

**AUDIT COMMITTEE - THURSDAY, 28 JANUARY 2016**

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COUNCIL CHAMBER,  
CIVIC OFFICES ANGEL STREET BRIDGEND CF31 4WB ON THURSDAY, 28 JANUARY  
2016 AT 2.00 PM**

Present

Councillor E Dodd – Chairperson

GW Davies MBE  
C Westwood  
CA Green

RC Jones  
CL Jones

JR McCarthy  
DK Edwards

JE Lewis  
G Davies

Lay Member

Mrs J Williams

Officers:

Andrew Jolley	Assistant Chief Executive Legal & Regulatory Services
Helen Smith	Chief Internal Auditor
Mark Galvin	Senior Democratic Services Officer - Committees
Kevin Stephens	Democratic Services Assistant
Randal Hemingway	Head of Finance & Section 151 Officer
Roger Martin	Risk Management and Insurance Officer

224. APOLOGIES FOR ABSENCE

Apologies for absence were received from the following Members:-

Councillor M Reeves  
Councillor D Sage

225. DECLARATIONS OF INTEREST

Declarations of personal interest were made by the undermentioned Members, in Agenda item 9, in that they were School Governors at various schools situate within the County Borough:-

Councillor C A Green  
Councillor C L Jones  
Councillor G W Davies  
Councillor J E Lewis  
Councillor J McCarthy  
Councillor C Westwood  
Councillor R C Jones  
Councillor DK Edwards

Councillor Edwards also declared a personal interest in Agenda item 10, in that he is the Chairperson of the Board of Governors at Maesteg Comprehensive School

226. APPROVAL OF MINUTES

RESOLVED: That the Minutes of a meeting of the Audit Committee dated 19 November 2015, be approved as a true and accurate record.

227. ANNUAL IMPROVEMENT REPORT

The Assistant Chief Executive Legal and Regulatory Services presented a report that attached for Members attention at Appendix 1, the Wales Audit Office Annual Improvement Report 2014-15.

He explained that the overall conclusion of the report was positive, in that the Council continued to make progress in delivering improvements in its priority areas, and recognised the need to support improvement of children's services; its forward planning arrangements and track record suggest it is well placed to secure improvements in 2015-16. The Assistant Chief Executive Legal and Regulatory Services advised that significant improvement had been shown in performance within Children's Services since this report had been published, as this had been deemed a weak area in terms of performance previously.

Page 12 of the report gave a summary of the various elements of the findings of the Annual Improvement Report, which was somewhat historic, in that it covered the period 2014-15.

The Assistant Chief Executive Legal and Regulatory Services advised that the Report had also confirmed that BCBC had a robust approach to its management of its MTFS.

In conclusion of his submission, he stated that the Auditor General did not make any statutory recommendations, but did make 13 specific proposals for improvement. A summary of the key findings was included in Appendix 1, as was the summary of the proposals for improvement.

A Member referred to page 23 of the papers and the sub-heading Proposals for Improvement, and asked if these were being addressed, particularly in relation to Reference numbers P3, P8, and P13.

The Assistant Chief Executive Legal and Regulatory Services advised that all these proposals for improvement had been accepted by the Authority, and steps were being put in place to make the necessary improvements suggested in these work areas.

A Member referred to page 44 of the Appendix and R4, and suggested that, as had been previously discussed, that it would be a good idea for the Chairperson of the Audit Committee to be invited to those Overview and Scrutiny Committee meetings where all Cabinet Members, CMB and Chairs of all Overview and Scrutiny Committees were invited, for example, on holistic topics such as the Budget and Performance Management.

With regard to P13 the Member referred to previous, she confirmed that Internal Audit were fully aware of the risks associated with Safeguarding, and therefore, this was one of the priority issues built into the Annual Plan, whereby this work area would be reviewed and monitored on a regular basis.

RESOLVED: That the Committee noted the Annual Improvement Report produced by the WAO.

228. CERTIFICATION OF GRANTS AND CLAIMS

The KPMG representative presented a report, the purpose of which, was to present the Council's External Auditor's report on the grant work undertaken for 2014-15.

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He explained that a summary of all claims and returns subject to certification, was provided with the report at Appendix A, together with the certification fee and outcome of the External Auditor's review.

Paragraph 4.2 of the report summarised the certification results, and the representative from KPMG gave a resume of these for the benefit of Members.

Finally, he advised that overall the Council's External Auditors have concluded that the Council has good arrangements in place for the production and submission of its 2014-15 grant claims, however, he pointed out that there was one recommendation in relation to the NNDR claim.

The Chairperson noted that this was the last year whereby KPMG would fulfil its role as External Auditor for BCBC, and therefore she wished to place on record, that they had supported the local authority excellently during the time they had taken on this role, and on behalf of the Committee she thanked them and Mr Gilbert for their support.

RESOLVED: That Members noted the content of the External Auditor's report on the grant work undertaken for 2014-15 attached at Appendix A to the report.

### 229. CORPORATE RISK ASSESSMENT 2016-17

The Risk Management and Insurance Officer presented a report in order to explain the outcome of the Annual Risk Assessment, Appendix 1 to the report referred, and to also inform the Committee of the proposed risk management timeline contained in Appendix 2 of the Risk Management Policy. He advised the risks of the Council were linked to the Authority's new Priority Themes.

He confirmed that the risk assessment had been reviewed in consultation with Corporate Directors, Business Managers and Heads of Service, and was considered by Senior Management Team. This identified the main risks facing the Council, their links to the new proposed priority themes, the likely impact of these on Council services and the wider County Borough, what is being done to manage the risks, and which individual is responsible for the Council's response.

The main changes to the Risk Register were shown in paragraph 4.4 of the report, and the Risk Management and Insurance Officer gave a resume of these changes for the benefit of those present.

He confirmed that a scoring matrix was used, which takes into account both the likelihood of the risk taking place, as well as the impact of this if it occurred..

He further advised that the Risk Assessment would be subject to review in July and October 2016 by Senior Management Team, as part of the Corporate Performance Assessment and in November 2016 by the Audit Committee.

A Member referred to page 92 of the report and the Risk Description of School Modernisation, and the sale of public land. He asked what processes were in place in order to secure the best price possible for acquiring land upon which to provide new or combined modernised schools.

The Head of Finance and ICT confirmed that he would seek advice from the appropriate Department of the Council on the question and provide an answer to the Member accordingly, outside of the meeting.

A Member asked where he could find information regarding the extent of the Council's Reserves, as he had not seen details regarding these in any recent reports on the MTFS that had been considered through the overview and scrutiny process.

The Head of Finance and ICT confirmed that details regarding the Council's Reserves would be included in the report on the MTFS to be considered at future meetings of Cabinet and Council. Details regarding costs associated with any staff redundancies would also be included in this report he added.

A Member referred to page 85 of the report, and Maintaining the Infrastructure i.e. roads and highways. In relation to committing finance to any future such maintenance works, she asked if this was planned for B and other minor roads as oppose to A roads.

The Head of Finance and ICT confirmed that the Communities Directorate were working on a Business Case currently in terms of maintaining the highway infrastructure, and he was unsure as to whether or not this accounted for B roads.

A Member referred to paragraph 4.3 of the report, and a statement confirming that the 2016-17 Corporate Risk Assessment was fully aligned with the Council's MTFS and Corporate Plan. She felt that future such versions of the Risk Management Policy should reflect this more clearly, and that this document needed to be cross referenced with the MTFS.

The Risk Management and Insurance Officer confirmed that this request could be accommodated.

A Member referred to the Inherent and Residual Risk scores and asked how these compared with similar or other risks in neighbouring local authorities.

The Risk Management and Insurance Officer confirmed that no benchmarking exercise had previously been conducted in relation to this. However, he would liaise with other authorities and endeavour to provide such information at a future meeting.

RESOLVED: That Members considered the Annual Risk Assessment at Appendix 1 to the report, and updated Risk Management Timeline contained within Appendix 2 of the Risk Assessment Policy.

230. TREASURY MANAGEMENT HALF YEAR REPORT 2015-16 AND TREASURY MANAGEMENT STRATEGY 2016-17

The Head of Finance and ICT presented a report, which outlined details regarding the Half Year Treasury Management report approved by Council on 25 November 2015, and the proposed Treasury Management Strategy for 2016-17.

These documents were attached at Appendix A and Appendix B of the report, respectively.

He drew Members attention to that part of the report which outlined the current situation, i.e. paragraph 4, which confirmed that the Treasury Management Strategy for 2016-17 confirmed the Council's compliance with the CIPFA Code, which requires that formal and comprehensive objectives, policies and practices, strategies and reporting arrangements were in place for the effective management and control of Treasury Management activities, and that the effective management and control of risk were the prime objectives of these activities.

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A Member noted that the total Net Debt of the Authority as at 1 April 2015 was £98.95m, but it appeared from the report, that the Council was more 'cash rich' than this currently. She asked Officers if they thought this figure would alter by end March 2016.

The Head of Finance and ICT advised that any alteration to this amount at the end of the current financial year would be largely dependent upon the amount of in cash flow payments that come in/go out by end of March coming.

- RESOLVED:
- (1) That Members noted the Half-Year Treasury Management Report, which was approved by Council in November 2015 (Appendix A to the report).
  - (2) That Members gave due consideration to the Treasury Management Strategy 2016-17, prior to it being presented to Council for approval in March 2016, as part of the Medium Term Financial Strategy (Appendix B to the report).

### 231. INFORMATION AND ACTION REQUESTS

The Chief Internal Auditor presented a report, which summarised for Members the actions and information requests made by the Audit Committee at its last meeting on 19 November 2015.

A summary of these were contained in the Table in paragraph 4.1 of the report, and she advised the Committee that all these actions/requests had now been completed.

RESOLVED: That the Committee noted the report.

### 232. CONTROL RISK SELF-ASSESSMENT (CRSA)

The Chief Internal Auditor submitted a report, which provided information to Members as they had previously requested regarding the Control Risk Self-Assessment process adopted by Internal Audit for use in the Authority's schools.

She referred Members to Paragraph 4 of the report, and copies of the CRSA's issued to Secondary Schools and Primary/Special Schools were attached to the report at Appendix A and B, respectively.

The Chief Internal Auditor confirmed that the results from the CRSA's are used to inform the schools audit programme for a given year. She added that Members would be made aware of overall findings from the CRSA's and schools audits as part of the Schools Annual summary report.

A Member referred to page 164 of the report and the Control Risk Assessment Toolkit for Comprehensive Schools for 2015-16, and noted that Governors have received appropriate induction training and area specific training relating to the Committees on which they sit. She felt that this wording should be reinforced, as this form of Induction training was in fact mandatory. She also asked the Officer that if a school CRSA was deemed as fair or poor, then would Internal Audit follow this up.

The Chief Internal Auditor confirmed that this was the case.

In response to a further question, the Chief Internal Auditor confirmed that this process was working well and also being well received and responded to by schools.

A Member referred to page 183 of the papers, and noted the question 'where an external organisation hires school facilities, are official agreements set up and signed which set out the terms of hire.' He asked if the Council/school in question were responsible in terms of anything that went wrong as a result of external organisations hiring these facilities or the organisation itself.

The Chief Internal Auditor confirmed that she would check this issue out and make any necessary changes she felt may be required to the Toolkit, if she considered this necessary.

**RESOLVED:** That Members noted the content of the CRSA's issued to Bridgend schools.

233. **INTERNAL AUDIT SHARED SERVICE OUTTURN REPORT APRIL TO DECEMBER 2015**

The Chief Internal Auditor presented a report which informed the Audit Committee of actual Internal Audit performance against the 9 months of the audit plan year covering April to December 2015.

She referred to paragraph 4.2 of the report which showed an analysis of work done in respect of the Plan, and though it was indicated that the total productive days (Full year plan days 2015/16) year end would be 1,296 days, she doubted this would be achieved by that time.

The Chief Internal Auditor referred to paragraph 4.6 of the report, and that that a total of 34 reviews had been completed so far to date, 30 (88%) of which had been closed with either a substantial or reasonable assurance opinion level, with 48 recommendations having been collectively made.

In terms of her staffing compliment, she advised that the joint service had 18 ½ full time posts, and 3 vacant posts, with only 1 of these intending to be filled due to the financial restraints associated with the MTFs.

In relation to performance, the Chief Internal Auditor referred to page 255 of the report, which confirmed that the service were completing audits in very good time, and were in the top quartile when compared to other Authorities in the Chief Auditors Benchmarking group.

In terms of governance arrangements in place, there were no significant issues to report.

A Member referred to page 247 of the report, and asked in future such reports if the information regarding audits undertaken in Children's Directorate (including schools) could be separated to include both.

The Chief Internal Auditor explained that this data could be separated in future.

**RESOLVED:** That Members gave due consideration to the Internal Audit Outturn Report covering the period April to December 2015, in order to ensure that all aspects of their core functions are being adequately reported.

234. **COMPLETED AUDITS REPORT**

The Corporate Director Resources submitted a report, which summarised for members the findings of the audits recently completed by the Internal Audit Shared Service.

These were summarised in Appendix A to the report.

A member referred to the monitoring of performance arrangements in relation to the Leisure Services Contract, and the promotion of the Access to Leisure – Financially Disadvantaged Scheme. She felt that the issue regarding data protection issues could be overcome by advising individuals on Housing Benefit of this Scheme by placing details regarding this in the letter that includes their benefit entitlements which they receive monthly.

The Chief Internal Auditor advised that she would look into this suggestion.

RESOLVED: That Members considered the summary of Completed Audits so as to ensure that all aspects of their core functions are being adequately reported.

235. PUBLIC SECTOR INTERNAL AUDIT STANDARDS - PROPOSALS FOR UNDERTAKING AN EXTERNAL ASSESSMENT

The Chief Internal Auditor (as the Head of Audit) submitted a report, which outlined the benefits of, and sought the Audit Committee's agreement to the proposed arrangements for carrying out the external review of the Council's Internal Audit Shared Service function, as required by the Public Sector Internal Audit Standards (PSIAS).

She referred Members to paragraph 4 of the report, and the two possible approaches to external assessment outlined in the standard, which included either a full external assessment or an internal self-assessment, which was validated by an external reviewer. This paragraph also included the 3 available options with regard to the above.

Attached at Appendix A to the report, was a summary of the options outlining the advantages and disadvantages associated with each option, together with an approximate estimate of the likely cost for this.

She completed her submission by confirming that a similar report to the one before the Committee had been submitted to the Vale of Glamorgan Council's Audit Committee, who agreed that their preferred option would be buying-in the function from a professional body, for example, the Institute of Internal Auditors.

Members having considered the report, and the 3 available options outlined in the attached Appendix A, agreed for Option 3 i.e. "To buy-in the service from another suitably qualified and experienced individual/firm to undertake the review of the Council's Internal Audit Shared Service function.

RESOLVED:

- (1) That the Committee agreed to Option 3 as expressed above, to ensure that compliance with the Public Sector Internal Audit Standards is achieved.
- (2) That the Committee noted that a further report would be presented to the Committee, setting out the proposed scope and objectives of the assessment to be undertaken, to ensure that the Committee can gain the necessary external assurances on the effectiveness of the Internal Audit Shared Service function.

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236. UPDATED FORWARD WORK PROGRAMME 2015-16

The Chief Internal Auditor submitted a report, which presented to Members an update on the 2015/16 Forward Work Programme for the Audit Committee

In order to assist the Audit Committee in ensuring that due consideration has been given by the Committee to all aspects of their core functions, she referred Committee to an updated Forward Work Programme attached at Appendix A to the report.

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

237. URGENT ITEMS

None

The meeting closed at 4.15 pm