Outturn report which covered the period April 2012 to December 2012.

36 AUDIT COMMITTEE – PUBLIC SECTOR INTERNAL AUDIT STANDARDS

The Group Auditor presented a summary of the report which was provided to the Committee on the new Public Sector Internal Audit Standards (PSIAS), developed by the Chartered Institute of Internal Auditors (CIA) and which came into force on the 1<sup>st</sup> April 2013. The report was to inform Members of the changes to the Standards the Authority would be required to work to.

In May 2011, the Chartered Institute of Internal Auditors (CIIA) agreed to collaborate in the development of the internal audit profession in the public sector. Until now, local authorities complied with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice in England and Wales, which sets out the principle of practice and how local authorities plan their work and how the results are reported.

The Group Auditor informed Members that last year a Committee was established which included CIPFA and Central Government and the Committee was represented by the Treasury as well as other relevant bodies, which included the Welsh and Scottish Governments. The scope of the PSIAS applies to all internal audit service providers whether in-house, shared services or outsourced, with a common set of standards throughout the public sector in the UK, and will be mandatory for all local authorities from the beginning of April 2013.

He explained that there were two areas which would need to be addressed by Internal Audit:

- To agree a Charter for Internal Audit.
- To make it mandatory to carry out an independent review of the Internal Audit Service at least once every five years, in order to provide assurance to the Authority and the Audit Committee that the service is operating according to the new Standards.

One Member asked how often external assessments were currently carried out.

The Group Auditor explained that currently reviews were not carried out on a regular basis; however the Chief Internal Auditor was requested to carry out a review two years ago when she was Head of Internal Audit at the Vale of Glamorgan Council. He added that those reviews were basically an audit of the Auditors by an independent person.

RESOLVED: That the Committee gave due consideration to the report and agreed to adopt the PSIAS with effect from the 1<sup>st</sup> April 2013.

37 EXCLUSION OF THE PUBLIC

RESOLVED: That under Section 100A(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business because of the likelihood that, if members of the public were present during this item there would be disclosure to them of exempt information of the description specified in paragraph 18 of Part 4 of Schedule 12A and paragraph 21 of part 5 of Schedule 12A of the said Act:

<u>Minute No:</u>	<u>Summary of Item:</u>
38	Confidential minutes of the previous meeting of the Audit Committee dated the 29 <sup>th</sup> November 2012.
39	To receive a confidential report from the Assistant Chief Executive - Performance.