

AUDIT COMMITTEE - THURSDAY, 26 JANUARY 2017

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOMS 2/3,
CIVIC OFFICES ANGEL STREET BRIDGEND CF31 4WB ON THURSDAY, 26 JANUARY
2017 AT 10.00 AM**

Present

Councillor E Dodd – Chairperson

JR McCarthy
CA Green

C Westwood
R Williams

CL Jones

DK Edwards

Apologies for Absence

JE Lewis, D Sage, G Davies, M Gregory and RE Young

Officers:

Randal Hemingway	Head of Finance & Section 151 Officer
Roger Martin	Insurance and Risk Officer
Helen Smith	Chief Internal Auditor
Mary Williams	Chief Accountant
Julie Ellams	Democratic Services Officer - Committees

287. DECLARATIONS OF INTEREST

None.

288. APPROVAL OF MINUTES

RESOLVED: That the minutes of the meeting of the Audit Committee of 24 November 2016 be approved as a true and accurate record subject to the addition of apologies for absence from Cllr CA Green.

289. THE CORPORATE RISK ASSESSMENT 2017-18

The Risk Management and Insurance Officer presented a report explaining the outcome of the annual Corporate Risk Assessment and informing the Committee of the proposed risk management timeline contained in Appendix 2 of the Risk Management Policy.

The risk assessment had been reviewed in consultation with Corporate Directors, Business Managers and Heads of Service and was considered by the Senior Management Team on 9 January 2017. It identified the main risks facing the Council, their links to the Council's priorities and the likely impact on services and the wider County Borough, what was being done to manage the risks and which individual was responsible for the Council's response.

The risk assessment was subject to review on a quarterly basis by Senior Management Team, as part of the Corporate Performance Assessment and twice yearly by the Audit Committee.

The Risk Management and Insurance Officer reported the main changes such as Making the Cultural Change necessary to deliver the Medium Term Financial Strategy. The risk description had been changed to reflect the 2017-18 Local Government revenue settlement. Whilst the overall headline increase of 0.1% in Aggregate External

Finance was a better settlement than was anticipated, funding on a like for like basis was a reduction of - 0.3%. This compared favorably with the -3.2% "most likely" assumption that was in the Council's Medium Term Financial Strategy 2017-18, but it still provided significant challenges. The risk description also noted that there was no indication of allocations for future years. However, in the UK Government Autumn statement, a forecast was made that UK Government finances would be worse off by £122bn in the period to March 2021 than was predicted in March 2016.

The risk description confirmed that the increase in the Council Tax rate of 2.9% was less than was originally planned. The risk impact noted that the Council's budget for 2017-18 to 2020-21 forecasted a £33.610 million budget reduction requirement.

The risk mitigation measures noted that the delivery of the MTFS would be supported by the disposal of assets. An estimated £21 million could be generated by the enhanced disposals programme with £13 million of this figure already delivered. It was anticipated that this would increase to £14.3 million by the end of 2016-17 with a further £6.6 million over the next three years. The risk score remained unchanged.

There were further changes in Supporting Adults at Risk. The risk description had changed to note that there was a plan in place to manage the significant number of cases that were coming through because of the Deprivation of Liberty legislation.

The risk mitigation measures had been changed to show that the Social Care Workforce Development Programme was providing an extensive programme of training including the Continuing Professional Education and Learning of Social Workers in the 1st and 2nd year of professional practice workforce development. This included the establishment of a team to work with persons in the secure estate and this was supported by a WG grant.

The risk mitigation measures also showed that the Population Assessment would be completed by 31 March 2017 and it would support the commissioning plan. Also the timescale for the completion of the two new Extra care homes had slipped. If there was a further delay then there would be a risk to both the development plans and the MTFS. The programme was being closely monitored and managed. The risk impact and risk score remains unchanged.

The Risk Management and Insurance Officer explained that there were changes to Supporting Vulnerable Children, Young People and their Families. The risk mitigation measures showed that a multi-agency safeguarding hub (MASH) was being developed to improve outcomes for children, young people and their families, by making sure that systems and processes enabled needs to be identified as early as possible and responded to proportionately and by the right person/service. Work was progressing well and the majority of agencies within scope for the MASH had already co-located to within the Assessment Team. An options appraisal for future accommodation had been scoped, and a final decision was awaited. All other preparatory work was underway.

The Council was ensuring that robust mechanisms were in place to identify and provide appropriate services to children at risk from child sexual exploitation (CSE). This included the early identification of CSE as practitioners had either received CSE training or were part of an ongoing programme to enhance their knowledge and the completion of Care and Support Assessments and Section 47 investigations. All Social Workers were familiar with the Sexual Exploitation Risk Assessment Framework. The risk description, impact and score remain unchanged.

There was little change in Welfare Reform. The taper rate for Universal Credit had been changed and this meant that benefits were withdrawn at 63p rather than 65p for every pound of earnings.

The risk description for Economic Climate and Austerity had been changed to include the drainage and flood risk mitigation requirements of Natural Resources Wales which had become more onerous for capital schemes. This could cause delay and extra cost and some cases became unviable and were not progressed. This could have an impact on the corporate priority to regenerate town centres. The risk mitigation measures noted that the Council was contributing to the development of the business plan for the Cardiff Capital Region City Deal, with the aim of bringing increased investment and economic control into the local area. A joint project was being developed to establish a network of enterprise hubs across the City Region, building on the Sony model in Bridgend. An options appraisal had been completed in draft to consider the future land use planning framework for South East Wales. The risk impact and risk score remains unchanged.

The risk mitigation measures for Disposing of Waste had been updated to reflect the further consultation on dispensations that would be allowed. The result of the consultation was that one further bag would be allowed for properties with 6 or 7 residents and two if there were 8 or more residents. Also one extra bag would be allowed for properties where the main source of heat was coal. The introduction of the Council's new waste collection policy would only be successful if the changes, and the reasons for them, were conveyed to the public in advance of the commencement of the scheme and during contract mobilisation. Consequently an education and engagement partner and additional call centre staff would be appointed. The risk description, impact and score remain unchanged.

There were no changes with Equal Pay.

The risk mitigation measures for Healthy Lifestyles had been brought up to date and now included the Getting Bridgend Moving and OlympAge Games programmes and the risk description, impact and score remain unchanged.

Under Maintaining Infrastructure, the risk mitigation measures noted that in 2017-18 there would be budget reductions in the areas of winter maintenance, weed spraying, technical surveys and road marking. The risk description, impact and score remain unchanged.

For Educational Provision, the risk description noted that the 2017-18 budget included a proposed 1% annual schools efficiency target. The risk mitigation measures also noted that the Council published its Welsh Education Strategic Plan (WESP) each year and was currently consulting on its new draft WESP with statutory consultees. The public consultation on the demand for Welsh medium education within Bridgend was currently ongoing and would be reported in the new year. This would support the delivery of the WESP. The risk impact and score remain unchanged.

There were no changes to the Impact of Homelessness risk.

The risk mitigation measures for Ineffective Collaboration with Partners noted that the Public Service Board was holding thematic workshops in order to: trial the concept of using a targeted theme; to gain increased knowledge of the different organisations; and lastly identify clear outcomes for collaborative working and for the local well-being plan. A Public Service Board Well-being Planning Working Group had been established to support the Public Service Board in developing the local well-being plan and it was expected that this would be published by 2018. The risk description, impact and score remain unchanged.

For Educational Attainment the risk mitigation measures noted that the Central South Consortium had recently undergone an Estyn inspection, the outcome of which had

recognised the rapid improvement across the five authorities in the region, the fastest improvement nationally and that the Consortium was now at or above the national average in all indicators. The risk description, impact and score remained unchanged.

For Health and Safety, the risk description had been changed to reflect that as further budget reductions were required; there was a risk that there would be a decrease in investment in assets and infrastructure. This had been reflected in the risk impact which said that there would be deterioration in the condition of the Council's assets and infrastructure. The risk mitigation measures had been updated stating that this risk would be managed by undertaking health and safety audits and condition surveys which would enable the Council to prioritise works and respond to emerging issues. Reference to completed capital projects had been taken out and the risk score remained unchanged.

Under School Modernisation, the risk mitigation measures had been changed to note that Band B of the school modernisation programme, if agreed, would provide the mechanism to deliver the developed strategy. Whilst not giving a firm commitment, there had been an indication from WG of a significant match element to funding. There had been no commitment as yet to funding by the Council. The risk description, impact and score remain unchanged.

The risk description for Welsh Language Standards had been changed to note that the council appealed eight of the September 2016 standards and was awaiting the outcome of these appeals as well as those made in March 2016. The risk mitigation measures, impact and score remain unchanged.

The risk description for Local Government Reorganisation had been changed to reflect the Local Government Secretary's statement that new proposals based upon an enhanced level of systematic and regional working would be set out and consulted upon prior to Local Government elections in May 2017. There was uncertainty about the outcome of this consultation however the risk impact, mitigation measures and score remain unchanged.

A Member asked if there had been an increase in the number of homeless people in Bridgend. The Risk Management and Insurance Officer explained that he did not know the latest position and that he would contact the Member with the figures.

The Committee asked if the risk had been previously underestimated following the better settlement figure than was anticipated and the MTFS. The Head of Finance explained that when the provisional settlement was announced the Finance Secretary reported that this would provide a welcome breathing space before a really difficult journey in future years. External pressures were particularly significant with the living wage and apprenticeship levels creating significant pressure and significant changes were still required.

The Committee asked how vulnerable adults could be accommodated in extra care with the proposal to close three homes and questioned if the risk score was too low. The Head of Finance explained that there was an intention to provide a secure dementia wing so no specialist care would be lost and the council would be looking for appropriate care for others.

A member suggested that the risk indicator for educational attainment should be higher due to the proposed 1% efficiency savings. BCBC had the highest teacher pupil ratio in Wales and this could result in a loss of 40 teachers over the next four years. BCBC was also the lowest funder per pupil in Wales. The Head of Finance explained that the register was based on draft proposals and he could not comment on the teacher pupil ratio. The figure of 40 was calculated over 4 years and not 1 and based on the

assumption that savings could only be made by losing teachers. The Risk Management and Insurance Officer agreed to raise the matter with education.

The Committee referred to the recent announcement of £36 million for closing the gap in education by reducing class sizes. Concerns were raised that this could result in BCBC being further out of sync with the rest of Wales with less teachers and larger class sizes. The Head of Finance explained that he was aware of other authorities that had made cuts to school budgets. The announcement related to the younger age group and careful consideration would be given to the way the funds were used.

A member asked if experienced staff in Health and Safety had been replaced. He was advised that additional resources had been made available with one new member of staff and that the comments would be referred back.

The committee commented that if council tax had been increased by 2% as originally considered, this would result in £4 million to offset future reductions and questioned if it was prudent not to do this. The Head of Finance explained that in principle a 2.9% increase in council tax equated to £2 million of additional income. Cabinet sought to balance the finances with incomes across the borough and this was a trade off agreed by Members not officers.

A Member referred to difficulties linking the risk and the potential impact and measures taken to mitigate the risk eg Transformational Change. The Risk Management and Insurance Officer agreed to look at the document in future to present the information in a better format.

A Member believed that the risk impact and score for LAC should be higher because the Directorate had not yet managed to address the numbers of children taken into care.

RESOLVED That Members considered the annual risk assessment and updated risk management timeline contained within Appendix 2 of the Risk Management policy.

290. TREASURY MANAGEMENT STRATEGY 2017-18

The Head of Finance presented the proposed Treasury Management Strategy for 2017-18 which include the Borrowing Strategy 2017-18, the Investment Strategy 2017-18, the Treasury Management and Prudential Indicators for the period 2017-18 to 2020-21 and the Annual Minimum Revenue Provision Statement 2017-18.

The Audit Committee had delegated responsibility for ensuring effective scrutiny of the Treasury Management Strategy and policies. The Treasury Management Strategy for 2017-18 confirmed the Council's compliance with the CIPFA Code, which required that formal and comprehensive objectives, policies and practices, strategies and reporting arrangements were in place for the effective management and control of Treasury Management activities, and that the effective management and control of risk were the prime objectives of these activities.

The Treasury Management Strategy was to be presented to Council for approval in March 2017 and whilst the main body would remain unchanged there might be variations to some of the figures if there were any changes (such as the capital programme) to reflect the most up to date information.

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The Committee referred to the potential for the Bank of England to set its Bank Rate at or below zero and the possible impact on the authority. The Head of Finance explained that advice from external advisors was that this was possible but relatively unlikely and other options could be considered although care would have to be taken to avoid exposing the authority to liquidity issues.

RESOLVED That Members gave due consideration to the Treasury Management Strategy 2017-18 before it was presented to Council for approval in March 2017 as part of the Medium Term Financial Strategy.

291. INFORMATION AND ACTION REQUESTS BY COMMITTEE

The Chief Internal Auditor presented a report which summarised actions and information requests made by the Audit committee at its last meeting on 24th November 2016. The report also included a response to a request made on 21 April 2016 regarding the high percentage of savings achieved in Legal and Regulatory Services. The Chief Internal Auditor apologised for the delay in providing the response and confirmed that there had been no increase in external fee costs.

The Chief Internal Auditor reported that there had been a misunderstanding with the number of employees attending absence management training courses reported to the 24th November meeting and that the figure related to one Directorate not the whole Council. The Committee asked for the percentage figure that had attended and were advised that this figure would be reported to the next meeting.

RESOLVED: That the report be noted.

292. COMPLETED AUDITS

The Chief Internal Auditor presented a report summarising the findings of the audits recently completed by Internal Audit Shared Service. Recently completed audits relating to 2016/17 were summarised in Appendix A attached to the report.

The Committee was advised that the audit opinion for the Townscape Heritage Initiative was "Substantial" and for the Corporate Change Fund the audit opinion was "Reasonable" although a recommendation was made regarding the lack of supporting evidence. There was a "Reasonable" opinion on the Built Environment Process Review although this area would be revisited because of slippage due to a lack of resources. The Supporting People Grant Verification received a "Reasonable" audit opinion.

The Committee asked for clarification regarding the Corporate Change Fund and the actual savings required to demonstrate the effectiveness of the fund. The Chief Internal Auditor agreed to look into the matter and report back. The Committee asked if the full amount had been committed and the Chief Accountant confirmed that there was an amount uncommitted and the bidding process was still underway. A report on this would be submitted to the next meeting.

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

293. OUTTURN REPORT - APRIL TO DECEMBER 2016

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The Chief Internal Auditor presented a report informing the Audit Committee of the actual Internal Audit performance against the nine months of the audit plan year covering April and December 2016.

The figures showed that 821 actual days had been achieved, 31 days more than the expected target of 790 days. This figure was likely to fall over the next few months due to resource issues. 22 reviews/jobs had been completed and closed, 20 of which had an overall substantial/reasonable audit opinion. Of the remaining 2, 1 identified significant weakness in the overall control environment and the other was closed with no opinion provided due to the nature of the work undertaken.

The Chief Internal Auditor gave reasonable assurances but added that there was still a lot of work to be done. Performance had slipped when it came to the percentage of audits completed in planned time, a consequence of resource issues and audits taking longer with expanding scopes. There were no significant cross cutting internal control weaknesses identified so far this year however specific weaknesses had been identified with the Bus Services Support Grant.

Members raised concerns about the number of significant recommendations that were three or more months overdue. Members requested more information on this to a future meeting.

The Chief Internal Auditor reported that an external assessment of the Internal Audit Shared Service was about to start.

- RESOLVED:
- 1) That Members gave due consideration to the Internal Audit Outturn Report covering the period April to December 2016 to ensure all aspects of the core functions were being adequately reported.
 - 2) That more information be submitted to a future meeting regarding the significant recommendations that were three or more months overdue.

294. AUDITS NOT UNDERTAKEN 2016-17

The Chief Internal Auditor presented a report summarising the audit work that was included within the 2016/17 Internal Audit Annual Risk Based Plan that would not now be undertaken, together with an explanation.

The report detailed the audit area and an account of why the work would not be undertaken. Members were assured that even though these reviews would not now be completed, they would be included within the 2017/18 Risk Based Audit Plan and this would not affect the ability of the Head of Audit to provide her annual opinion.

Members raised concerns about Transformational Change and were advised that a detailed report on progress had been received and this would be an item on the 2017/18 plan.

The Committee referred to the Medium Term Financial Strategy and the financial resilience review undertaken by WAO during August and November 2016, the results of which were due to be published soon. Members requested that if the review indicated that more work was required then this work would be undertaken.

- RESOLVED:
1. That the report be noted.

2. That work be undertaken on the MTFS if the financial resilience review undertaken by WAO indicated that further work was required.

295. UPDATE ON STAFF VACANCIES WITHIN THE INTERNAL AUDIT SHARED SERVICE

The Chief Internal Auditor presented a report providing a position statement on the current staff vacancies within the Internal Audit Shared Service as requested by Members at a previous Audit Committee meeting.

At the 24th November meeting, it was reported that the overall structure of the section was based on 18 Full Time Equivalent employees and the Section was carrying 4 FTE vacant posts which had now increased to 6 FTE vacant posts. A recent recruitment campaign was unsuccessful and a review of the current structure was being considered to determine its suitability in an ever changing dynamic audit environment.

The Chief Internal Auditor reported that there was no career progression for staff and morale was low. The Authority was not attracting the number of applicants required and those that had applied were not suitable. It was important to keep staff when they qualified and a structure was required to support this. In the short term, CIPFA, agency staff and neighbouring authorities had been approached but were unable to provide any cover.

The Committee asked how salary levels compared with neighbouring authorities. They were advised that salaries compared favourably and that this was a problem across Wales, although Bridgend had been significantly affected. Prior to job evaluation the structure included grades that allowed staff to progress as they qualified but this no longer existed. A new structure could help to address this problem.

The Committee commended the pilot in which specialist ICT skills of the Internal Audit Shared Service Section had been utilised to undertake an audit for Newport City Council.

RESOLVED: That the Committee noted the report and awaited a further report following the review of the current structure.

296. UPDATED FORWARD WORK PROGRAMME 2016-17

The Chief Internal Auditor presented an update on the 2016/17 Forward Work Programme for the Committee's information.

The Committee referred to the significance of asset transfers as a means of meeting budget requirements and requested that it be included in the work programme for 2017/18.

RESOLVED: That the Committee agreed the request and noted the updated Forward Work Programme to ensure that all aspects of the core functions were being adequately reported.

297. URGENT ITEMS

There were no urgent items.

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298. **EXCLUSION OF THE PUBLIC**

RESOLVED :

That under Section 100A(4) of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007, the public were excluded from the meeting during consideration of the following item of business as it contained exempt information as defined in Paragraph 14 of Part 4 and Paragraph 21 of Part 5 of Schedule 12A of the said Act.

The Legal Officer explained the public interest test, and following this, Members resolved that pursuant to the provisions of the Act referred to above, to consider the undermentioned item in private with the public being excluded from the meeting as it would involve the disclosure of exempt information as stated above.

299. **RISK BASED VERIFICATION REPORT**

The meeting closed at 11.35 am