

**AUDIT COMMITTEE - THURSDAY, 21 APRIL 2016**

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOMS 2/3,  
CIVIC OFFICES ANGEL STREET BRIDGEND CF31 4WB ON THURSDAY, 21 APRIL 2016 AT  
2.00 PM**

Present

Councillor E Dodd – Chairperson

|               |          |             |          |
|---------------|----------|-------------|----------|
| GW Davies MBE | RC Jones | JR McCarthy | M Reeves |
| C Westwood    | CL Jones | DK Edwards  | G Davies |
| CA Green      |          |             |          |

Officers:

|                  |                                                 |
|------------------|-------------------------------------------------|
| Randal Hemingway | Head of Finance & Section 151 Officer           |
| Andrew Rees      | Senior Democratic Services Officer - Committees |
| Helen Smith      | Chief Internal Auditor                          |

Representing the Wales Audit Office

Steve Barry  
Catryn Holzinger  
Janet McNicholas  
John Llewellyn

238. APOLOGIES FOR ABSENCE

Apologies for absence were received from the following Members:

Councillor JE Lewis  
Councillor D Sage

239. DECLARATIONS OF INTEREST

Councillor DK Edwards declared a personal interest in agenda item number 9 - Annual Opinion Report of the Head of Internal Audit for the Period April 2015 to March 2016 as Chairperson of the Governing Body of Maesteg Comprehensive School.

240. APPROVAL OF MINUTES

RESOLVED: That the minutes of the meeting of the Audit Committee of 28 January 2016 be approved as a true and accurate record.

241. EXTERNAL AUDIT ANNUAL PLAN 2015-16

The Financial Audit Manager, Wales Audit Office presented the External Auditor's Annual Audit Plan 2015-16 together with a schedule of authorised grant signatories for the Council. She stated that the Annual Audit Plan outline had been prepared by the Council's External Auditor to meet the requirement of the auditing standards and proper audit practices.

The Financial Audit Manager outlined the key elements of the audit engagement of the Appointed Auditor and stated that the Financial Audit 2015-16 element of the plan set

out the proposed work, when it will be undertaken and how much it will cost and who will undertake it.

The Financial Audit Manager reported on the audit approach to be taken which consists of the three phases of Planning; Execution and Concluding and reporting. She set out the risks of material misstatement which she considered to be significant and which require special audit consideration and the work intended to address them in relation to:

- Financial Challenges
- Valuation of Property
- New working arrangements
- Severance schemes / Exit packages
- Fraud Risks
- Cardiff Capital Region City Deal
- County Borough Supplies

The Financial Audit Manager reported that the Wales Audit Office does not generate profits on fees with fee rates set at a level to recover that full cost. The Financial Audit Manager highlighted the timetable for covering the areas of work identified in the Audit Plan.

**RESOLVED:** That the content of the External Auditor's Annual Audit Plan 2015-16 and the schedule of authorised grant signatories be noted.

**242. FINANCIAL RESILIENCE ASSESSMENT 2015-16**

The Performance Audit Manager presented the Wales Audit Office report on the Financial Resilience Assessment of the Council. He stated that the Wales Audit Office believes that financial resilience is achieved when an authority has robust systems and processes to effectively manage its financial risks and opportunities and to secure a stable financial position.

The Performance Audit Manager informed the Committee that the Wales Audit Office in its report had identified that the Council has:

- an effective corporate framework for financial planning;
- effective financial controls, financial management is generally strong and it has a good track record of spending to budget; and
- a sound framework for reviewing and challenging financial performance through its Corporate Performance Assessment process and Section 151 Officer has a good track record for meeting financial targets.

He stated that the report had rated each of these elements, namely, Financial Planning; Financial Control and Financial Governance as Low Risk.

The Performance Audit Manager reported whilst the Council faces some significant challenges, its current arrangements for achieving financial resilience are sound. He stated that underpinning the Council's ability to make cuts are many savings proposals and although the Wales Audit Office recognise the impact of changes to funding on service areas is considered by Council, the review conducted of the Savings Proposal forms suggests there is opportunity for more detailed documentation of this in the forms.

He also stated that in relation to financial control, Directors are solely formally responsible for budgetary monitoring within their own Directorate, although informally this is delegated to Heads of Service, Group Managers and sometimes Service

Managers. However, this informal delegation is set to change in 2016-17, with the planned introduction of formally delegated financial management responsibilities at sub-Director level. He stated that Collaborative Planning is a budget management software tool, when installed, allows Directorates to undertake more financial management activities improving their access to financial information as well as generating efficiencies within the Finance Department. The Wales Audit Office recognises that having formally recognised financial management responsibilities helps effective financial management and it recommends that these changes are implemented as planned.

The Performance Audit Manager informed the Committee that the Council must assess all potential cost-cutting opportunities and also Income Generation and Charging opportunities. He stated that the Wales Audit Office review has highlighted that the Council does not currently have a strategic approach to Income Generation and Charging and is solely the responsibility of each individual Directorate. The Council is working towards an Income Generation and Charging policy and establishing a new commercialisation group that will review fees and charges and the generation of income. The review by the Wales Audit Office of Income Generation and Charging opportunities found that the Council does not have a strong strategic approach; however it has taken steps towards developing such a strategy. The Wales Audit Office recognise that there is still scope for more detailed analysis and assessment of Income Generation and Charging opportunities and that substantial work will be required to fully exploit those opportunities. Concern was expressed by the Committee at the recent loss of the Corporate Director Resources post and whether this would affect the ability of the Council to pursue Income Generation and Charging opportunities. The Performance Audit Manager informed the Committee that the Wales Audit Office had discussed the agenda for change at the time it carried out the corporate assessment and he acknowledged that services will have fewer staff but with greater demands placed on them. The Committee questioned who would adopt the strategic position formerly filled by the Corporate Director Resources. The Performance Audit Manager informed the Committee that the Financial Resilience Assessment had been undertaken prior to the recent re-structure with the risk ratings based on the findings made by the Wales Audit Office at the time. The Head of Finance informed the Committee that he welcomed that the Wales Audit Office had recognised the improvements made by the Council in relation to financial resilience. He also recognised the strong position the Council is in, in relation to financial planning; control and governance. He stated that the recent realignment of duties recognises the need to have capacity to drive forward the commercialisation of services which the Council manages. The Head of Finance informed the Committee that the piece of work on the commercialisation of services had yet to commence and that the first phase of the project would be to look at the potential for the full cost recovery of fees and charges. The second phase would be to look at the services provided by the Council where it does not currently make charges. The third strand to the project would involve exploring opportunities of providing services to other public bodies.

In response to a question from the Committee, the Performance Audit Manager informed that it was hoped to present the project brief for the next Financial Resilience Assessment to the next meeting of this Committee with a view to completing the next assessment in Autumn.

**RESOLVED:** That the content of the WAO Report on the Council's Financial Resilience Assessment 2015-16 be noted.

**243. INFORMATION AND ACTION REQUESTS BY COMMITTEE**

The Chief Internal Auditor presented a report which summarised actions and information requests made by the Audit Committee at its last meeting on 28 January 2016. She stated that a report on the IASS External Assessment would be reported to the next meeting of the Committee. She also informed the Committee that promotion of the Access to Leisure – Financially Disadvantaged Scheme would be reported to the next meeting of the Committee.

**RESOLVED:** That the report be noted.

**244. COMPLETED AUDITS**

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

The Committee questioned the reason for the audit opinion of the Trent system having reasonable assurance. The Head of Finance informed the Committee that there are opportunities to use further modules on the Trent system which currently have not been used. The Chief Internal Auditor informed the Committee that the reason for the audit opinion being reasonable was that some areas subject to the audit merited attention.

In response to a question from the Committee, the Chief Internal Auditor stated that she would provide the Committee with reasons for the shortfall of £2m in the disposals programme.

In response to a further question from the Committee, the Chief Internal Auditor would provide information in the Audit Plan on which Council services sit where in the organisation.

The Chief Internal Auditor referred to the follow up review of the procedures and financial arrangements relating to Section 117 of the Mental Health Act 1983 which had received limited assurance in that at the time of the review it could not be evidenced at the time where the decision was taken. It had since been established that a decision had been taken.

**RESOLVED:** That the Committee considered the summary of completed audits so as to ensure that all aspects of their core functions are being adequately reported.

**245. SUMMARY OF 2015/16 AUDITS NOT UNDERTAKEN**

The Chief Internal Auditor summarised the audit work that was included in the Internal Audit Plan 2015/16 which had not been undertaken, together with an explanation.

In response to a question from the Committee, the Chief Internal Auditor stated that she would provide a report to the Committee on the high percentage of savings achieved in Legal and Regulatory Services.

**RESOLVED:** That the report be noted.

**246. ANNUAL OPINION REPORT OF THE HEAD OF INTERNAL AUDIT FOR THE PERIOD APRIL 2015 TO MARCH 2016**

The Chief Internal Auditor as the Head of Internal Audit presented the annual opinion on the overall adequacy of the Council's internal control environment.

She stated that the annual opinion report gave a brief description of the role of Internal Audit, the control environment within which Internal Audit operates and provides a summary of work carried out during the period April 2015 to March 2016. A statement of Internal Audit's overall opinion on the internal control environment was also given in support of the Annual Governance Statement which the Council is required to include within the Statement of Accounts.

The Head of Internal Audit reported that the purpose of the Annual Opinion report is to satisfy the requirements of the Accounts and Audit (Wales) regulations 2014 as amended and the Head of Internal Audit's annual reporting requirements set out in the Public Sector Internal Audit Standards and she highlighted the information specified by the Standards. She stated that the opinion contained within the report relates to the system of internal control at the Council and the overall control environment in place. She also informed the Committee that the system of internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve corporate / service policies, aims and objectives and can only provide reasonable and not absolute assurance of effectiveness.

The Head of Internal Audit was of the opinion on the basis of internal audit work undertaken during the period April 2015 to March 2016 and taking into account all available evidence, that a satisfactory assurance level can be applied to standards of internal control at Bridgend County Borough Council for the period stated.

The Head of Internal Audit informed the Committee of the productive outturn which showed that the overall productive days original planned had not been achieved, resulting in a shortfall of 16 productive days. She stated that the Section has improved on productivity and address the shortfall reported to the Committee in November 2015 where the number of productive days for the period was less than that expected by 75 days. The Head of Internal Audit also informed the Committee that 102 reviews had been completed, of which 78 (76%) have been closed with either a substantial or reasonable assurance opinion level. 4 reviews (4%) had identified weaknesses in the overall control environment; with one recording that non assurance could be placed on the control environment, which relates to a specific investigation. Of the remaining 20 (20%), 14 did not culminate in an overall audit opinion and 6 have been carried forward into 2016/17.

The Head of Internal Audit highlighted the Internal Audit successes and commented on the resources, qualifications and experience of the Internal Audit Service which has a total resource of 18.5 Full Time Equivalents with 3 vacant posts. Staff have worked exceptionally well to deliver the Audit Plan. The Head of Internal Audit commented that one of the Section's trainees has recently qualified as a Certified Information System Auditor qualifying in the top 5% worldwide. She stated that the Service had recently concluded the pilot with Newport Council on the provision of Computer Audit Services; however Cardiff Council was no longer interested in using this service.

The Head of Internal Audit informed the Committee that she had highlighted her concerns at the recent departure of the Corporate Director Resources and Section 151 Officer due to the significant challenges facing the Council. She stated that the role of Section 151 Officer (Chief Finance Officer) is one of the key statutory functions and it was for the Head of Paid Service (Chief Executive) to ensure a suitable replacement to fulfil those requirements. The Head of Internal Audit also informed the Committee that the Chief Executive had arranged for the Director of Finance of RCT Council to mentor the Head of Finance in his role as Chief Finance Officer.

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The Committee expressed concern as to how the ICT Strategy would be taken forward following the recent re-structure of JNC Officers. The Head of Finance commented that the ICT Strategy would be taken forward by the Corporate Director Operational and Partnership Services, Head of Regulatory Services and Partnerships and the Group Manager ICT and that there is clear direction for the ICT service within the Strategy.

RESOLVED: That the Committee gave due consideration to the Head of Internal Audit's Annual Opinion covering the period April 2015 to March 2016 to ensure that all aspects of their core functions are being adequately reported.

### 247. DRAFT INTERNAL AUDIT STRATEGY AND ANNUAL RISK BASED AUDIT PLAN APRIL 2016 TO MARCH 2017

The Chief Internal Auditor presented the Council's draft Internal Audit Strategy and draft Annual Risk Based Audit Plan for the year April 2016 to March 2017.

She stated that the Plan provided for 1,053 productive days being delivered during 2016/17 which equates to approximately 6 full time equivalent employees. The draft Internal Audit Strategy for 2016-17 demonstrates how the Internal Audit Section will be delivered and developed in accordance with the Terms of Reference and how it links to the Council's objectives and priorities. She stated the Strategy will be reviewed and updated annually in consultation with stakeholders namely the Audit committee, Corporate Management Board, External Auditors and senior management.

The Chief Internal Auditor reported that the draft Annual Risk Based Audit Plan 2016-17 has been formulated to ensure compliance with the Standards contained within the Public Sector Internal Audit Standards. Draft detailed plans for each Directorate to ensure compliance with the Standards and to keep the Audit Committee fully informed.

The Chief Internal Auditor informed the Committee that available resources would be looked at within the team, the achievements made in the previous year and through discussion with each Director on what they wished to achieve and their concerns in order to determine which services would be included in the Audit Plan. She stated that the number of productive days had been arrived at on the basis of experience from the previous year.

RESOLVED: That the Committee approved the draft Internal Audit Strategy and draft Annual Risk Based Audit Plan for 2016/17.

### 248. INTERNAL AUDIT SHARED SERVICE CHARTER 2016/17

The Chief Internal Auditor reported on the Council's Internal Audit Shared Service Charter for 2016/17.

She advised that the Public Sector Internal Audit Standards (PSIAS) requires the Head of Audit to review the charter periodically but final approval resides with the Audit Committee. She stated that the Charter for 2016/17 had been reviewed to ensure that it continued to reflect the requirements of the PSIAS.

RESOLVED: That Committee approved the Internal Audit Shared Service Charter for 2016/17.

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249. UPDATED FORWARD WORK PROGRAMME 2015-16 AND PROPOSED FORWARD WORK PROGRAMME 2016-17

The Chief Internal Auditor presented an update on the 2015/16 Forward Work Programme and the proposed Forward Work Programme for 2016/17 for the Committee's consideration. She stated that in order to assist the Committee in ensuring that due consideration has been given by the Committee to all aspects of their core functions an updated Forward Work Programme was submitted.

RESOLVED: That the Committee noted and approved the updated Forward Work Programme to ensure that all aspects of their core functions are being adequately reported and considered.

250. URGENT ITEMS

There were no urgent items.

The meeting closed at 3.23 pm