

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOMS 2/3,  
CIVIC OFFICES ANGEL STREET BRIDGEND CF31 4WB ON THURSDAY, 10 APRIL 2014 AT  
2.00 PM

Present

Councillor E Dodd (Chair)

Councillors:

G Davies  
GW Davies MBE  
CA Green  
RC Jones  
JE Lewis  
JR McCarthy  
M Reeves  
C Westwood  
HM Williams

Lay Member: Mrs J Williams

Officers:

H Smith - Chief Internal Auditor  
M Williams - Chief Accountant  
D Gilbert - Audit Director - KPMG  
R Ronan - Democratic Services Officer - Committees

103. APOLOGIES FOR ABSENCE

None

Councillor M Reeves advised that he would be leaving the meeting early to attend a medical appointment.

104. APPROVAL OF MINUTES

RESOLVED: That the minutes of the meeting of the Audit Committee held on the 19 January 2014 were approved as a true and accurate record

105. DECLARATIONS OF INTEREST

None

106. AUDIT COMMITTEE - CERTIFICATION OF GRANTS AND RETURNS 2012-13.

The Audit Director - KPMG presented a report to the Committee the purpose of which is to advise on the external auditors report on the grant work undertaken for 2012-13.

He explained that as the appointed auditors of the Council, KPMG are asked on behalf of the Auditor General for Wales to certify larger grant claims made by the Council. For 2012/13 they audited 31 grant claims and returns with a total value of £151m. A

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summary of all claims and returns subject to certification is provided within the report at Appendix 1 the results are summarised in paragraph 4.2 of the report.

The Audit Director - KPMG advised that overall they concluded that the Council has good arrangements in place for the production and submission of its 2012/13 grant claims. There is some scope for improvement and this is detailed in the "Recommendations" section of Appendix 1, these recommendations will be followed up on during the 2013/14 audit. It should be noted however that these were not significant recommendations just a fine tuning of current procedures.

A Member of the Committee requested Internal Audit's comments on the external audit report.

The Chief Internal Auditor explained that Internal Audit do not as part of their remit look at the grants examined as part of this report as from an Internal Audit perspective this would be seen as duplication. Internal Audit would however look at the systems and controls that supported the grant administration.

The Committee questioned whose responsibility it would be to implement the suggested improvements.

The Audit Director - KPMG advised that as detailed on page 14, 15 and 16 of Appendix 1 a responsible officer is allocated for each comment.

The Chief Accountant explained that as part of the Annual Governance Statement each external audit recommendation would be looked at and incorporated within the review.

RESOLVED: That Members noted the content of the External Auditor's report on the grant work undertaken for 2012-13 and noted the authorised signatories list as set out in Appendix 2.

#### 107. AUDIT COMMITTEE - EXTERNAL AUDIT ANNUAL FINANCIAL AUDIT OUTLINE 2013-14.

The Audit Director - KPMG presented a report to the Committee the purpose of which is to submit the External Auditor's Annual Financial Audit outline for 2013-14 for noting.

He explained that the outline has been prepared to meet the requirements of the auditing standards and proper audit practices and sets out KPMG's work to be undertaken for 2013-14. The document is attached at Appendix 1.

The Audit Director - KPMG advised that a summary of main audit risks and proposed responses are listed on page 8 of the appendix. He explained that the Local Government Pension Scheme for Rhondda Cynon Taf County Borough Council of which Bridgend County Borough Council is a member has undergone a triennial valuation. This will require a large volume of data being provided to one actuary and, KPMG will liaise with the Appointed Auditor for the Pension Fund and test the accuracy of the data relating to Bridgend. There were no other significant risks identified for the period.

In terms of other work undertaken the Audit Director - KPMG drew the Committee's attention to the risk area, in relation to Catalogue Supplies Service Joint Committee and Coychurch Crematorium Joint Committee detailed on page 10 paragraphs 19-22 of the appendix. He assured the Committee that these areas have only been identified as risks due to the nature of their business; Catalogue Supplies is a sales based concern

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and the Crematorium's income is anticipated to rise above the £1m threshold this year and will therefore require a full audit.

The Audit Director - KPMG explained that he was currently unable to provide the Committee with an estimate of the audit fee for 2013 - 14 as the fee scale has not yet been finalised. He advised that he would report back when fees have been set.

A Member of the Committee asked if in relation to the Crematorium's income any work had previously been carried out on the accounts.

The Audit Director - KPMG responded that a full set of accounts have been produced previously the difference this year is that they will be examined by the external auditor. The Chief Internal Auditor advised that as part of the annual plan internal audit would look at the control environment.

The Committee asked if KPMG were concerned about the risk of "Material Mistreatment due to Fraud" detailed in paragraph 20 of appendix.

The Audit Director - KPMG explained that they were not concerned but they were obliged to consider this a risk due to the fact that fraud around revenue could be perpetrated as Catalogue Supplies is a business that generates stock and income. The suggestion is not that fraud is being undertaken but that the Audit Plan recognises this as an inherent risk.

A Member commented that as the Authority's representative on the Catalogue Supplies Service Joint Committee he could assure Members that there was always a vigorous challenge by the partner Authorities on the financial statements and a definite audit trail.

The Committee asked if the Authority was putting itself at risk by entering into a contract with the external auditors when the fees were not finalised.

The Audit Director - KPMG explained that the Authority's external auditors were appointed by the Auditor General and that this was a statutory function not contractual. The Welsh Audit Office consulted widely across Wales on fee levels therefore local Authorities would have a general idea of the level of financial commitment.

The Chief Accountant asked the committee if they would like the financial summary for the Joint Committees to be included in the Statement of Accounts which are to be considered at its September meeting. The Committee agreed that it would be useful to incorporate this information.

RESOLVED: That the Committee reviewed and noted the content of the report.

#### 108. ANTI-FRAUD AND BRIBERY POLICY.

The Chief Accountant presented a report to the Committee the purpose of which is to present the draft Anti-Fraud and Bribery Policy before it is taken to Cabinet for approval. She explained that the Audit Committee were responsible for monitoring Council policies on anti-fraud and anti-corruption arrangements as part of its Terms of Reference. The Policy is also an integral part of the Council's overall governance framework.

The Chief Accountant advised that the existing policy is out of date and therefore needed revision to include the effects of the Bribery Act 2010. The draft policy recognises that the Council as a large organisation is at risk of loss due to fraud and corruption both from within the Council and outside it. The Policy demonstrates that the

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Council is firmly committed to dealing with fraud, corruption and bribery and encouraging a culture of openness and fairness.

The draft policy is shown at Appendix A and the Chief Accountant advised that the key points of the policy are designed to encourage prevention, promote direction, ensure effective investigation where fraud or corruption has occurred and prosecute offenders where appropriate. The role of the Audit Committee is outlined in paragraph 5.17 of the Policy and includes a periodic review.

A Member of the Committee noted that the Policy had been up-dated to reflect legislative changes and asked for clarification as to which parts of the Policy were new.

The Chief Accountant advised that the new Policy contained more detail about rules and procedures and the responsibilities the Monitoring Officer. The Audit Committee role and terms of reference have also been updated.

The Chief Internal Auditor explained that a significant insertion was paragraph 2.6 - Corruption/Bribery.

A Member commented that paragraph 2.8 which details money laundering states that the Authority's Anti-Money Laundering Policy is in the process of being updated, they questioned whether this would then be presented to the Audit Committee. The Chief Accountant answered that the Policy would be updated to reflect the new guidance and presented to the Audit Committee at its June meeting before receiving Cabinet approval. The Forward Work Programme will be updated to reflect this.

A Member noted that Gifts and Hospitality was not covered in the Policy. The Chief Accountant responded that this would be added before presentation to Cabinet. She advised that the approved document would then be placed on the intranet for staff to view and a learning module would also be produced.

RESOLVED: That the Committee:-

- (1) Noted the draft Anti-Fraud and Bribery Policy (Appendix A).
- (2) Noted that the Policy will be presented to Cabinet for approval.

### 109. INFORMATION AND ACTION REQUESTS BY COMMITTEE.

The Chief Internal Auditor presented a report to the Committee which summarised for Members the actions and information requests made by the Audit Committee at its last meeting on the 16 January 2014.

She advised Members that a summary of actions and information provided is contained in the table at paragraph 4.1.

RESOLVED: That the Committee noted the report.

### 110. AUDIT COMMITTEE TERMS OF REFERENCE.

The Chief Internal Auditor presented a report to the Committee which detailed for Members the amendments to the Audit Committee's Terms of Reference.

She explained that the proposed amendments are necessary to ensure that the Audit Committee's Terms of Reference are aligned to those outlined in the CIPFA publication

“Audit Committees” - Practical Guidance for Local Authorities and Police 2013 Edition. This document represents CIPFA’s view of best practice for Audit Committees and recognises that they are a key component of governance.

The Chief Internal Auditor informed Members that the amended terms of reference will be presented to Council at a future meeting for approval, following which the Constitution will be amended accordingly. She advised that the amendments are shown in Appendix 1 as track changes for ease of reference.

A Member of the Committee asked for clarification on the “Regulatory Programme”. The Chief Internal Auditor advised that this was the old name for what is currently referred to as the “Improvement Programme” and she would arrange for the wording to be updated accordingly.

The Committee asked if our External Auditors had carried out an assessment of Internal Audit. The Audit Director - KPMG responded that they annually provide assurance that they can “rely on the work of internal audit”, an assessment of all the work carried out by Internal Audit was not however one of their core responsibilities.

RESOLVED: That the Committee:-

- (1) Noted the amended Terms of Reference attached as Appendix.
- (2) Noted that the amended Terms of Reference will be presented to Council for approval.

111. COMPLETED AUDITS.

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

A Member queried if Sundry Debtors is outsourced. The Chief Accountant advised that there is a central Sundry Debtors Team in the Resources Directorate with devolved functions throughout other departments i.e. highways.

The Committee commented that the 57% response rate to the school governance questionnaires was disappointing and suggested that rather than a sample the questionnaire could have been sent to all Chairs of Governors. The Chief Internal Auditor noted the Committees comments.

A Member asked for an update on the Parking Enforcement Shared Service Agreement between Bridgend and the Vale of Glamorgan. The Chief Internal Auditor explained that this has now been signed by the Vale of Glamorgan and is with Bridgend’s Legal Department.

A Member noted that the Foundation Phase Grant Audit had been finalised in July 2013 and asked why this had not been considered by the Committee earlier. The Chief Internal Auditor explained that it was simply an oversight and apologised that this had not been reported to the Committee earlier.

A Member asked why Internal Audit had carried out a review of the Foundation Phase Grants when KPMG reported on the grant work undertaken by the Authority in 2012-13.

The Chief Internal Auditor explained that the threshold for the work carried out by the external auditors was over £100,000 and this was set by the Auditor General. Although the figure for the Foundation Phase Grants was 4.3m this was comprised of smaller grants across schools.

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

112. INTERNAL AUDIT SHARED SERVICE SELF-ASSESSMENT AGAINST THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS.

The Chief Internal Auditor presented a report to the Committee, the purpose of which is to inform Members of the results of the assessment of the Internal Audit Shared Service function against the Public Sector Internal Audit Standards (PSIAS), effective from 1 April 2013.

She explained that from 1 April 2013, Internal Audit has been working the Public Sector Internal Audit Standards which the Audit Committee endorsed at their meeting on the 23 January 2013. The PSIAS are applicable to all areas of the United Kingdom public sector and is based on the Chartered Institute of Internal Auditors (CIIA'S) international professional practices framework.

The Chief Internal Auditor advised that she had undertaken a self-assessment to demonstrate the extent to which the Internal Audit Shared Service complied with the PSIAS and to identify areas where further work was required to demonstrate compliance. A summary of the assessment findings is attached at Appendix A and highlights where the existing service complies and where action is required to address areas of current non-compliance.

The Chief Internal Auditor explained that the results of her assessment were that Internal Audit were fully compliant with 8 of the standards and partially compliant with the remaining three. She advised Members that part of our compliance to the Standards is to arrange for an external assessment to be carried out at least once every five years. Consideration is currently being given to how this assessment can be delivered and it will be reported to the Audit Committee for a decision at the appropriate time.

The Committee asked if there would be a financial cost to the Authority for this assessment and questioned when the five year period begins.

The Chief Internal Auditor answered that the assessment would have to be carried out by the financial year 2019/20 but the Audit Committee can decide that they want it at any time within the cycle. There would be an unavoidable cost and once the Audit Committee made the decision to go ahead costings would be sought.

RESOLVED: (1) That Members noted compliance with the PSIAS and commented on the areas where compliance has not yet been achieved.

(2) That Members noted the actions and suggested timeframe required to ensure compliance with the PSIAS.

113. INTERNAL AUDIT SHARED SERVICE CHARTER 2014/15.

The Chief Internal Auditor presented a report to the Committee advising Members of the Council's Internal Audit Shared Service Charter for 2014/15 which is attached at Appendix A.

She explained that the Audit Committee approved the first Internal Audit shared Service Charter 2013/14 at their meeting held on 21 March 2013. The PSIAS requires the Head of Audit to review the Charter periodically but final approval resides with the Audit Committee.

The Chief Internal Auditor advised that she has only made minor amendments/updates and these include:-

- The change of designation for the Section 151 Officer from the Assistant Chief Executive - Performance to the Corporate Director - Resources;
- Changes to highlight the implementation of the Quality Assurance and Improvement Programme.

A Member noted that at paragraph 2.8 it states that Internal Audit staff will adopt an innovative approach to their work, she asked for clarification as to what this means on a day to day basis.

The Chief Internal Auditor explained that staff were expected to think broadly, not to be blinkered, not to make recommendations for the sake of making recommendations and always think about the impact of their recommendation on the Service.

RESOLVED: That the Committee considered and approved the Internal Audit Shared Service Charter for 2014/15 as attached to the report.

114. DRAFT INTERNAL AUDIT STRATEGY AND ANNUAL RISK BASED AUDIT PLAN APRIL 2014 TO MARCH 2015.

The Chief Internal Auditor presented a report to the Committee the purpose of which is to advise them of the Council's draft Internal Audit Strategy and draft Annual Risk based Audit Plan for the year April 2014 - March 2015.

She explained that there were some corrections to be made to the appendix: At paragraph 7.1 it should read "the contingency is set at 70 days" and at paragraph 7.2 "the time allocated (50 days) is reserved to cover any such eventuality".

The Chief Internal Auditor advised that she had met with Directors and Heads of Service to discuss possible risk areas and assessed work carried out over previous years. The plan that has been proposed therefore is considered to be the most appropriate and covers the highest risks facing the Council at this time.

She explained that staff resources were reduced from the previous year, from 22 down to 18. As previously reported to the Committee in January, outturn was falling short by 90 days, staff have however worked very hard and reduced this to 14 days. The 1,310 productive days in the new plan is therefore considered achievable although sickness levels have increased recently and this may have an impact on workloads.

A Member of the Committee asked for a context in which the plan is generated.

The Chief Internal Auditor answered that the starting point for the plan is to look at the Corporate Priorities of the Council overall and the high profile risks (listed on page 8). Information is also fed in through an information management system which holds all the budget codes and details of work that has previously been undertaken. Risk scores are updated based on a review of this rolling database. A report is run and looks at the risk score and date of last audit, there is also always a link back to the corporate risks, for

example the change management programme is currently a priority and may have an impact on internal controls. The risk register is also considered and any new risks are entered onto the information management system. The use of resources also links into how the audit brief, objectives and scope is put together.

A Member commented that the risk register is a live evolving document. The Chief Internal Auditor confirmed that it was and therefore the Audit plan is also flexible. She also advised that the service level risk registers are taken into consideration.

A Member questioned if there was any indication of priority within the plan.

The Chief Internal Auditor answered that this can be done after discussion with the Directors and Heads of Service. Audits were undertaken to ensure the minimum of disruption for the service area concerned. It was agreed that she would provide the Committee with an indication of schedules/times at its meeting on 18 June.

RESOLVED: That the Committee considered and approved the draft Internal Audit Strategy and draft Annual Risk Based Audit Plan for 2014/15.

115. FORWARD WORK PROGRAMME - 2013/14.

The Chief Internal Auditor presented a report to the Committee to update them on the 2013 - 2014 Forward Work Programme for the Audit Committee, this is shown at Appendix A.

RESOLVED: That Members gave due consideration to the updated 2013-14 Forward Work Programme to ensure that all aspects of their core functions are being adequately reported.

116. PROPOSED FORWARD WORK PROGRAMME - 2014/15.

The Chief Internal Auditor presented a report to the Committee to inform them of the proposed Forward Work Programme for 2014-15.

It was agreed to add the Treasury Management Strategy to the meeting on 15 January 2015. The Anti-Money Laundering Policy would be added to the 18 June meeting and the Anti-Bribery the November meeting.

RESOLVED: That Members gave due consideration to the proposed 2014-15 forward work programme and schedule of agenda items to ensure that all aspects of their core functions are being adequately reported.

The meeting closed at 3.50 pm