

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOMS 2/3
ON WEDNESDAY, 18 JUNE 2014 AT 2.00 PM

Present

Councillor E Dodd (Chair)

Councillors:

G Davies
GW Davies MBE
CA Green
RC Jones
JR McCarthy
C Westwood
HM Williams
RE Young

Officers:

J Smith Head of Finance and Performance
H Smith Chief Internal Auditor
M Arthur KPMG
M Williams Chief Accountant
L Griffiths Legal Officer

117. ANNOUNCEMENT

The Chief Internal Auditor advised Members that prior to electing a Chairperson of the Committee, she understood that Councillor Jones wished to make an announcement.

Councillor Jones proposed that a Chairperson be appointed for this meeting only and that consideration be given to both the importance of this role and the costs associated with it. She was sure that all Members agreed that the role of the Chair was important not only to ensure the probity and performance of the Authority, but also to ensure that the Council's regulators are supported in their role.

As had already been identified in relation to the Democratic Services Committee, there was also a need to be mindful of the costs of the role and the salary that it attracted as provided by the Independent Remuneration Panel for Wales.

Her proposal would allow Members to consider in their own groups whether the present arrangements should stay; there should be a recommendation to Council in relation to the approval of the salary for this role, or for example, whether a Lay Member should be appointed, prior to returning to Committee to debate the matter further and make a determination.

Following this announcement, Members of the Committee by way of a majority decision, agreed that the matter of payment to the Chairperson of the Committee be further considered by political groups that make up the Authority, prior to the next meeting of the Audit Committee.

118. ELECTION OF CHAIRPERSON.

RESOLVED: That in light of Minute 117 above, Committee agreed to appoint Councillor E Dodd as Chairperson of the Audit Committee for today's meeting only.

Councillor Dodd then took the Chair.

119. ELECTION OF VICE CHAIRPERSON.

RESOLVED: The Committee agreed to appoint Councillor G Davies as Vice-Chairperson of the Audit Committee for today's meeting only.

120. TO RECEIVE APOLOGIES FOR ABSENCE (TO INCLUDE REASONS, WHERE APPROPRIATE) FROM MEMBERS/OFFICERS.

Apologies for absence were received from the following Members:

Councillor J E Lewis	-	Holiday
Councillor D K Edwards	-	Other Council Business
Councillor M Reeves	-	Other Council Business
Mrs J Williams	-	Holiday

121. DECLARATIONS OF INTEREST

None.

122. TO RECEIVE FOR APPROVAL THE MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON 10 APRIL 2014.

RESOLVED: That the minutes of the meeting of the Audit Committee held on the 10 April 2014 were approved as a true and accurate record.

123. 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 at its last meeting.

She confirmed to Members that a summary of actions and associated information so provided in relation to requests for further information on the items entitled Anti-Fraud and Bribery Policy and Draft Internal Audit Strategy and Annual Risk Based Audit Plan - March 2015, was provided in Paragraph 4.1 of the report.

RESOLVED: That Committee noted the report.

124. COMPLETED AUDITS

The Chief Internal Auditor presented a report to Committee that summarised for Members the findings of audits recently completed by the Internal Audit Shared Service as shown at Appendix A to the report.

The Chief Internal Auditor then gave a resume on each of these audits.

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In relation to Purchasing Cards, she confirmed that the Audit Opinion on this work area was deemed as reasonable where nine recommendations had been made as a result of the audit, all of which had been agreed/actioned by the Department.

In terms of the follow-up audit on Shared Lives, which had previously received an Audit Opinion of Limited, she confirmed that progress had been made in this area, but not to such an extent that warranted any improvement in this Opinion. A new Manager was now in place and it was suggested that this person has further time to make the improvements recommended, and in turn, be invited to the Audit Committee at its October meeting to give feedback on hopefully by then on how the Service has improved.

With regard to the follow-up audit on Supported Living, the Chief Internal Auditor advised that Audit Opinion of the Service was deemed reasonable, and a further report on this area would be presented to Committee in November.

Member Payments, Gifts and Hospitality had been given a Substantial Audit Opinion, as had the audit carried out in respect of the implementation of Job Evaluation.

The audit of Telecare had been categorised as Limited Audit Opinion, with a number of significant recommendations being made in relation to staff training on a specific IT system crucial to client management, and gaining assurance from third party operators as to employees DBS status. She confirmed that a follow-up audit would take place between July - September.

The next audit related to Inter-Authority Placements, and the Chief Internal Auditor confirmed that Audit Opinion in this work area was also classed as Limited with a particular problem in place regarding file management and responsibility. Two files could not be located at the time of the review and this continues to remain the case.. Auditors will maintain a watching brief of this service area.

The audit of the area of Social Media had been assessed as Reasonable as had the audit in respect of Display Screen Equipment (DSE) and eye tests, only in terms of the latter, there was no control in place to ensure the employee claiming the voucher was the same employee having the eye test.

The audit of Communities First had been considered Reasonable, though added the Chief Internal Auditor, the Wales Audit Office had also undertaken their own separate review of this area of work.

The School Balances audit had been given a Substantial Audit Opinion whilst the audit of Taxation had been considered Reasonable with strengths identified, and only two recommendations made by the Internal Audit Shared Service as a result of this audit.

RESOLVED: That Committee noted the report and the findings arising from the audits of the above service areas.

125. ANNUAL OPINION REPORT OF THE HEAD OF INTERNAL AUDIT FOR THE PERIOD APRIL 2013 TO MARCH 2014

The Chief Internal Auditor presented a report to members of the Committee on her (i.e.as Head of Internal Audit) annual opinion on the overall adequacy of the Council's internal control environment.

The report gave a brief description of the role of Internal Audit, the control environment within which Internal Audit operated and a summary of work carried out during the

period April 2013 to March 2014. A statement of overall opinion on the internal control environment was also given in support of the Annual Governance Statement which the Council is required to include with the Statement of Accounts.

She explained that Internal Audit was an assurance function that primarily provided an independent and objective opinion to the organisation on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the organisation's objectives, including its policies, procedures and operations that were/are in place.

The Chief Internal Auditor stated that one of the main aims of her Section was to provide assurance on the Council's overall system of internal control, which she had deemed to be Reasonable in terms of assurance of the Authority's overall internal control environment.

Attached at Appendices A and B of the report was a detailed report (including the outturn for April 2013 to March 2014) on the work undertaken by Internal Audit during this period, and the Chief Internal Auditor extracted key information from these attachments so as to share with Members.

She further added, that the system of internal control was designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieving corporate/service policies, aims and objectives, hence her assurance being considered reasonable rather than absolute in terms of effectiveness.

With regard to Appendix A of the report i.e. paragraph 9.13, the Committee raised concerns over the fact that the Section 151 Officer was presently unavailable to undertake her role..

The Head of Finance and Performance (Deputy Section 151 Officer) was shortly leaving the Authority, and though Members recognised that the Chief Executive was in the process of addressing this issue and had given an assurance that certain arrangements would be put in place to ensure the statutory functions of the Section 151 Officer were adequately covered, they felt that a letter should be sent to him from the Audit Committee expressing their concern and advising that it is essential that a suitably experienced Section 151 Officer is in place to cover any period of absence of the above two Officers and prior to the successful recruitment of the newly introduced post of Head of Finance and ICT.

- RESOLVED: (1) That Committee noted the Head of Internal Audit's Annual Opinion covering the period April 2013 to March 2014.
- (2) That the Committee agreed to send a letter, signed by the Chairperson, to the Chief Executive expressing its concern over the statutory obligations of the Section 151 Officer being fulfilled, for the reasons outlined by the Committee detailed above.

126. ANNUAL GOVERNANCE STATEMENT 2013-14

The Head of Finance and Performance presented a report the purpose of which was for the Audit Committee to approve the Annual Governance Statement (AGS) for inclusion in the Council's Statement of Accounts for 2013-14 and the associated Code of Corporate Governance which had been updated.

By way of background information, she explained that Regulation 4 of the Accounts and Audit (Wales) Regulation 2005 introduced a requirement for the Authority to be explicitly

responsible, as part of its arrangements for corporate governance, for annually reviewing and reporting on internal control.

The CIPFA Code of Recommended Practice (the Code) stated that the preparation and publication of an Annual Governance Statement (AGS) in accordance with 'Delivering Good Governance in Local Government' fulfils the statutory requirement regarding the production of a statement of internal control in England, Wales and Northern Ireland. The Regulations also stated that the AGS must be included in the Council's Statement of Accounts.

She explained that there were six core principles of good governance in the CIPFA/SOLACE framework contained within 'Delivering Good Governance in Local Government' which had been adapted for local government purposes. These could be aligned with the principles and values set out by the Welsh Government (WG). These were shown numbered 1 - 6 in paragraph 4.1 of the report.

The Head of Finance and Performance added that each core principle had a number of supporting principles outlining what they meant. The supporting principles in turn translated into a range of specific requirements that should be in place within the Council. The Council's Code of Corporate Governance had been based on these principles. The Council's Code of Corporate Governance was attached at Appendix A to the report. It had been updated to include reference to the revised Anti-Fraud and Bribery Policy.

Good corporate governance required the active participation of Members and officers across the Council. These arrangements were reviewed on an annual basis and the findings used to update the AGS. This helped to ensure the continuous improvement of the Council's corporate governance culture.

The AGS for 2013-14 was attached at Appendix B to the report.

The Head of Finance and Performance then referred to certain key areas included within Appendices A and B for the benefit of Members, particularly in relation to significant governance issues.

RESOLVED: That the Audit Committee:-

- (1) Approved the revised Code of Corporate Governance, shown at Appendix A to the report.
- (2) Reviewed the Annual Governance Statement, shown at Appendix B to the report, and approved its inclusion in the Statement of Accounts 2013-14.

127. **STATEMENT OF ACCOUNTS 2013-14**

The Chief Accountant submitted a report the purpose of which was to present the unaudited Statement of Accounts for 2013-14 to Audit Committee for noting.

She confirmed that the Statement of Accounts for 2013-14 have to be signed and dated by the responsible financial officer before the 30 June 2014, certifying that it presents a true and fair view of the financial position of the Authority. The audited Accounts must be approved by Audit Committee before 30 September 2014. The Code sets out the accounting principles and practices required to prepare a Statement of Accounts. However, it is the role of the responsible financial officer to make appropriate decisions

in accordance with his/her professional judgement about the best and proper practices to be followed.

The Council's Statement of Accounts for the financial year ended 31 March 2014 had been prepared and a copy was attached as Appendix A, and comprised of a number of different statements relating to financial performance and reserves as well as a statement on corporate governance arrangements.

The Chief Accountant explained that there was a legal requirement for the Statement of Accounts to be signed by the responsible financial officer by the 30 June following the end of the financial year, prior to once more being presented to Committee.

The Chief Accountant referred to some key information detailed in the attached Appendix A, particularly on pages 50-53 of the document, which outlined four main Core Financial Statements, as well as the financial performance together with details of Council Reserves and information regarding the Annual Governance Statement.

A Member noted from Page 51 of Appendix 'A' that Council Tax income amounting to £66m in 2012-13, had only increased to just under £69m for 2013-14. As he was aware that further housing had been constructed within parts of the County Borough between these periods, he felt that this increase in income could have been greater.

The Head of Finance and Performance whilst accepting this point, stated that there were compensating reasons why this increase may appear to be smaller than expected, for example because of single person occupier claims, and other factors such as exemptions and discounts, etc. She added that she would look into this further and provide a further explanation to Members of the Committee.

RESOLVED: That the Committee noted the unaudited Statement of Accounts for 2013-14.

128. ANTI-MONEY LAUNDERING POLICY

The Chief Accountant presented a report, the purpose of which was to present Committee with the above draft policy.

She explained that as the Council's existing Anti-Money Laundering Policy had not been updated since 2006, this now needed revising.

The draft Policy, attached at Appendix A to the report, recognised that the Council as a large organisation was at risk of loss, due to money laundering. In adopting the Policy, the Council was seeking to demonstrate clearly that it was firmly committed to dealing with money laundering and that it would deal equally to this end with perpetrators from inside (i.e. Members and Officers) and outside the Authority.

The Chief Accountant confirmed that the draft Policy now included examples of risks which may either alone or cumulatively suggest possible money laundering activity. Appendix 1 of Appendix A also outlined a money laundering checklist.

She finalised her submission by advising that training would be made available in respect of the Policy, which when approved would be placed on the Council's Intranet site.

RESOLVED: That the Committee:-

- (1) Noted the draft Anti-Money Laundering Policy attached at Appendix A to the report.
- (2) Noted that the Policy will in turn be presented to Cabinet for approval.

129. WALES AUDIT OFFICE - ANNUAL IMPROVEMENT REPORT (AIR) ON BRIDGEND COUNTY BOROUGH COUNCIL MAY 2014

The Head of Finance and Performance submitted a report, to introduce the report of the Wales Audit Office (WAO) to the Committee (attached at Appendix 1).

Each year, the WAO, on behalf of the Auditor General, carried out an improvement assessment for each improvement authority in Wales, the annual improvement assessment consisting of two parts as detailed in paragraph 3.1 of the report.

The Head of Finance and Performance added that the attached Annual Improvement Report was informed by the findings of these two assessments.

The report had also drawn on CSSIW₁ *Annual Review and Evaluation of Performance 2012-13*; the findings of the Estyn inspection that was carried out in October 2012; and the Council's self-assessment of performance (Annual Report 2012-13).

She explained that the overall conclusion of the WAO report was positive, reflecting what the Council achieved and the improvement it had made in 2012-13.

The report recognised the Council has effective performance review arrangements in place, which it regards as "good practice", and also recognised the Council's approach to financial management as "positive practice".

The Head of Finance and Performance further added that, based on the findings, the report concluded that the Council was likely to make appropriate arrangements to secure continuous improvement for 2014-15.

The report had not made any statutory recommendations for the Council to consider, nor specific proposals for improvement.

RESOLVED: That the Committee noted the above Annual Improvement Report produced by the Wales Audit Office.

130. FORWARD WORK PROGRAMME 2014-15

The Chief Internal Auditor presented a report that gave Members an update on the 2014 - 2015 Forward Work Programme (FWP) for the Audit Committee, covering the above period, attached at Appendix A to the report.

RESOLVED: That Members accepted and noted the Forward Work Programme 2014-15, in order to ensure that all aspects of their core functions are being adequately reported.

131. URGENT ITEMS

There were no urgent items.

The meeting closed at 3.40pm