

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM 2/3,  
CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 16 JANUARY 2014 AT  
2.00PM

Present:

Councillor E Dodd - Chairperson

Councillors

G Davies  
G W Davies MBE

Councillors

R C Jones  
J E Lewis

Councillors

J R McCarthy  
M Reeves

Councillors

E Venables  
H M Williams

Lay Member: Mrs J Williams

Officers:

J Smith - Head of Finance and Performance  
H Smith - Chief Internal Auditor  
R Martin - Insurance and Risk Management Officer  
N Echanis - Group Manager - Integrated Working and Family Support  
R Ronan - Democratic Services Officer - Committees

92 APOLOGIES FOR ABSENCE

Apologies for absence were received from the following Members for the reasons so stated:-

Councillor C A Green - Other Council Business  
Councillor C Westwood - Other Council Business  
Councillor R E Young - Holiday

93 MINUTES OF PREVIOUS MEETINGS

RESOLVED: That the minutes of the meeting of the Audit Committee held on the 7 November 2013 were approved as a true and accurate record.

94 DECLARATIONS OF INTEREST

None.

95 THE CORPORATE RISK ASSESSMENT 2014-15

The Insurance and Risk Management Officer presented a report to the Committee which explained the outcome of the annual risk assessment and changes to the Risk Management Policy which will impact how the risk assessment will be monitored.

He explained that the current Risk Management Policy and risk assessment monitoring arrangements have been reviewed and agreed by the Corporate Management Board. Therefore in future the Insurance and Risk Management Officer will liaise quarterly with Directorate Business Managers, in advance of the scheduled discussion at Corporate Management Board and agree any proposed changes to the risk assessment. These will then be discussed and approved by Corporate Management Board.

It has been agreed that due to the inextricable links between the Council's Risk Assessment and its approach to insurance to append the Council's Insurance Strategy to the Risk Management Policy, this is shown at Appendix 1.

A timeline has also now been included to illustrate how the 2014-15 risk assessment will be monitored and reviewed throughout the year, and how the 2015-16 process aligns and informs the Medium Term Financial Strategy.

The Insurance and Risk Management Officer explained that the Risk Assessment is an ever evolving document which he co-ordinates and draws together into a cohesive whole. It was presented to the Corporate Management Board on the 23 December 2013 and now to the Audit Committee. It will then be incorporated within the Medium Term Financial Strategy which would be considered by Cabinet in February.

The Insurance and Risk Management Officer then presented the Draft Risk Assessment to the Committee as attached at Appendix 1 and received questions from Members on the content.

A Member commented that they considered it good practice on behalf of the Authority that the Risk Assessment was being approached proactively and that business managers within the Directorates were now being included in its formulation.

The Committee noted that in respect of Welfare Reform the Risk Assessment indicates that 1,400 households within the County Borough are being adversely affected by the bedroom tax. Recent reports in the press however have asserted that any claimants who had been in continuous receipt of benefits since 1996 would be exempt from this tax and Members questioned whether this would affect the figures quoted.

The Head of Finance and Performance responded that the Authority would have to undertake a review into how many households would be affected and expected that any benefits awarded would be reclaimed from the DWP via housing benefit subsidy.

A Member of the Committee asked if the Authority was aware of any evictions through non-payment of rent as a result of bedroom tax increases.

The Head of Finance and Performance advised that she was not aware of any evictions or major issues that the Authority had not been able to resolve. She explained that officers have been working with tenants to address concerns and provide advice and support. However one of the main problems remains a lack of appropriate one bedroom accommodation.

A Member commented that in terms of Welfare Reform the risk score is at the highest level possible despite numerous risk reduction measures, they asked if it would be the case therefore that these measures were stopping the situation from becoming worse.

The Insurance and Risk Management Officer agreed that this was the case. The Head of Finance and Performance explained that there has been a lot of delay in terms of legislation and some proposals are still to be implemented, even the most subtle changes can have a big impact.

A Member asked how the Authority would know if its mitigation measures were having an impact on the risk.

The Head of Finance and Performance responded that some actions were visible in their effects, for example debt counselling has helped avoid evictions and there has been a constant dialogue with private landlords. These initiatives will be continuous, however, there

is only so much the Council can do to ultimately cushion the impact of changes to Welfare Benefits.

A Member asked if the Council's budget planning for AEF was based on a 3% reduction or a 1.5 % reduction for 2015-16. The Head of Finance and Performance responded that it was based on a 3% reduction as the experience from 2014-15 had shown that it was better to be prudent.

The Committee commented that the Council's pump priming budget of £200,000 has been used to establish the core staff capability to deliver the Bridgend Change Programme and in addition an earmarked reserve of £1m will be maintained over the life of the MTFs to support its delivery. They asked for details of the take up of these budgets.

The Head of Finance and Performance explained that the £200,000 sits in the base budget and is specifically to support staff resources in the delivery of the change programme, and will be for the life of the MTFs, three project managers have been employed by utilising this budget.

The £1m is for specific projects and to date £550,000 has been earmarked. As an example this has been used towards in initial studies for the residential care remodelling programme where extra capacity was needed in order to deliver savings in the long term. The Project Management Board oversees these projects and all applications require proper business cases, also outcomes are constantly monitored and assessed.

A Member questioned if due to budgetary pressures the Porthcawl Regeneration project did not make progress the situation would be analysed and reviewed.

The Head of Finance and Performance advised that further information was awaited but a review would be required. The Insurance and Risk Management Officer explained that in relation to supporting vulnerable people the key is to maintain emphasis on safeguarding and the service is driven by an increasing demand and changes in demographics.

A Member noted that the Risk Assessment on this issue indicates that the likelihood has reduced as a result of measures taken and the risk description describes how our partners actions as well as our actions have led to a reduction in these risks.

The Insurance and Risk Management Officer explained that plans and proposals are taken into consideration when agreeing the risk score and partnership organisations actions would also be factored in.

In relation to supporting vulnerable children Members noted that the principle issue is the ability to attract and retain confident and experienced qualified social workers but also that we needed to recruit more foster carers.

The Insurance and Risk Management Officer advised that in respect of waste disposal we currently recycle 52% of our waste, and this needs to be increased by 70% to avoid incurring fines and also as a benefit to the environment. A Member asked if this risk included bulky waste. The Insurance and Risk Management Officer confirmed that it did.

In respect of maintaining infrastructure the Committee asked if there was a dialogue between the Insurance and Risk Management Officer and the highways department especially in relation to potholes.

The Insurance and Risk Management Officer advised that he was in continuous contact with the highways department and did feed-back on areas where road repairs were causing particular problems.

The Committee commented that it would be best from a reputational point of view if the Authority was proactive rather than reactive to these types of issues. The Insurance and Risk Management Officer agreed but advised that the main issue was striking a balance between this and the resources available.

A Committee member asked if insurance action is included in risk measures marked red.

The Insurance and Risk Management Officer advised that it was not but that it was considered in the impact.

The Committee asked if in relation to a potential reduction in staff numbers pension contributions could be regarded as a risk.

The Head of Finance and Performance explained that these were reviewed tri annually and in the previous actuarial valuation the employer's rate has reduced, the expectation however is that this will increase but not greatly. A bigger risk comes with the outsourcing of services as there are potential past service costs, and the age of the workforce will also have an impact.

A Member asked if there were any plans to look at the amalgamation of pension schemes and reduce the cost of administration.

The Head of Finance and Performance responded that work is ongoing with the Society of Welsh Treasurers Group and a central administration team for funds is being actively considered.

RESOLVED: That the Audit Committee considered the annual risk assessment and changes to the Risk Management Policy and receive a further report in November 2014 when progress can be reviewed.

## 96 INFORMATION AND ACTION REQUESTS BY COMMITTEE

The Chief Internal Auditor presented a report to the Committee the purpose of which is to summarise for Members the actions and information requests it made at its last meeting.

She explained that the Committee had requested an update and assurance that all recommendations were being implemented in relation to the volunteer drivers follow-up Audit. The Committee questioned if in the event that a volunteer driver is undertaking the business of the Council they must purchase insurance that is sufficiently wide to include this activity.

The Insurance and Risk Management Officer advised that if a volunteer driver uses their vehicle on behalf of BCBC they would be relying on their own insurance of that vehicle. To insure a vehicle there must be an 'insurable interest' and the Council does not have this as they have no ownership or possession of the vehicle. He explained that this is usual practice and the Charities Commission have confirmed that this applies to their volunteer drivers.

A Member asked if this would increase insurance costs for volunteer drivers.

The Insurance and Risk Management Officer responded that it would not but added a caveat that as part of the "Big Society" agenda, the current government had met with a number of insurers who had agreed not to increase costs if vehicles were being used for volunteering, drivers are always recommended to communicate with their insurers on this matter.

The Chief Internal Auditor informed Members that Internal Audit have now completed their follow-up review of the service and progress is clearly being made therefore a reasonable assurance has now been issued. She then invited the Group Manager - Integrated Working and Family Support to address the Committee on their concerns.

The Group Manager - Integrated Working and Family Support advised the Committee that she assumed responsibility for the volunteer driver team in November 2012 by which point the scheme had been in place for 7 - 8 years. The service had significant issues and in 2012 was overspent by £32,000, with good management over the past three years this has been reduced.

She explained that capacity within the team has also been lost and the service is now down to one part-time co-ordinator.

The Group Manager - Integrated Working and Family Support apologised to the Committee that the Audit improvements had taken longer than expected to achieve. However she was pleased to report that all current drivers are DBS checked and have the correct insurance and MOT's.

Systems are also now in place to advise when DBS checks are due for renewal, however she explained that the service were reliant on the volunteer drivers bringing in the necessary paperwork for them to check and copy. Due to the service being a volunteer one it was not politic to harass or badger drivers as they were valued highly and not easily replaceable.

The Group Manager – Integrated Working and Family Support advised that one outstanding issue was out of County subsistence claims where the claim limit was £10.00. She explained that they had considered removing these claims. When they investigated the numbers of drivers claiming against the level of claim however it was found to only involve two volunteers and small amounts of money. The Group Manager Integrated Working and Family Support explained the circumstances of these claims to Members and how relatively speaking the monetary value of these claims to the service given was very small.

A Member questioned if mileage was paid at the HMRC rate which was currently 45p per mile.

The Group Manager Integrated Working and Family Support responded that volunteer drivers were currently paid at the rate of 49p per mile and this rate has been paid since 2005. She explained that this issue has also been looked at but as most drivers have been with the scheme for a long time and they expected a certain level of compensation. Drivers were established and finding replacements would not be simple, they were often drawn ex-BCBC staff and retirees. The Service were however looking at ways of recruiting new drivers to the pool and to this end had recently had leaflets printed, they were also looking at promotion via events for other forms of volunteering e.g. foster carers.

A Member asked if reducing the mileage rate would incur extra paperwork or administrative costs.

The Group Manager Integrated Working and Family support advised that the consideration was more that they would lose current volunteers and a lot of their other allowances have already been reduced. If they lost volunteers then the service would be reliant on taxis and this would be at a greater cost to the Authority.

The Chief Internal Auditor explained that at its last meeting the Committee requested information on the value of overpayments from the sanctioning of Housing Benefit and

Council Tax Benefit Fraud. She advised that this is as follows £236,569 for 2012/13 and £112,268 for the first six months of 2013/14.

Members also requested further information on the reduction of productive days in relation to Cross Cutting. The Chief Internal Auditor advised that the outturn report for April to December shows that 123 productive days have been achieved against an expected 154 for Cross Cutting. It is envisaged that all the reviews as outlined in the Audit Plan, submitted to the Committee in May 2013 will be completed.

RESOLVED: That the Committee noted the report.

97 TREASURY MANAGEMENT STRATEGY 2014-15

The Head of Finance and Performance presented a report to the Committee the purpose of which is to present the proposed Treasury Management Strategy for 2014-15. This includes the Borrowing Strategy 2014 - 15, Investment Strategy 2014-15, Treasury Management and Prudential Indicators for the period 2014-15 to 2017-18 and the Annual Minimum Revenue Provision Statement 2014-15.

She explained that the Council manages its Treasury Management activities in accordance with the Local Government Act 2003 and associated guidance which is listed at 3.1 of the report.

To ensure effective scrutiny of treasury management in accordance with the Treasury Management Strategy the Audit Committee has been nominated to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and Policies. In addition to the regular reports to Cabinet and Council the strategy was presented to the Audit Committee in September 2013, this included the Annual Treasury Management report for 2012-13. The Head of Finance and Performance advised that this is the first time that the Treasury Management Strategy has been presented to the Audit Committee before Council.

The Head of Finance and Performance explained that the Strategy confirms our compliance with the Code, which requires that formal and comprehensive objectives, policies and practices, strategies and reporting arrangements are in place for the effective management and control of Treasury Management activities and that the effective management and control of risk are the prime objectives of these activities.

The Head of Finance and Performance then advised the Committee of the key points, of the Treasury Management Strategy, which is included at Appendix A and accepted questions from the Committee.

A Member asked if the £18m investments indicated was a constant figure.

The Head of Finance and Performance explained that this figure dipped and increased over time and has been as little as £7m at certain points and as much as £40m at others; at year end it usually sits at between £12-15m.

A Member commented that at paragraph 4.4 of the covering report it indicated that revenue savings have been made on the Capital Financing budget, he asked if this had been ring fenced.

The Head of Finance and Performance advised that the savings are included in the MTFs under corporate savings.

RESOLVED: That Members gave due consideration to the Treasury Management Strategy 2014-15 before it is presented to Council for approval.

98 INTERNAL AUDIT'S ANNUAL REPORT ON SCHOOLS

The Chief Internal Auditor presented a report to Members which was issued to the Corporate Director Children, summarising the findings made by Internal Audit in relation to the school based audits conducted in the 2012/13 audit year.

She explained that Internal Audit aims to audit every school at least once every three years, with increased visits if necessary, on the basis of a risk assessment.

In 2012/13 24 visits were undertaken, 3 secondary schools, 17 primary schools and 2 special schools. In addition, two follow up reviews were undertaken at schools where the audit opinions in the previous financial year resulted in limited or no assurance being provided.

The Chief Internal Auditor advised that of the secondary schools visited 1 was issued with substantial assurance and 2 graded as reasonable. The two special schools were graded substantial.

She explained that in September 2010 the School Funding (Wales) Regulations 2010 came into force and provided Local Authorities with powers to direct spending or claw back monies where surplus budgets held by schools exceed £50k or 5% (whichever is the greater) for primary and £100k or 5% (whichever is the greater) for comprehensive and special schools. A new BCBC policy was then approved for the claw back of funds and Table 2 of the report sets out the cumulative surplus and deficit balances identified and carried forward into 2013/14.

A control risk self-assessment (CRSA) is issued to schools in the interim years between audit visits and in 2012/13 CRSA's were sent out to 38 schools. Of these, 30 were primary schools, 1 nursery school, 6 comprehensive schools and 1 special school. Responses were received for 81% of Primary and Nursery Schools and 86% for comprehensive and special schools. Of the self-evaluated responses received 100% of schools achieved greater than 80% score and were therefore deemed to have 'very good' internal controls in operation.

Listed at paragraph 4.3 of the report are possible areas that could be covered during an audit visit. Prior to the visit each school completes a Pre-Audit Questionnaire (PAQ) and based on the responses received, the outcomes/findings of previous audit work and the result of the previous CRSA forms the basis of a risk assessment process to determine the areas that will be included and covered at the visit.

A Member of the Committee commented that where a school showed a budget deficit Internal Audit expressed no concerns, they asked for clarification as to why this would be the determination.

The Chief Internal Auditor explained that in these instances Internal Audit would expect the school to have a clear action plan in place and provide assurance that the issues leading to the deficit were being addressed. The Head of Finance and Performance responded that all deficits have to be explained to the Directorate at the end of the financial year and there are other checks and balances within the system.

Members asked for further information on the £74,085.47 year end deficit for Pencoed Primary School.

The Chief Internal Auditor advised that she would investigate and report the information back to the Committee.

The Committee asked if in relation to Table 3 and proposed claw back, there have been any appeals to retain this money.

The Chief Internal Auditor advised that to her knowledge there had not been.

The Head of Finance and Performance explained that schools would have to give reasons for retaining the money and assurances that it would not be stagnant.

A Member asked if the money clawed back had any effect on future budgets for the school.

The Head of Finance and Performance responded that it would not as school budgets are based on the funding formula and claw back goes into the central LEA budget.

The Committee commented that Internal Audit completed 100% of their scheduled visits and asked how this compared with this year.

The Chief Internal Auditor responded that she would find out and report back but advised that we are on track for planned schools. Internal Audit were also currently looking at ways to streamline procedures and align programmes with Estyn inspections.

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.

99 COMPLETED AUDITS

The Chief Internal Auditor presented a report to the Committee the purpose of which is to summarise for Members the findings of the audits recently completed by the Internal Audit Division. Recently completed Audits are summarised in Appendix A.

A Member of the Committee asked if there were links between the work undertaken by Internal Audit and Risk Management.

The Chief Internal Auditor responded that as part of the planning process Internal Audit do have regard to the content of the risk register as this informs the risk-based audit plan, in addition, there is also an audit of the risk management process; this is ongoing at the moment.

A Member asked if staff expenses are subject to Internal Audit and if so are the validity of claims part of that audit.

The Chief Internal Auditor responded that staff expense claims were audited on a regular basis and the validity of claims were checked by taking quite a high sample of 30%. Members' expense claims were also audited with an audit was due to begin soon.

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

100 INTERNAL AUDIT - OUTTURN REPORT - APRIL TO DECEMBER 2013



The Chief Internal Auditor presented a report to the Committee the purpose of which is to inform them of actual Internal Audit performance against the nine months of the audit plan year April 2013 to December 2013.

She advised Members that Table 1 shows an analysis of work done in relation to the plan. The figures show that 936 actual days have been achieved, which is below that expected by 94.5 days.

The Chief Internal Auditor anticipates that this shortfall will continue until the end of the financial year with an overall anticipated outturn of 1,284 productive days being delivered.

RESOLVED: That Members gave due consideration to the Internal Audit Outturn Report covering the period April 2013 to December 2013 to ensure that all aspects of their core functions are being adequately reported.

101 AUDIT COMMITTEE - RECOMMENDATIONS MADE

The Chief Internal Auditor presented a report to the Committee the purpose of which is to update the Committee on the recommendations made since 1 April 2013, in accordance with the Audit Committee's Forward Work Programme.

She was pleased to inform Members that 196 recommendations have been made to management and 196 recommendations have been accepted.

RESOLVED: That Members gave due consideration to the Implementation and Recommendations report to ensure that this aspect of their core functions in being adequately reported.

102 FORWARD WORK PROGRAMME

The Chief Internal Auditor presented a report to the Committee the purpose of which is to update Members on the 2013 - 2014 Forward Work Programme for the Audit Committee.

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.

The meeting closed at 4.20pm.