

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOMS 2/3  
ON THURSDAY, 25 JUNE 2015 AT 2.00 PM

Present

Councillor E Dodd – Chairperson

GW Davies MBE  
C Westwood  
CA Green

JR McCarthy  
CL Jones

JE Lewis  
DK Edwards

M Reeves  
G Davies

Officers:

Randal Hemingway	Head of Finance & ICT
Helen Smith	Chief Internal Auditor
Joan Davies	Principal Auditor
Mary Williams	Chief Accountant

188. ELECTION OF CHAIRPERSON

RESOLVED: That Councillor E Dodd was elected Chairperson of the Audit Committee.

Councillor Dodd then took the Chair.

189. ELECTION OF VICE CHAIRPERSON

RESOLVED: That the Committee agreed to appoint Councillor C Green as Vice-Chairperson of the Audit Committee.

190. APOLOGIES FOR ABSENCE

Apologies for absence were received from the following Officers/ Members:

Councillor C Green  
Councillor RC Jones  
Steve Barry (WAO)  
John Herninan (WAO)  
Darren Gilbert (KPMG)

191. DECLARATIONS OF INTEREST

None

192. APPROVAL OF MINUTES

The minutes of the meeting of 16 April 2015 were approved as a true and accurate record

193. WAO REPORT

The Head of Finance and ICT presented a report to Committee on the recent Wales Audit Office report on the Financial Resilience of Councils in Wales

He stated that the report does not make specific observations or recommendations in relation to individual Councils but concludes that Councils in Wales are under significant financial stress and have been active in meeting the challenge. However, he explained that the next few years will see increasing financial pressures and Councils will need to improve strategic financial planning in order to effect transformation and protect their financial resilience.

He referred members to the recommendations contained in the report and stated that it is imperative that Welsh Councils focus on developing their future model of delivery and revise their service delivery structures to reflect this model. Failure to do so will increase the risk of Councils being unable to deliver their statutory responsibilities and remain financially viable.

Members highlighted that one of the recommendations in the report states that Councils should have a comprehensive reserves strategy that outlines the specific purpose of accumulated reserves as part of their Medium Term Financial Plan; Members were concerned that earmarked reserves are being used to bridge shortfalls in budgets and advised that the reserves should be used for one off risks and not used to sustain budget pressures. Members asked Officers if BCBC has a strategy plan for Reserves.

The Head of Finance and ICT stated that there is a further WAO report available which is specific to BCBC and this has detail on the Reserves strategy for the Authority.

RESOLVED: Members noted the content of the report

194. HEAD OF AUDITS OUTTURN REPORT APRIL 2014 TO MARCH 2015

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 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 2014 to March 2015. A statement of overall opinion on the internal control environment was also given in support of the Annual Governance Statement which the Authority is required to include with the Statement of Accounts.

She explained that Internal Audit is an assurance function that primarily provides 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 are in place.

In giving her opinion on internal control she stated that no system of control can provide absolute assurance against material misstatement or loss, nor can internal audit give that assurance. She explained that the matters raised in the report are only those which have come to attention during internal audit work and are not necessarily a

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comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at the overall opinion, the Head of Audit had taken into account:

- The results of all audits undertaken as part of the audit programme - April 2014 to March 2015.
- The results of follow-up action of audits from current and previous years;
- Whether or not "high risk" recommendations have been accepted by management and the consequent risks;
- The effects of any material changes in the Council's objectives or activities or risk profile;
- Whether any limitations have been placed on the scope of audit;
- Findings of work performed by other assurance providers (e.g. Wales Audit Office, Council's External Auditors and Regulatory bodies – KPMG, CSSIW and ESTYN).

Therefore, the Head of Audit's opinion, taking into account all available evidence, the adequacy and effectiveness of internal control at BCBC the assurance rating given is reasonable.

She has explained that during the period, nine reviews have identified weaknesses in control at a level where only limited assurance and one where no assurance could be given and management have given written assurance that the recommendations made will be implemented to address the weaknesses identified (these specific reports have been reported to the Audit Committee and Internal Audit has already revisited the ten reviews (including the No Assurance audit) to follow up on progress, and have deemed the overall internal control environment to be reasonable in each follow up review.

She then informed Members that The Vale of Glamorgan Council leads the Bridgend and Vale Internal Audit Shared Service and provides all internal audit services to its partner Bridgend County Borough Council. She stated that as of 31 March 2015 the total resource for the internal Audit service is 18.5 Full Time Equivalents, with 2.5FTE posts currently vacant. A Member of the Committee raised his concerns over the level of vacant posts in light of the fact that this matter had been reported to the Committee in April 2015 and the Member requested an update be brought to the next Committee identifying what audits had not been covered as a result resource shortages. The Chief Internal Auditor confirmed that a further update on this would be provided at the next Committee.

**RESOLVED:** That Members gave due consideration to the Head of Internal Audit's Annual Opinion covering the period April 2014 to March 2015 and ensured that all aspects of their core functions are being adequately reported.

### 195. UNAUDITED STATEMENT OF ACCOUNTS

The Chief Accountant presented a report to Committee on the unaudited Statement of Accounts for 2014-2015 and the Harbour Authority Return for 2014-15.

She stated that the Council's Statement of Accounts for the financial year ended on 31 March 2015. A copy of the Accounts was presented to the Committee attached as appendix A to the report. She informed Committee that the Statement of Accounts comprises of a number of different statements relating to financial performance and

reserves, as well as a statement on corporate governance arrangements. She also explained that this is the first year where the Council has prepared an Annual Return for the Harbour Authority which was attached as appendix B to the report.

The Committee thanked the Chief Accountant and her team for their efforts in the huge task of preparing the both sets of 2014-2015 accounts.

In response to a question from Members, as this was the first set of accounts prepared for Committee for the Harbour Authority the Chief Accountant confirmed that the majority of income for the Harbour Authority had been from mooring fees.

The Chief Accountant confirmed that the £1.225 million drawn down from earmarked reserves in the Children's Directorate was used towards the ICT costs of implementing cashless catering for schools in the Borough and covering the cost of staff sickness. She confirmed the overspend of £567,000 for Looked after Children is due to the number and costs of placements being higher than originally forecast, she stated that as of the end of March 2015, the Authority had 390 Looked after Children.

- RESOLVED:**
1. The Committee noted the unaudited Statement of Accounts for 2014-15
  2. The Committee approved the Harbour Authority Annual Return 2014-15

196. **ANNUAL GOVERNANCE STATEMENT**

The Chief Accountant submitted a report to Committee to approve the Annual Governance Statement (AGS) for inclusion in the Council's Statement of Accounts for 2014-15.

She explained that there are six core principles of good governance in the CIPFA/SOLACE framework contained within Delivering Good Governance in Local Government (WG) which are shown below:

1. Focusing on the Council's purpose and on outcomes for the community and creating and implementing a vision for the local area; (*Putting the Citizen First*); (*Achieving Value for Money*).
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles; (*Knowing Who Does What and Why*);
3. Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour; (*Living Public Service Values*);
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk; (*Fostering Innovation Delivery*);
5. Developing the capacity and capability of Members and officers to be effective; (*Being a Learning Organisation*);
6. Engaging with local people and other stakeholders to ensure robust public accountability; (*Engaging with Others*);

She then took Members through the detail of the AGS attached in Appendix A of the report

Members queried who audits the Local Service Board. The Head of Internal Audit explained that Welsh Government issue guidelines on the performance for LSBs and the Wales Audit Office would also have involvement in the process.

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RESOLVED: Members approved the Annual Governance Statement for inclusion in the Statement of Accounts 2014-15

### 197. COMPLETED AUDITS REPORT

The Chief Internal Auditor presented a report to members of the findings of the audits recently completed by the Internal Audit Shared Service.

She referred Members to appendix A of the report which detailed the completed audits and informed them that ICT Asset Management had received a Limited Assurance as some assets were not recorded on the live asset management system, yet appeared on a back-up version which questions data integrity. Similarly a number of assets were recorded as retired when they were less than 18 months old.

She also advised Members that Looked After Children received a Reasonable Assurance, she stated that the actions that are red and amber will be progressed in order to comply with the CSSIW recommendations

RESOLVED: That Members' considered the summary of completed audits to ensure that all aspects of their core functions were being adequately reported

### 198. OUTTURN REPORT APRIL AND MAY 2015

The Chief Internal Auditor submitted a report to inform the Committee of the actual Internal Audit performance against the two months of the audit plan year covering April and May 2015

She reminded Members that the 2015/16 Internal Audit Plan was submitted to the audit Committee for consideration and approval on the 16<sup>th</sup> April 2015. The Plan outlined the assignments to be carried out and their respective priorities. She explained the plan provided for a total of 1,296 productive days to cover the period April 2015 to March 2016

She referred Members to appendix A of the report which summarised the audits commenced and completed during the period April to May 2015. She advised members that at present the overall structure of the section is based on 18.5 Full Time Equivalent employees. However, during the latter part of 2014/15, three members of the team left the Council to take up positions. She advised that after a recent recruitment drive, of the 12 people interviewed for the vacant posts, two were offered a position with one accepting. That individual has been in post since June, however this increase in resource has recently been offset with another 0.5FTE leaving the team. She advised that she would update Committee of any changes at the next meeting.

RESOLVED: That Members gave due consideration to the Internal Audit Outturn Report covering the period April to May 2015 to ensure that all aspects of their core functions were adequately reported.

### 199. UPDATED FORWARD WORK PROGRAMME

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The Chief Internal Auditor presented a report to Committee to update Members on the 2015-2016 Forward Work Programme for the Audit Committee

RESOLVED: The Committee noted the updated Forward Work Programme to ensure that all aspects of their core functions are being adequately reported

### 200. INTERNAL AUDIT SHARED SERVICE UPDATE

The Chief Internal Auditor presented a report to update Committee on the Internal Audit Shared Service with the Vale of Glamorgan Council and propose an extension to the Partnership Arrangement until the 31<sup>st</sup> January 2018

She explained that at the Cabinet meeting held on 6<sup>th</sup> March 2012 approved the proposal that Bridgend County Borough Council become a partner in the Internal Audit Shared Service (IASS) partnership as a joint discharge of functions under Section 101 of the Local Government Act 1972; with the Vale of Glamorgan Council operating as the Host Authority and authorised the Section 151 Officer in consultation with the Monitoring Officer to make the necessary arrangements to establish the IASS, subject to an agreed Partnership Agreement and Contract.

She added that a formal Partnership Agreement was signed and sealed by both Councils on the 1<sup>st</sup> February 2013, whereby an Internal Audit Shared Service would be provided by the Vale of Glamorgan Council as the Host Authority for a period of three years to Bridgend County Borough Council

She further added that the coming together of the two divisions saw the immediate need for a new organisational structure which reduced the number of FTE posts from 29 to a maximum of 24 under the new IASS; which has reduced over the two years to a maximum of 18.5 FTE posts.

She stated in 2014/15 both Councils annual audit plans were achieved; although Bridgend received 93.5% of the original planned productive days. Whilst this was a shortfall of 84 productive days; the overall impact was minimal as all high risk areas were covered and the Head of Audit was able to provide the necessary annual opinion on the Council's overall governance, risk management and internal control arrangements. The overall total cost of the service was circa £135k underspent and this was due to vacant posts during the year.

The budget for 2015-16 for the whole of the Internal Audit Shared Service is set and shows an overall reduction of 17% from the original budget set in 2013/14. The Internal Audit challenge will be to continue to provide an annual assurance opinion in a climate where the clients want, and needs, to reduce costs and this includes internal audit costs. Bridgend's expectation is for further reductions of 10% in the Financial Years 2016/17 and another 10% in 2017/18

In response to a question from Members the Chief Internal Auditor informed Committee that the Internal Audit Shared Service will be exploring opportunities to expand the shared service to other Public Bodies in order to achieve resilience and economies of scale. She stated that in addition, Bridgend and the Vale has a specialist service of Computer Audit that could also be expanded regionally.

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**RESOLVED:** That the Audit Committee gave due consideration to the current position as outlined in the report and recommended to Cabinet that they approve an extension to the Internal Audit Shared Service partnership arrangement for a period of two years – 1<sup>st</sup> February 2016 to 31<sup>st</sup> January 2018.

201. **URGENT ITEMS**

None

The meeting closed at 4.03 pm