

**AUDIT COMMITTEE - THURSDAY, 24 SEPTEMBER 2015**

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOMS 2/3  
ON THURSDAY, 24 SEPTEMBER 2015 AT 2.00 PM**

Present

Councillor E Dodd – Chairperson

GW Davies MBE  
M Reeves

RC Jones  
C Westwood

JR McCarthy  
G Davies

JE Lewis

Officers:

Randal Hemingway	Head of Finance & ICT
Helen Smith	Chief Internal Auditor
Sarah Daniel	Democratic Services Officer – Committees
Darren Gilbert	KPMG
Matthew Arthur	KPMG

Lay Member:

Mrs J Williams

202. APOLOGIES FOR ABSENCE

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

Councillor CL Jones – Hospital Appointment  
Councillor DK Edwards – Other Council Business  
Councillor CA Green – Prior Commitment  
Mary Williams – Other Council Business

203. DECLARATIONS OF INTEREST

None

204. APPROVAL OF MINUTES

RESOLVED: That the minutes of the Audit Committee held on 25 June 2015 were approved as a true and accurate record, subject to Mrs J Williams being added to the list of attendees

205. AUDITED STATEMENT OF ACCOUNTS

The Head of Finance and ICT presented a report to Committee on the final Statement of Accounts for 2014-15, the associated Letter of Representation of the Council and the final audited Annual Return for the Harbour Authority.

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The Head of Finance and ICT referred Members firstly to the Audited Statement of Accounts. The main points of the report were:

- There were 898 changes to individual assets' valuations totalling £26.002m revaluation gain
- The accounts were updated for 153 assets (17% of 898) but this resulted in £22.071m revaluation gain (85% total gain £26.002m)
- The 745 remaining uncorrected assets representing £3.931 million was below the materiality threshold and would have taken too long to process into the Authority's Asset Register and Statement of Accounts

He confirmed that the accounts were due to be signed off as presenting a true and fair view of the financial position of the Council at 31 March 2015 by 30 September 2015.

The Head of Finance and ICT then referred Members to the External Auditor's Audit of Financial Statements Report which was attached to Appendix B of the report. He confirmed that there were a number of adjustments made to the asset valuations within the post audit Balance Sheet. He stated that the adjustments reflected the rise in building indices from the date of valuation on 1 April 2014 to the year-end balance sheet date 31 March 2015.

The Head of Finance and ICT referred Members to Appendix C which contained the Council's Letter of Representation that was required by the External Audit Manager, KPMG and the Appointed Auditor, the Wales Audit Office to complete the process and enable the accounts to be signed off.

The Head of Finance and ICT concluded by referring Members to the Annual Return for the Harbour Authority. He confirmed that there had been some amendments to the Return following clarification from Wales Audit Office about how the form needed to be completed, and, as a result of the audit including the inclusion of a Capital Accrual relating to the refurbishment of the Harbour.

Members questioned if the valuation of its property portfolio included what had been realised from the sale of land and properties.

The Head of Finance and ICT confirmed that property or land that had been earmarked for disposal was included in the valuation sheet, he added that the balance sheet was very specific and property was valued at what it would cost to replace.

RESOLVED: That Members:

- Approved the audited Statement of Accounts 2014-15
- Noted the appointed Audit of Financial Statements Report
- Agreed the Final Letter of Representation to the Wales Audit Office
- Approved the audited Annual Return for the Harbour Authority

## 206. TREASURY MANAGEMENT

The Head of Finance and ICT presented a report that updated the Committee on the outturn position for Treasury Management activities, Treasury Management and Prudential Indicators for 2014-15 and to highlight the compliance with the Council's policies and practices before they were reported to Cabinet and Council.

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He stated that the Treasury Management function was reviewed by the Council's External Auditor's KPMG, during the 2014-15 Annual Audit. He added that the audit opinion issued was one of "substantial assurance" and of the areas selected for examination, no control weaknesses were identified, therefore no recommendations were made

RESOLVED: Members noted the Annual Treasury Management Activities for 2014-15

### 207. INFORMATION AND ACTION REQUEST

The Chief Internal Auditor summarised for Members the actions and information requests made by the Audit Committee at its last meeting on 25 June 2015.

She provided the Committee with information on the Audits not undertaken due to the level of vacant posts in the Audit team, a list was attached to the report in Appendix A which included the following:

Money Laundering – This had been subsequently covered in Quarter 2 of the current financial year and the report was currently out in draft

Early Years Intervention and Prevention – This was planned for the last quarter of 2014/15 but due to resources the audit did not commence. This was included within the plan for 2015/16 and was commenced in Quarter 2

School Places – This was discussed in a planning meeting in January 2015 with the Director and she did not deem it to be a significant risk area and had already been done in this area by the Directorate

Mental Capacity Act – Internal Audit agreed not to undertake any further work as the CSSIW had only recently undertaken an in-depth review

Occupational Therapy – Due to the lack of resources within the service area this is now planned for 2015/16

Access to Records – This is to be included in the 2015/16 plan and is currently in draft format.

Assessment Framework – Due to the lack of resources this was now scheduled for 2015/16

Secure email and file transfer – Due to the lack of resources this review was unable to be carried out, if time permits it was agreed to be carried out in the 2015/16 ICT allocation

ICT Governance – This was addressed as part of the Annual Governance Review

Breaches of Standards - This is to be included in the 2015/16 plan and is currently in draft format.

RESOLVED: Members noted the report

### 208. COMPLETED AUDITS REPORT

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The Chief Internal Auditor presented the findings of the recently completed audits by the Internal Audit Shared Service to Members. She stated that Internal Audit conducts reviews according to an annual audit plan and reports their findings to the Audit Committee.

The Chief Internal Auditor highlighted to Members that the Audits completed that were documented in Appendix B of the report, reflected the work that had commenced in 2014/15 and carried forward to 2015/16. She added that one recommendation that was raised for Payroll regarding the storing of documentation has been addressed and the situation was improving.

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

### 209. IASS OUTTURN REPORT - APRIL TO AUGUST 2015

The Chief Internal Auditor presented a report to the Committee of the actual Internal Audit performance against the five months of the audit plan year covering April to August 2015

She provided a summary of the work completed by the Bridgend and Vale Internal Audit Shared Service for the period April to August 2015 and provided the Head of Audit's current opinion on the Council Framework of Governance, Risk Management and Internal Control. Based on the work carried out for the five months of 2015, her overall opinion was that the Council's Framework of Governance, Risk Management and Control was considered Reasonable.

The Chief Internal Auditor informed Members that during 2014-15 a self-assessment was undertaken to review the Authority's compliance with the Public Sector Internal Audit Standards. The review confirmed that there were no areas of non-compliance.

The Chief Internal Auditor stated that subject to the Accounts and Audit (Wales) Regulations 2015 principal local authorities must make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS). She stated that in accordance with the PSIAS there is a requirement that Internal Audit undergo an external assessment at least once every five years. She stated that she was currently exploring different options that included local authorities joining up to purchase the services of one external auditor to undertake the external assessment or alternatively that Chief Internal Auditors from each local authority auditing their peers. Members favoured having an external auditor undertake the assessment as they felt this would provide more rigour and have a higher level of independence. The Chief Internal Auditor agreed to bring a report back to a future Audit Committee.

The Chief Internal Auditor went on to explain to Members the shortfall of 79 productive days; she stated the reason for the shortfall was due to the 2.5 vacant posts in the department. The Chief Internal Auditor went on to explain that there were no plans at present to fill the vacant posts due to the expectations that the service will make significant savings over the next three years. She added that targets would need to be reduced in line with reductions in resources which will have an overall impact of reductions in the number of productive days that could be delivered.

Members were concerned at the pressure to continue to cut posts to achieve budget cuts and asked if the additional risks could be covered with the current staffing levels.

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The Chief Internal Auditor advised that the team are always looking at innovative ways to complete Audits and are IT driven. She explained that the team are currently looking at the targets that can be reduced whilst ensuring they satisfy the requirements of the Public Sector Internal Audit Standards and that she is in a position to provide a robust opinion at the end of the Financial Years.

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

210. UPDATE ON FORWARD WORK PROGRAMME

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

RESOLVED: Members noted the updated Forward Work Programme to ensure that all aspects of their core functions were being adequately reported.

211. URGENT ITEMS

None

The meeting closed at 3.15 pm