

AUDIT COMMITTEE - THURSDAY, 15 NOVEMBER 2018

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOMS 2/3 - CIVIC OFFICES ANGEL STREET BRIDGEND CF31 4WB ON THURSDAY, 15 NOVEMBER 2018 AT 14:00

Present

Councillor A Williams – Chairperson

JE Lewis
PA Davies

RM Granville
P Davies

LM Walters
TH Beedle

AJ Williams
T Giffard

Apologies for Absence

MJ Kearn

Apologies for Absence due to Council Business

Officers:

Helen Smith	Chief Internal Auditor
Mary Williams	Chief Accountant
Andrew Rees	Senior Democratic Services Officer - Committees
Gill Lewis	Interim Head of Finance and Section 151 Officer
Lynne Berry	Group Manager Housing & Community Regeneration

Lay Member:

Josephine Williams

81. DECLARATIONS OF INTEREST

Councillor JE Lewis declared a personal interest in agenda item 13 – Approval of Exempt Minutes in that her grandson attends Flying Start. Councillor Lewis withdrew from the meeting during discussion thereof.

82. APPROVAL OF MINUTES

RESOLVED: That the Minutes of the meeting of the Audit Committee of 6 September 2018 be approved as a true and accurate record, subject to an amendment being made to the resolution in Minute no. 74 in “That the Committee considered and noted the progress made in respect of the External Audit Plan” replacing the words “That the Committee agreed to accept the progress made in respect of the External Audit Plan”.

83. WALES AUDIT OFFICE (WAO) REPORT ON THE SERVICE USER PERSPECTIVE OF DISABLED FACILITIES GRANTS

The Head of Finance and Section 151 Officer introduced the report of the Wales Audit Office on the Service User Perspective of Disabled Facilities Grants within the authority.

Martin Gibson representing the Wales Audit Office reported that it had completed work in 2017-18 to understand the service user perspective of Disabled Facilities Grants at each Council in Wales. He stated that the overall conclusion of the report was that most

service users were happy with the housing adaptations service, but the Council was not maximising opportunities to improve the service and deliver value for money. Five proposals for improvement had been identified following the review.

The Committee questioned whether service users are given an opportunity to evaluate the work when the building contractor is still carrying out adaptations or can they get the contractor to return to the property quickly to rectify problems and defects. The representative of the WAO informed the Committee that an evaluation was carried out following completion of the adaptations. He stated that Bridgend Care and Repair undertake two thirds of adaptation work and service users are sent a satisfaction survey of the adaptations undertaken which are then evaluated. A third of service users do not use Care and Repair and the WAO believe the authority should strengthen its evaluation arrangements. The Group Manager Housing informed the Committee that a survey of service users who do not use the services of Care and Repair is undertaken. The majority of the responses received are positive and the adaptations have made a difference to the lives of service users. She stated that surveyors carry out interim and final inspections of the adaptations carried out by contractors and the surveyors are part of the DFGs Team. She informed the Committee that arrangements for evaluating adaptations do need strengthening where service users commission independent contractors to undertake the adaptations.

The Committee asked whether service users are aware of the cost of adaptations. The Group Manager Housing informed the Committee that the agent will provide a Bill of Quantities at which point the cost of the adaptations will be known. Applicants will be means tested and they may be required to make a contribution towards the cost of the adaptations. Applicants are given a choice which agents they wish to engage. She stated that Care and Repair are well known and are set up in order to carry out adaptation work. Service users who use their own agents are required to get at least 2 quotations for the adaptations.

The Committee referred to the absence of a list of approved contractors and questioned whether the authority liaised with neighbouring local authorities. The Group Manager Housing informed the Committee that the authority is liaising with Cardiff and Neath Port Talbot Councils to look at good practice in order to revise the authority's practices.

The Committee considered that a list of professional builders should be drawn up who are able to carry out adaptation work to minimise the risk of defective workmanship. The Group Manager Housing stated that a more robust system of monitoring contractors was being looked at in order to minimise risk and whether the Department could work closely with the Council's Corporate Landlord Department.

The Committee asked whether contractors are required to work according to agreed timescales. The Group Manager Housing informed the Committee that contractors will have to programme work, although there may be unavoidable delays to work commencing. She stated that contractors would be expected to make a start on the adaptations and complete within a year of the approval of the DFG. Interim payments are made to contractors dependent on the value of the work and all completion certificates have to be in place prior to final payment being made.

The Committee referred to the number of days taken to deliver a DFG which on average takes 300 days and questioned whether this was attributed to there being a number of agencies used. The Group Manager Housing stated there was a need for processes to be streamlined and the use of an agency will add a layer to the process. She also stated that one of the frustrations of officers is the inconsistency in the recording of performance indicators by local authorities. The representative of the WAO commented

that the WAO had concerns at the recording of the performance indicator for DFGs which is unaudited.

The Committee requested that case studies be undertaken where properties have had the benefit of DFGs. The Group Manager Housing stated that case studies would be done and reported to this Committee for information.

The Committee asked whether the recommendations of the WAO will be woven into the review of DFGs. The Group Manager Housing stated that DFGs are one type of grant and the review would look at the other types of grant in place and to explore better working with Social Services. Some systems are already in place with Social Services but those systems need review to create better working arrangements with Occupational Therapists.

The Committee questioned whether the WAO would revisit the review of DFGs. The representative of the WAO stated that plans were being developed with the Head of Finance. The Head of Finance stated there would be a report to this Committee to provide an action plan relating to the recommendations in the WAO.

The Committee questioned whether complaints and complements are logged. The Group Manager Housing stated that a record is kept of concerns and payment will not take place until the work has been completed satisfactorily.

In response to a question from the Committee, the Group Manager Housing stated she would provide the Committee with the fee paid to the agent to support the service user through the building process.

RESOLVED: That the Committee noted the WAO Report on Service Users Perspective of Disabled Facilities Grants.

84. WALES AUDIT OFFICE (WAO) PERFORMANCE WORK UPDATE 2018-19

The Head of Finance and Section 151 Officer introduced the update report on the Performance Audit Programme for 2018-19 by the Wales Audit Office.

Samantha Clements representing the Wales Audit Office presented an update of the performance audit work programme as at October 2018 which outlined the work undertaken in the Council by and on behalf of the Auditor General. She stated that the WAO would be reporting on Digital Risk; the Improvement Plan Audit 2018-19; Performance Audit; the Annual Improvement Report and Financial Planning and Transformation. The WAO would be examining the sustainable development principles of the Porthcawl Resort Investment Focus Programme and reviewing the arrangements the Council has put in place to deliver environmental health services and the effectiveness of corporate safety arrangements which were planned for completion in Spring 2019. A report on using data effectively would be presented to the Committee next month.

The representative of the Wales Audit Office stated that a letter had been sent to the Chief Executive regarding the Council's preparedness for Brexit in relation to funding, workforce and regulatory implications and the Council's duties to meet the Wellbeing of Future Generations (Wales) Act 2015.

The Committee questioned the means by which local government studies are selected. The representative of the WAO informed the Committee that the Auditor General will carry out work on themes and select ones which will have the greatest impact. The Committee questioned the reasons for the selection of certain local authorities in the

local government studies. The representative of the WAO informed the Committee that internal knowledge is considered as well the advice of stakeholders and good practice in the selection of local authorities selected for local government studies. The Head of Finance and Section 151 Officer commented that the themes across local government are similar and the relevant officers considered the findings applicable to this Council for adoption even if this Council was not part of the pilot study and that a report be presented to the Committee on those findings.

RESOLVED: (1) That the Committee noted the WAO performance audit work programme update October 2018;

(2) That a report be presented to the Committee on the findings of the local government studies.

85. **WALES AUDIT OFFICE ANNUAL IMPROVEMENT REPORT (AIR) 2017-18
BRIDGEND COUNTY BOROUGH COUNCIL**

The Head of Finance and Section 151 Officer introduced the Annual Improvement Report (AIR) 2017-18 from the Auditor General.

Samantha Clements representing the Wales Audit Office presented the Auditor General's annual improvement report. The Auditor General had undertaken improvement assessment work at all councils in 2017-18 as well as work in relation to the Wellbeing of Future Generations (Wales) Act 2015. She stated that the Annual Improvement Report includes a summary of the national studies the WAO undertook during the year with recommendation which require all local authorities to address. She also stated overall, the conclusion was positive and the Council is meeting its statutory requirements in relation to continuous improvement, based on the work carried out by the Wales Audit Office and relevant regulators. The Auditor General believed the Council is likely to comply with the requirements of the Local Government Measure 2009 during 2018-19.

She reported on the headline findings of the following projects it had undertaken and presented the headline findings under each project:

- 'Scrutiny: Fit for the Future?' Review
- Annual Audit Letter 2016-17
- Annual Improvement Plan Audit
- Annual Assessment of Performance Audit

The representative of the Wales Audit Officer reported that national report recommendations had been made in respect of:

- Savings Planning in Councils in Wales
- Public Procurement in Wales
- Good governance when determining significant changes – National Summary
- Local Government Financial Reporting 2016-17
- How Local Government manages demand – Homelessness
- Housing Adaptations
- Speak my language: Overcoming language and communication barriers in public services
- Reflecting on Year One: How have public bodies responded to the Wellbeing of Future Generations
- Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities

Concern was expressed by the Committee as to how the Scrutiny function could be more innovative.

The Committee questioned how it could get a better sense of the criticalness of the national report recommendations and how best the Council would need to implement the recommendations. Martin Gibson of the Wales Audit Office informed the Committee that the national recommendations may not require an action by this Council.

RESOLVED: That the Committee noted the Annual Improvement Report 2017-18 produced by Wales Audit Office.

86. **TREASURY MANAGEMENT - HALF YEAR REPORT 2018-19**

The Group Manager – Chief Accountant presented a report updating the Committee on the mid-year review and half year outturn position for treasury management activities, Treasury Management and Prudential Indicators for 2018-19 and highlighted compliance with the Council's policies and practices which had been reported to Cabinet and Council.

The Group Manager – Chief Accountant explained that the Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. She added that the Welsh Government issued revised Guidance on Local Authority Investments in April 2010 which required the Council to approve an Investment Strategy prior to the start of each financial year and this was included in the TMS.

The Group Manager – Chief Accountant reported that the Council has complied with its legislative and regulatory requirements during the first half of 2018-19. The TMS 2018-19 and the Half Yearly Outturn were reported to Council on 28 February and 24 October 2018 respectively. She presented a summary of the treasury management activities for the first half of 2018-19. The Council had not taken long term borrowing since March 2012 and it was not expected there would be a requirement for any new long term borrowing in 2018-19, however for cash-flow purposes short term borrowing will be taken and £3 million short term borrowing was taken and repaid between 1 April and 30 September. Favourable cash flows had provided surplus funds for investment and the balance on investments at 30 September 2018 was £34.30 million with an average interest rate of 0.81% which equated to £126k.

The Group Manager – Chief Accountant informed the Committee that the Council opened Money Market Funds in August 2017 and opened additional MMFs in September 2018. It also set up a web based portal (at no cost to the Council) to simplify and introduce efficiencies to all aspects of MMFs from account maintenance through to trading and reporting. She also informed the Committee of the Council's average rate of return on investments and the Council's average rate of return on investments was more favourable than the average of Arlinclose Welsh Local Authority clients.

RESOLVED: That the Committee noted the treasury management activities for 2018-19 for the period 1 April 2018 to 30 September 2018 and the projected Treasury Management and Prudential Indicators for 2018-19 which were all reported to Council on 24 October 2018.

87. **AUDIT REPORT - INFORMATION MANAGEMENT FOLLOW UP**

The Chief Internal Auditor reported on the follow up audit in respect of the Information Management review undertaken by the South West Audit Partnership on behalf of the

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Council's Internal Audit Shared Service and which formed part of the 2017/18 Audit Plan.

She informed the Committee that Information Management is an important aspect of governance for an organisation. Effective Information Management will facilitate and support efficient working, better decision-making, improved customer service and business transformation to facilitate the delivery of key priorities and objectives. She stated that the recommendations for improvement have been reviewed with the relevant manager and a management response was produced for each area requiring attention.

The Chief Internal Auditor reported that the assurance for Information Management follow up had been reviewed as an overall Medium Assurance Opinion. She stated that due to the passage of time from the completion of the follow up review to its submission to this Committee, the relevant service areas had actioned a significant number of the recommendations made and there was a need for more timely information to be brought to this Committee.

In response to a question from the Committee for information on the GDPR Implementation Board and Governance Board, the Chief Internal Auditor stated that she would provide the Committee with detail of the composition, terms of reference and the frequency of meetings of those Boards.

The Committee questioned when the Information Management Strategy and Business Continuity & Disaster Recovery Plan will be reviewed and who will be responsible for the actions which arise. The Chief Internal Auditor informed the Committee that Internal Audit is in the process of finalising a report on Business Continuity, the outcome of which should be reported within the next outturn report. A watching brief would be kept on those recommendations contained within the Information Management follow up, although due to the timeliness of the report, many of the recommendations had been actioned.

The Committee considered that officers should have ownership of the recommendations and that responsibility should lie where it belongs and not with the audit function. The Committee referred to the phasing out of Public Services Network (PSN) compliance but would be adhered to until such time as the Council no longer utilises services via the PSN and that the Group Manager is satisfied that PSN is being replaced by Cyber Essentials Plus. The Chief Internal Auditor stated that the ICT Department had worked on the PSN recommendations and is aware of the severity of the recommendations and is delivering on Cyber Essentials Plus. The Committee considered there was a need in future for recommendations to be implemented and reported more proactively.

RESOLVED: That the Committee considered the content of the Healthy Organisation Follow Up Review and the actions that have already been taken to address those areas requiring attention and requested the Group Manager ICT attend the next meeting of the Committee to present a report addressing the actions in relation to Information Management.

88. INTERNAL AUDIT - OUTTURN REPORT - APRIL TO SEPTEMBER 2018

The Chief Internal Auditor reported on the performance of Internal Audit against the Audit Plan for the period April to September 2018. She explained that the 2018/19 Internal Audit Plan was submitted to the Audit Committee for approval on 26 April 2018, the Plan provided for a total of 1000 productive days covering April 2018 to March 2019.

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The days were split into Priority One and Priority Two reviews with the intention of completing the whole plan by the end of the financial year.

The Chief Internal Auditor reported on the actual progress against the 2018/19 Risk Based Plan which detailed those reviews which had not yet been allocated in the respective quarters and those reviews which had been brought forward from future quarters. The Chief Internal Auditor informed the Committee that the overall structure of the Section continues to be based on 14 Full Time Equivalent positions and the Section continues to carry vacant posts. She stated that the recent recruitment campaign had proved to be extremely successful with all the vacant auditors' posts and one of the Senior posts filled. These new members of staff commenced their employment in the service in August 2018 and were settling well in their new roles. The services of the South West Audit Partnership had again been commissioned to address in part some of the shortfall in days necessary to complete the plan and this was likely to continue throughout this financial year.

The Chief Internal Auditor reported on the details of those reviews which had been completed during the period and their performance. During the period, only one review identified significant weaknesses in the system of internal control to date which had been reported to this Committee in September.

The Head of Finance and Section 151 Officer informed Members that work was progressing well on implementation arrangements for a shared regional service. The post of Head of Shared Service had been advertised and the Chairperson of this Committee would be part of the interview panel. It was hoped to report on the outcome of the appointment process to the next meeting of the Committee.

The Committee requested that it have sight of the Anti-Fraud and Bribery and Whistleblowing Policies. The Chief Internal Auditor informed the Committee that a risk assessment had been completed of the Anti-Fraud and Bribery policy and that she would report the policy to this Committee.

RESOLVED: That the Committee considered the Internal Audit Outturn Report covering the period April to September 2018 to ensure that all aspects of their core functions were being adequately reported.

89. UPDATED FORWARD WORK PROGRAMME 2018/19

The Chief Internal Auditor presented an update on the 2018/19 Forward Work Programme. She stated that in order to assist the Committee in ensuring that due consideration had been given by the Committee to all aspects of their core functions an updated Forward Work Programme was submitted. She also informed the Committee that the Group Manager ICT be requested to attend the next meeting of the Committee as part of its consideration of the report on Information Management.

RESOLVED: That the Committee noted the updated Forward Work Programme 2018-19.

90. URGENT ITEMS

The Committee requested that it be provided with a hard copy of the briefing paper to accompany the CIPFA survey Members had been requested to complete and that the Lay Member of the Committee receive a copy of the survey to complete.

91. EXCLUSION OF THE PUBLIC

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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 be excluded from the meeting during consideration of the following item of business as it contains exempt information as defined in Paragraphs 12, 13 and 18 of Part 4 and Paragraph 21 of Part 5 of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

Following the application of the public interest test in consideration of this item, it was resolved that pursuant to the Act referred to above, it be considered in private, with the public being excluded from the meeting as it would involve the disclosure to them of exempt information of the nature as stated above.

92. APPROVAL OF EXEMPT MINUTES

The meeting closed at 15:50