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Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr

Bridgend County Borough Council



Swyddfeydd Dinesig, Stryd yr Angel, Pen-y-bont, CF31 4WB / Civic Offices, Angel Street, Bridgend, CF31 4WB

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dewis iaith.*

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Annwyl Cyngorydd,

PWYLLGOR ARCHWILIO

Cynhelir Cyfarfod Pwyllgor Archwilio yn Ystafelloedd Pwyllgor 2/3 - Swyddfeydd Dinesig, Stryd yr Angel, Pen-y-bont ar Ogwr CF31 4WB ar **Dydd Iau, 17 Ionawr 2019 am 14:00.**

AGENDA

1. Ymddiheuriadau am absenoldeb
Derbyn ymddiheuriadau am absenoldeb gan Aelodau.
2. Datganiadau o fuddiant
Derbyn datganiadau o ddiddordeb personol a rhagfarnol (os o gwbl) gan Aelodau / Swyddogion yn unol â darpariaethau'r Cod Ymddygiad Aelodau a fabwysiadwyd gan y Cyngor o 1 Medi 2008.
3. Cymeradwyaeth Cofnodion 3 - 10
I dderbyn am gymeradwyaeth y Cofnodion cyfarfod y 13/12/18
4. Adroddiad Archwilio - Swyddfa Archwilio Cymru - Ymateb Diagnostig Risg Digidol 11 - 30
I gael cyflwyniad gan y Pennaeth Perfformiad a Gwasanaethau Partneriaeth.
5. Asesiad Risg Corfforaethol, Polisi Rheoli Risg Corfforaethol a Gweithdrefn Digwyddiadau a Chyfarwyddyd Ger-Miss 31 - 68
6. Strategaeth Rheoli'r Trysorlys 2019-20 69 - 92
7. Archwiliad Mewnol – Adroddiad Alldro – mis Ebrill i fis Rhagfyr 2018 93 - 122
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9. Rhaglen Waith i Ddod a Ddiweddarwyd 2018-19 165 - 168
10. Materion Brys
I ystyried unrhyw eitemau o fusnes y, oherwydd amgylchiadau arbennig y cadeirydd o'r farn

Cyfarwyddiaeth y Prif Weithredwr / Chief Executive's Directorate

Deialu uniongyrchol / Direct line /: 01656 643148 / 643147 / 643694

Gofynnwch am / Ask for: Andrew Rees

Ein cyf / Our ref:

Eich cyf / Your ref:

Dyddiad/Date: Dydd Gwener, 11 Ionawr 2019

y dylid eu hystyried yn y cyfarfod fel mater o frys yn unol â Rhan 4 (pharagraff 4) o'r Rheolau Trefn y Cyngor yn y Cyfansoddiad.

Yn ddiffuant

K Watson

Pennaeth Gwasanaethau Cyfreithiol a Rheoleiddiol

Dosbarthiad:

Cynghorwyr

CA Green

JE Lewis

MJ Kearn

B Sedgebeer

Cynghorwyr

RM Granville

LM Walters

A Williams

AJ Williams

Cynghorwyr

PA Davies

P Davies

TH Beedle

T Giffard

Aelod Lleyg:

J Williams

PWYLLGOR ARCHWILIO - DYDD IAU, 13 RHAGFYR 2018

COFNODION CYFARFOD Y PWYLLGOR ARCHWILIO A GYNHALIWIYD YN
YSTAFELLOEDD PWYLLGOR 2/3 - SWYDDFEYDD DINESIG, STRYD YR ANGEL, PEN-Y-
BONT AR OGWR CF31 4WB DYDD IAU, 13 RHAGFYR 2018, AM 14:00

Presennol

Y Cyngorydd A Williams – Cadeirydd

CA Green
AJ Williams

JE Lewis
PA Davies

RM Granville
P Davies

LM Walters

Ymddiheuriadau am Absenoldeb

TH Beedle

Swyddogion:

Mark Jones	Rheolwr Archwilio Ariannol, Swyddfa Archwilio Cymru
Mary Williams	Rheolwr Grŵp - Phrif Gyfrifydd
Mark Galvin	Uwch Swyddog Gwasanaethau Democraidd - Pwyllgorau
Gill Lewis	Pennaeth Cyllid a Swyddog 151 Dros Dro
Martin Bell	Rheolwr Grŵp, TGCh
Frances Mantle	Rheolwr Cyllid Llywodraethu a'r Trysorlys
Joan Davies	Uwch Archwilydd Grwp

Aelod Lleyg:

Mrs J Williams

93. DATGANIADAU O FUDDIANT

Dim

94. CYMERADWYAETH COFNODION

PENDERFYNWYD: Cymeradwyo cofnodion cyfarfod y Pwyllgor Archwilio, dyddiedig 15 Tachwedd 2018, fel cofnod gwir a chywir.

95. LLYTHYR ARCHWILIO BLYNYDDOL 2017-18

Cyflwynodd y Pennaeth Cyllid Dros Dro a'r Swyddog Adran 151 adroddiad, a phwrpas hwn oedd cyflwyno Llythyr Archwilio Blynyddol yr Archwilydd Penodedig 2017-18, oedd wedi ei atodi fel Atodiad A i'r adroddiad, i'w nodi.

Cadarnhâ'r Llythyr Archwilio Blynyddol 2017-18 fod yr Archwilydd Penodedig wedi cyhoeddi barn archwilio ddiamed ar ddatganiadau'r cyfrifon, gan gadarnhau fod y rhain yn cynrychioli darlun gwir a theg o sefyllfa ariannol y Cyngor a'i drafodion ariannol.

Dywedodd Rheolwr Archwilio Ariannol, Swyddfa Archwilio Cymru, fod y llythyr hefyd yn cadarnhau bod yr Archwilydd Penodedig yn fodlon bod gan y Cyngor drefniadau priodol yn eu lle i sicrhau darbodaeth, effeithlonrwydd ac effeithiolrwydd yn ei ddefnydd o adnoddau. Ychwanegodd fod tystysgrif wedi cael ei rhoi hefyd yn cadarnhau bod archwiliad y cyfrifon wedi ei gwblhau.

Ychwanegodd fod y Llythyr Archwilio Blynyddol hefyd yn cadarnhau nad oedd gwaith hyd yma ar ardystio hawliadau grantiau a ffurflenni adrodd wedi canfod materion

sylweddol a fyddai'n effeithio ar y cyfrifon blynyddol na'r systemau ariannol allweddol. Yn gynnar yn 2019 byddai'r Archwilydd Cyffredinol (Cymru) yn cyhoeddi ei adroddiad grantiau ar yr archwiliad o hawliadau a ffurflenni adrodd y Cyngor 2017-18.

Yn olaf, disgwylid ar hyn o bryd y byddai'r archwiliad ariannol am 2017-18 yn unol â'r ffi y cytunwyd arni yn y Cynllun Archwilio Blynyddol. Ychwanegodd y byddai'r ffi derfynol am yr archwiliad o hawliadau grant a ffurflenni adrodd y Cyngor 2017-18 fymryn yn llai nag a amcangyfrifwyd o'r blaen.

PENDERFYNWYD: Bod y Pwyllgor Archwilio yn nodi'r Llythyr Archwilio Blynyddol 2017-18 oedd ynghlwm yn Atodiad A yr adroddiad.

96. **ARCHWILIAD O BERFFORMIAD 2017-18**

Cyflwynodd y Pennaeth Cyllid Dros Dro a'r Swyddog Adran 151 adroddiad a phwrpas hwn oedd cyflwyno'r dystysgrif gan Swyddfa Archwilio Cymru (yr Archwilydd Penodedig), ar berfformiad y Cyngor yn 2017-18, oedd wedi ei hatodi fel Atodiad A i'r adroddiad, i'w nodi.

Fel gwybodaeth gefndir, dywedodd Rheolwr Archwilio Ariannol, Swyddfa Archwilio Cymru, wrth yr Aelodau fod gan yr Archwilydd Penodedig gyfrifoldeb statudol dan Fesur Llywodraeth Leol (Cymru) 2009, i gyhoeddi asesiad yn flynyddol sy'n disgrifio perfformiad awdurdod lleol.

Yn unol â'r ddeddfwriaeth hon, a than God Ymarfer yr Archwilydd, mae'r Archwilydd Penodedig wedi cyhoeddi tystysgrif yn cadarnhau bod y Cyngor wedi cyflawni ei ddyletswyddau dan y Mesur ac wedi gweithredu yn unol ag arweiniad Llywodraeth Cymru i raddau digonol i gyflawni ei ddyletswyddau (gweler atodiad A).

PENDERFYNWYD: Bod y Pwyllgor Archwilio yn nodi'r Dystysgrif ar Archwiliad Perfformiad y Cyngor 2017-18, fel y disgrifiwyd yn Atodiad A yr adroddiad.

97. **SWYDDFA ARCHWILIO CYMRU ADRODDIAD DIAGNOSTIG RISG DIGIDOL**

Cyflwynodd y Pennaeth Cyllid Dros Dro a'r Swyddog Adran 151 adroddiad a phwrpas hwn oedd cyflwyno'r Adroddiad Dadansoddi Risg Ddigidol a gynhyrchwyd gan Swyddfa Archwilio Cymru, oedd wedi ei atodi fel Atodiad A i'r adroddiad, i'w nodi.

Fel gwybodaeth gefndir, esboniodd mai darn o waith a gyflawnwyd gan Swyddfa Archwilio Cymru oedd yr uchod, yn ystod Mai / Mehefin / Gorffennaf y llynedd, fel rhan o asesiad risg cynllunio.

Roedd y gwaith a wnaed yn archwilio'r peryglon allweddol oedd yn gysylltiedig â Risg Ddigidol a Thrawsnewid yn y Cyngor dros nifer o feysydd, a rhoddwyd gwybodaeth am gasgliadau'r gwaith hwn yn anffurfiol i Swyddogion fel cyflwyniad PowerPoint cysylltiedig â'r adroddiad (h.y. fel atodiad A). Byddai'r swyddogion yn awr yn gweithio drwy'r casgliadau ac yn llunio Cynllun Gweithredu i ymdrin â'r materion a godwyd.

Cyfeiriodd y Pennaeth Cyllid Dros Dro a'r Swyddog Adran 151 sylw'r Aelodau at Sleid 3 yn yr atodiad i'r adroddiad, oedd yn nodi rhai meysydd allweddol a'r peryglon oedd yn gysylltiedig â'r rhain.

Yn nhermau Risg datblygu'r Wefan - cael cysylltiadau gwell, cadarnhaodd i'r Aelodau, er mai graddiad gweddol wael a gafodd y Cyngor am hyn yn 2016, ei fod ers hynny wedi

adfywio ac adnewyddu rhai systemau ac yn y blaen, ac felly bod gwelliannau a datblygiadau wedi cael eu gwneud yn y maes hwn ers y dyddiad uchod. Roedd y rhain yn cynnwys mynediad ar-lein i'r cyhoedd, a elwir 'Myaccount', er mwyn iddynt allu cysylltu'n haws a chael mynediad at nifer o wasanaethau allweddol.

Ar Sleid 4 ynghylch y Strategaeth Ddigidol a Thrawsnewid, ychwanegodd Rheolwr Grŵp TGCh fod nifer sylweddol o broblemau wedi cael eu datrys a gwaith wedi ei ddatblygu ymhellach, ers i'r Rheolwr Trawsnewid Digidol fod yn ei swydd.

O ran Sleid 10, dywedodd y Pennaeth Cyllid Dros Dro a'r Swyddog Adran 151 fod trefniadau Diogelu Data gyda golwg ar GDPR yn dal yn gymharol newydd ac yn feichus, a bod angen peth hyfforddiant pellach ar gyfer y gweithwyr.

Gorffennodd ei chyflwyniad drwy ddweud y byddai'r Cynllun Gweithredu y cyfeiriwyd ato yn yr adroddiad yn cael ei gyflwyno i'r Aelodau gobeithio yng nghyfarfod mis Ionawr y Pwyllgor Archwilio.

PENDERFYNWYD:

Bod y Pwyllgor Archwilio yn nodi Adroddiad Dadansoddi Risg Ddigidol Swyddfa Archwilio Cymru (Atodiad A), ac yn edrych ymlaen i weld materion o bryder, a godwyd gyda golwg ar y risgiau allweddol, yn derbyn sylw yn y Cynllun Gweithredu sydd i gael ei gyflwyno i'r Aelodau fel rhan o'r adroddiad dilynol yn ei gyfarfod nesaf neu gyfarfod arall yn y dyfodol.

98. DIWEDDARIAD CRONFA GWEITHREDU YN Y GYMUNED 2017-18

Cyflwynodd y Swyddog Monitro adroddiad ar ran y Prif Weithredwr a phwrpas hwn oedd rhoi diweddariad o ran defnydd y Gronfa Gweithredu Cymunedol a gymeradwywyd gan y Cabinet ar 5 Medi 2017.

Dywedodd fod Strategaeth Ariannol Tymor Canol 2017-2021 a gymeradwywyd gan y Cyngor ar 1 Mawrth 2017, yn cynnwys cyllideb newydd o £285 mil ar gyfer creu Cronfa Gweithredu Cymunedol. Nodau hyn yn fras oedd creu cyfleoedd ar gyfer ymyriadau lleol gan Aelodau yn eu wardiau eu hunain er budd y gymuned.

Yn dilyn cymeradwyaeth y Cabinet i'r Cynllun Gweithredu Cymunedol fel y soniwyd uchod, darparwyd sesiynau hyfforddi ym mis Hydref 2017, er mwyn sicrhau bod yr holl Aelodau etholedig yn cael y wybodaeth ddiweddaraf am elfennau o'r cynllun, cyn iddynt gyflwyno eu ceisiadau am arian. Roedd y cyllid o £285 mil yn golygu £5 mil i bob Aelod i'w ddyrannu i'w Ward, yn ogystal â £15 mil tuag at gostau gweinyddol. Ychwanegodd y Swyddog Monitro, oherwydd yr oedi cyn rhoi'r cynllun ar waith, fod arian nas defnyddiwyd yn 2017-18 wedi cael ei dreiglo drosodd i flwyddyn ariannol 2018-19 i'w ddefnyddio erbyn diwedd mis Hydref 2018. Ym mis Mehefin 2018, cafodd adroddiad ei ystyried hefyd gan y Pwyllgor Archwilio, oedd yn argymhell cynnal adolygiad llawn o'r Cynllun Gweithredu Cymunedol yn dilyn diwedd y cyfnod cyfredol o gyllid.

Aeth ymlaen i gadarnhau, yn ystod cyfnod y cynllun, bod cyfanswm o £231,667.24 (85.8%) o'r £270 mil oedd ar gael wedi ei roi o gyllideb y Cynllun i ariannu 156 o brosiectau ar draws y Fwrdeistref Sirol.

Defnyddiodd yr Aelodau Etholedig, eu cyllid ar gyfer amrywiaeth o brosiectau y ceir enghreifftiau ohonynt ym mharagraff 4.1.4 yr adroddiad. Roedd rhestr lawn o'r prosiectau, yr Aelodau Etholedig, Wardiau a gwerthoedd, yn cael eu dangos yn Atodiad 1 yr adroddiad.

Dyweddod y Swyddog Monitro fod holl Aelodau'r Cyngor (ac eithrio un) ar y pryd wedi defnyddio'r cyllid yr oedd ganddynt hawl i'w dderbyn.

Roedd adran nesaf yr adroddiad yn amlinellu adborth o'r Gronfa Gweithredu Cymunedol gan yr Aelodau a'r Swyddogion oedd yn gweinyddu'r cynllun, gydag adolygiad yn dilyn a gynhaliwyd ar y Cynllun gan yr Archwilydd Mewnol. Roedd mwy o gymorth gweinyddol wedi ei rwymo i'r cynllun ynghyd â pheth gwaith cymorth ychwanegol nad oedd wedi cael ei ragweld pan gafodd y cynllun ei gymeradwyo.

Gorffennodd ei chyflwyniad, drwy ddweud mai cymysg oedd yr adolygiadau gan Aelodau ar eu profiad o'r cynllun, gyda rhai canlyniadau cadarnhaol ar fudd cymunedol y cynllun a rhai canlyniadau negyddol o ran y broses, meini prawf y cynllun ac ychydig o ddi-ddordeb yn y cynllun oddi wrth gymdeithasau cymwys yn yr ardal.

Dyweddod y Cadeirydd ei fod ef wedi bod mewn cysylltiad â rhai Aelodau, nad oeddent yn aelodau o'r Pwyllgor Archwilio, a'i fod ef hefyd wedi cael eu hadborth ar y cynllun yn gymysg.

Cytunai Aelod gyda darpariaeth pellach yn yr adroddiad, sef y byddai'n fwy defnyddiol yn y dyfodol rhwymo'r lefel hwn o gyllid a'i ddefnyddio'n fwy strategol fel rhan o gyllideb fwy, fyddai o fudd i holl breswylwyr y Fwrdeistref Sirol, drwy ailsianelu'r £285 mil i'r Strategaeth Ariannol Tymor Canol er mwyn lliniaru gostyngiadau eraill mewn gwasanaethau allweddol a ddarperir i gymunedau.

Rhoddod rhai Aelodau o'r Pwyllgor wedyn eu barn ar lwyddiant cynllun y Gronfa Gweithredu Cymunedol neu fel arall, yn eu Wardiau.

PENDERFYNWYD: (1) Bod yr Aelodau yn nodi'r adroddiad.

(2) Bod y Pwyllgor yn argymhell i'r Cabinet bod y Gronfa Gweithredu Cymunedol yn cael ei dirwyn i ben a'r cyllid o £285 mil yn cael ei drosglwyddo'n ôl i'r Strategaeth Ariannol Tymor Canol i'w ystyried wrth osod cyllideb 2019-20 i 2022-23.

99. RHEOLAETH RISG

Cyflwynodd y Rheolwr Grŵp - y Prif Gyfrifydd adroddiad a phwrpas hwn oedd rhoi diweddariad i'r Pwyllgor ar newidiadau oedd yn cael eu gwneud i Bolisi Rheoli Risg y Cyngor, Asesiad Risg Corfforaethol 2018-19 a Gweithdrefn Adrodd am Ddigwyddiadau a Methiannau Agos.

Fel gwybodaeth gefndir, cadarnhaodd fod Cylch Gorchwyl y Pwyllgor Archwilio yn ei gwneud yn ofynnol i'r Pwyllgor adolygu, craffu a chyhoeddi adroddiadau ac argymhellion, ar addasrwydd rheolaeth risg y Cyngor, rheolaeth fewnol a threfniadau llywodraethu corfforaethol.

Adroddwyd am Asesiad Risg Corfforaethol 2018-19 wrth y Pwyllgor Archwilio ar 18 Ionawr 2018. Roedd yr adroddiad hwn yn nodi y cynhelid adolygiad pellach o risgiau'r Cyngor, i asesu a oedd yr holl risgiau a nodwyd yn dal yn berthnasol i'r Cyngor; a ddylai'r Cyngor geisio canolbwyntio ar set lai o risgiau, sut y dylai'r testun gael ei grynhoi ymhellach ac a oedd y mesurau lleihau risg yn lliniaru'r holl effeithiau.

Esboniodd fod adolygiad pellach wedi cael ei gynnal gan y Bwrdd Rheoli Corfforaethol a'r Tîm Uwchreoli. Yn hytrach nag adolygu'r risgiau blaenorol, roedd nifer lai o fesurau risg ar hyn o bryd wrthi'n cael eu cwblhau, er nwyn iddynt allu gweld yn fwy dirnadwy y risgiau allweddol oedd yn wynebu'r Cyngor. Roedd adolygiad y Sefydliad Iach wedi nodi

y dylid defnyddio'r un matrices risg yn gyson ar draws y Cyngor. Roedd y Bwrdd Rheoli Corfforaethol wedi cytuno y câi matrices risg 5 x 5 ei fabwysiadu fyddai'n disodli'r matrices risg 6 x 4 cyfredol. Caiff y risgiau newydd eu sgorio, fodd bynnag, gan ddefnyddio'r matrices risg 5 x 5. Byddai adroddiad pellach ynghylch y risgiau yn cael ei gyflwyno wedyn i'r Pwyllgor Archwilio ym mis Ionawr fel casgliad o ddogfennau, yn ffurf Polisi Rheoli Risg wedi ei ddiweddarau. Asesiad Risg Corfforaethol a Gweithdrefn Adrodd am Ddigwyddiadau a Methiannau Agos.

PENDERFYNWYD: Bod y Pwyllgor Archwilio yn nodi'r adroddiad, a bod casgliad llawn o ddogfennau rheoli risg yn cael eu cyflwyno i'r Pwyllgor ym mis Ionawr 2019.

100. ADRODDIAD ARCHWILIO – ADOLYGIAD SEFYDLIAD IACH – DIWEDDARIAD AR CYNLLUN GWEITHREDU

Cyflwynodd y Prif Weithredwr adroddiad, er mwyn diweddarau'r Aelodau ynghylch cynnydd yn erbyn y Cynllun Gweithredu a luniwyd mewn ymateb i Adolygiad y Sefydliad Iach a gyflwynwyd i'r Pwyllgor Archwilio ym Mehefin 2018.

Cynhaliwyd yr adolygiad gan Bartneriaeth Archwilio'r De-orllewin ar ran y Cydwasanaethau Archwilio Mewnol. Hysbyswyd yr Aelodau gan y Pennaeth Cyllid Dros Dro a'r Swyddog Adran 151 y byddai Bwrdd Rheoli Corfforaethol y Cyngor yn canolbwyntio ar feysydd risg uchel yr Adolygiad ac y câi'r rhain eu hymgorffori mewn Cynllun Gweithredu. Cyflwynwyd hwn i'r Pwyllgor Archwilio ym mis Medi, ac mae wedi dal i gael ei fonitro ers hynny gan yr Aelodau.

Dywedodd y Pennaeth Cyllid Dros Dro a'r Swyddog Adran 151 fod y diweddariad blaenorol wedi tynnu sylw at y ffaith fod llawer o'r argymhellion wedi cael eu gweithredu. Roedd rhai argymhellion, fodd bynnag, gyda chyfnod o amser hirach ac, mewn nifer fechan o achosion, ymateb y rheolwyr oedd peidio â chymryd camau o gwbl gan nad oedd angen gwneud dim.

Roedd yr argymhelliad y cyfeiriwyd ato uchod yn ymwneud â'r themâu canlynol:-

- Llywodraethu - Perthnasoedd Gwaith Effeithiol.
- Llywodraethu - Tryloywder
- Llywodraethu - Cyfathrebu/Ymgynghori â Rhanddeiliaid
- Rheoli Risg - Awydd/Tryloywder
- Comisiynu a Chaffael - Strategaeth a Bwriadau Comisiynu
- Comisiynu a Chaffael - Rheoli Cyflenwyr

Gofynnodd Aelodau a oedd Ceisiadau Rhyddid Gwybodaeth (FOI) a'r atebion iddynt yn cael eu cyhoeddi'n rheolaidd ar wefan y Cyngor, ac os nad oeddent, a oedd hyn yn mynd yn groes i Safonau'r Gymraeg.

Dywedodd y Swyddog Monitro, pe bai'r Cyngor yn cyhoeddi Ceisiadau FOI ar ei wefan y byddai'n rhaid iddo eu cyfieithu hefyd. Felly, byddai hyn yn achosi cost sylweddol i'r Awdurdod. Ychwanegodd nad oedd peidio â chyhoeddi Ceisiadau Rhyddid Gwybodaeth yn mynd yn groes i Safonau'r Gymraeg, er y byddai hi, ar gais y Pwyllgor, yn holi Comisiynydd y Gymraeg er mwyn canfod beth oedd arfer gorau yn hyn o beth. Dywedodd y byddai hi hefyd yn darganfod a oedd awdurdodau eraill cyfagos yn cyhoeddi Ceisiadau FOI ar eu gwefannau (gan gynnwys gwneud hynny'n ddwyieithog).

PENDERFYNWYD: Bod yr Aelodau yn nodi'r diweddariad ar Gynllun Gweithredu Adroddiad y Sefydliad Iach.

101. ADRODDIAD ARCHWILIO - DILYNIANT RHEOLAETH GWYBODAETH

Cyflwynodd y Pennaeth Cyllid Dros Dro a'r Swyddog Adran 151 adroddiad, er mwyn diweddarau'r Aelodau ynghylch cynnydd yn erbyn y Cynllun Gweithredu a luniwyd mewn ymateb i Adolygiad y Sefydliad Iach a gyflwynwyd i'r Pwyllgor Archwilio ym Mehefin 2018.

Fe wnaeth y Rheolwr Grŵp, TGCh, atgoffa Aelodau bod canlyniad yr Adolygiad uchod wedi cael ei gyflwyno i'r Pwyllgor yn ei gyfarfod ym Mehefin 2018, gyda'r cyfryw Adolygiad wedi cael ei gynnal gan Bartneriaeth Archwilio'r De-Orllewin ar ran y Cydwasanaethau Archwilio Mewnol. Hysbyswyd yr Aelodau hefyd gan y Pennaeth Cyllid Dros Dro y byddai Bwrdd Rheoli Corfforaethol y Cyngor yn canolbwyntio ar feysydd risg uchel yr adolygiad ac y câr rhain eu hymgorffori mewn Cynllun Gweithredu. Cyflwynwyd y Cynllun hwn yn ddiweddarach i'r Pwyllgor yn ei gyfarfod ym mis Medi, ac mae wedi bod yn cael ei fonitro ers hynny gan y Bwrdd Rheoli Corfforaethol.

Dyweddodd ymhellach, fod y diweddariad blaenorol wedi tynnu sylw at y ffaith fod llawer o'r argymhellion wedi cael eu gweithredu. Ychwanegodd fod cynnodau hirach o amser ar gyfer rhai argymhellion a bod cynnydd yn erbyn y rhain wedi ei ddisgrifio ym mharagraffau 4.2 i 4.7 yr adroddiad. Mewn nifer fechan o achosion, ymateb y rheolwyr oedd peidio â chymryd camau o gwbl ac edrychwyd ar y rhain hefyd yn yr adran hon o'r adroddiad. Ym mhob achos, trefnwyd y naratif yn ôl y penawdau a nodwyd yn yr adroddiad archwilio gwreiddiol a'r cynllun gweithredu a'i dilynodd.

Wedyn cyfeiriodd y Rheolwr Grŵp, TGCh, sylw'r aelodau at Atodiad A yr adroddiad, gan roi manylion y cynnydd gyda golwg ar Feysydd i dderbyn Sylw a'r gwaith a gwblhawyd o ran y Themâu hyn, cyn belled ag yr oeddent yn ymwneud â meysydd gwaith TGCh.

Gofynnodd yr Aelodau nifer o gwestiynau gyda golwg ar yr adroddiad, ac atebwyd y rhain gan y Rheolwr Grŵp, TGCh.

Teimlai Aelod y dylai adroddiadau o'r natur yma yn y dyfodol gynnwys mwy o naratif ac esboniad o ran diweddariadau ar y Deilliannau, gan eu cymryd ar bob thema a ddisgrifiwyd, yn hytrach na dweud 'Wedi ei gwblhau', 'Wedi ei weithredu fel rhan o'r Diweddariad' ac yn y blaen, fel bod Aelodau yn cael mwy o sicrwydd ynghylch manylion y gwaith a wnaed, oedd wedi arwain at wneud gwelliannau, gyda golwg ar ddulliau rheoli a sefydlwyd mewn perthynas â phrosesau Rheoli Gwybodaeth a phrotocolau o fewn yr Awdurdod.

PENDERFYNWYD: Bod Aelodau'r Pwyllgor wedi rhoi ystyriaeth ddyledus i gynnwys Adolygiad Dilynol y Sefydliad Iach, a'r camau oedd wedi eu cymryd i fynd i'r afael â'r meysydd hynny oedd angen sylw.

102. RHAGLEN WAITH I DDOD A DDIWEDDARWYD 2018-19

Cyflwynodd y Prif Archwilydd Mewnol adroddiad, a phwrpas hwn oedd cyflwyno Rhaglen Waith i'r Dyfodol wedi ei diweddarau i'r Pwyllgor Archwilio ar gyfer 2018/19.

Roedd y Rhaglen uchod ynghlwm wrth yr adroddiad yn Atodiad A.

Dyweddodd Aelod fod angen ychwanegu dwy eitem bellach i'r Rhaglen Waith i'r Dyfodol, sef adroddiadau ar bwnc Polisi Risg wedi ei ddiweddarau a'r Polisi Rheoli Digwyddiadau.

PENDERFYNWYD: Bod yr Aelodau wedi ystyried a nodi'r Rhaglen Waith i'r Dyfodol wedi ei diweddarau ar gyfer 2018/19.

103. MATERION BRYS

Dim

104. GWAHARDD Y CYHOEDD

PENDERFYNWYD: O dan Adran 100A (4) o Ddeddf Llywodraeth Leol 1972 fel y'i diwygiwyd gan Orchymyn Llywodraeth Leol (Mynediad at Wybodaeth) (Amrywiad) (Cymru) 2007, bod y cyhoedd yn cael eu gwahardd o'r cyfarfod tra byddent yn ystyried yr eitemau busnes canlynol am eu bod yn cynnwys gwybodaeth oedd wedi ei heithrio fel y'i diffiniwyd ym Mharagraff 12 o Ran 4 a Pharagraffau 12, 13 a 18 o Ran 5 o Atodlen 12A Deddf Llywodraeth Leol 1972, fel y'i diwygiwyd gan Orchymyn Llywodraeth Leol (Mynediad at wybodaeth) (Amrywiad) (Cymru) 2007.

Yn dilyn cymhwyso prawf lles y cyhoedd, wrth ystyried yr eitem hon, penderfynwyd, yn unol â'r Ddeddf y cyfeiriwyd ati uchod, ystyried yr eitem yn breifat, gyda'r cyhoedd wedi eu gwahardd o'r cyfarfod, gan y byddai yn golygu datgelu gwybodaeth oedd wedi ei heithrio o natur fel y dywedwyd uchod.

105. CYMERADWYAETH COFNODION WEDI'U EITHRIO

PENDERFYNWYD: Cymeradwyo Cofnodion wedi eu heithrio cyfarfod y Pwyllgor Archwilio, dyddiedig 15 Tachwedd 2018, fel cofnod gwir a chywir.

Daeth y cyfarfod i ben am 15:43

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

17 JANUARY 2018

REPORT OF THE HEAD OF PERFORMANCE AND PARTNERSHIPS

AUDIT REPORT – Wales Audit Office – Digital Risk Diagnostic Response

1. Purpose of report

- 1.1 The Wales Audit Office carried out a fieldwork exercise May to June 2018 to identify and understand the key digital risks facing Bridgend County Borough Council. This exercise was for planning purposes and the Wales Audit Office shared the key findings with the Audit Committee on December 13th 2018 (attached as **Appendix 1**). This report is a response to key findings and messages.

2. Connection to corporate improvement objectives/other corporate priorities

- 2.1 This report assists in the achievement of the following corporate priority/priorities:

- Supporting a successful economy – taking steps to make the county a good place to do business, for people to live, work, study and visit, and to ensure that our schools are focused on raising the skills, qualifications and ambitions of all people in the county.
- Helping people to be more self-reliant – taking early steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services.
- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

3. Background

- 3.1 The Wales Audit Office discussion document presented to the Committee on 13th December 2018 covered 7 key areas:

1. Digital Strategy and Transformation
2. Website Development – being better connected
3. Resilience of the ICT infrastructure and platforms
4. IT skills, capacity, capability and resources
5. ICT Disaster Recovery (DR) planning
6. Cyber security and resilience
7. Data protection arrangements & GDPR

4. Current situation / proposal

- 1.1 Digital Platform

In September 2016, Bridgend County Borough Council commenced a project with the digital provider Agilisys, to introduce a single “Digital Platform” (My Account) for customers to interact online for key services. Alongside the development of the digital platform, Bridgend County Borough Council took the decision to develop and implement a new responsive website in September 2017.

The modern responsive functionality meets the demand of over 85% of Bridgend citizens who have access to the internet and prefer the convenience of online transactions (Office for National Statistics). As part of the launch of the new digital platform, the Council embarked on a Communications Strategy to promote the availability of the new online digital channel.

The delivery of the Digital Platform is being implemented over two phases:

Phase 1; implementation of the Digital Platform ran to April 2018. The services delivered were Council Tax and Housing Benefits, as well as the new responsive website.

Phase 2; focuses on making available through the Digital Platform the following services by the end of March 2019:

- Council Tax (Single Person Discount and Vacant Property Discount)
- School Admissions
- Registrars
- Report IT (Fly Tipping, Highways, Dog Fouling, Street Lighting)

The Platform has provided the opportunity to transform and offer the citizen the choice of consuming a digital channel. Transactions and queries can now be undertaken on a 24/7 basis negating the need for phone calls and face to face communications.

1.2 Digital Strategy, Transformation & Governance

A four year Digital Strategy has been drafted which encapsulates the national digital landscape and Bridgend’s corporate priorities, it also includes a matrix of measurement utilised by Socitm (Society of Information Technology Management) to assess Bridgend’s digital maturity and growth. The Strategy has been divided into 5 key areas: Digital Communication, Digital Citizen, Digital Services, Digital Workforce and Digital Partners.

Consultation on the Strategy has taken place with key stakeholders within the Council inclusive of Business Managers, ICT and Human Resources. The draft Strategy will be presented to Cabinet and authority will be sought to undertake a formal consultation on the Strategy. At the end of the consultation process the final Strategy will be presented to Cabinet for approval and adoption.

Following the adoption of the Strategy, a Transformation Project Board will be established to deliver the Strategy. The Board will consist of the key stakeholders across the Authority led by the Chief Executive Officer. This will provide the governance to safeguard the delivery of the Strategy.

1.3 Website Transactional & Channel Shift Capabilities

The Digital Platform and responsive website went live 24th April 2018. A report to Corporate Overview and Scrutiny Committee 26th September 2018 outlined a current position statement with regards key online transactional activity since the “Go-Live”, at that time of the report:

- 7,544 My Account registrations **
- 5,350 council tax payments totalling £750,818.11
- 3,335 council tax registrations ***
- 1,654 council tax registrations subscribing to e-billing
- 305 new direct debits created
- 289 updated names on council tax accounts
- 170 housing benefit registrations
- 41 updating direct debit details

** based on population of 110332 (over 18), however My Account registrations is not limited to BCBC residents

*** based on 64,187 council tax accounts and not potential liable parties

The current total online transactional activity as at 08/01/2019 is:

- 13,736 My Account registrations **
- 11,314 council tax payments totalling £1,573,961.33
- 5,100 council tax registrations ***
- 2,815 council tax registrations subscribing to e-billing
- 1,273 secondary school admissions
- 1,244 Infant, junior or primary school admissions
- 599 part-time/full-time nursery school admissions ****
- 945 online application forms (council tax and housing benefits)
- 635 new direct debits created
- 265 housing benefit registrations
- 196 Move In notifications for council tax
- 191 Move Out notifications for council tax
- 109 updating direct debit details

** based on population of 110332 (over 18), however My Account registrations is not limited to BCBC residents

*** based on 64,187 council tax accounts and not potential liable parties

**** Admission round opened on 7th January 2019 so these relate to the first day applications only

The online transactional activity from Go-Live 24th April 2018 through to January 2019 demonstrates there is an appetite for Bridgend citizens to consume services via the “digital channel”. The Digital Strategy will focus on delivering more services via the digital channel to meet this need, providing a holistic multi-channel approach but not withdrawing face to face or telephony ensuring equality for all Bridgend citizens.

4.4 GDPR Compliance & Readiness Plans

The Council has an Information Governance Board which meets quarterly. This Board includes representatives from each Directorate and the Council’s Data Protection Officer. The Head of Legal and Regulatory Services and Monitoring Officer has taken on the SIRO role.

As part of the implementation of the new Data Protection Act 2018 and the General Data Protection Regulation 2016 (GDPR), the Authority has reviewed all of its data protection procedures and policies to ensure that they are fit for purpose. The updated Data Protection Policy which has recently been informally reviewed by the Information Commissioner's Office is available on the Council's website and the Council also has a process and Code of Practice in place for reporting data breaches.

Transparency and accountability is a key factor under the GDPR and therefore Privacy Notices advising members of the public about how their personal data may be used by the Council have been completed and are on the Council's website.

An Information Asset Register and record of all the Council's processing activities has been developed but given its nature will be subject to continuous update.

A GDPR e-learning module is available and is mandatory for all staff who process personal data. GDPR compliance audits will also be undertaken over the course of 2019/20 jointly by Internal Audit and the Data Protection Officer.

The Information Management Strategy is currently under review by Legal Services and the Data Protection Officer. The Council's Publication scheme is also under review and an open data project is underway to make more data available on the Council's website with a view to this reducing the number of freedom of information requests that the Council receives.

4.5 Council's IT infrastructure & Network Support

Bridgend County Borough Council ICT has had a replacement programme in place for end user devices. The replacement programme has ensured all devices are supported under the manufacturer's warranty. The replacement of devices in line with end of warranty, safeguards potential vulnerabilities to attacks as the latest software patches can be applied to the physical equipment mitigating the potential exploits.

The replacement of the data centre equipment such as servers and the storage area network devices are also in line with manufacturer's warranties and are covered through capital bids. The Council has recently replaced its storage area network in 2017 at a cost of £399,984.51. This is warrantied for 7 years.

As part of the Medium Term Financial Saving Strategy (MTFS), the replacement programme budget for end user devices has been offered as a saving. The mechanism going forward with regards funding will take the form of capital bids.

The Council consider "cloud" as an option at the procurement stage, the approach to date has been a "hybrid" methodology where the benefit of "on premise" and cloud can be leveraged, laying the foundations to embrace "cloud" in a strategic manner. There is a natural transition to off premise / cloud occurring for example; the All Wales Community Care System (WCCIS) which is now run outside of the Council's jurisdiction highlights this transition. The Digital Strategy will embrace the usage of cloud technologies where operational benefits can support efficiencies.

4.6 IT Operating Model

A lack of skilled resource is a significant risk to any transformation programme or indeed any ICT provision within Local Authorities. This is primarily due to the challenges of the “private sector” and an ICT skills shortage in South Wales. To date the Council has used a hybrid approach where partners have been commissioned to support the deployment of the technology with a view that knowledge transfer allows the Council’s ICT staff to take on further developments and ongoing maintenance. This is evidenced through the deployment of the Digital Platform where Bridgend County Borough Council ICT developed all the E-Forms.

Bridgend County Borough Council ICT has a strong background in the creation and development of staff to support the IT Operating Model. Working with Human Resources (HR) a successful apprenticeship programme has been implemented which has developed local talent to meet the challenges of resourcing a highly technical support function for the Council. To date 15 apprentices have been recruited into the apprenticeship programme since its inception in June 2014. The table below outlines the position statement with regards the apprenticeship programme.

- Current ICT apprentices = 7
- ICT Apprentices who have completed the programme = 8
- ICT Apprentices who have been promoted into Permanent Roles within the Council = 6

4.7 ICT Disaster Recovery (DR) planning

The Wales Audit Office (WAO) and the Healthy Organisation Management report identified that the Business Continuity Plan was outdated. Bridgend County Borough Council ICT have committed to complete this exercise i.e. updating the Business Continuity Plan by May 31st 2019.

Bridgend County Borough Council ICT have been working with Internal Audit assessing the Disaster Recovery procedures and capabilities that are currently in place. Internal Audit were in attendance to observe an automated failover and disaster recovery test for the server “SRMdemo” on October 17th 2018. A successful operation was carried out which brought up the server SRMdemo in our secondary data centre site in Rhondda Cynon Taf County Borough Council (RCT). These disaster recovery capabilities gives the assurance that Bridgend County Borough Council’s “data” is safe.

4.8 Cyber security and resilience (Public Services Network Code of Connection)

There was a delay in Bridgend County Borough Council commissioning of NTA-Monitor Ltd, which has impacted on the recertification of the Public Services Network Code of Connection. The work carried out by NTA-Monitor assists the council with their compliance requirement for the Public Services Network Code of Connection - Annual IT Health Check. It is a requirement of the Cabinet Office that the health check is carried out by an independent organisation. NTA-Monitor Ltd completed the internal and external penetration tests for the network on May 4th 2018.

The report for the “**internal**” penetration test confirmed a number of security vulnerabilities, listed below:

Severity	Confirmed Vulnerabilities
High Risk	35
Medium Risk	18
Low Risk	16
Informational	3
Total	72

Note No **Critical** risks were found, this is the highest severity
The severity descriptions are defined as:

Severity	Description
High	Allows unauthorised external users to obtain system access. The vulnerability is widely known and actively exploited by hackers.
Medium	Allows external users to disrupt services, permits internal users to obtain unauthorised access or could provide access to unauthorised external users if incorrectly configured.
Low	Provides information that could be valuable to an attacker.
Info	Informational issues regarding observations that are not a significant security risk.

The report for the “**external**” penetration test confirmed a number of security vulnerabilities, listed below:

Severity	Total Vulnerabilities
Medium Risk	5
Low Risk	12
Informational	5
Total	22

Note no **Critical** or **High** risks were found

On receiving the two reports a project team was set up in ICT with a responsibility for removing or mitigating all high and medium risks highlighted in the report.

There were 35 high and 23 medium risk items in total. The Code of Connection only stipulates that critical or high risks have to be addressed immediately, medium and low can just be accepted. Despite this requirement the Council also looked to resolve the medium risks.

The work was completed between May to December 2018. A submission pack was prepared and signed off by the Chief Executive and was supplied to the Cabinet Office on 11th December 2018. The Council was recertified on the 9th January 2019.

Going forward the Council will focus on Cyber Essentials Plus, all Welsh Authorities will be adopting this standard. Cyber Essentials Plus is a Government-backed, industry-supported scheme to help organisations protect themselves against

common online threats. A working group of stakeholders has been setup to work towards achieving the accreditation for next year.

4.9 Time Lines for Key Areas of Risk

Key Areas	Risk	Action	Responsibility	Activity	Date for Completion	RAG Status
Digital Strategy and Transformation	Missed opportunities and delayed implementation of digital projects to support the MTFS	Development of a Digital Transformation Strategy	Martin Morgans	Cabinet Approval for Consultation	April 2019	Green
ICT Disaster Recovery (DR)	IT DR Plans require updating	ICT to update the Business Continuity Plan (BCP)	Martin Bell	Update Plan	May 2019	Green
ICT Disaster Recovery (DR)	Delays in recovering from It Service interruptions	Ensure integrity of Data through test failover plans	Martin Bell	Internal Audit observed failover capability October 2018	Complete	Green
Cyber security and resilience	Threat to confidentiality, integrity and availability of IT services and data	Recertify the Council's Public Services Network (PSN)	Martin Bell	Implement Mitigation Plan	Complete	Green
Cyber security and resilience	Threat to confidentiality, integrity and availability of IT services and data	Recertify for 2020	Martin Bell	Implement Mitigation Plan	January 2020	Green
Data protection arrangements & GDPR	Risks from potential penalties if arrangements are not fully compliant	Appoint Siro	Chief Executive	Kelly Watson appointed	Complete	Green
Data protection arrangements & GDPR	Risks from potential penalties if arrangements are not fully compliant	Appoint DPO	Head of Legal	Charlotte Branford appointed	Complete	Green
GDPR Readiness	Risks from potential penalties if arrangements are not fully compliant	Ensure the Authority is GDPR compliant.	Information Governance Board	Ensure the Authority is GDPR compliant	Complete	Green

5. Effect upon policy framework and procedure rules

5.1 There is no effect upon the policy framework and procedure rules.

6. Equality Impact Assessment

6.1 There are no equality implications arising from this report.

7. Well-being of Future Generations (Wales) Act 2015 implications

7.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

8. Financial implications

8.1 The original Digital Transformation programme funding of £2.5million was split into £1million for capital expenditure and £1.5million revenue expenditure. Spend to date is below:

Description	£'000
Capital	
Agilisys digital supply contract	480
Total Capital Expenditure	480
Revenue	
Staffing	141
Professional fees	64
Website Research	27
Software Licenses on Agilisys	301
Advertising & promotion	15
Other	5
Total Revenue Expenditure	553
Total	1,033

9. Recommendation

9.1 It is recommended that Members note the report.

Martin Morgans
Head of Performance & Partnerships
17th of January

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Background Documents: None



Bridgend County Borough Council – Digital Risk Diagnostic

Date: November 2018

Author: Andrew Strong

Digital Risk Diagnostic - Scope

- Wales Audit Office review for planning purposes
- To identify and understand the key digital risks the Council faces
- Fieldwork completed May & June 2018
- Document review July 2018
- We thought we would share the key findings and messages with you for discussion

Key areas and risks

Key areas	Risk
1. Digital Strategy and Transformation	Missed opportunities and delayed implementation of digital projects to support the MTFS.
2. Website development - being better connected	Does not fully support 'channel shift' and expectations of service users.
3. Resilience of the ICT infrastructure and platforms	Does not support the new digital and transformation projects.
4. IT skills, capacity, capability and resources	Threat to the timely delivery of digital change projects and to standards required.
5. ICT Disaster Recovery (DR) planning	Delays in recovering from IT service interruptions.
6. Cyber security and resilience	Threat to the confidentiality, integrity and availability of IT services and data.
7. Data protection arrangements & GDPR	Risks from potential penalties if arrangements are not fully compliant.

1. Digital Strategy and Transformation

- Digital is a key enabler for transformation.
- Digital vision, roadmap and strategy being established for the transformation programme to modernise services and deliver efficiencies.
- MS Cloud Navigator process – workshops for channel shift, digital first and consulting service areas. Digital strategy development and agreement by end of 2018?
- Should be supported by adequate Transformation Programme governance and scrutiny. Risks include funded investments plans, delivery plans and realising benefits.
- Information Management strategy requires updating. Slide 4

2. Website

- SOCITM 2016 1* Better Connected rating – a basic score.
- New website April 2018 and ‘my account’ – phase 1 with a limited number of ‘transactions’ eg Council tax.
- Further developments required – phase 2 – reporting and transactions eg pot holes and school admissions.
- Phase 3 developments ?
- Risks to ‘channel shift’, digital project delivery, integration to back office functions & processes and to ‘mobilise’ the workforce.

3. Resilience of the ICT infrastructure and platforms

- Resilience and cyber risks from out-of-date and unsupported ICT infrastructure estate and platforms.
- Technology refresh plans to prioritise replacement of end-of-life ICT infrastructure are challenged by a lack funding available.
- The Council have recently invested in and implemented new Storage Area Network devices.
- Scope to consider data centre storage approach vs cloud based IT service models.
- Modern ICT infrastructure needed to support agile working & delivery of new digital transformation projects.

4. IT skills, capacity, capability and resources

- Risk that the ICT operating model is not adequate to deliver the Digital Strategy and Transformation.
- Is there the capacity, resources and digital leadership across the organisation to support the implementation of digital projects?
- Risk that the IT Department and Service does not have or cannot bring in the skills and knowledge to deliver the Digital Strategy on time.
- Is funding available from services for transformation?
- Scope to develop a wider range of IT key performance indicators that measure both IT service delivery, support and savings realised.

5. ICT Disaster Recovery (DR) planning and data backups

- IT DR plans require updating and further consideration for recent changes to ICT infrastructure and key system priorities.
- DR plans have not been fully tested to ensure they work as intended and to drive improvements in these plans.
- Risks to resilience planning should consider:
 - data centre approach and off-site data backup
 - potential for cloud solutions
 - backup approach and policy, do backups work?
 - assess impact on the Council of the Network Infrastructure Services (NIS) Directive.

6. Cyber security and resilience

- Council's Public Services Network (PSN) code of connection – fully certified?
- Addressing improvement action plans as a priority?
- IT security policy – update and review
- No cyber security risk assessment documented
- No regular scheduled internal network vulnerability assessments completed
- Scope to improve cyber incident response plans
- No gap analysis to Information Security Management standard (ISO 27001) good practice for assurance purposes and continual service improvements.

7. Data protection arrangements & GDPR

- GDPR readiness plans in place and appeared to be progressing in May 2018 (fieldwork date).
- Work still remained ongoing to reach full compliance and risks that this is likely to extend past the end of May 2018 implementation deadline. These include:
 - privacy notices, information asset registers and relevant policies being updated
 - training and awareness
 - retention schedules.
- Risk of impact on GDPR preparations on responding to FOIA and Data Protection statutory information requests.
- Corporate Director and SIRO has since left the Council after our review – succession plans in place ?

Next steps – consider risks

Key proposals for further consideration based on risks identified:

- Complete the Digital Strategy development, formally agree plans and provide adequate funding for the timely delivery of plans.
- Ensure the transformation programme governance and scrutiny arrangements are appropriate.
- Look at ways to develop the Council's website transactional and 'channel shift' capabilities.
- Complete GDPR compliance work and readiness plans and update the Council's information management strategy.
- Review the adequacy of the Council's IT infrastructure and network to support its emerging digital strategic approach.
- Consider reviewing the IT operating model to deliver the digital transformation strategy.

Next steps – consider risks

- Update and test IT Disaster Recovery plans and ensure these work as intended.
- Address potential cyber security risks by:
 - confirming the PSN code of connection certification
 - consider the cyber security risk assessment process and comparisons to ISO 27001 security management standard
 - complete internal network vulnerability risk assessments and cyber security incident response plans.

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

17 JANUARY 2019

REPORT OF THE INTERIM HEAD OF FINANCE

CORPORATE RISK ASSESSMENT, CORPORATE RISK MANAGEMENT POLICY AND INCIDENT AND NEAR MISS REPORTING PROCEDURE

1. Purpose of Report.

- 1.1 The purpose of the report is to provide the Audit Committee with the outcome of the Corporate Risk Assessment 2019-20 in **Appendix A** and inform the Committee of the changes to the Council's Risk Management Policy in **Appendix B** and Incident and Near Miss Reporting Procedure in **Appendix C**.

2. Connection to Corporate Plan / Other Corporate Priority.

- 2.1 This report assists in the achievement of the following corporate priority/priorities:

- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

3. Background.

- 3.1 Good governance requires the Council to develop effective risk management processes.
- 3.2 The Audit Committee's Terms of Reference requires the committee to review, scrutinise and issue reports and recommendations on the appropriateness of the Council's risk management, internal control and corporate governance arrangements.
- 3.3 The Corporate Risk Assessment is considered and reviewed by the Corporate Management Board, Senior Management Team, Audit Committee, as part of the Council's quarterly Corporate Performance Assessment framework, and is used to inform the Overview and Scrutiny Committees' Forward Work Programme and the budget process.
- 3.4 The Corporate Risk Assessment 2019-20 is aligned with the Council's Medium Term Financial Strategy and Corporate Plan.
- 3.5 The Healthy Organisation review which was carried out by SWAP Internal Audit Services was reported to the Audit Committee on 28 June 2018. This review indicated that more than one risk scoring mechanism was being used within the Council and advocated that the same risk matrix should be utilised consistently throughout the Council.

- 3.6 The review also made a recommendation that “to improve the guidance to staff further, the Council should consider setting a numerical risk appetite value, which could be included within the Risk Management Policy’s risk matrix to act as a visual aid to staff when considering risks. This numerical appetite value should be taken to Audit Committee as part of the current risk register review schedule”.
- 3.7 Each year the Council agrees a risk management timeline. This is shown as Appendix 2 within the Corporate Risk Management Policy attached as **Appendix B**.
- 3.8 The Council, at present, does not have in place a procedure for the collection of information about incidents and near misses and the investigation of them in order to ensure that relevant lessons are learnt.
- 3.9 The Council’s proposed Incident and Near Miss Reporting Procedure was reported to Senior Management Team on 10 April 2018. It was subsequently presented to Audit Committee on 28 June 2018. The Audit Committee requested that the scoring mechanism be reviewed and that a greater role for Members be considered.
- 3.10 Corporate Management Board requested that the procedure be cross referenced with existing Health and Safety department procedures to ensure that there was no duplication.

4. Current situation / proposal.

- 4.1 The risk assessment at **Appendix A** has been reviewed in consultation with Corporate Management Board and the Senior Management Team. It identifies the main risks facing the Council, their link to the priority themes, the likely impact of these on Council services and the wider County Borough, what is being done to manage the risks and where responsibility lies for the Council’s response. The risk assessment is aligned with the Medium term Financial Strategy.
- 4.2 The Corporate Risk Management Policy at **Appendix B** has been changed to incorporate a 5 x 5 risk scoring matrix which will be used as standard across the Council.
- 4.3 The Corporate Risk Management Policy has been amended to define risk appetite as “the amount of risk that the organisation is prepared to accept, tolerate or be exposed to before it takes protective action”.
- 4.4 The Corporate Management Board has considered the level that the Council’s risk appetite should be set at. It has agreed that using the 5 x 5 risk scoring matrix, those with a score of 10 or above exceed the Council’s risk appetite. These being the risks which are designated as high or medium and are coloured red and amber in the risk scoring matrix.
- 4.5 The Corporate Risk Management Policy timeline at Appendix 2 has been amended for 2019-20 and this has been agreed by Corporate Management Board.
- 4.6 The Incident and Near Miss Reporting Procedure at **Appendix C** has been changed to incorporate the 5 x 5 scoring matrix.

- 4.7 The Incident and Near Miss Reporting Procedure scoring matrix has been changed to acknowledge that when likelihood is assessed it must be done with the benefit of hindsight. Those using the policy must assess what was the likelihood of the incident or near miss happening.
- 4.8 Once a year it is proposed that the Committee will consider a report summarising the incidents and near misses recorded and the action taken to prevent a reoccurrence. This is currently not a function of the Committee and therefore will need to be included in the Committee's Terms of Reference. A further report will be presented to Council seeking an amendment to the Terms of reference within the Constitution to include this function.
- 4.9 The Incident and Near Miss Reporting Procedure has been shared with the Health and Safety Department and confirmation has been received that there are no concerns about duplication of procedure and that no changes are needed.
- 4.10 The Incident and Near Miss Procedure has been agreed by the Corporate Management Board.
- 4.11 The Incident and Near Miss Reporting Procedure will be publicised in a Bridgend e-mail with a hyper link to the procedure and also be the subject of an article in the Bridgend Newsletters.

5. Effect upon Policy Framework & Procedure Rules.

- 5.1 This Incident and Near Miss Procedure has links with the Council's Corporate Risk Management Policy which has been amended to take it into account.

6. Equality Impact Assessment

- 6.1 Equality issues permeate many of the risks identified and where appropriate equality impact assessments are undertaken within the process of approving the mitigating actions.

7. Wellbeing of Future Generations (Wales) Act 2015 Implications.

- 7.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

8. Financial Implications.

- 8.1 There are no financial implications directly associated with the risk assessment, Corporate Risk Management Policy or Incident and Near Miss Reporting Procedure. Implementation actions will be progressed within approved budgets.

9. Recommendation.

It is recommended that Members:-

- 9.1 consider the Corporate Risk Assessment 2019-20 (**Appendix A**) and the updated Corporate Risk Management Policy (**Appendix B**), including the timeline at Appendix 2
- 9.2 note the Incident and Near Miss Reporting Procedure (**Appendix C**) and that a report will be presented to Council seeking an amendment to the Committee's Terms of Reference to include the procedure as a function of the Committee.

Gill Lewis
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17 JANUARY 2019

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Background documents

None

IDENTIFIED RISK						ACTION PLAN						Corporate Priority		
No.	There is a risk that..	Consequences of Risk	Raw risk score			Control Method	How are we addressing this risk	Key actions to be established - NB business as usual activity not reflected here	who	by when	Residual risk score			
			Li	Im	Total						Li		Im	Total
1	The council is unable to make robust medium to long term decisions requiring service change	If difficult decisions about cutting or reducing service levels against a background of declining budgets are not made, then the council will not deliver the changes necessary to achieve a balanced budget which will result in it being in breach of its legal responsibilities.	4	5	20	Treat	The council manages this risk through existing budget and business planning processes which include early identification of savings targets and development of options for cabinet, challenge from BREP, scrutiny and formal and informal briefings of members and political groupings.	Develop proposals for a stronger focus on future and multiple year financial planning including scrutiny and outline budget decisions by elected members for multiple years.	CMB	Aug-2019	3	5	15	Smarter use of resources
2	The council is unable to deliver transformation including agreed financial savings	If the council is unable to change the way that staff work, including new roles, collaborations and the acquisition of new skills, it will be unsuccessful in delivering service transformation which will lead to it not meeting its commitments within available budgets.	4	4	16	Treat	The council has a number of transformations in place that either directly support specific proposals for service improvement and /or financial savings. Further transformations have been identified that are intended to support a "One council culture" and support staff and managers through transformation.	Review and rationalisation of management activity.	CMB	Aug-2019	3	3	9	All corporate priorities
								Establishment of a combined Chief Executives directorate in order to better align support services required to enable or support transformation.						
								Develop training and manager support materials. Coordinated promotion of staff wellbeing.						
3	The council is unable to respond to legislative change	If reducing budgets and a reducing workforce decreases the council's ability to ensure compliance with statutory requirements and to adapt successfully to an ever changing legislative landscape there is a risk that the council will be in breach of its legal responsibilities and may receive adverse regulatory reports, adverse publicity, fines and ultimately the threat of prosecution.	5	4	20	Treat or Transfer	The council manages this risk in a number of ways that are contingent on the particular service area affected. This might include reducing service quality or reprioritising a response to a legislative change over other activity or transferring risk - for example by transferring responsibility to another provider.	No further actions to be commissioned at this stage.	CMB	Aug-2019	3	4	12	All corporate priorities

IDENTIFIED RISK					ACTION PLAN							Corporate Priority		
No.	There is a risk that..	Consequences of Risk	Raw risk score			Control Method	How are we addressing this risk	Key actions to be established - NB business as usual activity not reflected here	who	by when	Residual risk score			
			Li	Im	Total						Li		Im	Total
4	The council is unable to identify and deliver infrastructure required in the medium to longer term	If the Council does not raise sufficient capital to maintain its infrastructure, including roads, street lights, buildings and technology then it may deteriorate bringing financial and safety risks which could lead to adverse incidents, reports, publicity, fines and ultimately prosecution.	4	5	20	Treat	The council has a ten year capital programme. The development of this programme and arrangements for its review and updating are well established. However the council has identified scope to improve upon this to ensure that these needs are balanced with other demands for capital (such as new schools).	Develop a revised capital strategy that gives appropriate weight to key infrastructure requirements.	CMB	Aug-2019	3	5	15	Supporting a successful economy and smarter use of resources
5	The council is unable to meaningfully engage with Health Board and potential LGR boundary changes to ensure that the needs of the Bridgend community is fairly recognised in any subsequent changes	If the Council is unable to successfully influence or respond to Health Board and any potential LGR boundary changes there is a risk that appropriate care to citizens through new service models and relationships will not be delivered resulting in citizens receiving a less satisfactory service or even no service at all.	4	4	16	Treat	The council has the ability to influence the transition programme through the membership of the Leader and Director of Social Services and Wellbeing on the Transition Board. Furthermore the Director is leading the partnership work stream within the overall transition programme. Effective and good relationships have been established at political and senior managerial levels with Cwm Taf University Health Board.	Secure commitment from Cwm Taf University Health Board partners for a review of partnership governance arrangements and through this seek to ensure that Bridgend CBC is appropriately represented and that our emphasis on strong integration of services is retained beyond transition.	CMB	Aug-2019	2	4	8	Helping people be more self reliant and smarter use of resources
6	The council fails to safeguard vulnerable individuals e.g. children, adults in need of social care, homeless etc.	If budgets and the workforce continue to decline there is a risk that the Council will be unable to provide the necessary services to vulnerable people resulting in the possibility that vulnerable people will not be kept safe and be encouraged to greater safe self-reliance.	3	5	15	Treat	The council has well established mechanisms to ensure compliance with statutory responsibilities. This includes its own operational safeguarding board and active management of demand and caseloads. All meetings of CMB and of Cabinet/CMB have a standing item to consider safeguarding matters and allow for appropriate management actions to be taken quickly.	The review by internal audit has identified gaps in completion of mandatory training through e learning. These gaps will be addressed across all directorates. The internal audit review and the inspection of Youth Offending has identified the need to ensure that all links between Youth Offending services and other early help or social care services are effective and effectively documented. A specific programme of improvement is being prepared for sign off by CMB in January 2019.	CMB	Aug-2019	2	5	10	Helping people be more self reliant and smarter use of resources
	The council is unable to	If the council does not have the					The council has anti virus installed	Cyber resilience training.						

IDENTIFIED RISK						ACTION PLAN						Corporate Priority		
No.	There is a risk that..	Consequences of Risk	Raw risk score			Control Method	How are we addressing this risk	Key actions to be established - NB business as usual activity not reflected here	who	by when	Residual risk score			
			Li	Im	Total						Li		Im	Total
7	plan for and recover from major threats to service continuity such as civil emergencies, school failure, cyber attack and discontinuation of funding streams and major contracts	capacity and expertise to plan for and protect itself against major threats such as cyber-attack, civil emergencies and significant financial variations there is a risk that there may be a failure to deliver services and a balanced financial position which could harm citizens who rely on council services.	4	4	16	Treat	which is regularly updated. All critical data is backed up and located offsite. Software update processes exist that includes the installation of patches. Security awareness training is provided to all employees. The council has established emergency planning arrangements including a Major Incident Plan and contributes to the SWLRF and SWRT.	The Council responds appropriately to WLGA/WG/UK Government Brexit consultations and seeks to influence the development of any future regional investment programme, via informed discussions with WG/Wales Office.	CMB	Aug-2019	4	4	16	All corporate priorities
8	The council is unable to attract or retain a workforce with the necessary skills to meet the demands placed upon the authority and its services	If there is a continual decreasing number of suitably skilled and experienced staff then there may not be the expertise required to deliver services and protect the interests of the council. This could lead to the wellbeing of citizens suffering and a loss of moral amongst the remaining staff if they feel unsupported and are seeking to work elsewhere.	4	4	16	Treat	The council has workforce planning in place (through directorate level service planning) and is prioritising finite training budget to ensure that key skills and qualifications are targeted. In addition the council is using apprenticeships to actively bring in or develop key skills (such as Welsh language skills or ICT capability). In specific service areas the council is actively seeking opportunities to collaborate where this will enhance capacity or resilience.	The council will continue to monitor the profile of the workforce and identify challenges through the business planning process. Appropriate action plans will be developed. The staff survey has been completed and key actions identified. The council will prioritise role specific training to enable staff to do what is expected of them, it will promote good practice examples of staff development and maximise access to funded learning and development programmes. eg WG and TUC.	CMB	Aug-2019	3	4	12	All corporate priorities
9	Important council services are compromised due to the failure of a key supplier	If the external suppliers of council services are not resilient there is a risk that they may fail to deliver those services leading to disruption for citizens and the council, which will be impacted as it seeks to restore provision and suffers a loss of reputation.	3	4	12	Treat or Transfer	The council's strongest defence against this is through its procurement strategy and procurement processes. When tendering for services the council requires contingency arrangements to be in place to allow for the eventuality of supplier failure (for example in the case of refuse and recycling collection contracts). The council also seeks to shape the market where possible to avoid over reliance on single suppliers (for example in social care).	Social Services have quarterly forum meetings with providers where risks, issues and pressures are identified. There are regular contract monitoring visits to monitor performance and quality. Directorates to monitor the financial performance and stability of contractors.	CMB	Aug-2019	2	4	8	Helping people be more self reliant and smarter use of resources

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Bridgend County Borough Council

Corporate Risk Management Policy

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Bridgend County Borough Council **Corporate Risk Management Policy**

Introduction

Good corporate governance structures are essential if the Council is to achieve its vision of being “One Council working together to improve lives” within the County Borough. An essential part of governance is the mechanisms for the control and management of risk. There must be a clear focus on the significant risks that could prevent the Council achieving its corporate improvement priorities and this policy seeks to address those risks.

Good governance requires that risk management is embedded into the culture of the Council with Members, managers and staff at all levels recognising that risk management is part of their job. It is important that the changing nature of how we deliver services is acknowledged. In particular, the increasing use of partnerships, shared services and business transformation programmes provide fresh risks to manage.

This policy facilitates the management of corporate risk within the Council; it focuses attention on key areas and its outcomes will inform the budget process and the Medium Term Financial Strategy.

Definition of Risk

The definition of risk the Council uses is:

Any potential development or occurrence which, if it came to fruition, would jeopardise the Council’s ability to:

- achieve its corporate improvement priorities
- provide services as planned
- fulfil its statutory duties, including the duty to make arrangements to secure continuous improvement.

Aims and Objectives

The aim of the policy is to facilitate effective corporate risk management throughout the Council so that risks are identified, evaluated, managed and monitored to enable the Council to achieve its corporate improvement priorities.

This will be done by:

- Managing corporate risk via a process that is integrated into usual business planning and is aligned to budget setting and the Medium Term Financial Strategy.
- Monitoring key corporate risks at the highest level within the Council, including:
 - Cabinet
 - Senior Management Team
 - Corporate Performance Assessment meetings, which are part of the 'informal' management arrangements involving Corporate Management Board/Heads of Service/Cabinet and Scrutiny
 - Overview and Scrutiny Committees
 - Audit Committee.
- Working closely with partner organisations and other bodies such as the Wales Audit Office and external auditors.
- Managing corporate risk via a process that is compatible with any guidance provided by regulatory bodies.

Strategy

Risk will be managed by:

- Providing for risk identification within the business planning process
- Assessing risks against a common understanding of the Council's risk appetite set by Cabinet and Senior Management Team
- Establishing appropriate control measures or other actions to manage risks to appropriate levels
- Maintaining a register of corporate risks which enables them to be recorded and regularly reviewed
- Establishing clear accountabilities and roles
- Ensuring that the risk assessment is considered within the budget setting process and the Medium Term Financial Strategy

- Making the link to corporate improvement priorities
- Learning from incidents and near misses
- Having arrangements to monitor risks involving elected Members and senior management. (Corporate Performance Assessment Meetings and Corporate Working Groups are examples of these)

Accountabilities and Roles

A key part of the strategy is to establish clear roles, responsibilities and reporting lines within the Council.

Audit Committee

The Audit Committee will monitor the effective development and operation of risk management and corporate governance within the Council. The Committee will consider the report on the annual risk assessment in January and a further interim report in September detailing changes in the course of the year.

Cabinet

Together with the Senior Management Team the Cabinet will set the Council's risk appetite. They will also work with Senior Management Team and Heads of Service to provide oversight and information on the management of risk and opportunities arising from the various options facing the Council.

Cabinet Members

Cabinet Members provide risk management oversight of service provision in the Directorates aligned with their portfolio.

They must be made aware of the key risks within their portfolio of services and within any projects or partnerships related to these.

Chief Executive

The Chief Executive leads the Corporate Management Board, Senior Management Team and the wider corporate governance agenda of which risk management is a part. The Chief Executive will review an annual governance statement and together with the Leader consider this and sign it off as appropriate.

Corporate Directors

Together with the Chief Executive they are integral to the risk management process providing leadership to achieve cultural and organisational change. They are involved in the management of risks arising from corporate initiatives, business transformation, major projects, external environment, and partnership working, and

assessing the wider implications of risk assessments and incidents and near misses associated with service provision.

They also need to make arrangements to embed risk management within the services that they have responsibility for, in order to provide assurance to the Chief Executive. They have responsibility for the delivery of Directorate plans, including service improvements and efficiencies and the delivery of corporate priorities.

Corporate Performance Assessment Meetings

Led by the Chief Executive; Cabinet, Corporate Management Board and Overview and Scrutiny Chairs will consider the extent to which business plans are being delivered and challenge senior officers about progress towards the achievement of improvement priorities. This will include review of the risks which are relevant to each priority.

Directorate and Service Management Teams

Managers and management teams have responsibility for delivering services. For successful delivery, many factors such as objectives, people, budget etc must be considered. Risk management is just one aspect of the overall management task. Risks which threaten the successful delivery of services must be identified through the business planning process. Managers will put in place actions to reduce the risks. These will be monitored and reviewed to ascertain the effectiveness of actions taken.

Heads of Service

Heads of Service develop and implement service plans to deliver agreed objectives. They should ensure that risks and the management of those risks has been explicitly considered in framing these plans. They must also receive reports of incidents and near misses and manage the response for those where they have responsibility.

Internal Audit

Internal Audit is an assurance function that primarily provides an independent opinion on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the Council's improvement priorities. It examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper economic and effective use of resources.

Members

Members collectively are the ultimate policy makers. They will represent their communities and bring their views into the Council decision making process being advocates of and for their communities. They contribute to the continual improvement of Council services and directly to risk management via membership of the Audit and Overview and Scrutiny Committees.

Overview and Scrutiny Committees

Overview and Scrutiny Committees develop a forward work programme having regard to the Council's corporate priorities and risk management framework. They review and scrutinise the decisions made by and the performance of Cabinet and Council officers. They scrutinise the performance of the Council in relation to its policy objectives and performance targets. They make recommendations to the Cabinet and Council arising from the outcome of the scrutiny process. They consider a report of incidents and near misses on an annual basis and ensure that they are satisfied with the actions taken to prevent a reoccurrence.

Insurance and Risk Officer

The Insurance and Risk Officer will co-ordinate work on the annual risk assessment and subsequent reviews and act as a point of reference and support. The Insurance and Risk Officer will also maintain a database of the incidents and near misses and a report will be provided on an annual basis to the Audit Committee.

Section 151 Officer

The Section 151 Officer is responsible for the proper administration of the Council's financial affairs and oversees the production of the risk register prior to its consideration by Senior Management Team. They must ensure that risks are fully considered and aligned with the Council's Medium Term Financial Strategy.

Senior Management Team

Together with the Cabinet the Senior Management Team will set the Council's risk appetite. They will also "scan the horizon" for new risks to the Council and the County Borough. They will provide a view of the medium to long term impacts of Government policy, financing, business transformation and partnership working.

Senior Management Team will work with Cabinet to produce an annual risk assessment. They will review the effectiveness of actions put in place by Corporate Directors and Heads of Service to mitigate risk at other meetings throughout the year.

Senior Management Team will endeavour to ensure that the resources of the Council are utilised efficiently so that the objectives of the Council are delivered.

Staff

All staff have responsibility for identifying opportunities as well as risks in performing their day to day duties, and for taking appropriate action to take advantage of opportunities or limit the likelihood and impact of risks. They also have a responsibility to report incidents and near misses to their line manager and contribute to any subsequent investigation.

Risk Management Methodology

The risk management methodology describes the way in which risks are managed within the Council.

Part 1 – Setting the Council’s Risk Appetite

Risks must be assessed against the Council’s risk appetite. Risk appetite can be defined as the amount of risk that an organisation is prepared to accept, tolerate or be exposed to before it takes protective action. Setting a risk appetite helps the Council to view risks in a consistent way across all service areas. The Council’s risk appetite is a residual risk score of 10.

Part 2 - Identifying Risk

Risk identification is not a stand alone activity which is completed in isolation from the management of service delivery. It is part of the strategic business planning and performance management processes.

It is concerned with identifying events and their consequences which could impact on the Council’s corporate improvement priorities. Consequently, the starting point is understanding what these are; they are set out within the Corporate Plan.

It can help to use prompts which identify different sources of risk. These include:

- Customer/citizens: Failure to deliver services of a required standard or misunderstanding their needs
- Strategic: doing the wrong things as an organisation; missing opportunities
- Finance: losing monetary resources or incurring unacceptable liabilities
- Reputation: the Council’s image, loss of public confidence
- Legal and regulatory: claims against the Council, non-compliance, new regulations resulting in new or more severe risks
- Information: loss or inaccuracy of data, systems or reported information
- Environmental: things outside of our control; environmental impact
- People: risks associated with employees, management and Members
- Political: political embarrassment, not delivering local or national policies
- Partnerships: the risks the Council is exposed to as a result of partnerships

These categories can be used in discussion to identify events that could prevent or hinder the council from achieving its objectives.

The ideas from these discussions need to be grouped into common themes and developed into the actual risk.

The risk description should have an event which leads to a consequence which then has an impact. Eg. A loss of xxxxxxx, will lead to xxxxxxx, resulting in xxxxxxx.

When will risks be identified?

Risk identification is not a stand alone activity. It forms part of good governance, business planning, decision making and performance management. A key opportunity to identify risk is during the budget process, when the Medium Term Financial Strategy is being agreed and when Directorate business plans are considered.

Part 3 - Assessing the raw risk

Once the risks that threaten the achievement of the Council's corporate improvement priorities have been identified, the next step is to assess them in terms of the likelihood that they will occur and the impact if they do. This information will then be used as a tool to inform professional judgements as to the significance of the risks to the Council.

The Council has agreed criteria for the levels of likelihood and impact. These are shown in Tables 1 and 2 below. The definitions for likelihood of occurrence are quite short. However, because the impact of the risk, should it occur, can be much wider, there is a more comprehensive set of definitions.

When considering likelihood and impact you should not take into consideration any existing controls that are in place. The risk score you have will be a raw, inherent or uncontrolled score.

When both the likelihood and impact have been considered, multiply the likelihood by the impact to get the overall risk score. This should be mapped on to the matrix in Table 3. The colours of the matrix are a traffic light system. Those which exceed the Council's risk appetite are in the high risk **red zone** and the **amber zone medium zone**. Low risks are the **green zone**.

The risk score should be used to inform your judgement, rather than dictate how risks compare and what the priorities should be. The scores help you to identify the most serious threats and to make decisions about the significance of those risks to the Council and how, or whether, they should be treated.

Table 1: Description and definitions of LIKELIHOOD of the RISK occurring

Score	Description
5	Highly likely to happen - More than a 80% chance
4	Likely to happen – 60% to 79% chance
3	Will possibly happen – 40% to 59%
2	Unlikely to happen – 20% to 39%
1	Highly unlikely to happen – Less than 20%

Table 2: Description and definitions of IMPACT of the RISK

Impact	Example Detail Description
5	Long term loss of service capability Long term negative perception of council Litigation is certain and impossible to defend Significant corporate budget realignment Breaches of law punishable by imprisonment
4	Medium term loss of service capability Adverse UK wide publicity Litigation almost certain and difficult to defend Some corporate budget realignment Breaches of law punishable by fines
3	Short term loss of service capability Adverse Wales wide publicity Litigation to be expected Budget adjusted across service areas Breaches of major statutory duty
2	Short term disruption to service capability Adverse local publicity High potential for complaint, litigation possible Financial implications contained within the Directorate Breaches of statutory regulations/standards
1	No significant disruption to service capability Unlikely to cause any adverse publicity Unlikely to cause complaint or litigation Financial implications contained within service area Breaches of local procedures or standards.

Now that the raw risk score has been calculated, you can plot the risks on to the risk prioritisation matrix in Table 3. This will be a guide of their relative significance to the Council, and how they will be managed.

Table 3: Risk Prioritisation Matrix

	Impact				
Likelihood	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5

Part 4 - Managing and controlling risks

Having considered how corporate risks should be identified and assessed for likelihood and impact, it is necessary to consider how risks can be managed and controlled. The risk score should not dictate the level of management required, however it should be taken into consideration as it does point to matters that will require managing.

This involves:

Assessing the raw risk against the Council's risk appetite

The degree to which a raw risk is tolerable should be considered against the Council's risk appetite score of 10. Table 3 identifies which risks are high (**red zone**), medium (**amber zone**) or low (**green zone**).

Assigning ownership to manage the raw risk to specific officers

The following is a guide to the correct level of ownership.

Red Risks – These are high risks that exceed the Council's risk appetite. They require active management by senior officers. The risk owner will be a member of and report to the Corporate Management Board

Amber Risks – These are medium risks that exceed the Council's risk appetite. These should be closely monitored by the risk owner who will be a Director or Head of Service

Green Risks – These risks are within the Council's risk appetite and will be managed and monitored within the service.

Assessing the method of control

The Council could tolerate the risk, treat it, terminate it or transfer it to a third party.

The cost and effectiveness of controls is a key consideration and needs to be balanced against the potential consequences (reputational, financial or otherwise) if the event occurred. The cost of implementing and operating the control should not normally exceed the maximum potential benefit.

Depending on the circumstances controls will probably fall under one of four basic approaches

- **Tolerate the risk.** The risks arising from an activity will be scored as part of a risk assessment process. If the score is low, the correct response might be to recognise that the activity brings risk, but still continue with it. You would typically take this approach when it is not cost effective to take action, because the likely impact of the risk, should it occur, is minimal. When a decision is made to tolerate a risk, the reason should be documented. In

addition, you should continue to monitor the risk so that you can ensure that your decision remains sound.

- **Treat the risk.** This is the most widely used approach. The purpose of treating a risk is to continue with the activity, but at the same time take action to bring the risk to an acceptable level. This is done through either:

containment actions. These lessen the likelihood or consequences and are applied before the risk materialises

or

contingent actions. These are pre planned responses that will reduce the impact after the risk has happened.

- **Terminate the risk.** This involves stopping an activity altogether, or doing things differently so that the risk is removed.
- **Transfer some aspects of the risk to a third party.** The transfer of risk to another organisation can be used to reduce the financial exposure of the Council and/or pass the risk to another organisation which is more capable of effectively managing it. An example would be the transfer of a risk through the terms of a legal contract, such as an insurance policy. The Council has an Insurance Strategy which is shown in Appendix 1.

The cost of management and control should be understood and be proportionate to the risk being addressed. Resources should be expended on the higher level risks that need active management.

The reasons why a particular course of action has been taken should be documented and the decision implemented by the risk owner.

Part 5 – Assessing the residual risk

By this stage the risks have been identified and analysed and each has a raw or uncontrolled risk score. In addition you have assessed the available controls and made decisions about which are appropriate and will be put in place. These controls will either make the likelihood that the risk will come to fruition less or they will reduce the impact of the risk in the event that it takes place.

As the likelihood or impact of the risk has changed you now need to rescore the risk, taking these changes into consideration. The resulting number is the residual risk score.

The mapping of the score on to the matrix in Table 3 should be repeated to record the residual risk. This will show what influence the controls have had. The residual risk score should be lower than the raw risk score. If it isn't, the mitigation measures are just having the effect of stopping the risk from deteriorating. The residual risk score needs to be at an acceptable level when considered against the Council's risk appetite. If the score does not reduce the risk to an acceptable level you should consider the effectiveness and adequacy of the controls.

Part 6 - Recording and Reviewing Risks

It is necessary to monitor action plans to regularly report on the progress being made in managing risk. Alternative action will be needed if those actions initially taken prove ineffective.

All the information relating to the identified risks should be recorded in a risk register. This information should, as a minimum, include: the link to the corporate improvement priorities, a description of the risk; its impact; the raw risk score, the controls in place or being put in place; the residual risk score and the risk owner. This document needs to be formally approved by the Council and this will be done by the Audit Committee in January each year following prior review by Senior Management Team and Cabinet in December.

Circumstances and business priorities can change, and therefore risks need to be regularly reviewed. The higher the risk, the more frequent the review. The corporate risk register will be reviewed quarterly by Senior Management Team and at Corporate Performance Assessment meetings. This is required because:

- Previously identified risks will change over time.
- New risks arising will need to be added.
- It might be appropriate to delete risks. However, when this is done a record of the reasons for this should be kept.

Prior to review at Senior Management Team, the Insurance & Risk Officer will contact the Directorate Business Managers and ascertain what changes to the risk assessment are proposed by the Directorate. These proposals will be included within the report to Senior Management Team for their consideration.

A timeline for the review process is shown as Appendix 2.

Whilst there is no prescribed process for review, the following is an example of how it could be approached.

Go through the risks listed in the register to consider:

- Are the risks still relevant?
- Have circumstances surrounding the risks changed?
- What progress has been made in managing the risk?
- Given the progress made, do the risk scores need revising?
- Are any further controls needed? If so, what should these be?
- Have any new risks arisen. Perhaps arising out of an adverse event or a new partnership or legislation.

The risk register should then be updated to reflect these changes. A report will be made to the Audit Committee each September.

Appendix 1 - Insurance Strategy

What is Insurance?

All activities involve a certain degree of risk, for example of fire or accident. If these risks come to fruition they will have a financial impact. Insurance is a risk mitigation measure whereby one organisation can transfer the financial impact of the risk to another.

This transfer is achieved when a business which provides insurance agrees to take on some of the risks of another organisation in exchange for a fee, known as a premium. It does this by providing an insurance policy, which is a legally binding contract. The premium, and the terms and conditions of the policy are based on the likelihood of the risk happening and its value. The insurer collects premiums on a number of policies and pools these funds, which it then invests to increase the amount of money held. Should the insured make a claim on a policy; the insurer will meet the claim from the pool of funds. The insurer will seek to make a profit and will be planning for the total premiums it receives in any one year, together with any money it can make through investments, to exceed the total claims it has to pay out.

The benefits of Insurance to Bridgend County Borough Council

Insurance provides the council with many benefits:

- 1) It protects it against the financial consequences of unexpected incidents.
- 2) It encourages the council to undertake activities, and invest with confidence, knowing that losses will be shared with the Insurer. This will benefit the local economy and the community.
- 3) Insurance companies provide expert advice about how the council can prevent or control losses.
- 4) The council does not need to maintain such significant sums of money in reserve to fund future possible losses. Funds can be released for more productive use.
- 5) There are social benefits. If someone is injured and it is as a result of the council's negligence, insurance provides them with compensation for their injuries.
- 6) We have access to external claims handling expertise.

However, Insurance does not provide a panacea to all issues around risk of loss. This is because it rarely provides full financial compensation for the loss, it may be considered uneconomic, there are exclusions and there will be some delays in the restoration of assets to full use.

What risks can be insured?

Not all risks are insurable. To be insurable, the risk must have certain characteristics:

- 1) The loss must be fortuitous. It can't be inevitable and must be unexpected.
- 2) It must be possible to allocate a financial value against the results of the incident.
- 3) The council must have an "insurable interest". This exists if the council would suffer a loss if an event happened. Typically, insurable interest is established by ownership, possession, or a direct relationship.
- 4) The only possible result of the event happening must be a loss rather than a profit.
- 5) The loss must be tied in to a specific identifiable event having happened.

What risks will the council insure?

The council's activities result in a certain amount of predictable financial loss. There is no point in insuring these losses because the Insurance Company will want a pound in premium for each pound it anticipates it will pay in claims. In addition it will charge a further amount for its administrative expenses, profit and insurance premium tax. In these circumstances the purchase of insurance is uneconomic.

The council will insure losses which would have a significant impact on budgets and the provision of services. This is generally achieved by purchasing insurance with a deductible. The overall exposure to financial loss is controlled by an aggregate deductible. This caps losses incurred in any one year to a certain amount.

The council will also buy insurance when it has to by law or where the provision of the insurance provides additional benefits which enable the activity to take place.

What information should be provided to Insurers?

The Insurance Act 2015 puts a duty on policy holders to make a "fair presentation" of the risk. This means that it must disclose to its Insurers all information, facts and circumstances which are, or ought to be, known to it, which are material to the risk. This is an ongoing duty and so if anything changes during the term of the Insurance this should be disclosed during the policy period. A "material" circumstance is one which would influence the judgement of a prudent underwriter in considering whether to provide insurance and, if so, on what basis and cost. This means that the Council is required to ascertain and disclose every material circumstance which is known by its "senior management" and by the individuals who are responsible for arranging its insurance.

The Council is also required to conduct a "reasonable search" for material information it ought to know that is available to it, which includes material information held by others outside the organisation, and by those to be covered by the insurance.

How will the council maintain the insurance arrangements?

The council will seek to keep its insurance arrangements in order so that if a loss occurs they respond in the way intended. In particular the council will:

- 1) Undertake a quinquennial review of its buildings sums insured. Between reviews sums insured will be amended in line with indices provided by the Royal Institute of Chartered Surveyors.
- 2) Be aware of the policy wordings and understand what they mean.
- 3) Keep insurers apprised of changing risk features which will have a material impact on the way Insurers perceive risk.
- 4) Maintain comprehensive records of insurance including Insurance Policy documentation.
- 5) Employ the services of a professional insurance broking company who can provide expert advice
- 6) Only transfer risks to Insurance Companies which are financially strong.

Appendix 2 - Risk Management Timeline 2019 - 20

Timeline	Responsibility	Action
January 2019	Audit Committee	Considers the 2019-20 risk assessment and agree proposed changes to the Risk Management Policy
February 2019	Cabinet/Council	Considers the 2019-20 risk assessment in conjunction with the Medium Term Financial Strategy
March 2019	CPA	Risk assessment considered at quarter 3 2018-19 CPA
April 2019		
May 2019		
June 2019	CPA	Risk assessment considered at quarter 4 2018-19 CPA
July 2019	SMT	Review of the 2019-20 risk assessment
August 2019	Audit Committee	Audit Committee considers the changes made to the 2019-20 risk assessment
September 2019		
October 2019	SMT	Review of the 2019-20 risk assessment
November 2019	CPA	Risk assessment considered at quarter 2 2019-20 CPA
December 2019	Cabinet	Consider draft 2020-21 risk assessment
January 2020	SMT Audit Committee	Consider draft 2020-21 risk assessment and agree proposed changes to the Risk Management Policy Considers the 2020-21 risk assessment
February 2020	Cabinet/Council	Considers the 2020-21 risk assessment in conjunction with the Medium Term Financial Strategy
March 2020	CPA	Risk assessment considered at quarter 3 2019/20 CPA

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Bridgend County Borough Council

Incident and Near Miss Reporting Procedure

(Excluding Health and Safety)

1. Introduction

This procedure describes the process for the reporting and investigation of **all** types of incidents and near misses (**other than those relating to Health and Safety**) within the Council, which could, if they had come to fruition, have impacted on the Council's ability to achieve its corporate objectives. This procedure applies equally to incidents involving employees, Members, contractors, visitors and members of the public who are affected by the work of the Council. This includes but is not limited to the management of finance, service failures, communications and public profile, information technology breaches and so on.

2. Statement of intent

Incident and near miss reporting is a key element of good risk management. When something goes wrong, an investigation should take place to identify how and why this happened. This should lead to a change in practice to ensure, where possible, that it does not happen again. In this way, lessons can be learnt to reduce the risk of the Council failing to achieve its objectives.

In order to enable learning to take place, the Council seeks to promote an open and fair organisational culture and to encourage the reporting of incidents when things have gone wrong. This means that disciplinary action will be considered only where there is evidence of willful negligence, acts of a malicious nature or gross/repeated misconduct. Should disciplinary action be appropriate, the investigation would then be managed in accordance with Council's policy and procedures.

3. Links with Financial Procedure Rules and Risk Management Policy

This procedure supports Chief Officers in the successful execution of their duties contained in Section 26 of the Council's Financial Procedure Rules. Section 26 says that "Chief Officers shall be responsible for the identification, classification and control of all risks falling within their areas of responsibility". It also says that they should undertake regular reviews of risks within their Directorate. The Incident and Near Miss Reporting procedure will assist them to identify and record what happens and this will feed into their review and assessment of risk. The method by which risks are reviewed is contained in the Council's Risk Management Policy.

4. Definitions

Incident – any event or circumstance that led to harm to the Council or other occurrence that could impact on the Council's ability to achieve its objectives.

Example: A deadline for the application of a grant is missed and a transport improvement scheme cannot proceed.

Example: The Council becomes dependent on an outsourced contractor which suddenly ceases trading, leaving the Council unable to deliver certain functions.

Example: A pipe bursts in Civic Offices over a weekend which is not discovered until Monday morning. Extensive damage happens leaving certain areas unable to be occupied. Alternative workspace has to be found at short notice.

Example: The Council experiences a cyber-attack and key tasks such as the payment of benefits cannot be completed on time.

Near-miss – an incident that did not lead to harm, but could have done.

Example: A misprint on a ballot paper is discovered just before an election and replacements have to be printed at the last moment.

Example: A care home experiences financial difficulties and the Council steps in to protect the welfare of vulnerable people.

Example: Torrential rain is experienced and a school narrowly avoids being flooded.

Example: Vital data is lost but can be recovered from a backup.

5. Reporting an incident

It is essential that an Incident Report Form is completed for **all** incidents and near misses (**other than those relating to Health and Safety**) as soon as possible before the memory fades. This form, which is found at **Appendix 1** is available via the Intranet (under R for Risk Management) and can be submitted electronically or as a hard copy. All the information required on the form should be provided. The person experiencing or witnessing the incident must complete Part 1 immediately after the occurrence and then forward this to their Line Manager who will complete Part 2.

Part 2 includes an assessment of the incident or near miss. The responsible Line Manager records what investigation has been carried out and action taken to prevent a recurrence. To make sure this assessment is objective it should be scored using the measurements for likelihood and impact contained in **Appendix 2**. The score for likelihood is multiplied by the score for impact to reach an overall score for the incident or near miss.

The score will place it somewhere within the prioritisation matrix shown in Table 3 of **Appendix 2**. If in the opinion of the Line Manager the incident falls into the **red zone**, which is a score of 15 and above, the Line Manager, following consultation with the Head of Service or member of staff at an appropriate level, will verbally report the incident to a Corporate Director. Following the verbal report a high priority email containing the Incident Report Form or a full description of the incident will be sent to the Corporate Director, with a copy being sent to the Insurance and Risk Officer. The

Corporate Director will then have responsibility to determine the appropriate response and action.

If the score is less than 15, it will fall into either the **amber zone** or **green zone**. In these circumstances the completed Incident Report Form should be forwarded to the Head of Service, or if the Line Manager does not report to a Head of Service, straight to the Corporate Director. It should be copied to the Insurance and Risk Officer.

In the event of an incident being reported to them by a Line Manager within their area of responsibility, Heads of Service are required to check the score allocated. If it is in the **green zone** between 1 and 9 they are responsible for the response. If it is in the **amber zone** between 10 and 12 they must report the matter to their Directorate Management Team. If they think that the score is in the **red zone** between 15 and 25 they will immediately notify their Corporate Director. The completed Incident Report Form should be copied to the Insurance and Risk Officer. The Head of Service will ensure that an investigation has been carried out and that action has been or is being taken. They must satisfy themselves as to the adequacy of the plan of action and keep this under review so that they can be sure that actions are being followed up.

On receipt of a finalised Incident Report Form, the Insurance and Risk Officer will add the incident to a database. The information on the database will assist with the assessment of corporate risk as required by the Corporate Risk Management policy.

When an incident occurs all evidence should be protected and secured in case of the need for further investigation.

Any incident involving an employee occurring outside the Council premises, where the person involved was engaged in activities directly related to their duties must be treated in the same way as any other incident.

6. Roles

A flowchart of the responsibilities for reporting and investigating incidents and near misses is provided in **Appendix 3**. The details of each of the roles are provided below.

All employees

All employees have a responsibility to report incidents to their Line Manager and to contribute to any subsequent investigation. They report the incident or near miss by completing the form at Part 1 of **Appendix 1**.

Line Managers

In the event of an incident occurring which involves an employee or other person within their team and/or area of responsibility, Line Managers are required to ensure that the incident is reported to their Head of Service, or if they do not report to one, to their Corporate Director. To do this they must use the form at Part 2 of **Appendix 1**. They must conduct an appropriate investigation, see what lessons should be learnt, score the incident and prepare a plan of action.

If in the opinion of the Line Manager the incident falls into the **red zone**, which is a score of 15 and above, the Line Manager, following consultation with the Head of Service or member of staff at an appropriate level, will verbally report the incident to a Corporate Director. Following the verbal report a high priority email containing the Incident Report Form or a full description of the incident will be sent to the Corporate Director, copied to the Insurance and Risk Officer.

Heads of Service

In the event of an incident being reported to them by a Line Manager within their area of responsibility, Heads of Service are required to check the score allocated. If the score is between 1 and 9, the **green zone**, they are responsible for the response. If the score is between 10 and 12, the **amber zone**, they must report the matter to their Directorate Management Team. If they think that the score is between 15 and 25, the **red zone**, they will immediately notify their Corporate Director. The Head of Service will ensure that an investigation has been carried out and that action is taken. This will include making sure that there has been a proper investigation and satisfying themselves as to the adequacy of any plan of action and keeping this under review so that they can be sure that actions are being followed up.

Directorate Management Team

Where the incident or near miss scores 10, or above, the **amber zone**, the Head of Service will bring it to the attention of the Directorate Management Team. The Directorate Management Team will satisfy themselves as to the score allocated and report any scores of 15 and over, the **red zone**, to the Corporate Management Board. They will review the investigation and ensure that the action plan is satisfactory and is being followed up. They will record and review the management of the incident and the associated risk(s). The Directorate Management Team will ensure that the necessary lessons are learnt from the incident and that any necessary training is completed. They will make sure that that any risk reduction measures continue to be effective. The actions taken will be recorded using the form at Part 3 of **Appendix 1**.

The Corporate Management Board

The Corporate Management Board needs to know about, and be satisfied with, the response to incidents and near misses which have a score of 15 and above. These are situated in the **red zone**.

If it is immediately obvious to a Line Manager, following consultation with their Head of Service that the score is 15 and above the Corporate Director should have already received immediate notification. If it is initially thought that the risk score is 12 or less, but it is subsequently increased by the Directorate Management Team then the Corporate Management Board will have been informed. The relevant Corporate Director will be responsible for making sure that approved corrective action plans are produced and implemented and that these are fully documented and monitored in order to ensure their completion.

The Chief Executive

The Chief Executive has ultimate responsibility for risk management within Bridgend County Borough Council and will ensure that all incidents are dealt with according to the Council's policy and procedures.

The Insurance and Risk Officer

The Insurance and Risk officer will maintain a database of the incidents and near misses. This data base will be used in the assessment of corporate risk as required by the Corporate Risk Management policy. A report will be provided on an annual basis to the Audit Committee summarising the incidents and near misses recorded and the action taken to prevent a reoccurrence.

Audit Committee

The Audit Committee will consider a report of incidents and near misses on an annual basis and ensure that it is satisfied with the action taken to prevent reoccurrence.

Appendix 1

Incident report form

Please complete and submit this form to your Line Manager.

Use this form for all incidents and near misses (**other than those relating to Health and Safety**). Any employee with knowledge of the incident may fill in the form.

PART 1 – to be completed by the person(s) experiencing or witnessing the incident within 24 hours of the event and passed to their Line Manager.

Name:		Job Title:	
Date:	Time:	Location:	
Description of incident or near miss			
Cause (including any contributory factors):			
Impact of incident or near miss:			
Immediate action taken to prevent recurrence, if any:			
Signature (or name if electronic):			Date:

Part 2 – To be completed by the Line Manager and sent to Head of Service with a copy to the Insurance and Risk Officer.

Name		Job Title	
Date:	Team:	Service:	
Do you agree that the contents of the Part 1 form are correct? If not why not?			
What, investigation and action has been undertaken or is required to prevent recurrence?			
Are there any lessons to be learnt from this incident?			
Scoring - Likelihood x Impact = Score			
Signature (or name if electronic):			Date:

Part 3 – To be used by the Directorate Management Team when a report is made to them concerning an incident (other than those relating to Health and Safety).

Date received:		
Head of Service:		
Has the risk been eliminated?	Is further action required?	
If further action required, please describe:		
Signature (or name if electronic):		Date:

Appendix 2

The response to the incident or near miss is governed by its score. Consequently it is important that the scoring mechanism is applied correctly.

Once an incident or near miss has been identified that threatens the achievement of the Council's objectives, the next step is to assess it in terms of what was the likelihood of the incident or near miss happening and what was or could have been the impact to the Council.

The Council has agreed criteria for assessing the levels of likelihood and impact. These are shown in Tables 1 and 2 below. The incident or near miss has already taken place, so the likelihood score has to be assessed with the benefit of hindsight. The impact of a near miss should be assessed as if it had happened.

When both the likelihood and impact have been considered, multiply the likelihood by the impact to get the overall score. This should be mapped on to the matrix in Table 3. The colours of the matrix are a traffic light system that denotes the response to the event. High scores to be notified to Corporate Management Board are the **red zone**, the **amber zone** are the scores that stay with the Directorate Management Team and low scores are in the **green zone** which are under the control of the Head of Service.

Table 1: Description and definitions of the likelihood of the incident or near miss occurring

Score	Description
5	It was highly likely to happen - More than an 80% chance
4	It was likely to happen – A 60% to 79% chance
3	It may or may not have happened – A 40% to 59% chance
2	It was unlikely to happen – A 20% to 39% chance
1	It was highly unlikely to happen – Less than a 20% chance

Table 2: Description and definitions of the impact of the incident or potential impact of a near miss

Impact	Example Detail Description
5	Long term loss of service capability Long term negative perception of council Litigation is certain and impossible to defend Significant corporate budget realignment Breaches of law punishable by imprisonment
4	Medium term loss of service capability Adverse UK wide publicity Litigation almost certain and difficult to defend Some corporate budget realignment Breaches of law punishable by fines
3	Short term loss of service capability Adverse Wales wide publicity Litigation to be expected Budget adjusted across service areas Breaches of major statutory duty
2	Short term disruption to service capability Adverse local publicity High potential for complaint, litigation possible Financial implications contained within the Directorate Breaches of statutory regulations/standards
1	No significant disruption to service capability Unlikely to cause any adverse publicity Unlikely to cause complaint or litigation Financial implications contained within service area Breaches of local procedures or standards.

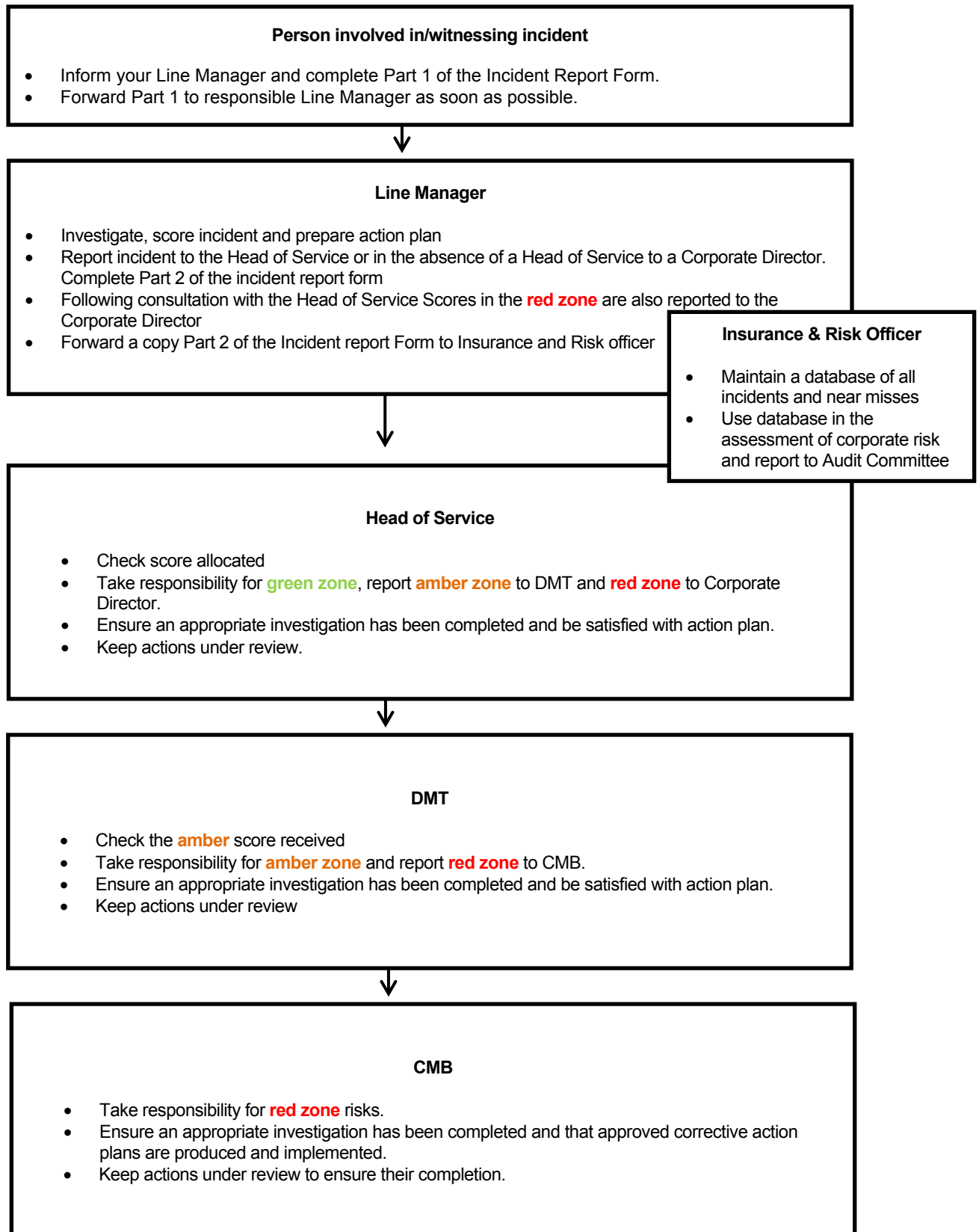
Now that the score has been calculated, you can plot it against the matrix in Table 3. This shows you how the response should be managed. The **red** zone is managed by the Corporate Management Board, the **amber** zone by the Directorate Management Team and the **green** zone by the Head of service.

Table 3: Incident and Near Miss Prioritisation and Response Matrix

	Impact				
Likelihood	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5

Appendix 3

Incident reporting flowchart



BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

17 JANUARY 2019

REPORT OF THE INTERIM HEAD OF FINANCE & SECTION 151 OFFICER

TREASURY MANAGEMENT STRATEGY 2019-20

1. Purpose of the Report

1.1 The purpose of this report is to present the:-

- proposed Treasury Management Strategy for 2019-20, which includes the:-
 - Borrowing Strategy 2019-20
 - Investment Strategy 2019-20
 - Treasury Management Indicators for the period 2019-20 to 2021-22

2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

2.1 This report assists in the achievement of the following corporate priority:

- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

2.2 The work of the Audit Committee supports corporate governance and assists in the achievement of all corporate and service objectives. Prudent treasury management arrangements will ensure that investment and borrowing decisions are made ensuring the smarter use of financial resources and hence assist achievement of Corporate Priorities.

3. Background

3.1 To ensure effective scrutiny of treasury management in accordance with the Treasury Management Strategy (TMS), Audit Committee has been nominated to be responsible for ensuring effective scrutiny of the TMS and policies.

3.2 The Council manages its Treasury Management activities in accordance with the Local Government Act 2003, and associated guidance:-

- The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code), requires the Council to approve a Treasury Management Strategy (TMS) before the start of each financial year (TMS 2019-20 in **Appendix A**).

- The Welsh Government (WG) issued revised Guidance on Local Authority Investments in April 2010, which requires the Council to approve an Investment Strategy prior to the start of each financial year (**Appendix A-Section 5**)
- In 2017 CIPFA published a new version of the Prudential Code for Capital Finance in Local Authorities (the Prudential Code). The updated Prudential Code includes a new requirement for local authorities to provide a Capital Strategy, which is a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy, complying with CIPFA's requirement, will be approved together with the TMS by full Council in February 2019 and will now include the Prudential Indicators which in previous years were included in the TMS along with details regarding the Council's non-treasury investments. The Capital Strategy and TMS are interlinked as borrowing and investments are directly impacted by capital plans.

4. Current Situation / Proposal

- 4.1 The TMS 2019-20 (**Appendix A**) confirms the Council's compliance with the CIPFA 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.
- 4.2 The TMS 2019-20 is to be presented to Council for approval in February 2019 and whilst the main body will remain unchanged there may be variations to some of the figures if there are any changes (such as the capital programme) to reflect the most up to date information.

5. Effect upon Policy Framework & Procedure rules

- 5.1 Paragraph 20.3 of the Financial Procedure Rules (FPR) within the Council's Constitution requires that all investments and borrowing transactions shall be undertaken in accordance with the Council's Treasury Management Strategy as approved by Council. Paragraph 20.8 of the FPR sets the Audit Committee's responsibility to ensure effective scrutiny of the Treasury Management policies and practices.
- 5.2 This report is designed to ensure compliance with the above requirements.

6. Equality Impact Assessment

- 6.1 There are no equality implications.

7. Well-being of Future Generations (Wales) Act 2015 Implications

- 7.1 The well-being goals identified in the Act were considered in the preparation of this report. The wellbeing objectives are designed to complement each other and are part of an integrated way of working to improve wellbeing for the people

in Bridgend Council. In developing the TMS, officers have considered the importance of balancing short-term needs for cash flow management and minimising the revenue costs of debt with longer-term objectives of managing the Council's long term debt maturity profile.

8. Financial Implications

8.1 These are reflected within the report.

9. Recommendation

9.1 Members give due consideration to the Treasury Management Strategy 2019-20 and recommend that it is presented to Council for approval in February 2019 (**Appendix A**).

Gill Lewis
Interim Head of Finance and Section 151 Officer
20 December 2018

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Postal Address: Raven's Court, Brewery Lane, Bridgend, CF31 4AP

Background documents

CIPFA Code of Practice on Treasury Management in Local Authorities (2017)

CIPFA Prudential Code for Capital Finance in Local Authorities (2017)

Treasury Management Strategy 2018-19 and 2019-20

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TREASURY MANAGEMENT STRATEGY

2019-20

1.0 INTRODUCTION

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council is exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's (CIPFA) *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Council to approve a Treasury Management Strategy (TMS) before the start of each financial year. In addition, the Welsh Government issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Council to approve an Investment Strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the Welsh Government Guidance.

In 2017 CIPFA also published a new version of the Prudential Code for Capital Finance in Local Authorities (the Prudential Code). The updated Prudential Code includes a new requirement for local authorities to provide a Capital Strategy, which is a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy, complying with CIPFA's requirement, will be approved together with the TMS by full Council in February 2019 and will now include the Prudential Indicators which in previous years were included in the TMS, along with details regarding the Council's non-treasury investments. The CIPFA Code also requires the Council to set a number of Treasury Management Indicators which are forward looking parameters and enable the Council to measure and manage its exposure to treasury management risks and these are included throughout this TMS. The Capital Strategy and TMS should be read in conjunction with each other as they are interlinked as borrowing and investments are directly impacted upon by capital plans.

The Council has an integrated TMS where borrowing and investments are managed in accordance with best professional practice which is assessed either from internal expertise or consultation with our external advisers. The Council borrows money either to meet short term cash flow needs or to fund capital schemes approved within the capital programme. Therefore any actual loans taken are not associated with particular items of expenditure or assets. The Council is exposed to financial risks including the potential loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's TMS. In accordance with Welsh Government Guidance, the Council will be asked to approve a revised TMS should the assumptions on which this is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, the Council's capital programme or the level of its investment balance. There is also a half year review of the TMS which is presented to Council for approval.

The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and

administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the organisation's strategy, Treasury Management Practices (TMP) and CIPFA's *Standard of Professional Practice on Treasury Management*. Council will receive reports on its treasury management activities, including as a minimum, an annual strategy in advance of the year, a mid-year review and an annual report after its financial year end. Quarterly reports will also be received by Cabinet. The Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2.0 ECONOMIC CONTEXT

Economic background: The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Council's TMS for 2019-20. Following the Bank of England's decision to increase the Bank Rate from 0.50% to 0.75% in August, no changes to monetary policy has been made. However, the Bank expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee (MPC) continues to reiterate that any further increases will be at a gradual pace and limited in extent.

Credit outlook: The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ringfenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts.

The Bank of England released its latest report on bank stress testing, illustrating that all entities included in the analysis were deemed to have passed the test once the levels of capital and potential mitigating actions presumed to be taken by management were factored in, and they did not require any bank to raise additional capital.

European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading in the UK. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.

Interest rate forecast: Following the increase in Bank Rate to 0.75% in August 2018, the Council's treasury management adviser Arlingclose's most likely scenario is forecasting two more 0.25% hikes during 2019-20 to take official UK interest rates to 1.25% by December 2019. The Bank of England's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that

higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.

The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. Whilst assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a "no deal" Brexit still hangs over economic activity. As such, the risks to the interest rate forecast are considered firmly to the downside.

Table 1: Arlingclose (Council's TM Advisers) central interest rate forecast December 2018

	Bank Rate	3 month money market rate	1 year money market rate	5 year gilt yield	10 year gilt yield	20 year gilt yield	50 year gilt yield
Dec 2018	0.75	0.90	1.15	1.15	1.50	2.00	1.90
Mar 2019	0.75	0.95	1.25	1.25	1.65	2.10	1.95
June 2019	1.00	1.10	1.35	1.35	1.70	2.20	2.00
Sept 2019	1.00	1.30	1.50	1.50	1.80	2.20	2.00
Dec 2019	1.25	1.40	1.70	1.50	1.80	2.20	2.00
Mar 2020	1.25	1.40	1.60	1.40	1.75	2.20	2.00
Jun 2020	1.25	1.40	1.50	1.35	1.75	2.20	2.00
Sept 2020	1.25	1.35	1.40	1.35	1.70	2.20	2.00
Dec 2020	1.25	1.35	1.35	1.30	1.70	2.20	2.00
Mar 2021	1.25	1.35	1.35	1.30	1.70	2.20	2.00
Jun 2021	1.25	1.35	1.35	1.30	1.70	2.20	2.00
Sept 2021	1.25	1.35	1.35	1.30	1.70	2.20	2.00
Dec 2021	1.25	1.35	1.35	1.30	1.70	2.20	2.00
Average	1.13	1.27	1.40	1.33	1.70	2.18	1.99

3.0 EXTERNAL DEBT AND INVESTMENT POSITION

On the 31st December 2018, the Council held £96.87 million of borrowing and £33.00 million of investments. The external debt and investment position is shown in table 2 below and more detail is provided in section 4.0 Borrowing Strategy and section 5.0 Investment Strategy. Forecast changes in these sums are shown in the balance sheet analysis in table 3 below.

Where a Council finances capital expenditure by debt, it must put aside revenue resources to repay that debt in later years and this amount charged to revenue is called the Minimum Revenue Provision (MRP). The *Local Authority (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2008* requires the Council to produce and approve an Annual Minimum Revenue Provision (MRP) Statement before the start of the financial year that details the methodology for the MRP charge and this is detailed in the Council's Capital Strategy. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. This strategy is prudent as investment returns are low and counterparty risk is relatively high. The Council is forecasting an increased CFR due to the prudential borrowing in the capital programme and the new MRP policy approved by Council in September 2018.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 3 below shows that the Council complied with this in 2017-18 and expects to comply with this recommendation during 2018-19, 2019-20 and the following two years. More detail is provided in the Capital Strategy.

Table 2: Council's external debt and investment position as at 31 December 2018

	Principal as at 31-12-18 £m	Average Rate %
External Long Term Borrowing:		
Public Works Loan Board	77.62	4.70
Lender's Option Borrower's Option	19.25	4.65
Total External Long Term Borrowing	96.87	4.69
Other Long Term Liabilities:		
Private Finance Initiative *	17.16	
Llynfi Loan**	2.40	
Other LTL	0.94	
Total Other Long Term Liabilities	20.50	
Total Gross External Debt	117.37	
Treasury Investments:		
Banks	8.00	0.97
Local Authorities	22.00	0.87
Money Market Funds ***	3.00	0.77
Total Treasury Investments	33.00	0.88
Net Debt	84.37	

* (PFI) arrangement for the provision of a Secondary School in Maesteg 15.25 years remaining term

** Loan from the Welsh Government Central Capital Retained Fund for regeneration works within the Llynfi Valley which has not yet commenced

***the funds provide instant access

Table 3 below has been produced using estimates of capital spend and forecasts on useable reserves for the current financial year and the next three years. The Capital Plans highlight that the Loans CFR, which is the Council's need to borrow to fund capital expenditure, is increasing year on year due to additional prudential borrowing.

Table 3: Balance sheet summary and forecast

	31.3.18 Actual £m *	31.3.19 Estimate £m	31.3.20 Estimate £m	31.3.21 Estimate £m	31.3.22 Estimate £m
CFR	171	172	178	179	182
Less: Other debt liabilities	-18	-18	-17	-16	-16
Loans CFR	153	154	161	163	166
Less: External borrowing	-100	-100	-100	-100	-100
Internal borrowing	53	54	61	63	66
Less: Usable reserves	-80	-67	-55	-50	-46
Less: Working capital	-2	-2	-	-	-

Investments	29	15	10	10	10
New Borrowing - cumulative	-	-	16	23	30

*The accounting practice followed by the Council requires financial instruments in the accounts (debt and investments) to be measured in a method compliant with International Financial Reporting Standards (IFRS) so these figures will differ from other figures in the TMS which are based on the actual amounts borrowed and invested

Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 3 above, but that cash and investment balances are kept to a minimum level of £10 million at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 4: Liability benchmark

	31.3.18 Actual £m	31.3.19 Estimate £m	31.3.20 Estimate £m	31.3.21 Estimate £m	31.3.22 Estimate £m
Loans CFR	153	154	161	163	166
Less: Usable reserves	-80	-67	-55	-50	-46
Less: Working capital	-2	-2	-	-	-
Plus: Minimum investments	29	15	10	10	10
Liability Benchmark	100	100	116	123	130

4.0 BORROWING STRATEGY

The Council currently holds £96.87 million of loans as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 3 above shows that the Council will have to borrow £30 million over the next three years as detailed below:-

Table 5: New Borrowing

	31.3.18 Actual £m	31.3.19 Estimate £m	31.3.20 Estimate £m	31.3.21 Estimate £m	31.3.22 Estimate £m
New Borrowing	-	-	16	7	7

The Section 151 will monitor and update the liability benchmark assumptions on an on-going basis and report any significant changes within the treasury management monitoring reports to Cabinet, Audit Committee and Council as appropriate. This could be as a result of changes in the level of useable reserves at year end, slippage within the Capital Programme or changes within the working capital assumptions.

Objectives: The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Therefore the major **objectives** to be followed in 2019-20 are:-

- to minimise the revenue costs of debt

- to manage the Council's debt maturity profile i.e. to leave no one future year with a high level of repayments that could cause problems in re-borrowing
- to effect funding in any one year at the cheapest cost commensurate with future risk
- to monitor and review the level of variable interest rate loans in order to take greater advantage of interest rate movement
- to reschedule debt if appropriate, in order to take advantage of potential savings as interest rates change
- to optimise the use of all capital resources including borrowing, both supported and unsupported, usable capital receipts, revenue contributions to capital and grants and contributions

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy. With short-term interest rates currently much lower than long term rates, it is likely to be more cost effective in the short term to either use internal resources or borrow short term loans instead.

The Section 151 Officer will take the most appropriate form of borrowing depending on the prevailing interest rates at the time however, with long term rates forecast to rise modestly in future years, any such short term savings will need to be balanced against the potential longer-term costs. The Council's treasury management advisers will assist the Council with this 'cost of carry' and breakeven analysis. The last time the Council took long term borrowing was £5 million from the Public Works Loan Board (PWLB) in March 2012. As detailed above, the liability benchmark is suggesting there will be a requirement for new long term borrowing in 2019-20, 2020-21 and 2021-22. It is anticipated that this would be from PWLB and for estimate purposes it has been assumed that this will be over 30 years.

Alternatively, the Council may arrange forward starting loans during 2019-20 where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Council may borrow short term loans (normally for up to one month) to cover unexpected cash flow shortages.

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- PWLB and any successor body
- any institution approved for investments (see Investment Strategy below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except the Council's Pension Fund)
- capital market bond investors
- special purpose companies created to enable local authority bond issues

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Council has previously raised the majority of its long-term borrowing from the PWLB, but will also investigate other sources of finance, such as Welsh Government and local authority loans and bank loans, that may be available at more favourable rates.

LOBOs: The £19.25 million shown in table 2 above, relates to Lender’s Option Borrower’s Option (LOBO) loans which have a maturity date of 2054, however these may be re-scheduled in advance of this maturity date. The LOBO rate and term may vary in the future depending upon the prevailing market rates, the lender exercising their option to increase rates at one of the bi-annual trigger points and therefore the Council being given the option to accept the increase or to repay the loan without incurring a penalty. There are two trigger points in 2019-20 and although the Council understands that the lender is unlikely to exercise this option in the current low interest rate environment, an element of refinancing risk remains and the Council would take the option to repay these loans at no cost if it has the opportunity to do so in the future.

Short term and variable rate loans: These loans expose the Council to the risk of short term interest rate rises and are therefore subject to the treasury management indicator to manage interest rate exposure as shown below in tables 6 and 12 below.

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some higher rate loans with new loans at lower interest rates, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk.

Maturity structure of borrowing indicator: This indicator is set for the forthcoming financial year to control the Council’s exposure to refinancing risk with respect to the maturity of the Council’s external borrowing and has been set to allow for the possible restructuring of long term debt where this is expected to lead to an overall saving or reduction in risk. It is the amount of projected borrowing maturing in each period as a percentage of total projected borrowing. The upper and lower limits on the maturity structure of borrowing will be:

Table 6: Treasury Management Indicator Maturity Structure of Borrowing 2019-20

Refinancing rate risk indicator	Upper limit	lower limit
Maturity structure of borrowing 2019-20		
Under 12 months	50%	0%
12 months and within 24 months	25%	0%
24 months and within 5 years	25%	0%

5 years and within 10 years	40%	0%
10 years and within 20 years	50%	0%
20 years and above	60%	25%

5.0 INVESTMENT STRATEGY

The preparation each year of an Investment Strategy is central to the Welsh Government guidance on Local Authority Investments. It encourages the formulation of policies for the prudent investment of the surplus funds that authorities hold on behalf of their communities. In addition, the need for the Strategy to be approved by the full Council ensures that these policies are subject to the scrutiny of elected Members: this is particularly important as since 2004 central Government no longer closely regulates local government investment.

The Council holds surplus funds representing income received in advance of expenditure plus balances and reserves and as shown in table 2 above in section 3, the balance at 31 December 2018 was £33.00 million. Investments are estimated to drop to between £15 and £20 million by the 31 March 2019. As in previous years this is due partly to increased expenditure expected to be incurred for the capital programme and the reduction in income collected from Council Tax in February and March 2019 and Based on its cash flow forecasts, the Council anticipates its investment balances in 2019-20 to range between £10 million to £55 million with an average investment rate of between 0.75% to 1.00% depending on the Bank Rate and investment types, which will be reviewed at half year and reported to Council. The actual balance varies because of the cash flow during the year as to when income is received (such as specific grant income, housing benefits subsidy and Revenue Support Grant) and payments are made (such as salaries and wages, major capital expenditure and loan repayments).

Objectives: Both the CIPFA Code and the Welsh Government Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments while seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal to or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

The major **objectives** to be followed in 2019-20 are:

- to maintain capital **security**
- to maintain portfolio **liquidity** so funds are available when expenditure is needed
- to achieve the **yield** on investments commensurate with the proper levels of security and liquidity

Negative interest rates: If the UK enters into a recession in 2019-20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in some other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: The Council's investments have historically been placed in mainly short term bank and building society unsecured deposits and local and central government, however, investments may be made with any public or private sector organisations that meet the credit criteria detailed below. Given the increasing risk and very low returns from short-term unsecured bank investments, the Council will further diversify into more secure and/or higher yielding asset classes during 2019-20 as appropriate in consultation with the Council's treasury management advisers. The majority of the Council's surplus cash is currently invested in money market funds and with other local authorities but the Council will continue to look at investment options in line with the limits detailed below.

With short term interest rates currently much lower than long-term rates, due consideration will also be given to using surplus funds to make early repayments of long term borrowing if appropriate options become available as referred to in section 4.0 Borrowing Strategy.

International Financial Reporting Standard (IFRS) 9: Under the new IFRS 9 Standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved counterparties: The Council may invest its surplus funds with any of the counterparty types shown in table 7 below, subject to the cash limits and the time limits shown. **These cash/time limits are per counterparty and relate to principal only and exclude any accrued interest.**

Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies to ensure that this lies within our agreed minimum credit rating. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account. **Schedule A** shows the equivalence table for credit ratings for three of the main rating agencies Fitch, Moody's and Standard & Poor's and explains the different investment grades.

Banks unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Where additional amounts received into our accounts with our own bankers are received too late in the day to make an investment the same day, the limit in the above table will not apply as this does not count as an investment.

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made following an external credit assessment and consultation with the Council's treasury management advisers.

Registered providers: Loans and bonds issued by, guaranteed by, or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Welsh Government and as providers of public services, they retain the likelihood of receiving government support if needed.

Table 7: Approved investment counterparties and limits

These limits must be read in conjunction with the notes immediately below the table. The combined secured and unsecured investments in any one bank must not exceed the cash limit for secured investments:

Credit Rating	Banks (including building societies) Unsecured	Banks (including building societies) Secured	Government	Corporates	Registered Providers
UK Central Government	n/a	n/a	£ Unlimited	n/a	n/a
			50 Years		
UK Local Authorities	n/a	n/a	£12,000,000	n/a	n/a
			10 Years		
AAA	£3,000,000	£6,000,000	£6,000,000	£3,000,000	£3,000,000
	5 Years	20 Years	50 Years	20 Years	20 Years
AA+	£3,000,000	£6,000,000	£6,000,000	£3,000,000	£3,000,000
	5 Years	10 Years	25 Years	10 Years	10 Years
AA	£3,000,000	£6,000,000	£6,000,000	£3,000,000	£3,000,000
	4 Years	5 Years	15 Years	5 Years	10 Years
AA-	£3,000,000	£6,000,000	£6,000,000	£3,000,000	£3,000,000
	3 Years	4 Years	10 Years	4 Years	10 Years
A+	£3,000,000	£6,000,000	£3,000,000	£3,000,000	£3,000,000
	2 Years	3 Years	5 Years	3 Years	5 Years
A	£3,000,000	£6,000,000	£3,000,000	£3,000,000	£3,000,000
	13 Months	2 Years	5 Years	2 Years	5 Years
A-	£3,000,000	£6,000,000	£3,000,000	£3,000,000	£3,000,000
	6 Months	13 Months	5 Years	13 Months	5 Years
None	£1,000,000	n/a	see above central government and local authority limit	n/a	£3,000,000
	6 Months				
Pooled Funds	£6,000,000 per fund				

Pooled funds: Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money

Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period can be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. As these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Operational bank accounts: The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept to a minimum. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes as they occur.

Long-term ratings are expressed on a scale from AAA (the highest quality) through to D (indicating default). Ratings of BBB- and above are described as investment grade, while ratings of BB+ and below are described as speculative grade. The Council's credit rating criteria are set to ensure that it is very unlikely the Council will hold speculative grade investments, despite the possibility of repeated downgrades.

Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made
- any existing investments that can be recalled or sold at no cost will be
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations as happened in 2008 and 2011, it is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified investments: The *Welsh Government Investment Guidance* defines specified investments as those:

- denominated in pound sterling
- due to be repaid within 12 months of arrangement (364 days)
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government
 - a UK local authority
 - a UK parish or community council or
 - body or investment scheme of “high credit quality”

The Council defines “**high credit quality**” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

Non-specified investments: Any investment that does not fall into the criteria detailed above under the Specified investments definition. The Council does not intend to make any investments denominated in foreign currencies nor any defined as capital expenditure. Non-specified investments will therefore be limited to:

- long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement
- investments with bodies and schemes not meeting the definition on high credit quality

The *Welsh Government Investment Guidance* requires the Council's Investment Strategy to set an overall limit for non-specified investments which is currently set at £20 million. Table 9 below shows the non-specified categories and the relevant limits and although the total of the individual limits exceed £20 million, at any one point in time a **maximum of £20 million** could be invested in these non-specified investments.

Principal sums invested for periods longer than a year: All investments longer than 365 days (non-specified) will be made with a cautious approach to cash flow requirements and advice from the Council's treasury management advisers will be sought as necessary.

Where the Council invests, or plans to invest, for periods longer than a year, an upper limit is set for each forward financial year period for the maturing of such investments. The purpose of this indicator is to control the Council's exposure to the

risk of incurring losses by seeking early repayment of long term investments. The limits on the long term principal sum invested to final maturities beyond the period end will be as shown in table 8 below.

Table 8: Treasury Management Indicator Principal sums invested for periods longer than a year

Price risk indicator	2019-20 £m	2020-21 £m	2021-22 £m
Limit on principal invested beyond financial year end	15	10	8

Investment Limits: The combined values of specified and non-specified investments with any one organisation are subject to the approved counterparties and limits shown in table 7 above and also the non-specified limits in table 9 and the investment limits detailed in table 10 below.

A group of banks under the same ownership will be treated as a single organisation for limit purposes. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

The combined secured and unsecured investments in any one bank must not exceed the cash limit for secured investments.

Table 9: Non-specified investment limits

	Category Cash limit
Total long-term investments	£15m
Total investments without credit ratings or rated below the Council's definition of "high credit quality" (A-) (except the UK Government and UK local authorities)	£10m
Total investments (except pooled funds) with institutions domiciled in foreign countries with a sovereign rating below AA+	£3m
Total Non-Specified Investments Outstanding	£20m

Table 10: Investments limits

	Category Cash limit
Any single organisation, except the UK Central and Local Government	£6m
UK Central Government	unlimited
UK Local Authorities (per Authority)	£12m
Any group of organisations under the same ownership	£6m per group
Any group of pooled funds under the same management	£6m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£6m per country
Registered providers and registered social landlords	£5m in total
Unsecured investments with Building Societies	£6m in total

Liquidity Management: The Council forecasts on a prudent basis the maximum period for which funds may be committed therefore minimising the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. A limit of £15 million (table 9 above) has been set for 2019-20 for long term investments and this has been set with reference to the Medium Term Financial Strategy and cash flow forecast as shown in the principal sums invested for periods longer than a year indicator in table 8 above. This represents just under 30% of the maximum amount of investments that the Council anticipates to have at any one point in time in 2019-20.

6.0 INTEREST RATE EXPOSURES BORROWING AND INVESTMENTS

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest charged to revenue within the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fixed rate protects the Council from increased interest charges as an equivalent loan would now cost more. The fair value of the borrowing (liability) will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise;
- investments at fixed rates – the fixed rate prevents the Council from receiving higher investment income from the same principal invested. The fair value of the investment (asset) will fall.

An indicator has been set in table 11 below to measure the net impact over one year on the revenue account of both a 1% rise and a 1% fall in all interest rates for borrowing net of treasury investments. This is calculated on the assumption that maturing loans and investments will be replaced at rates 1% higher or lower than they would otherwise have been on their maturity dates and that the treasury investment and borrowing portfolios remain unchanged over the coming year. Interest rates can move by more than 1% over the course of a year, although such instances are rare.

Table 11: Treasury Management Indicator Interest Rate Exposures

Interest rate risk indicator	Indicator £'000
One year revenue impact of a 1% rise in interest rates	(140)
One year revenue impact of a 1% fall in interest rates	315

The figures for the 1% fall in interest rates indicator is not the same figures as the 1% increase (but reversed) as the borrowing relates to variable LOBO loans where it is assumed that the lender would not exercise their option if there was a fall in

interest rates. All other borrowing does not have a rate reset in the next year and is with the PWLB at fixed rates.

6.0 PERFORMANCE INDICATORS

Performance indicators are set to assess the adequacy of the treasury function over the year. These are distinct historic indicators as opposed to the treasury management and prudential indicators which are predominantly forward looking.

One debt performance indicator is where the average portfolio rate of interest is compared to an appropriate average available such as the average PWLB Debt for Welsh and UK local authorities. The rate of return on investments can be monitored against the average rate of return on investments against the Bank Rate and the average rate of return on investments as compared to the average rate of Arlingclose's Welsh local authority clients at each relevant quarter/year-end.

7.0 OTHER ITEMS

In line with the CIPFA Code and Welsh Government guidance the following also forms part of the Council's TMS.

Financial Derivatives: In the absence of any explicit legal power to do so, the Council will not use standalone financial derivatives such as swaps, forwards, futures and options. Derivatives embedded into loans and investments including pooled funds and forward starting transactions may be used and the risks they present will be managed in line with the overall treasury risk management strategy.

Markets in Financial Instruments Directive II (MIFID II): From January 2018, MIFID II changed the classification of local authority investors. It reclassified local and public authorities as retail investors. The Council has opted up to professional client status with its providers of financial services, including treasury management advisers, banks, building societies and brokers, allowing it access to a greater range of services but without the greater regulatory protection afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Section 151 Officer believed this to be the most appropriate status.

Investment training: The needs of the Council's treasury management staff for training in investment management are assessed every six months as part of the staff appraisal process and also if the responsibilities of individual members of staff change.

Training is received from the Council's treasury management advisers, CIPFA and other bodies in the form of training courses and seminars. The Council also supports personal development so individuals enhance their own knowledge through reading CIPFA guidance, publications and research on the internet.

Investment advisers: The Council appointed Arlingclose Limited as treasury management advisers following a tender exercise in August 2016. They were awarded a four year contract, to provide advice and information relating to its borrowing and investment activities and capital finance issues. The contract will be reviewed annually and either party may at any time terminate this agreement on 3

months prior written notice. The quality of this service is controlled by having regular meetings with the advisers and regularly reviewing the service provided.

Investment of money borrowed in advance of need: The Welsh Government maintains that the borrowing of monies purely to invest or on-lend and make a return is unlawful and the Council will not engage in such activity, however, the Council could potentially borrow in advance of need where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

As the Council has an integrated TMS, borrowing is not linked to the financing of specific items of expenditure. The Council's Capital Financing Requirement (CFR) as at 1 January 2019 was in excess of the actual debt of the Council as shown in table 3 above indicating there was no borrowing in advance of need. More detail is provided in the Prudential Indicators in the Council's Capital Strategy.

Schedule A

Credit Rating Equivalence Table

	Description	Fitch		Moody's		Standard & Poor's	
		Long	Short	Long	Short	Long	Short
INVESTMENT GRADE	Extremely strong	AAA		Aaa		AAA	
	Very strong	AA+	F1+	Aa1	P-1	AA+	A-1+
		AA		Aa2		AA	
		AA-		Aa3		AA-	
	Strong	A+	F1	A1	P-2	A+	A-1
		A		A2		A	
		A-		A3		A-	
	Adequate	BBB+	F2	Baa1	P-3	BBB+	A-2
		BBB		Baa2		BBB	
BBB-		Baa3		BBB-			
SPECULATIVE GRADE	Speculative	BB+	B	Ba1	Not Prime (NP)	BB+	B
		BB		Ba2		BB	
		BB-		Ba3		BB-	
	Very speculative	B+	C	B1	Not Prime (NP)	B+	C
		B		B2		B	
		B-		B3		B-	
	Vulnerable	CCC+	C	Caa1	Not Prime (NP)	CCC+	C
		CCC		Caa2		CCC	
		CCC-		Caa3		CCC-	
CC		Ca		CC			
	C				C		
Defaulting	D	D	C		D	D	

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

17 JANUARY 2019

REPORT OF THE CHIEF INTERNAL AUDITOR

INTERNAL AUDIT – OUTTURN REPORT – APRIL TO DECEMBER 2018

1. Purpose of report

- 1.1 The purpose of this report is to inform the Audit Committee of actual Internal Audit performance against the Audit Plan for the period April to December 2018.

2. Connection to corporate improvement objectives/other corporate priorities

- 2.1 This report assists in the achievement of the following corporate priority/priorities:

- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

3. Background

- 3.1 The 2018/19 Internal Audit Plan was submitted to the Audit Committee for consideration and approval on the 26th April 2018. The Plan outlined the assignments to be carried out and their respective priorities.
- 3.2 The Plan provided for a total of 1,000 productive days to cover the period April 2018 to March 2019. These days were split into those reviews considered to be Priority One and those considered to be Priority Two with the aim of completing the whole plan by the end of the financial year.

4. Current situation/proposal

- 4.1 Actual progress against the 2018/19 Risk Based Plan is attached at **Appendix A** and further information is attached at **Appendix B** which details those reviews which have not yet been allocated in the respective quarters and those reviews which have been brought forward from future quarters.
- 4.2 At present the overall structure of the section continues to be based on 14 Full Time Equivalent (FTE) employees. As previously reported, the section continues to carry vacant posts, however the new members of staff employed during August 2018 have settled into their roles and are making good progress. In order to ensure that a significant proportion of the Annual Plan is completed by the end of the Financial Year, the section has once again commissioned the services of the South West Audit Partnership in order to address in part some of the shortfall in days necessary to complete the plan; this will continue until the end of the financial year.

4.3 In order to assist with the effective monitoring of the annual risk based plan, further information is attached at **Appendix C** which details all those reviews which have been completed during the period and their performance.

4.4 During the period only one review has identified significant weaknesses in the system of internal control to date and this has already been reported to the Audit Committee in September.

5. Effect upon policy framework and procedure rules

5.1 There is no effect upon the policy framework and procedure rules.

6. Equality Impact Assessment

6.1 There are no equality implications arising from this report.

7. Well-being of Future Generations (Wales) Act 2015 implications

7.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

8. Financial implications

8.1 Effective Audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded.

9. Recommendation

9.1 That Members give due consideration to the Internal Audit Outturn Report covering the period April to December 2018 to ensure that all aspects of their core functions are being adequately reported.

Helen Smith
Chief Internal Auditor
17th January 2019

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Postal Address

Bridgend County Borough Council
Internal Audit
Innovation Centre
Bridgend Science Park
Bridgend
CF31 3NA

Background Documents

None

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Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Update on Progress Audit Committee 17 th January 2018
Carry Forward from 2017/18	Cross Cutting	Assurance	Provision for those assignments which are still ongoing at the end of 2017/18.	20			PLAN ITEM COMPLETE
2017/18 Closure of Reports	Cross Cutting	Assurance	To finalise all draft reports outstanding at the end of 2017/18.	10			PLAN ITEM COMPLETE
Follow up of recommendations for 2017/18	Cross Cutting	Assurance	To ensure that all outstanding recommendations made during 2017/18 have been actioned.	10			PLAN ITEM COMPLETE
Recommendation Monitoring			Monitoring the implementation of Internal Audit recommendations in consultation with service areas which have received these recommendations. During the year, Internal Audit will review the process to ensure recommendations are followed up and reported upon to Audit Committee in a timely, efficient and effective manner.		5	5	Recommendation monitoring is ongoing. Completed for the quarter. PLAN ITEM COMPLETE
Annual Opinion Report 2017/18	Cross Cutting	Governance	To prepare and issue the Head of Audit's Annual Opinion Report for 2017/18.	10			PLAN ITEM COMPLETE
Annual Opinion Report 2018/19			Preparation for the production of the 2018/19 Annual Opinion Report.				
Audit Planning – 2018/19	Cross Cutting	Governance / Assurance / Risk	To prepare and present the annual risk based audit plan for 2018/19.	20			PLAN ITEM COMPLETE
Annual Planning – 2019/20			Preparation for the production of the annual risk based plan 2019/20.				
Good Governance	Cross Cutting	Governance	To provide assurance that key Corporate Governance processes are in place within the Council and that these are operating effectively to enable the	10			PLAN ITEM COMPLETE

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Update on Progress Audit Committee 17 th January 2018
			Council to be provided with sufficient information to enable them to discharge their responsibilities. To assist the Council in the production of the Annual Governance Statement.				
Safeguarding	Cross Cutting	Governance / Assurance / Risk	Case management of safeguarding incidents are dealt with in accordance with the Council's safeguarding policies and procedures. This review will also include an annual assessment of the Council's overall operating model for safeguarding; including reviewing the adequacy of assurances obtained by the Council in respect of safeguarding arrangements in place for vulnerable adults and children. Preparatory work for the 2018/19 review.	10			PLAN ITEM COMPLETE
CRSA	Education & Family Support	Assurance	To undertake the annual controlled risk self-assessment for schools. The aim of the process is to enable Head Teachers to review their internal controls and to ensure that they undertake and comply with the requirements of current legislation and the Financial Procedure rules. The objectives of the Control Risk Self-Assessment (CRSA) questionnaires are to provide a tool for the Internal Audit Service to evaluate the financial and other related controls in operation, help to provide a basis upon which the scope and frequency of audits can be determined and allow Head Teachers to self-assess themselves against potential risks.	10		10	Ongoing, CRSA's issued and monitoring taking place to ensure all returned by the due date.

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Update on Progress Audit Committee 17 th January 2018
			CRSAs is a widely used technique in both the public and private sectors				
Audit Committee /Members and CMB Reporting	Cross Cutting	Governance / Risk / Assurance	This allocation covers Member reporting procedures, mainly to the Audit Committee. Regular reporting to, and meeting with, the Section 151 Officer, Corporate Management Board and the IASS Board.	10	10	10	PLAN ITEM COMPLETE
Advice & Guidance Provision of Internal control / General advice.	Cross Cutting	Assurance	To allow auditors to facilitate the provision of risk and control advice which is regularly requested by officers within the authority, including maintained school based staff.	5	5	5	Ongoing – advice & guidance is provided when requested and this is regularly monitored. PLAN ITEM COMPLETE FOR THE THREE QUARTERS.
Grant Certification Work	Cross Cutting	Assurance	Under the conditions of the specific grant determination, the Head of Audit must certify that the conditions of the grant have been complied with.	10	5		PLAN ITEM COMPLETE
Financial Systems	Chief Executive / Finance	Assurance	To provide assurances that the financial systems in operation are efficient and effective and that the internal control environment is robust.		25	25	Work is progressing well and all Financial Systems should be completed by the end of the Financial Year. PLAN ITEM COMPLETE FOR THE QUARTERS.
Quality Assurance & Improvement Programme / Review of the	Cross Cutting	Assurance	To undertake a series of internal audits to ensure compliance with PSIAS. To review / ensure compliance with the Accounts and Audit (Wales) Regulations	5		5	Ongoing. PLAN ITEM COMPLETE FOR THE QUARTER.

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Update on Progress Audit Committee 17 th January 2018
Effectiveness of Internal Audit			2014 / Public Sector Internal Audit Standards (PSIAS).				
Emerging Risks / unplanned	Cross Cutting	Contingency	To enable Audit Services to respond to provide assurance activity as required.	10	10	10	Four unplanned piece of work had been raised during the period and two are completed and two are still ongoing. PLAN ITEM COMPLETED FOR THE QUARTERS.
External Audit Liaison	Cross Cutting	Governance	To ensure that a “managed audit” approach is followed in relation to the provision of internal and external audit services.		5		Ongoing liaison with WAO. PLAN ITEM COMPLETE FOR THE QUARTER
Health & Safety	Cross Cutting	Assurance / Risk	Deferred from 2017/18 - To review procedures in operation by the Council to ensure compliance with policies and procedures, Health & Safety training, Risk Assessments, records maintenance and incident reporting.	10			The audit work is complete and final report issued. PLAN ITEM COMPLETED
Members	Cross Cutting	Governance	Partly deferred from 2017/18 - Following the May elections, reviews will be undertaken to ensure that Members comply with the Council’s Gifts and Hospitality Policy, Declaration of Interests and Code of Conduct.	10			PLAN ITEM COMPLETE
Performance Indicators	Cross Cutting	Assurance	Deferred from 2017/18 – To review the performance management arrangements paying particular attention	10			PLAN ITEM COMPLETE

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Update on Progress Audit Committee 17 th January 2018
			to the accuracy of the performance information collected.				
Transformational Change	Cross Cutting	Governance / Assurance	To gain assurance that high risk projects are being managed under the Transformational Change Agenda and delivering the savings required.	10	10	10	Overview is now completed. Further follow up work is being undertaken by SWAP and a brief has been prepared and work is progressing.
Direct Payments	Social Services & Wellbeing	Governance / Risk / Assurance	Review the effectiveness of the procedures and processes in place for Direct Payments to ensure compliance particularly in light of the increase in numbers as a result of the SS&WB Act.				Draft Report has been issued awaiting Management Response.
Domiciliary Care	Social Services & Wellbeing	Assurance	Review of Commissioning, Contracts / Framework / Agreements, monitoring and invoicing. Provider performance and complaints linked to safeguarding.				Allocated to SWAP – Initial Meeting undertaken with Management and audit scope arranged. Terms of Reference have been agreed and work is now underway.
Property Compliance	Cross - cutting	Governance / Risk / Assurance	This review had been rolled forward from 2017/18. This will be undertaken as a cross-cutting review due to the diversity of responsibility i.e. schools.		5	5	Allocated in quarter 2 work ongoing.
Healthy Organisation Review – follow up	Cross Cutting	Governance / Risk / Assurance	To follow up on the areas for attention as outlined in the Healthy Organisation Review 2017/18 – particularly focusing on Risk Management and Information Management		25	10	Follow up on the Information Management function was undertaken by SWAP Work Completed. Report presented to Audit Committee in November and December 2018.

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Update on Progress Audit Committee 17 th January 2018
							processing. PLAN ITEM COMPLETE FOR THE QUARTERS
Total – Priority One				190	115	120	
HIGH RISK – PRIORITY TWO							
Procurement	Operational & Partnership Services	Assurance	This audit will review the procurement framework and a sample of individual procurement activities across the Council in order to evaluate the level of compliance with legislation and the Council's Constitution.	15			A significant amount of procurement activity was included in the review on Flying Start. An additional piece of work has been allocated and work is progressing.
Additional Learning Needs Bill	Education & Family Support	Assurance	To review the adequacy and effectiveness of early interventions in line with the proposed Additional Learning Needs Bill and to examine the effectiveness of collaboration.		15		Final Report has now been issued. PLAN ITEM COMPLETE.
Risk Management	Cross Cutting	Risk	Review of evidenced to ensure that the			10	Work has been allocated

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Update on Progress Audit Committee 17 th January 2018
			Council has a fully embedded risk management system in place that identifies and treats risks to key strategic and operational objectives				to follow up on the recommendations made as part of the Healthy Organisation Corporate Review specifically related to Risk Management.
Highways	Communities	Assurance	To review the procedures and processes in operation within Highways – specifically relating to potholes to determine if the control environment is robust.	15			Work is ongoing, audit brief has been issued and agreed by management and field work is nearing completion.
Schools	Education & Family Support	Assurance	To undertake a number of school based reviews in accordance with the Internal Audit risk based assessment. To undertake cross cutting projects to ensure compliance across all schools.	10 10	10 10	10 10	A number of schools are scheduled in for visits. So far, two school visits have been completed. Work will be undertaken based on the returned of the CRSAs and should be included in quarter 4 allocations.
Safer Recruitment	Operational & Partnership Services	Assurance	To provide assurances that safer recruitment is operating effectively across the Council.	10			PLAN ITEM COMPLETE
DOLS	Social Services & Wellbeing	Governance	Significant increase in number of DoLS cases impacting on resources. Included in corporate risk register. No previous Internal Audit coverage.		15		Allocated to SWAP – Preparatory work is being undertaken to formulate the Terms of Reference. However, this will not commence

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Update on Progress Audit Committee 17 th January 2018
							until audit completed on POVA.
YOS	Social Services & Wellbeing	Governance / Risk / Assurance	Statutory Service – new Funding streams; early intervention and prevention schemes, young people transferred to secure estate. No audit coverage since 2011/12.		15		Work will not now be undertaken as the Service is undergoing and external inspection and therefore this would be duplication of effort and not an effective use of resources.
Business Continuity Planning	Operational & Partnership Services	Assurance / Risk	To evaluate the Council’s Business Continuity Plan to provide assurances that it sets out how the Council will operate following an incident and how it expects to return to ‘business as usual’ in the quickest possible time afterwards, that roles and responsibilities are clearly defined and understood and that all relevant stakeholders are fully aware of the plan and its content.	10		15	PLAN ITEM COMPLETE
Use of mobile communications	Cross Cutting	Risk	The Council has recognised the growth of mobile communications which can be demonstrated in a number of ways including integrated self-service opportunities via the Council website. The review will evaluate the effectiveness of the Council’s use of Mobile Communications for its community having regards to any appropriate legislation, guidance and internal policies.				Allocated in quarter three, brief agreed and work is ongoing.
Supplier Management	Cross Cutting	Assurance	To undertake a trend analysis identifying the spend profile of the council to ensure			10	Allocated in quarter three. Work has

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Update on Progress Audit Committee 17 th January 2018
			that policies and procedures are being adhered to.				commenced.
Project / Contract Management	Communities	Governance / Risk / Assurance	To undertake a review of the procedures and processes associated with a number of Projects / Programmes. Particular emphasis will be placed on compliance.	10	10	15	Part Complete. Additional work is now being picked up by SWAP and a number of projects / contracts will be reviewed to ensure compliance to Council's policies and procedures.
Access to Records - GDPR	Cross Cutting	Governance / Risk / Assurance	To ensure that the GDPR are being implemented and embedded throughout the Council			10	PLAN ITEM COMPLETE
Asset Management	CEX Finance	Risk / Assurance	To ensure that the disposal of assets is in accordance with Council policy, rules and regulations.				
POVA	Social Services & Wellbeing		To review the processes and procedures in place for the administration for the Protection of Vulnerable Adults.				Allocated to SWAP – Terms of Reference agreed and field work commenced. Work is nearing completion.
ICT Audit	Cross Cutting	Governance / Risk / Assurance	In consultation with ICT, systems reviews will be undertaken across Directorates to ensure robust controls are evident and operating effectively.		20	20	This work has now been allocated to Senior Auditor within Shared Service and not SWAP. Ongoing.
Complaints Representations & Advocacy	Social Services & Wellbeing	Governance / Risk / Assurance	Review complaints processes within Social Services to provide assurance as to their effectiveness and compliance with set targets. To provide assurances that the Council's policies and procedures are aligned to the National Approach to Statutory Advocacy for Children &	10	10	10	PLAN ITEM COMPLETE PLAN ITEM COMPLETE

Area	Directorate	Type	Audit Scope	Qtr. 1	Qtr. 2	Qtr. 3	Update on Progress Audit Committee 17 th January 2018
			Young People being introduced. Provide assurance that procedures and processes are in accordance with the Golden Thread Advocacy programme for Adults.				
Looked After Accommodated Children	Social Services & Wellbeing	Governance / Risk / Assurance	Limited Internal Audit report in 2017/18 for Fostering that requires follow up. Placements, Out of County, Leaving Care.				Initial meeting has been arrangement with the relevant management team to approve the terms of reference. Work has now commenced and is well underway.
			Total – Priority Two	90	105	110	
			Grand Total	280	220	230	

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Table 1: Unallocated Work in Quarter 1; 2 and 3.

Progress Against Plan – Priority One – Not Yet Allocated		
Audit Area	Budget Days	Comments
		There are no planned items under Priority One that have not been allocated.
Total Priority One	0	
Progress Against Plan – Priority Two – Not Yet Allocated		
DOLS – Quarter 2 not started	15	This work will start once Adults at Risk TOR's have been agreed.
YOS	15	This work has been cancelled as service is undergoing external inspection and therefore if this was continued there would be duplication of effort.
Schools	30	The cross cutting reviews relating to compliance have not yet been allocated but will be included within the allocations for quarter 4.
Total Priority Two	60	
Overall Total of un allocated days – Priority One & Two	60	

Table 2: Brought Forward Work from Future Quarters.

Progress Against Plan – Priority One – Brought Forward from Future Quarters		
Audit Area	Budget Days	Comments
Direct Payments – allocated in Quarter 4	15	Draft Report Issued in quarter 3.
Domiciliary Care	15	Work has been brought forward into Quarter 3
Total Priority One	30	
Progress Against Plan – Priority Two – Brought Forward from Future Quarters		
Business Continuity – allocated in quarter 3	15	Plan item completed in Quarter 3. Report Issued.
Complaints / Representations & Advocacy – allocated in quarter 4.	10	Complaints/Representations/Advocacy work is now complete and Final Reports issued.
Use of Mobile Communications – Quarter 4	15	Work allocated and commenced in Quarter 3.
Total Priority Two	40	
Overall Total of brought forward allocations Priority One & Two	70	

**Bridgend and Vale Internal Audit Service:
Head of Internal Audit's Performance Report April 2018 to December 2018
Bridgend County Borough Council.**

Section 1 - Introduction

The 2018/19 Internal Audit Plan was submitted to the Audit Committee for consideration and approval on the 26th April 2018. The Plan outlined the assignments to be carried out and their respective priorities. The information summarised below; provides an update on the work undertaken by Internal Audit for the period April to December 2018, together with an update on performance.

Section 2 – Core Financial Systems – C/F from 2017/18

The following reviews of core financial systems were carried forward from 2017/18 and concluded during the first quarter of the 2018/19 Financial Year. It should be noted that all testing undertaken was based on transactions in 2017/18.

Table 1.

Core Financial System Description	Assurance Opinion			Recommendations Raised	
	Substantial	Reasonable	Limited	Fundamental High	Significant Medium
Creditors	√				1
Debtors	√				2
Automated Processes	√				0
Banking		√			2
Total Audits (4)	3	1	0	0	5

Recommendations have been agreed and Management Implementation Plans have been received.

Section 3 – Other Reviews

The following other reviews have been undertaken and completed during the period April to December 2018:-

Table 2.

Other Reviews	Assurance Opinion			Recommendations Raised	
	Substantial	Reasonable	Limited	Fundamental High	Significant Medium
C/F Overtime & Excessive Hours		√			4
C/F Energy Management Carbon Reduction Certificate		√			2
Porthcawl Harbour Annual Return certification		√			
C/F Flying Start			√		12
Audit Committee - TOR's - Unplanned		√			
Coychurch Crematorium Annual Return certification		√			
Bus Services Support Grant Claim certification	√				
Education Improvement Grant		√			
Transformational Change Overview – additional work to be picked up by SWAP	n/a	n/a	n/a		
GDPR Declarations		√			1
School Agency Follow up – to be followed through in Qtr. 4.	n/a	n/a	n/a		4
Council Tax		√			
Safer Recruitment	√				
Supporting People Grant		√			3
Brynmenyn School		√			5
Database Catering		√			3
ICT Business Continuity		√			2
Community Action Fund		√			3
Health & Safety		√			1
Complaints and Representation		√			1
Additional Learning needs		√			3
Advocacy		√			1
Information Management – Follow Up		√			18
Total Audits providing an overall assurance opinion (21)	2	18	1	0	63

Flying Start operates from various settings located across the County and is a grant funded scheme, therefore it is imperative that the control environment is robust and source documents can fully support grant claims. Value for money must be a consideration when procuring goods and/or services. Due to the type of purchases which includes food items, the Corporate Procurement Card is the most frequently used method of purchasing and it is this area that has been the focus of the Internal Audit review. The review resulted in a limited assurance report being issued and the following key issues were identified during the Audit:

- The format of Resource Request Forms were not fit for purpose;
- Not all purchases could be supported by invoices/receipts due to loss of documents; and
- Significant weaknesses in controls surrounding recording and approval mechanisms were identified.

The Management Implementation Plan has been completed and returned and Management have confirmed that all 12 recommendations have been implemented. As this is a limited assurance report, a follow up review will be undertaken by Internal Audit within the next three months.

All 63 recommendations made to improve the overall control environment are followed up in accordance with the Internal Audit Shared Service Strategy.

Section 4 – Counter Fraud Work

The following counter fraud work including irregularity reviews have been carried out during the period.

Table 3

Counter Fraud & Corruption Work	Assurance Opinion			Recommendations Raised	
	Substantial	Reasonable	Limited	Fundamental High	Significant Medium
National Fraud Initiative	No opinion – user administration only – report to follow. All data sets extracted and submitted by the deadline. Matches should be received in January 2019 for investigation and auctioning.			n/a	n/a
Potential Misuse of PCard	Limited Assurance – matter referred to the Police - ongoing			n/a	n/a
Bank Account (SO)	Prevented due to adequate controls already in place and operational			n/a	n/a
Grievance NI underpayment	This matter was undertaken under the Council's Grievance Policy on behalf of HR and is now complete			n/a	n/a
Management oversight	This matter is now complete and dealt with internally.			n/a	n/a

Grievance Appeal	Awaiting representation at appeal moved to January 2019	n/a	n/a
Total Cases (5)			

National Fraud Initiative is included in our audit plan; however, we only facilitate the upload of data and user account management. A separate report will be presented to the Audit Committee in accordance with their Forward Work Programme.

Section 5 – Work in Progress as at 31st December 2018

Table 4

Type of Work In Progress	Update
Section 117 Follow Up	The purpose of this review is to follow up on a Limited Assurance report issued in October 2017 to ensure that the recommendations agreed by management have been implemented in an attempt to reduce the risk. The audit field work is complete and the draft report has been issued, awaiting management response.
Fostering Follow Up	The objective of the audit was to ensure that adequate steps have been taken by the department to implement the agreed recommendations made in the Limited assurance Audit Report. This audit work is ongoing.
Corporate Safeguarding	To undertake an assessment of the Council's overall operating model for safeguarding to evaluate the Council's safeguarding performance. The review will include the safeguarding arrangements in place for vulnerable adults as well as children. Work is completed and draft report is under review prior to issuing the report to management.
Main Accounting & Budgetary Control	To provide assurance that effective controls are in place to ensure the prompt and accurate recording of financial data in order to comply with reporting requirements. The audit work has commenced and is ongoing.
Procurement	Undertake an overview of the Council's procurement arrangements with particular focus on the overarching strategic management arrangements and category management.

	<p>Follow up on the recommendations made as part of the Healthy Organisation Review. In addition, undertake a comparison from partner Councils to establish best practice and process efficiencies if applicable.</p> <p>The audit brief has been agreed and the work is underway.</p>
Highways (Potholes)	<p>The objective of the audit is to review the procedures and processes in operation within Highways – specifically relating to potholes to determine if the control environment is robust.</p> <p>Confirm arrangements in place (whether in-house or contractors) for how the Council reacts to damage to roads, including potholes.</p> <p>Determine the decision making process in undertaking temporary, semi-permanent or permanent repairs. Establish how best value is obtained within the whole repair process.</p> <p>Audit brief has been agreed and field work is underway, this work is now nearing completion.</p>
Project and Contract Management - ARBED funding	<p>The purpose of this piece of work was to undertake initial fieldwork on the commissioning and procurement that took place in relation to the Arbed programme.</p> <p>The Arbed programme was set up by Welsh Government to bring environmental, social and economic benefits to Wales and coordinate investment into the energy performance of Welsh homes.</p> <p>This work is nearing completion.</p>
Coety Primary School	<p>The objectives of the audit are to: review the schools budgeting arrangements; ensure that all orders and payments are being processed correctly; that purchasing cards are being used in line with BCBC policy and that all income is being recouped by the Council for school meals; that the Governance arrangements in the school are appropriate and that the school's private fund is relevant to the school. Visit has been completed and the draft</p>

	report has been issued, awaiting Head Teacher's response.
Performance Indicators	<p>The objective of this audit is to review the performance management arrangements paying particular attention to the accuracy of the performance information collected and reported for 2017/18.</p> <p>To verify the accuracy of the National, Core and Local Performance Indicators submitted for 2017/18 providing assurance on the overall reliance that can be place on the accuracy of the information by ensuring that all working papers and source data is correct.</p> <p>This work is now complete and the draft report has been issued and awaiting management response.</p>
Housing Benefit	<p>To provide assurance that there are effective controls in place surrounding data security and control as well as quality assurance to minimise any associated risks and to ensure compliance to GDPR. The work to include:</p> <ul style="list-style-type: none"> • Examination of staff training to undertake their duties in the processing and administration of Housing Benefit. • Individual permission controls including Northgate Revenue & Benefits system live; system access controls for the Information @ Work system; and DWP Customer Information System (CIS). • Physical security controls to Scanning / Post room and Housing Benefit Office. • Call handling / data security processes for Benefit enquiries made via telephone.
Treasury Management	To provide assurance that adequate controls are in place for the administration of the Treasury Management process.
Property Compliance	To ensure that the Council has adequate monitoring, management and escalation processes in place for property compliance in the Council's buildings (including schools) in line with legislative requirements
Security and Information Transfer	To evaluate and provide assurance on how the Council protects and secures the transfer of emails, files and information. Additionally, to provide an independent overview relating to the configuration of Microsoft Exchange.

Mobile Communications	The Council has recognised the growth of mobile communications which can be demonstrated in a number of ways including integrated self-service opportunities via the Council website. The review will evaluate the effectiveness of the Council's use of Mobile Communications for its community having regards to any appropriate legislation, guidance and internal policies.
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Section 6 – Update on SWAP Reviews – as at 31st December 2018

Type of work in progress SWAP	Update
Direct Payments	To review the effectiveness of the procedures and processes in place for Direct Payments, to ensure compliance particularly in light of the increase in numbers as a result of the SS&WB Act. The audit work has now been completed and a draft report has been produced. This has been sent to the relevant service manager for their information and we are awaiting their comments and their response to the audit recommendations made so that this work can be finalised and closed.
Complaints and Representations	Review complaints processes within Social Services to provide assurance as to their effectiveness and compliance with set targets. The audit work has now been completed and a draft report has been produced. This has been sent to the relevant service manager for their information and we are awaiting their comments and their response to the audit recommendations made so that this work can be finalised and closed. AUDIT COMPLETED
Information Management – follow up	To follow up on the information management function as a consequence of the work undertaken in 2017/18. The audit work has now been completed and a draft report has been produced. This has been sent to the relevant service manager for their information and we are awaiting their comments and their response to the audit recommendations made so that this work can be finalised and closed. AUDIT COMPLETED
Advocacy	The scope of the audit work was to review the Council's arrangements in place for Children's and Adult's Advocacy, including commissioning, procurement, performance management, and

	Finance. AUDIT COMPLETED.
Additional Learning Needs	To provide assurance that reasonable preparatory work has been undertaken by the Council for the upcoming Additional Learning Needs Bill and Transformation Programme. Terms of Reference for this review have been agreed and work is underway. Report issued. AUDIT COMPLETED.
Domiciliary Care	To provide assurances that the Council ensures that value for money domiciliary care is provided to eligible people in need of care, based on an accurate needs assessment. Terms of Reference have been agreed and work is underway.
Looked After Accommodated Children -	To provide assurance over the suitability and effectiveness of the systems and controls in place to ensure that the Council is fulfilling its duty of care for out of authority residential care placements, in line with the Social Services and Well-Being Act (2014) and the Children Act (1989). Terms of Reference have been agreed and work is underway.
Adults at Risk (POVA)	Discussions are underway to formulate the Terms of Reference for this review.
Transformational Change	To identify the current position in regard to the Transformational Change Agenda with a view to identifying a further programme of audit work during 2018-19. Overview Completed.
Transformational Change	To interview all members of the Council's Corporate Management Board to ascertain how Transformational Change is being managed across the organisation and provide assurances that appropriate processes are being adhered to. The review will focus on the overall governance arrangements, completeness of records and the allocation of Project Managers with the necessary skills and experience to oversee major projects.
DOLS	Terms of Reference will be agreed once the Terms of Reference for Adults at Risk has been agreed. Work not yet commenced.
Youth Justice and Early Intervention Service	This review has been cancelled as the service is undergoing a comprehensive inspection; therefore, assurances will be gained from the outcome of the inspection rather than have a duplication of effort.
Project / Contract Management	To review a number of Council projects / contracts to ensure compliance with the appropriate policies, procedures, guidance and legal requirements.

Section 7 – Key Performance Measures – Benchmarking

The Internal Audit Section participates annually in the Welsh Chief Auditors Group benchmarking exercise. The results for 2017/18 have recently been received and are as shown in Table 4 below:

Table 5

Performance Indicator 2017/2018	IASS Performance BCBC 2017/18	WCAG Average Performance 2017/18	IASS Performance for BCBC 2016/17	Overall WCAG Average Performance 2016/17
Percentage of Planned Audits Completed	79%	86%	91%	84%
Percentage of Audits Completed in Planned Time	59%	73%	63%	63%
Percentage of directly chargeable time, actual versus planned	58%	86%	97.8	92%
Average number of days from audit closing meeting to issue of draft report.	9.5 days	6 days	9.5 days	8 days
% of staff leaving during the Financial Year	35%*	12%	30.6*	10%

*combined figure for the shared service

It should be noted that 15 of the 22 Councils returned their performance figures this year representing a return rate of 68%. It is clear from the figures provided that the Section's performance has dipped when compared with that of 2016/17 and therefore there is room for improvement particular in respect of audits completed within planned time.

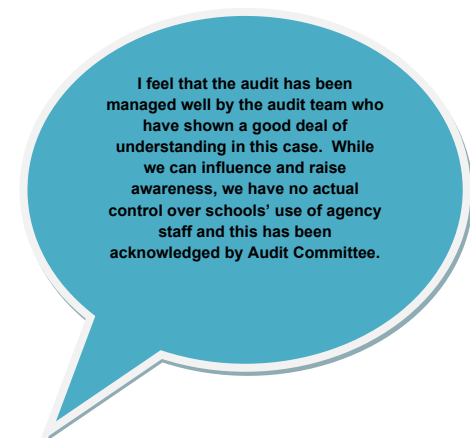
Section 8 – Key Performance Measures – Client Satisfaction Questionnaires

At the completion of each audit, all recipients of reports are asked to comment on their satisfaction with the audit process, by way of a survey questionnaire ranging from a score of 1 for very satisfied to a score of 5 very unsatisfied. The results for the period April to July 2018 are summarised in Table 5 below.

Table 6

No.	Question	Average Score of Responses to December 2018	Average Score of Responses to March 2018
1	Where appropriate, briefing of client and usefulness of initial discussion.	1.440	1.290
2	Appropriateness of scope and objectives of the audit.	1.560	1.380
3	Timelines of audit.	1.890	1.450
4	Response of Officer to any requests for advice and assistance.	1.440	1.100
5	General helpfulness and conduct of Auditor (s)	1.330	1.100
6	Discussion of findings / recommendations during or at the conclusion of the audit.	1.000	1.000
7	Fairness and accuracy of report.	1.440	1.190
8	Practicality and usefulness of recommendations	1.560	1.190
9	Standard of report.	1.440	1.100
10	Client agreement with overall audit opinion.	1.440	1.190

In addition to the above, the client also has an opportunity to make their own comments on the Client Satisfaction Survey. Set out below are three examples we have received during the period.



Section 9 – Key Performance Measures – Staff Training

We continue to invest in the development of staff; we have recognised that, whilst the overall audit budget continues to reduce, the need for high quality assurance services does not. Indeed, with the increasing challenges and complexity facing local government and other public sector services, the need for well trained, motivated and versatile audit staff has never been higher.

In terms of professional training, we have 1 member of staff who is currently studying for the Chartered Institute of Public Finance and Accountancy qualification. The member of staff has successfully completed the Professional Certificate stage of the qualification and has now moved on to the Professional Diploma stage. Another member of staff is about to embark (in January) on their studies to attain the Professional Practitioner's level of the Institute of Internal Auditors qualification.

Staff are encouraged to attend courses and seminars that develop their skills, develop skills for the shared service and also further develop network opportunities. Listed below are a number of training courses that staff have either attended or are scheduled to attend during the coming months:-

- COA Financials refresher training – completed.
- IT Governance Principles – completed.
- Best Practices in threat intelligence for threat containment – completed.
- Use of IDEA software – completed.
- Safeguarding – completed.
- General Data Protection Regulations training – completed.
- Wales Audit Office – Finance for the future.
- Institute of Internal Auditors (IIA) Wales Conference – attended.
- CIPFA Procurement and Contract Audit Summit – attended.
- Domestic Abuse and Sexual Violence – completed.
- Armed Forces Covenant – Completed.

Section 10 – Matters of Note

Based on the work completed by the Internal Audit Shared Service so far this year, and with the exception of the limited report outlined in Section 3 above, there are no significant cross cutting control issues that have been identified that would impact on the Council's Annual Governance Statement. The weaknesses that have been identified are service specific and the recommendations made to improve the overall control environment have been accepted and are being / will be implemented.

Notwithstanding the above, it is important to highlight the current interim arrangements that are in place in relation to two of the key Statutory Officers of the Council and members of the Corporate Management Board. With the recent departure of the Chief Executive as Head of Paid Services, the Corporate Director Communities has been appointed on an interim basis as the Head of Paid Services (Chief Executive) - interim, this together with the continued interim arrangements in place to cover the statutory position of the Council's Section 151 Officer / Head of Finance, causes some concern from a continuity and capacity perspective. Whilst, there is little or no risk in the short term as both Statutory Officers are extremely experienced and more than capable to fulfil these roles, it is important that these interim positions are permanently addressed as soon as possible to ensure that the Council's corporate governance arrangements are not affected in the medium to longer term.

For information:- South West Audit Partnership are continuing to help to support the completion of reviews as outlined in the 2018/19 Risk Based Audit Plan. Three new members of staff have joined the Internal Audit Shared Service on 13th August and have been provided with the necessary induction training together with their work allocation for the relevant quarters.

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

17 JANUARY 2019

REPORT OF THE CHIEF INTERNAL AUDITOR

INTERNAL AUDIT – CORPORATE FRAUD FRAMEWORK

1. Purpose of report

- 1.1 To provide Members with an update on the Council's overarching Corporate Fraud Framework in accordance with the functions of the Audit Committee as outlined in their Terms of Reference.

2. Connection to corporate improvement objectives/other corporate priorities

- 2.1 This report assists in the achievement of the following corporate priority/priorities:
- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

3. Background

- 3.1 One of the Core functions of an effective Audit Committee is:
- To consider the effectiveness of the Council's Risk Management arrangements, the control environment and associated anti-fraud and corruption arrangements.
- 3.2 Therefore, this report is focused on updating the Committee on the arrangements in place for Corporate Fraud.
- 3.3 The challenge presented to Councils by fraud is significant. As stated in the "The Local Government Counter Fraud and Corruption Strategy 2016-19" (usually known as Fighting Fraud and Corruption Locally), it is estimated that fraud cost councils around £2.1 billion each year and some reports produced by other organisations suggest that this figure could actually be higher.
- 3.4 The impact of fraud should never be underestimated. Fraud leaves the Council with less to spend on services for residents and costs taxpayer's money. Fraud against a local council is not a victimless crime. There's not only the lost/stolen money to consider but also:
- The loss of working time, with officers putting things right and liaising with police and lawyers;
 - Cost of the investigation and any subsequent court costs;
 - Increased insurance premiums;
 - Reduced or poor service for residents;

- Political impacts;
- Reputational damage for individuals or the Council as a whole; and
- Poor staff morale leading to poor performance and/or fraud.

3.5 According to the CIPFA Fraud and Corruption Tracker 2016; the areas posing the highest fraud risk for councils were (this list is not exhaustive):

- Council Tax Fraud – intentionally giving incorrect or misleading information;
- Social Housing / Tenancy Fraud – the unlawful misuse of social housing;
- Procurement Fraud – supply chain, contract letting etc.; and
- Adult and social care and direct payments – overstatement of needs through false declarations, multiple claims across authorities, collusion with care agencies etc..

3.6 Public Service organisations have a responsibility to embed effective standards for countering fraud, corruption and bribery. This supports good governance and demonstrates effective financial stewardship and strong public finance.

4. Current situation/proposal

4.1 A review has been undertaken which has been based on the good practice identified in the Local Government Fraud Strategy. It included an assessment of how well the Council acknowledges the risk of fraud and how it prevents, detects and pursues monies or assets obtained fraudulently. Attached at **Appendix A** is the Fraud Strategy and Framework 2018/19 to 2020/21 together with an Action Plan of proactive fraud activity to stimulate improvement which has been developed as a consequence of the assessment. This document provides an extension to the Council's existing policies affording a framework of reactive and proactive initiatives to detect fraud and / or demonstrate assurance that fraud has not taken place.

4.2 Attached at **Appendix B** is the Council's updated Anti-Fraud & Bribery Strategy for Audit Committee's comment before submitting to Cabinet for approval.

4.3 In addition and attached at **Appendix C** is the Council's Anti-Money Laundering Policy which has also been reviewed and updated for Audit Committee's comment before submitting to Cabinet for approval.

5. Effect upon policy framework and procedure rules

5.1 There is no effect upon the policy framework and procedure rules.

6. Equality Impact Assessment

6.1 There are no equality implications arising from this report.

7. Well-being of Future Generations (Wales) Act 2015 implications

7.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

8. Financial implications

- 8.1 Effective Audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded.

9. Recommendation

- 9.1 That Members note the Fraud Strategy and Framework 2018/19 to 2020/21.
- 9.2 That Members have regard to the content of the Anti-Fraud & Bribery Strategy as set out in Appendix B and note that it will be referred to Cabinet for approval.
- 9.3 That members have regard to the content of the Anti-Money Laundering Policy as set out in Appendix C and note that it will be referred to Cabinet for approval.

Helen Smith
Chief Internal Auditor
17th January 2019

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Background Documents

None

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Partneriaeth Pen-y-Bont a'r Fro
Bridgend & Vale Partnership
working together - gweithio ar y cyd



FRAUD STRATEGY AND FRAMEWORK 2018-19 / 2020-21

BRIDGEND COUNTY BOROUGH COUNCIL

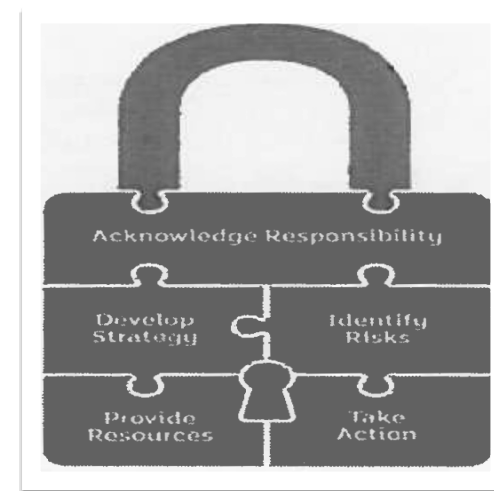
CONTENT

- 1. Introduction**
- 2. The Changing Face of Fraud**
- 3. Reactive Fraud Activity**
- 4. Proactive Approach**
- 5. Fraud Action Plan 2018/19 to 2020/21**
- 6. Six C's Matrix**
- 7. Key Fraud Risks**

1. Introduction

Public Service organisations have a responsibility to embed effective standards for countering fraud, corruption and bribery into the organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management.

The CIPFA Code of Practice on Managing the Risk of Fraud & Corruption published in October 2014, sets out the principles that define the governance and operational arrangements necessary for an effective counter fraud response.



It is these principles that underpin the approach to support the management of the risk of fraud, corruption and bribery within the Bridgend County Borough Council.

The Bridgend County Borough Council has a zero tolerance culture to fraud, corruption and bribery.

“The Council’s culture is one of honesty and opposition to fraud and corruption. There is an expectation and requirement that all individuals and organisations dealing in any way with the Council will act with high standards of property, openness and integrity and that Council employees or its agent(s) at all levels will lead by example in these matters. (Bridgend County Borough Council – Anti-Fraud & Bribery Strategy).”

The Council maintains a suite of strategies and policies to support the effective management of the prevention, detection, investigation of fraud, corruption and bribery (Anti-Fraud & Bribery Policy; Anti-Money Laundering Policy, Whistleblowing Policy). This document provides an extension to the council’s existing policies affording a framework of reactive and proactive initiatives to detect fraud and / or demonstrate assurance that fraud has not taken place.

2. The Changing Face of Fraud

The changing context, in which local government services are delivered, the increasing risk of fraud by motivated offenders, reduced local authority resources and associated changes to existing local control frameworks together create a pressing need for a new approach to tackling fraud perpetrated against local government. The principles of the required approach are outlined in (fig 1).

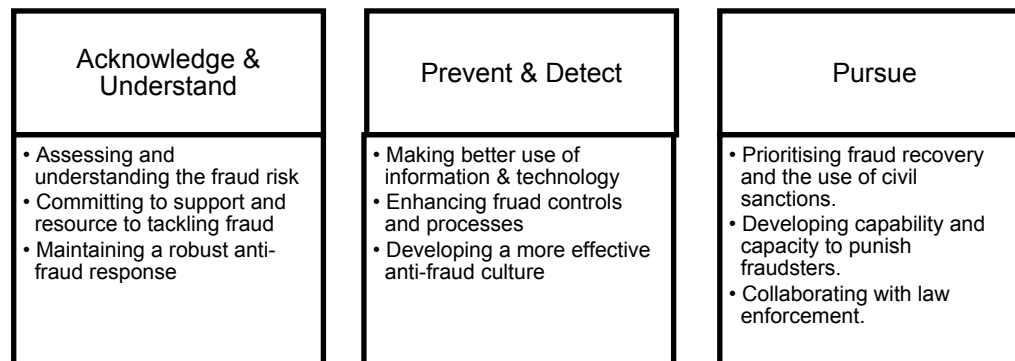


Fig 1 (Fighting Fraud & Corruption Locally – The local government counter fraud & corruption strategy)

These principles are underpinned by having regards to:

Culture

- Creating a culture in which beating fraud and corruption is part of daily business.

Capability

- Ensuring that the range of counter fraud measures deployed is appropriate to the range of risks.

Capacity

- Deploying the right level of resources to deal with the level of risk

Competence

- Having the right skills and standards.

Communication

- Raising awareness, deterring fraudsters, sharing information, celebrating success.

Collaboration

- Working across boundaries with other authorities and agencies, sharing resources, skills and learning.

3. **Reactive Fraud Activity**

Internal Audit will work seamlessly with management in the effective review and investigation of any reported incidents of fraud and irregularity. All such reviews will be co-ordinated by professional staff, in accordance with the Council's Anti-Fraud & Bribery Policy.

Reactive fraud and irregularity work is unpredictable with regard its level and duration; however, Internal Audit will monitor this during the year and support management where deemed necessary.

4. **Proactive Approach**

Whilst the established process to reactive fraud assists the Council in responding to notified incidents or suspicions of fraud and irregularity, it is equally important to ensure proactive initiatives are appropriately explored to understand, prevent and deter fraud risks across the Council.

Such proactive measures have been designed alongside the themes outlined within the "Six Cs" (Culture, Capability, Competence, Communication and Collaboration).

Internal Audits' understanding of the Council's service activities coupled with research from benchmarking with other local authorities / publications and national surveys fraud risks have highlighted a list of areas for consideration as part of the Council's proactive fraud activities for 2018/19.

It is also recognised that 2018 is a National Fraud Initiative investigation year and as such Internal Audit will be facilitating this process.

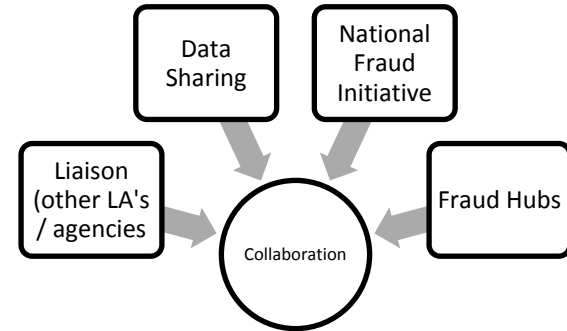
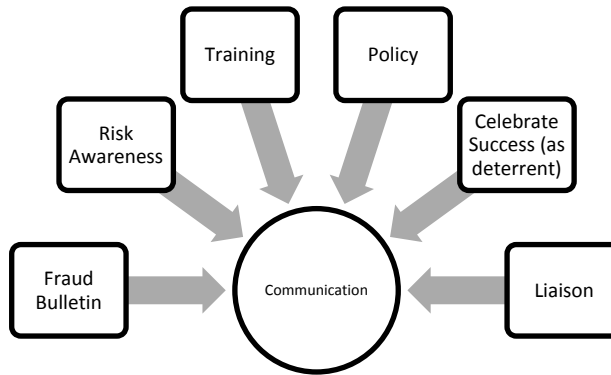
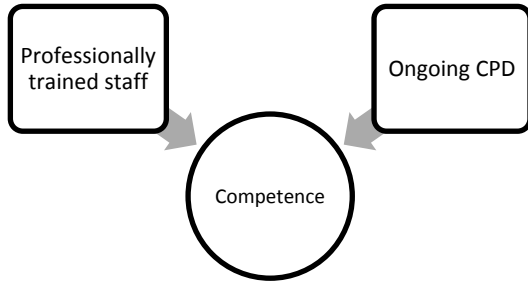
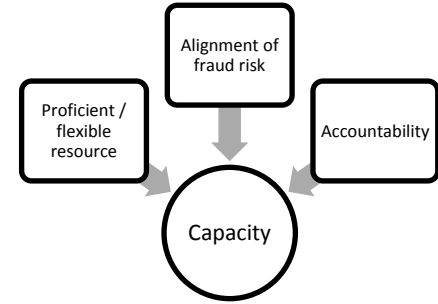
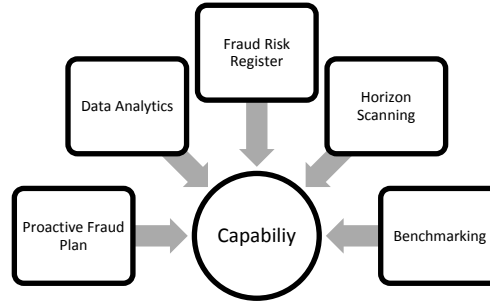
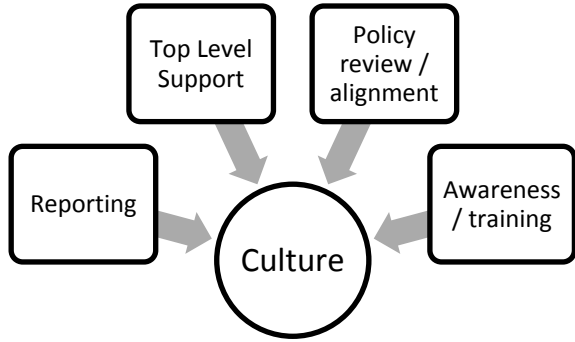
5. Fraud Action Plan 2018/19 to 2020/21

A self-assessment against the Fighting Fraud & Corruption Locally 2016 was completed and an action plan put in place to stimulate improvement. Building on this intelligence and through locally retained knowledge and expertise the following action plan of proactive fraud activity is proposed for 2018/19 to 2020/21

Activity	Scope	Allocated Resource (days)	Responsible Officer	Due Date	Expected Outcome
Fraud Risk Registers	To develop fraud risks register(s) and align to complement the existing risk management approach.		Internal Audit	April 2019	Key fraud risks aligned to the Council on which to monitor and focus future proactive fraud activity.
Fraud Risk Register	Maintain the fraud risk register and regularly monitoring trends to identify areas of high risk		Internal Audit	Ongoing to 2020/21	Focussed proactive work in accordance with outcome of the trend analysis.
National Fraud Initiative	To facilitate the timely delivery of NFI 2018 /19 data matches. Undertake integrity checks on a sample of cleared matches to ensure robustness / quality of review and select of sample of high risk matches across the spectrum to investigate.		Internal Audit	Oct 18 To Oct 19	Investigation of all recommended matches as reported in the NFI download in a timely manner and in accordance with the guidance.
	Regularly monitor progress against recommended matches throughout the duration of the exercise.			Ongoing to 2020/21	
Develop devoted fraud internet / intranet pages	To enable a clear and concise point of reference for necessary information on fraud and irregularity maximising the potential of digital to enhance the user experience. Maintain the fraud internet / intranet pages to ensure they are kept up to date.		Internal Audit	April 19 Ongoing to 2020/21	Through engagement with Comms / Web design, create an interactive web/intranet page maximising the use of digital to effectively communicate and embed cultural awareness.
Training & Awareness	Develop an effective fraud awareness training programme for Members and Officers. Provide ongoing training as required for the duration		Internal Audit	April 19 Ongoing	To develop and roll out training model corporately and delivery of bespoke training from Members. Assess and deliver focused areas of officer training (Bribery Act, Fraud Act, Money Laundering).

	of the action plan		to 2020/21	
Data Analytics	To maximise the use of data analytics and data matching to match electronic data to detect and prevent fraud.	As Above	April 19	To complement the NFI through a suite of data matches across the Council providing real time identification of instances requiring further investigation.
Develop alerts and newsletters to raise awareness and notify readers of new and potential fraud risks.	Develop alerts and newsletter across the Council.	As above	April 19	Knowledge sharing and awareness disseminated across the Council.
	Produce Newsletters at regular intervals throughout the duration of the action plan.		Ongoing to 2020/21	
No Recourse to Public Funds	With a national increase in applications there has been a consequent increase in attempts by fraudsters to obtain public funds via false applications. Also a developing trend for individuals to make multiple applications across different authorities. This can be linked to the NFI 2018 data matching exercise.	As above	April 19	Investigation of potential fraudulent activity or provision of assurance that controls to mitigate recognised fraud is working.
Annual Report on Fraud & Irregularity	To produce an end of year report to those charged with governance covering all reactive and proactive fraud initiatives.	Head of Audit	April 19	To present a report to CMT and Audit Committee outlining progress against
			April 20	
Schools	Conduct a "Fraud Health Check" across school establishments to attain assurance over the controls and governance in place to mitigate the potential for fraud.	Internal Audit	April 21	To consolidate findings and relay to all schools and Governors through the most appropriate medium (newsletter, conference etc..)
			March 2021	

6. Six C's Matrix



7. Key Fraud Risks relevant to Bridgend County Borough Council

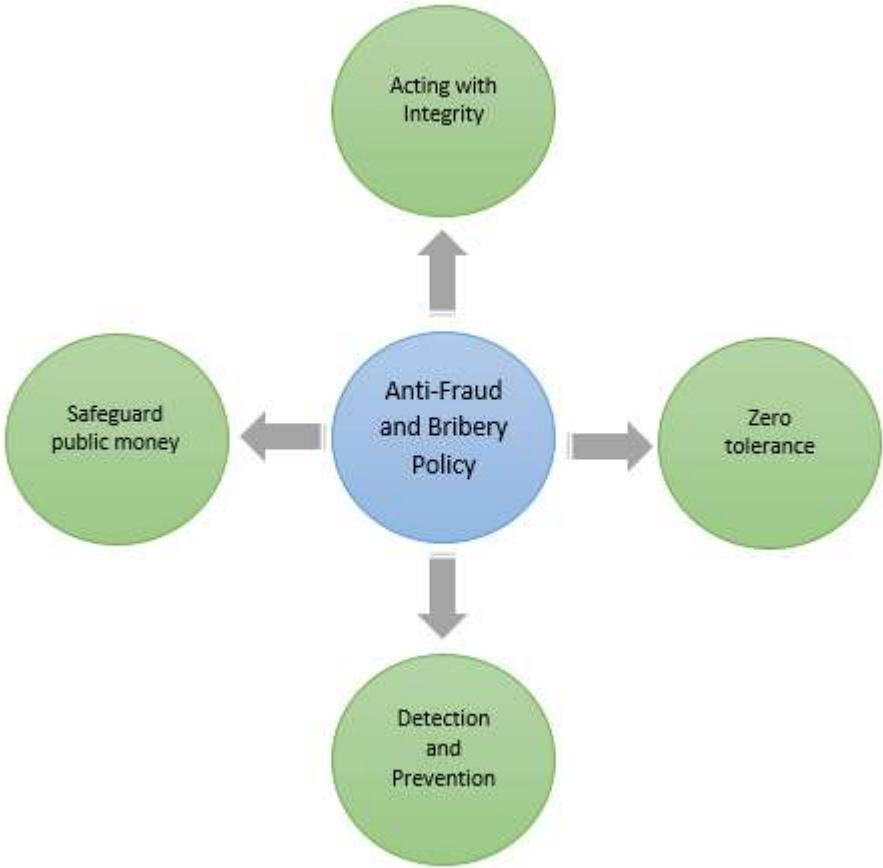
Fraud Risk Area	Overview
Internal Fraud	Diverting Council monies to a personal account, accepting bribes, stealing cash, misallocating social housing for personal gain, working elsewhere while claiming to be off sick, false overtime claims, allowances / expenses claims, misuse of time / resources, conflicts of interest, inappropriate acceptance of gifts & hospitality, manipulation of key systems i.e. payroll, pre-employment fraud, abuse of position etc.
Procurement Fraud	Tendering issues, split contracts, double invoicing (include PurchasingCards).
Insurance Fraud	Fictitious claims, including slips and trips
Disabled Facilities Grants	Fraudulent applications for adaptations to homes aimed at the disabled.
Grants	Work not carried out, funds diverted, ineligibility not declared.
Schools	Procurement fraud, payroll fraud, internal fraud.
No recourse to public funds	False declarations and ineligibility to public funds
Commissioning of services	Including joint commissioning, third sector partnerships, conflicts of interest, collusion.
Financial Assessments	Non-disclosure of assets. Charging policies impacted by Care Act.
NFI – Tenancy Fraud, Payroll, Council Tax, Blue Badges, Pensions	Examine how robust NFI recommended matches are investigated.

This list is not exhaustive

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ANTI-FRAUD AND BRIBERY POLICY



January 2019

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1 INTRODUCTION

- 1.1 In carrying out its functions and responsibilities, the Council encourages a culture of openness and fairness and expects Elected Members and employees at all levels to adopt the highest standards of propriety and accountability.
- 1.2 The Anti-Fraud and Bribery Policy recognises that the Council as a large organisation is at risk of loss due to fraud and corruption both from within the Council and outside it. In adopting this Policy, the Council seeks to demonstrate clearly that it is firmly committed to dealing with fraud, corruption and bribery and will deal equally with perpetrators from inside (Members and employees) and outside the Council. In addition, there will be no distinction made in investigation and action between cases that generate financial benefit and those that do not.
- 1.3 This Policy is one element of a wider set of arrangements in place to prevent fraud and wrongdoing which includes its Code of Corporate Governance and the Council's wider policies as set out in Section 3.
- 1.4 In meeting the Council's responsibilities relating to fraud and corruption, whether attempted internally or externally, the outcomes sought from the Council's Anti-Fraud and Bribery Policy are to:
- maintain and promote a **zero-tolerance** culture to fraud and corruption
 - **safeguard public money** by reducing losses from fraud and corruption to an absolute minimum by taking practical, risk-informed steps and maintaining a strong deterrent
 - encourage **prevention** and promote **detection** and effective investigation of suspected fraud or corruption and take robust action against those found to be committing any such acts
 - place confidence in Bridgend County Borough Council and its work by ensuring we act and are seen to **act with integrity**
- 1.5 There is an expectation and requirement that all Members, employees, consultants, contractors, and service users be fair and honest, and if able to do so, provide help, information and support to assist investigations of fraud and corruption.
- 1.6 The Council is aware of the high degree of external scrutiny of its affairs by a variety of bodies, including those listed below. These bodies are important in highlighting any areas where improvements can be made.
- Public Services Ombudsman.
 - Wales Audit Office (WAO). As part of their statutory duties, WAO is required to ensure that the Council has in place adequate arrangements for the prevention and detection of fraud and corruption.
 - Council Tax Payers – annual Inspection of the Statement of Accounts.
 - HM Revenues & Customs.
 - Department for Works & Pensions.
 - The Criminal Justice System.
- 1.7 The areas where there is potential for fraud and corruption will be periodically reviewed, and Internal Audit plans will focus on areas of greatest risk. The relative assessed levels of risk are set out in the Fraud Risk Wheel (see Appendix A).
-

2 DEFINITIONS

Fraud

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines fraud as “Any intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss”. In the UK, the term fraud is used to describe many acts such as deception, forgery, extortion, theft, conspiracy, embezzlement and false representation. The Fraud Act 2006 came into force on 15 January 2006, and is legislation that has been introduced in order to provide absolute clarity on the subject of fraud.
- 2.2 Section 1 of the Fraud Act 2006 introduces a general offence of fraud and three ways of committing it:
- Fraud by false representation (Section 2 of the Act).
 - Fraud by failing to disclose information (Section 3 of the Act).
 - Fraud by abuse of position (Section 4 of the Act).
- 2.3 All the above require dishonesty and an intent to make gain or cause loss as well as by making the representation knowing that it is or might be false or misleading; failing to disclose information where there is a legal duty to do so; and abuse of a position where one is expected to safeguard another person’s financial interests.
- 2.4 Fraud, for the purposes of this policy, goes beyond the Act and includes theft, forgery, concealment, conspiracy and bribery. Fraud may include, but is not limited to, stealing cash or equipment, submitting false expense claims, invoicing for goods not intended for Council business, unauthorised removal of Council property, manipulating accounts and records, dishonest contract arrangement and other financial irregularities.

Bribery

- 2.5 The Bribery Act 2010 came into force on 1 July 2011. It reforms the criminal law to provide a new scheme of bribery offences and it provides a more effective legal framework to combat bribery. The Act creates the following offences relevant to the Council:-
- offering, promising or giving a bribe (active bribery)
 - requesting, receiving or agreeing to accept a bribe (passive bribery)

Furthermore, if the offence is proved to have been committed with the consent or connivance of a senior officer of the organisation, then the senior officer may be personally liable.

Money Laundering

- 2.6 Money laundering is a term applied to any method used to convert or exchange money or assets obtained from criminal activity into money or assets that are “clean”, in such a way that the “clean” money can no longer be linked back to the criminal activity. Whilst the risk of money laundering to the Council is relatively low the Council has in place an Anti-money Laundering Policy which sets out the responsibilities of Members and employees to prevent the Council being subject to any money laundering practices. This Policy supports all staff

in complying with the money laundering provisions included within the Proceeds of Crime Act 2002 and the Terrorism Act 2000.

3 RULES AND PROCEDURES

3.1 The Council has rules and procedures to ensure that its day to day operations and activities are properly controlled and these are an important part of the internal control framework.

3.2 These include:

- [The Council's Constitution](#), which includes: .
 - Financial Procedure Rules (Part 4).
 - Contract Procedure Rules (Part 4).
 - Code of Conduct for Members including declarations of interest (Part 5).
 - Code of Conduct for Council Employees (Part 5).
- Code of Corporate Governance
- Disciplinary Policy and Procedures.
- ICT Code of Conduct.
- Scheme of Delegation.
- Whistleblowing Policy.
- Anti-Money Laundering Policy.
- Equal Opportunities Policy.
- Anti-Fraud & Bribery Policy
- Regulation of Investigatory Powers Act Policy
- Effective recruitment and selection procedures.
- Training.

These are under-pinned by the following legislation:

- Fraud Act 2006.
- Bribery Act 2010.
- The Regulation of Investigatory Powers Act 2000.
- Proceeds of Crime Act 2002.
- Data Protection Act 2018 (which enshrines the General Data Protection Regulation 2016 (GDPR) into British Law).
- Human Rights Act 1998.

3.3 Failure to comply with these rules and procedures may result in formal action being taken. In the case of employees this would be through the Council's disciplinary procedures and for Members would involve the Council's Standards Committee, which hears allegations of misconduct by Members.

4 CULTURE

4.1 The Council's culture is one of honesty and zero tolerance to fraud and corruption. The prevention or detection of fraud and corruption and the protection of public money are everyone's responsibility.

4.2 There is an expectation and requirement that all individuals, businesses and organisations dealing in any way with the Council will act with high standards of probity, openness and

integrity and that Council employees or its agent(s) at all levels will lead by example in these matters.

- 4.3 The Council's Elected Members and employees play a crucial role in creating and maintaining this culture. The Council aims to promote an environment in which Members and employees feel able to raise concerns without fear of reprisals and confident that their concerns will be thoroughly investigated. Staff who blow the whistle are protected: they will not suffer detriment or be dismissed provided the concern was raised in good faith. Members and employees are positively encouraged to raise concerns regarding fraud and corruption, irrespective of seniority, rank or status, in the knowledge that such concerns will be treated in confidence.
- 4.4 Concerns must be raised when Members or employees reasonably believe that one or more of the following has occurred, is in the process of occurring, or is likely to occur:
- a criminal offence
 - a failure to comply with a statutory or legal obligation
 - improper unauthorised use of public or other funds
 - a miscarriage of justice
 - maladministration, misconduct or malpractice
 - endangering of an individual's health and safety
 - damage to the environment
 - deliberate concealment of any of the above.
- 4.5 As explained in the Council's Whistleblowing Policy, suspected instances of fraud can be reported to:
- Line managers
 - Section 151 Officer
 - Head of Audit
 - Monitoring Officer
 - Directors
 - Chief Executive
- 4.6 The Council will ensure that any allegations received in any way, including by anonymous letters or phone calls, will be taken seriously and investigated in an appropriate manner.
- 4.7 The Council will deal firmly with those who defraud the Council, or who are corrupt, or where there has been financial malpractice. There is a need to ensure that any investigation process is not misused and, therefore, any abuse (such as employees raising malicious allegations) may be dealt with as a disciplinary matter.
- 4.8 When fraud or corruption has occurred because of a breakdown or weakness in the Council's systems or procedures, Directors will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.
- 4.9 Both Elected Members and employees must ensure that they avoid situations where there is a potential for a conflict of interest. Effective role separation will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.

5 RESPONSIBILITIES AND PREVENTION OF FRAUD

The Role of Elected Members

- 5.1 As elected representatives, all Members have a duty to citizens to protect the Council from all forms of abuse and protect public monies. This is done through compliance with the Members' Code of Conduct, the Council's Financial and Contract Procedure Rules, the Anti-fraud and Bribery Policy and other relevant Policies and legislation.

The Council's Code of Conduct for Members sets out an approach to work that is honest, fair, accountable and, as far as possible, transparent. Members are required to declare the receipt of all gifts and hospitality in a Register maintained by the Monitoring Officer.

- 5.2 Members sign that they have read and understood the Members' Code of Conduct when they take office. These conduct and ethical matters are specifically brought to the attention of Members during induction and include the declaration and registration of interests. It is also a mandatory requirement that Members (and Chief Officers) formally report and sign an annual declaration of 'Related Party Transactions' to ensure that they declare any relationship with other organisations with which the Council interacts. The Monitoring Officer advises Members of new legislative or procedural requirements.

The Role of the Monitoring Officer

- 5.3 The Monitoring Officer has responsibility for:

- the lawfulness and fairness of decision making
- ensuring that Elected Members are aware of the protocols, policies and procedures, as set out at the end of this policy that apply when carrying out their duties
- jointly initiating action if fraud, bribery or corruption may have been identified along with the Section 151 Officer

The Role of the Section 151 Officer

- 5.4 The Section 151 Officer has responsibility for:

- the proper administration of the council's financial affairs under s.151 of the Local Government Act 1972 as amended and s.114 of the Local Government Finance Act 1988 as amended. This includes the employee nominated by them to act in their absence and any employee of their staff acting on their behalf
- reporting to Councillors and the Wales Audit Office if either the Council, or one of its representatives makes, or is about to make a decision which is unlawful, or involves illegal expenditure or potential financial loss (Local Government Finance Act 1988 s.114)
- ensuring that this Policy is current
- jointly initiating action if fraud, bribery or corruption may have been identified along with the Monitoring Officer.

The Role of Managers

- 5.5 Managers at all levels are responsible for the communication and implementation of the Anti-Fraud and Bribery Policy in their work area. They are also responsible for ensuring that their employees are aware of all of the Council's policies, procedure rules (as detailed in

3.2 above), and that the requirements of each are being met in their everyday business activities. They are required to ensure that their staff are aware of their responsibilities in relation to safeguarding the resources for which they are responsible and for reporting suspected irregularities.

- 5.6 Managers are expected to create an environment in which their staff feels able to approach them with any concerns they may have about suspected irregularities.
- 5.7 The Council recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts. The Council's Strategic Equality Plan will be adhered to during this process.
- 5.8 The Council has a formal recruitment procedure, which contains appropriate safeguards on matters such as written references and verifying qualifications held. Applicants complete an application form and must declare any criminal convictions that are not spent. Where appropriate, applicants may also be subject to a Disclosure and Barring Service (DBS) check.
- 5.9 The Council's disciplinary procedures apply to all employees.

The Role of Individual Employees

- 5.10 Each employee is governed in their work by the Council's procedure rules, as detailed in Part 4 of the Constitution, and other codes of conduct and policies (e.g. Health and Safety, Disciplinary Policy, ICT Code of Conduct). They are also governed by the Code of Conduct for Council employees (Part 5 of the Constitution). Included in these are guidelines on gifts and hospitality and codes of conduct associated with professional and personal conduct and conflicts of interest. These are issued to all employees when they join the authority or will be provided by their manager. Also employees are expected to follow any Code of Conduct related to their membership of a professional institute.
- 5.11 Employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of Council assets. These will be included in induction training and procedure manuals.
- 5.12 The Council has a protocol on secondary employment for employees. The purpose of this is to safeguard both the Council and employees' interests in recognising that some employees may wish to undertake secondary employment whilst being required to provide the highest standards of service to our customers. These could be affected if an employee were to have secondary employment which conflicted with their Council work.
- 5.13 Employees must operate within Section 117 of the Local Government Act 1972 regarding the disclosure of financial interests in contracts relating to the Council, or the non-acceptance of any fees, gifts, hospitality or any other rewards, other than their proper remuneration. Further information is available from the Monitoring Officer.
- 5.14 Employees are expected always to be aware of the possibility that fraud, corruption or theft may exist in the workplace and be able to share their concerns with management. If for any reason, they feel unable to speak to their manager they must refer the matter to one of those named in paragraph 4.5 above. Failing this, employees can, if necessary, raise

concerns anonymously (by letter or phone), and via other routes, in accordance with the Council's Whistleblowing Policy.

The Role of Committees

- 5.15 The Standards Committee includes amongst its roles and functions the promotion and maintenance of high standards of conduct by Members, assisting Members to observe the Member's Code of Conduct and the monitoring and operation of it. It also considers reports submitted by the Public Services Ombudsman for Wales, the Monitoring Officer or any other representations relating to alleged breaches of the Code. The Committee also monitors the operation of the Council's Whistleblowing policy.
- 5.17 The Audit Committee has to consider, as one of its functions, the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements. It will also monitor this policy. Every year, the Committee receives the Head of Audit's annual opinion report which provides detailed information on the work of the Internal Audit Section and the effectiveness of the overall internal control environment for the Council as a whole.

The Role of Internal Audit

- 5.18 Internal Audit plays a vital preventative role in trying to ensure that systems and procedures are in place to prevent and detect fraud and corruption. Internal Audit investigates cases of suspected irregularity, with the exception of Council Tax Reduction and Blue Badge fraud investigations - which are undertaken by the Housing Benefits' Fraud Investigator, and Housing Benefit fraud investigations - which are undertaken by the Department for Works and Pensions' (DWP) Single Fraud Investigation Service. Internal Audit liaise with management to recommend changes in procedures to prevent or mitigate losses to the Council.
- 5.19 Internal Audit has arranged and will keep under review procedures and arrangements to develop and encourage the exchange of information on national and local fraud and corruption activity in relation to Councils with external agencies such as:
- Police.
 - Society of Welsh Treasurers.
 - Welsh Chief Internal Auditor's Group.
 - External Audit.
 - Wales Audit Office.
 - National Anti-Fraud Network.
 - HM Revenues and Customs.
 - Welsh LA Investigation Group.
 - Department for Work and Pensions.
 - Single Fraud Investigation Service.
 - Other outside agencies.

The Role of the Housing Benefits Fraud Investigator

- 5.20 The Fraud Investigator (Benefits) is responsible for all Council Tax Reduction and Blue Badge fraud investigations, in accordance with the requirements of the Human Rights Act

1998 and other relevant legislation. In cases where employees are involved, the team will work with Internal Audit, Human Resources and appropriate senior management to ensure that correct procedures are followed and that this Policy is adhered to.

The Role of External Audit

- 5.21 Independent external audit is an essential safeguard in the stewardship of public money. This role is delivered through the carrying out of specific reviews that are designed to test (amongst other things) the adequacy of the Council's financial systems, and arrangements for preventing and detecting fraud and corruption. It is not the external auditor's function to prevent fraud and irregularity, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice. The external auditor has a responsibility to review the Council's arrangements to prevent and detect fraud and irregularity, and arrangements designed to limit the opportunity for corrupt practices.

6 DETECTION AND INVESTIGATION OF FRAUD

- 6.1 The preventative measures described in the previous section significantly reduce the risk of fraud and corruption but cannot eliminate it entirely. Financial Procedure Rules require Corporate Directors to be responsible for the accountability of employees, and the security, custody and control of all other resources including plant, buildings, materials, cash and stores appertaining to their individual Directorates in accordance with the procedures agreed with the Council's Section 151 Officer. If a Corporate Director suspects any irregularities concerning cash, inventories or other property of the Council or held on trust by the Council, the Corporate Director concerned will notify the Section 151 Officer immediately, who will take such steps as considered necessary by way of investigation and report.
- 6.2 Internal Audit plays an important role in the detection of fraud and corruption. Included in the Audit Plan are reviews of system financial controls and specific fraud and corruption tests, spot checks and unannounced visits. Any decision to refer a matter to the Police will be taken by the Head of Audit. Internal Audit may also seek informal advice from the Police in the early stages of an investigation. Care will be taken to ensure that internal disciplinary procedures are followed but do not prejudice any criminal case.
- 6.3 In addition to Internal Audit, there are numerous systems controls in place to deter fraud and corruption, but it is often the vigilance of employees and members of the public that aids detection. The Council's Whistleblowing Policy is intended to encourage and enable staff to raise serious concerns. Employees reporting concerns in this way are afforded certain rights under the Public Interest Disclosure Act 1998. All employees can raise their concerns under this policy, as well as contractors working for the Council (e.g. agency staff, builders etc.) and the voluntary sector. This would normally be with the immediate line manager. However, if the concerns are so serious or sensitive then they should be raised with a Chief Officer, for example a Director, the Chief Executive Officer, Section 151 Officer, Monitoring Officer, or the Head of Audit. This Policy also applies to suppliers of goods and services under a contract. However, this policy is not available for use by members of the public who should instead use the Corporate Complaint's Policy.
- 6.4 Within the Council's Constitution, Members and employees shall comply with the requirements of Section 117 of the Local Government Act 1972, the Bribery Act 2012, and

the Members' and Employees' Codes of Conduct in respect of the declaration of interests in contracts. Such interests must be declared to the Monitoring Officer for inclusion in the appropriate registers. All are required to give notice in writing of pecuniary (financial) interests in contracts relating to the Council or the offer of any fees or rewards other than their proper remuneration. All employees must declare any offers of gifts or hospitality above a value of £20, which are in any way related to the performance of their duties.

- 6.5 Theft, fraud and corruption are serious offences against the Council and employees will face disciplinary action if the outcome of an investigation indicates improper behaviour by an employee. Depending on the circumstances of each individual case, criminal proceedings may also be instigated.
- 6.6 Members will face appropriate action if they are found to have been involved in theft, fraud or corruption against the Council. Appropriate action will be taken including referring the matter to the Monitoring Officer and/or the Public Ombudsman for Wales. Depending on the circumstances of each individual case, criminal proceedings may also be instigated.

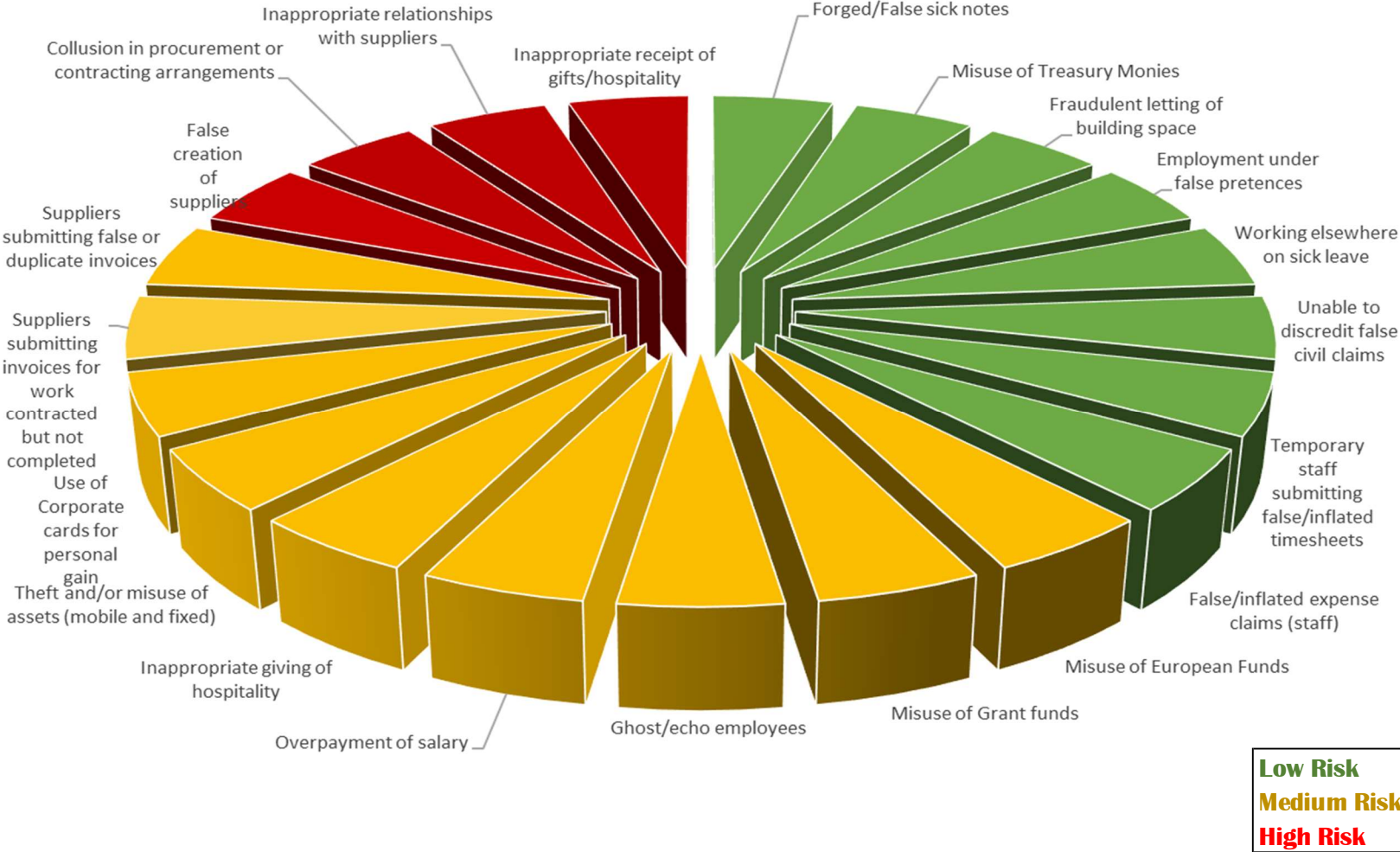
7 TRAINING AND AWARENESS

- 7.1 The Council recognises that an important aspect of its Anti-Fraud and Bribery Policy is the general awareness and responsiveness of employees throughout the Council. To facilitate this, the Council supports induction and training, particularly for employees involved in internal control systems. All employees are made aware of the Anti-Fraud and Bribery Policy via various channels of communication e.g. team meetings and the Intranet.
- 7.2 In addition the Council will seek via appropriate publicity to increase and maintain the general public awareness of the facilities available to report concerns about fraud and corruption.
- 7.3 The investigation of fraud and corruption is carried out in consultation with Services by the Council's Internal Audit Team whose skill base in investigative techniques is maintained by appropriate training. Staff within the Housing Benefits Team and Regulatory Service receives specific training on fraud and corruption and the Fraud Act to help support their work on financial investigations.

8 CONCLUSION

- 8.1 The Council sets high standards, with core values of accountability and openness.
- 8.2 The Council will maintain a continuous review of all systems and procedures through its Internal Audit Plan and responding to recommendations from external regulators. The Anti-Fraud and Bribery Policy and its effectiveness will be periodically reviewed by the Audit Committee.

Appendix A : Fraud risk wheel



APPENDIX C



ANTI MONEY-LAUNDERING POLICY

January 2019

ANTI-MONEY LAUNDERING POLICY

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1. Introduction

- 1.1 The purpose of this document is to provide Members and staff with an understanding of “Money Laundering”, to provide them with guidance on identifying money laundering and to set out the procedures they must follow to ensure the Council complies with its legal obligations.
- 1.2 Historically, legislation to tackle the laundering of the proceeds of crime was aimed at the financial and investment sector. However, it was subsequently recognised that those involved in criminal conduct and terrorism were able to ‘clean’ criminal proceeds through a wider range of businesses and professional activities. Criminals are becoming increasingly sophisticated in the techniques they employ and local authorities could be seen as softer targets.

2. What is Money Laundering?

- 2.1 Money Laundering is any process where funds derived from criminal activity including terrorist financing are given the appearance of being legitimate by being exchanged for ‘clean’ money or property. Examples of money laundering offences include tax evasion, theft, bribery, smuggling – including drug trafficking – and illegal arms sales. There are two types of offences which may be committed:

- Money laundering offences (see section 5.1).
- Failure to report money laundering offences (see section 7).

- 2.2 The main legislation covering anti-money laundering is:

- Sanctions and Anti-Money Laundering Act 2018
This provides the basis for the detection, investigation and prevention of money laundering and terrorist financing and enable sanctions to be imposed to support this.
- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
These regulations set out the detailed requirements for organisations and individuals engaged in regulated activities.
- Proceeds of Crime Act 2002
This defines the money laundering offences and gives law enforcement agencies far reaching powers to deal with them.
- Terrorism Act 2000
This defines the primary offences related to terrorism funding and requires regulated businesses to report knowledge or suspicion of offences.

Other legislation includes:

- Criminal Finances Act 2017
- Terrorist Asset-Freezing etc. Act 2010
- Counter- Terrorism Act 2008
- Anti- terrorism, Crime and Security Act 2001

2.4 Money laundering can take many forms such as:

- Concealing, disguising, converting or transferring criminal property or removing it from the UK.
- Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person.
- Acquiring, using or possessing criminal property.
- Investing the proceeds of crime into other financial products or the acquisition of property/assets.
- Tipping off a person(s) who is or is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation.
- Generating money from a transaction if you have reasonable ground to believe the money will fund terrorism.

2.5 The channelling of the money often involves the following three stages:

- **Placement**
This is the movement of cash from its source - following a crime the monies are paid into a bank account or used to purchase an asset.
- **Layering**
Using a number of complex transactions to hide the proceeds of crime.
- **Intergration**
Return of the illicit funds back into the accounts to make them appear lawful.

3. **The Obligations of the Council**

3.1 The law requires those organisations in the regulated sector and conducting relevant business to:

- Appoint a Money Laundering Reporting Officer ('MLRO') to receive disclosures from employees of suspected money laundering activity.
- Implement risk sensitive policies and procedures relating to customer due diligence, reporting, record keeping, internal control, risk assessment and management, the monitoring and management of compliance and the internal communication of such policies and procedures.

3.2 Not all the Council's business is 'relevant' for these purposes. It is mainly those carried out by Customer Services, Procurement, Finance and certain company and property transactions carried out by Legal Services. However, the safest way to ensure compliance with the law is to apply it to all areas of work undertaken by the Council. Therefore, all Members and employees are required to comply with the Council's Anti-Money Laundering Policy in terms of reporting concerns about possible money laundering.

3.3 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and the Sanctions and Anti-Money Laundering Act 2018 require appropriate systems of internal control to prevent money laundering. These controls are required to help identify possible attempts to launder money or fund terrorism, so that appropriate action to prevent or report it can be taken.

- 3.4 Systems of internal control should help identify unusual or suspicious transactions or customer activity. These include:
- Identification of relevant risks and responsibilities under this Policy;
 - Provision of information to relevant persons on suspected money laundering risks;
 - Training of relevant employees on the legal and regulatory responsibilities for money laundering and control measures;
 - Measures to ensure that money laundering risks are taken into account in the day to day operations of the organisation.
- 3.5 Where money laundering is suspected the MLRO must report the matter to the National Crime Agency.

4. The Money Laundering Reporting Officer

- 4.1 The officer nominated to receive disclosures about money laundering activity within the Council is the Section 151 Officer who can be contacted as follows:

Section 151 Officer, Bridgend County Borough Council, Civic Offices, Angel Street, Bridgend, CF31 4WB

In the absence of the Section 151 Officer, the employee should contact either the Group Manager – Chief Accountant or the Group Manager – Financial Planning and Budget Management, Bridgend County Borough Council, Raven's Court, Brewery Lane, Bridgend, CF31 4AP.

5. Identification of potential money laundering situations

- 5.1 It is not possible to give a definitive list of ways in which to identify money laundering or how to decide whether to make a report to the MLRO. The following are types of risk factors which may, either alone or cumulatively, suggest possible money laundering activity:
- Payment of a substantial sum in cash – anything which is £5,000 or more
 - Payment of lower cash sums where cash is not the normal means of payment
 - A new customer or use of new/shell companies
 - A secretive customer, e.g. refuses to provide proof of identity or other requested information without a reasonable explanation
 - Concerns about the honesty, integrity, identity or location of a customer
 - Illogical third party transaction such as unnecessary routing or receipt of funds from third parties or through third party accounts
 - Involvement of an unconnected third party without logical reason or explanation
 - Overpayments by a customer or payments of deposits subsequently requested back without a reasonable explanation
 - Absence of an obvious legitimate source of funds
 - Movement of funds overseas, particularly to a higher risk country or tax haven
 - Receipt of monies from countries outside the EU who do not have effective systems to counter money laundering or terrorist financing
 - Unusual transactions or ways of conducting business, without reasonable explanation

- A transaction without obvious legitimate purpose or which appears uneconomic, inefficient or irrational
- Transactions with PEP (Politically Exposed Persons) or their family. These include Members of Parliament, Senior Government officials, Diplomats and high ranking officers in the Armed Forces
- The cancellation or reversal of an earlier transaction
- Requests for release of customer account details other than in the normal course of business
- Transactions at substantially above or below fair market values
- Poor business records or internal accounting controls
- A previous transaction for the same customer which has been, or should have been, reported to the MLRO
- Lack of 'traceability' of persons involved
- Individuals and companies that are insolvent yet have funds

These are just examples where money laundering can take place. If you suspect money laundering in another area you should consult with the Money Laundering Officer for advice.

6. Staff Responsibilities

- 6.1 All Members and employees are required to adhere to this policy but certain financial and legal services staff are more likely to have to comply with the customer identification procedure, '**due diligence**' and the record keeping procedures.
- 6.2 There are two levels of '**due diligence**'. The 2017 Regulations require due diligence to be carried out on a risk sensitive basis, these are:

'**Simplified due diligence**' - required where there is a low risk of money laundering. For example:

- company is listed on the stock exchange a company search and evidence of the listing would suffice. (Note, for example, a company search is often undertaken / may already have been undertaken for BCBC by the Procurement Section in conjunction with the Finance Department – so further enquiry may not need to be undertaken)
- Government bodies and organisations who are regulated by a professional body.
- European Union (EU) (Currently this applies to organisations in the EU but this is subject to change following the withdrawal of the UK from the EU.)

'**Enhanced due diligence**' should be applied for those customers with a high-risk status. For example:

- Remote transactions where the customer is not physically present.
- Organisations or individuals identified as high risk of money laundering or terrorism finance.
- Organisations which Her Majesty's Revenues and Customs (HMRC) or other law enforcement authorities have identified as high risk.
- Organisations from countries identified as high risk.
- Where false or stolen documents have been provided as evidence.

- Customer is a Politically Exposed Person (defined as persons entrusted with prominent public functions either in the UK or abroad)¹ or an immediate family or associate of that person.
 - A transaction is complex, unusually large, or with an unusual pattern.
- 6.3 Due diligence will not have to be considered for organisations regulated by the Financial Services Authority (FSA) or supervised by a listed professional regulator e.g. the Solicitors Regulation Authority.
- 6.4 Where due diligence investigations are undertaken, evidence of the customer identification (paragraph 6.7) and the record of the relationship / transaction should be retained for at least five years from the end of the business relationship of transaction(s). If there is a criminal prosecution they must be retained until the legal proceedings are concluded.

The records that must be kept are:

- Copies of the evidence obtained to satisfy the due diligence obligations and details of customer transactions for five years after the end of the business relationship
 - The supporting evidence and records in respect of the business relationships and occasional transactions which are the subject of customer due diligence measures or ongoing monitoring
 - A copy of the identification documents accepted and verification evidence obtained
 - References to the evidence of identity, including those of the 'beneficial owner', the individual that ultimately owns or controls the organisation on whose behalf a transaction or activity is being conducted
 - Transaction and business relationship records should be maintained in a form from which a satisfactory audit trail may be compiled, and which may establish a financial profile of any suspect account or customer
 - A written account of the risk assessment
- 6.5 If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transaction(s) cannot proceed any further.
- 6.6 The customer identification procedure (paragraph 6.7) must be carried out when the Council is carrying out 'relevant business' and:
- Forms a business partnership with a customer,
 - Undertakes a one-off transaction (including a property transaction or payment of a debt) involving payment by or to a customer of €15,000 (approximately £12,500) or more,
 - Undertakes a series of linked one-off transactions involving total payment by or to the customer(s) of €15,000 (approximately £12,500) or more,
 - It is known or suspected that a one-off transaction, or a series of them, involves money laundering. The **customer identification procedure** must be completed before any business is undertaken for that customer in relation to accountancy, procurement, audit and legal services with a financial or real estate transaction.
- 6.7 **Customer Identification Procedure.** Employees must:
- Identify the person seeking to form the business relationship or conduct the transaction (an individual or company / organisation),
 - Verify their identity using reliable, independent sources of information,

¹ Examples include: Government Ministers, Members of Parliament, Members of political party Governing Bodies, high ranking officers in the armed forces. This is not exhaustive and if unsure please contact Finance for more information

- Identify who benefits from the transaction,
 - Monitor transactions to make sure they are consistent with what you understand about that person or country,
 - Understand the source of their funds,
 - Ensure there is a logical reason why they would want to do business with the Council.
- 6.8 This applies to existing customers, as well as new ones but evidence for transactions more than 10 years old need not be retained unless any related investigation has not concluded. In these instances they must be retained until the National Crime Agency (NCA) has given permission to destroy the data.
- 6.9 The law does not prescribe the precise form in which the records are to be retained. However, they must be admissible as evidence in any trial. In practice, most courts will accept electronic scanned documents but there maybe certain circumstances where this is not permissible.
- 6.10 Some of the information retained may constitute personal information in accordance with the Data Protection Act 2018 and the General Data Protection Regulation 2016 (GDPR). The legislation provides exemptions to permit the sharing of personal data in pursuance of anti money laundering requirements.

7. **Reporting Procedure**

- 7.1 The MLRO is responsible for investigating the suspicion and reporting any suspected Money Laundering activity to the National Crime Agency.
- 7.2 If you know or suspect that money laundering activity is taking place, has taken place, or that your involvement in a matter may amount to a prohibited act under the legislation, this must be disclosed immediately to the MLRO. This disclosure should be done within hours of the information coming to your attention, not weeks or months later. **If you do not disclose information immediately, then you may be liable to criminal prosecution.**
- 7.3 Your disclosure should be made using the report form attached at Appendix 2. The disclosure report must contain as much detail as possible, for example:
- Full details of the people involved (including yourself if relevant), e.g. name, date of birth, address, company names, directorships, phone numbers, etc
 - Full details of the nature of your and their involvement
 - The types of money laundering activity suspected
 - The dates of such activities, including whether the transactions have happened, are ongoing or are imminent
 - Where they took place
 - How they were undertaken
 - The (likely) amount of money/assets involved
 - Why, exactly, you are suspicious of.
- 7.4 You should also supply any other available information to help the MLRO to make a sound judgement as to the next steps to be taken and you should enclose copies of any relevant supporting documentation.
- 7.5 If you are a legal adviser and consider that legal professional privilege may apply to the information, you should explain fully in the report form the reasons why you

contend the information is privileged. The MLRO, in consultation with the Monitoring Officer (Head of Legal and Regulatory Services), will then decide whether the information is exempt from the requirement to report suspected money laundering to the National Crime Agency (NCA).

- 7.6 Once you have reported the matter to the MLRO you must follow any directions given. You must NOT make any further enquiries into the matter yourself. Any necessary investigation will be undertaken by the NCA. All employees will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.
- 7.7 At no time and under no circumstances should you voice any suspicions to the person(s) whom you suspect of money laundering or to any other individual without the specific consent of the MLRO. If you do so, you may commit the offence of 'tipping off'.
- 7.8 Do not make any reference on records held to the fact that you have made a report to the MLRO. If a customer exercises their right to see their record, any such note would obviously tip them off to the report having been made and may render you liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.
- 7.9 In all cases no further action must be taken in relation to the transaction(s) in question until either the MLRO or the NCA (if applicable) has specifically given their written consent to proceed.

8. Failure to report money laundering offences or suspicions

- 8.1 In addition to the money laundering offences, there are other offences of failure to report suspicions of money laundering. These are committed where, in the course of conducting relevant business, you know or suspect, or have reasonable grounds to do so (even if you did not know or suspect), that another person is engaged in money laundering and you do not disclose this as soon as is practicable to the MLRO.
- 8.2 Failure to report money laundering offences means that potentially any employee could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about their suspicions.
- 8.3 Whilst the risk of contravening the legislation is low, it is extremely important that all employees understand their legal responsibilities, as serious criminal sanctions may be imposed for breaches of the legislation. However, an offence is not committed if the suspected money laundering activity is reported to the MLRO and appropriate consent obtained to continue with the transaction.
- 8.4 If you report suspected money laundering to the MLRO, you should not discuss it with anyone else: you may commit a further offence of 'tipping off' (if, knowing a disclosure to the MLRO has been made, you make a disclosure to someone else which is likely to prejudice any investigation which might be conducted.
- 8.5 Even if you have not reported the matter to the MLRO, if you know or suspect that such a disclosure has been made and you mention it to someone else, this could amount to a tipping off offence. Be very careful what you say and to whom, in these

circumstances. Any person found guilty of tipping off or prejudicing an investigation is liable to imprisonment (maximum five years), an unlimited fine, or both.

9. Consideration of disclosure report by the MLRO

9.1 On receipt of a disclosure report, the MLRO will record the date of receipt on the report, acknowledge receipt of it and indicate when they expect to respond.

9.2 The MLRO will consider the report and any other available internal information they may consider relevant. This may include:

- Reviewing other transactions, patterns and volumes,
- The length of any business relationship involved,
- The number of any one-off transactions and linked one-off transactions,
- Any identification evidence.

9.3 The MLRO will undertake any other inquiries deemed appropriate and will ensure that all available information has been obtained. In doing so, the MLRO will avoid any action which could tip off those involved, or which could give the appearance of tipping them off. Where appropriate, Internal Audit will investigate on behalf of the MLRO.

9.4 The MLRO may also need to discuss the report with the employee who reported the case.

9.5 The MLRO will then consider all aspects of the case and decide whether a report to NCA is required. He/she must make a timely determination as to:

- Whether there is actual or suspected money laundering taking place,
- Whether there are reasonable grounds to know or suspect that money laundering is taking place,
- Whether he needs to seek consent from the NCA for a particular transaction to proceed.

9.6 Where the MLRO concludes one or more of the above, he/she will record his/her conclusion (Appendix 3) and disclose the matter as soon as possible to NCA [online](#). The link to the website for reporting can be found in Appendix 4.

9.7 Once the MLRO has made a disclosure to NCA, their consent will be needed before you can take any further part in the transaction. Consent will be received in the following way:

- Specific consent,
- Deemed consent if no notice of refusal is received from NCA during the notice period (i.e. 7 working days starting with the first working day after the MLRO makes the disclosure),
- Deemed consent if refusal of consent is given during the notice period but the moratorium period has elapsed (31 days starting with the day on which the MLRO receives notice of refusal of consent) without any further refusal of consent.

9.8 The MLRO should make clear in the report to NCA if such consent is required, and if there are any deadlines for giving such consent, e.g. completion date or court deadline.

- 9.9 Where the MLRO concludes that there are no reasonable grounds to suspect money laundering this will be recorded appropriately and they will give consent for any ongoing or imminent transaction(s) to proceed.
- 9.10 All disclosure reports referred to the MLRO and subsequent reports made to the NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.
- 9.11 The MLRO commits a criminal offence if they know or suspect, or have reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering and they do not disclose this as soon as possible to the NCA.

10. Training

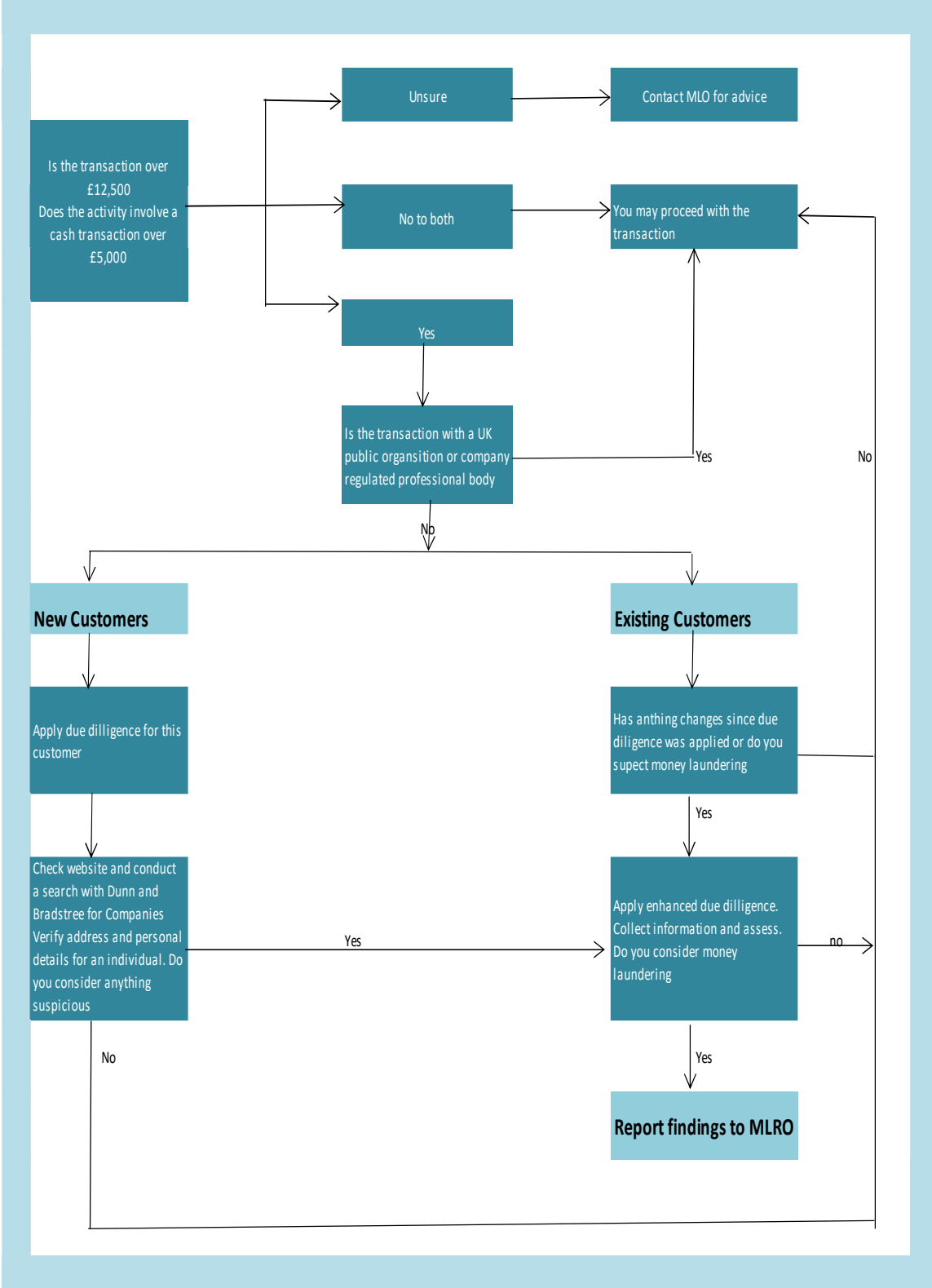
- 10.1 The Council will take appropriate measures to ensure that employees are made aware of the law relating to money laundering and will arrange targeted, ongoing, training to key individuals most likely to be affected by the legislation.
- 10.2 As part of this training staff will be directed to this document which will be updated regularly to reflect any legislative changes.

11. Conclusion

- 11.1 The legislative requirements concerning anti-money laundering procedures are lengthy and complex. This document has been written to enable the Council to meet the legal requirements in a way that is proportionate to the low risk to the Council of contravening the legislation. Should you have any concerns whatsoever regarding any transactions then you should contact the MLRO.
- 11.2 The policy will be reviewed as and when required e.g. following any legislative changes and reported to Audit Committee, Cabinet and Council as appropriate.

APPENDIX 1

MONEY LAUNDERING CHECKLIST



APPENDIX 2

Disclosure Report to Money Laundering Reporting Officer - Re suspected money laundering activity

CONFIDENTIAL	
Report to Money Laundering Reporting Officer	
Name of Reporter	
Job Title/ Department	
Phone No	
e-mail	
Details of Suspected Offence	
Name of Person Suspected	
Reason for Suspicion	
Have investigations been undertaken (Please detail)	
Have you discussed your suspicions with someone else. If yes please detail	
Have you consulted your suspicions with any Supervisory body e.g. Law Society	
Do you have any reason why this matter should not be reported to NCA?	
Is the transaction prohibited under the Section 18 Terrorism Act 2000 or Sections 327-329 Proceeds of Crime Act but has received Consent from the NCA.	
Please provide any additional information you consider necessary to support your submission.	
Signed:	Dated:
TIPPING OFF: it is a criminal offence to inform the suspect or anybody other than your line manager that you are making this report. Please speak to the MLRO if you need any guidance on what to say to any third parties who are chasing you in respect of a transaction.	

APPENDIX 3**Money Laundering Reporting Officer Report**

CONFIDENTIAL	
For Completion by MLRO	
Date report received	
Date acknowledged	
Are there any reasonable grounds for suspecting money laundering (please detail)	
Are there any reasons you do not intend reporting the matter to NCR (please detail)	
Date of report to NCA	
Please provide any additional information you consider necessary to support your submission.	
Reply from NCA	
Notice Period	
Moratorium Period	
Date Consent received from NCA	
Date consent given to employee to proceed	
Please provide any additional information you consider relevant	
Signed:	Dated:

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS

APPENDIX 4

Reporting of incidents need to be made on- line to the National Crime Agency. These must ONLY be reported by the Money Laundering Reporting Officer as appropriate.

Guidance notes are available at :

Guidance on assessing for money laundering.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/686152/Money_Service_Businesses_Guidance.pdf

Guidance on the submission of a form to NCA

<http://www.nationalcrimeagency.gov.uk/publications/suspicious-activity-reports-sars/916-sar-online-user-guidance/file>

Submitting the form:

[https://www.ukciu.gov.uk/\(yiv1weyo05dqfpmn23r2rfrd\)/saronline.aspx](https://www.ukciu.gov.uk/(yiv1weyo05dqfpmn23r2rfrd)/saronline.aspx) .

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

17 JANUARY 2019

REPORT OF THE CHIEF INTERNAL AUDITOR

UPDATED FORWARD WORK PROGRAMME 2018/19

1. Purpose of report

1.1 The purpose of this report is to present to Audit Committee the updated Forward Work Programme for 2018/19.

2. Connection to corporate improvement objectives/other corporate priorities

2.1 This report assists in the achievement of the following corporate priority/priorities:

- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

3. Background

3.1 The Core functions of an effective Audit Committee are:-

- To consider the effectiveness of the Council's Risk Management arrangements, the control environment and associated anti-fraud and corruption arrangements.
- Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
- Be satisfied that the Council's assurance statements properly reflect the risk environment and any actions required to improve it.
- Oversee the work of internal audit (including the annual plan and strategy) and monitor performance.
- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- Receive the annual report of the Chief Internal Auditor as Head of Audit.
- Consider the reports of external audit and inspection agencies, where applicable.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Review and approve the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.

3.2 Effective Audit Committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external

auditors. They enhance public trust and confidence in the financial governance of an authority.

4. Current situation/proposal

- 4.1 In order to assist the Audit Committee in ensuring that due consideration is given by the Committee to all aspects of their core functions the updated Forward Work Programme for 2018/19 is attached **at Appendix A.**

5. Effect upon policy framework and procedure rules

- 5.1 There is no effect upon the policy framework and procedure rules.

6. Equality Impact Assessment

- 6.1 There are no equality implications arising from this report.

7. Well-being of Future Generations (Wales) Act 2015 implications

- 7.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

8. Financial implications

- 8.1 There are no financial implications arising from this report.

9. Recommendation

- 9.1 That Members consider and note the updated Forward Work Programme for 2018/19.

Helen Smith
Chief Internal Auditor
17th January 2019

Contact Officer: Helen Smith – Chief Internal Auditor

Telephone: (01656) 754901

E-mail: internalaudit@bridgend.gov.uk

Postal Address

Bridgend County Borough Council
Internal Audit
Innovation Centre
Bridgend Science Park
Bridgend
CF31 3NA

Background Documents

None

**AUDIT COMMITTEE
SCHEDULE OF MEETINGS AND FORWARD WORK PROGRAMME
2018 - 2019**

PROVISIONAL DATE OF MEETING	FORWARD WORK PROGRAMME	OFFICER RESPONSIBLE	UPDATE
2018			
28th June	Information and Action Requests (if applicable).	Chief Internal Auditor (CIA)	N/A
	Updated Forward Work Programme 2018/19.	CIA	Completed
	Pre-audited Statement of Accounts 2017/18.	Head of Finance	Completed
	Draft Annual Governance Statement 2017-18	Head of Finance	Completed
	Treasury Management Outturn 2017/18	Head of Finance	Completed
	Proposal to Incorporate the Shared Internal Audit Service (RIASS) into a Larger Service Hosted by the Vale of Glamorgan Council to Include Two Additional Councils	Head of Finance	Completed
	Incident and Near Miss Reporting Procedure (Excluding Health and Safety)	Head of Finance	Completed
	Community Action Fund 2017-18 Update	Head of Finance	Completed
	Audit Committee's Term of Reference	Head of Finance	Completed
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	
	IASS Outturn Report April and May 2018. Together with progress against Plan.	CIA	Completed
	Healthy Organisational Review	CIA	Completed
6th September	Information and Action Requests	CIA	N/A
	Updated Forward Work Programme	CIA	Completed
	Statement of Audited Accounts and Final Annual Governance Statement 2017/18	Head of Finance / WAO	Completed
	Internal Audit 4 months Outturn Report April to July 2018, progress against plan	CIA	Completed
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	
15th November	Up dated Forward Work Programme	CIA	Completed
	Information and Action Requests (where applicable)	CIA	N/A
	Risk Management	Head of Finance / Risk & Insurance Officer	Deferred to December
	Update on Community Action Fund	Head of Legal and Regulatory Services	Deferred to December
	Treasury Management Half Year monitoring report 2018-19	Head of Finance	Completed
	Internal Audit Outturn Report – April 2017 to September 2018.	CIA	Completed
	Healthy Organisation Review – Information Management follow up	CIA	Completed
	Incident & Near Miss Procedure	Head of Finance	Deferred to December
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	Completed
	Annual Audit Letter 2017/18		

APPENDIX A

	Annual Improvement Report 2017/18 Performance Work update – 2018/19 Service User Perspective of Disabled Facilities Grants		
13th December			
	Risk Management (including Incidents / Near Misses)	Head of Finance / Risk & Insurance Officer	Completed
	Update on Community Action Fund	Head of Legal and Regulatory Services	Completed
	External Auditors / Inspection Reports (where applicable). Certificates for both the annual audit and performance assessment.	Head of Finance / WAO	Completed
	Healthy Organisation Review – Action Plan Update	Head of Finance	Completed
	Re-presentation of the Healthy Organisation Review – follow up Information Management	CIA – ICT Group Manager	Completed
	Updated Forward Work Programme	CIA	Completed
2019			
17th January	Up dated Forward Work Programme	CIA	Submitted
	Internal Audit 9 months Outturn Report April – December 2018	CIA	Submitted
	Corporate Risk Assessment, Corporate Risk Management Policy and Near Miss Procedure 2019-20	Head of Finance	Submitted
	Fraud Update	Head of Finance / Benefits Manager.	Deferred to April 2019
	Corporate Fraud Framework	CIA	Submitted
	Treasury Management Strategy 2019-20	Head of Finance	Submitted
	Digital Action Plan	Head of Performance & Partnership Services	Submitted
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	Submitted as required.
18th April	Updated Forward Work Programme	CIA	
	Proposed Forward Work Programme 2019-20.	CIA	
	Internal Audit proposed Annual Strategy and Audit Plan 2019-2020.	CIA	
	Internal Audit Shared Service Charter 2019/20	CIA	
	Draft Head of Audit’s Annual Opinion Report and outturn for the Year 2018/19	CIA	
	External Auditors / Inspection Reports (if applicable): - External Audit Plan 2019/20 Certification of Grants and Returns 2017/18 Performance Work Update – 2018/19	Head of Finance / WAO	