

**AUDIT COMMITTEE - THURSDAY, 8 AUGUST 2019**

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOMS 2/3,  
CIVIC OFFICES ANGEL STREET BRIDGEND CF31 4WB ON THURSDAY, 8 AUGUST 2019  
AT 14:00

Present

Councillor LM Walters – Chairperson

|             |          |             |              |
|-------------|----------|-------------|--------------|
| JE Lewis    | MJ Kearn | B Sedgebeer | RM Granville |
| AJ Williams | P Davies | TH Beedle   |              |

Apologies for Absence

CA Green, A Williams and PA Davies

Apologies for Absence due to Council Business

Officers:

|                |   |
|----------------|---|
| Mark Thomas    | Head of Regional Audit Service                                |
| Mark Jones     | Financial Audit Manager, Wales Audit Office                   |
| Andrew Rees    | Democratic Services Manager                                   |
| Gill Lewis     | Interim Head of Finance and Section 151 Officer               |
| Nigel Smith    | Finance Manager   |
| John Llewellyn | Financial Audit Team Leader, Wales Audit Office               |
| Arron Norman   | Finance Manager - Social Services Wellbeing, Resources & LARS |

Lay Member:

Mrs J Williams

142. DECLARATIONS OF INTEREST

None.

143. APPROVAL OF MINUTES

RESOLVED: That the minutes of the meeting of the Audit Committee of 13 June 2019 be approved as a true and accurate record subject to the names of Mark Jones and Samantha Clements of the Wales Audit office being added to the list of those present.

144. AUDIT COMMITTEE ACTION RECORD

The Democratic Services Manager presented the updated Audit Committee Action Record.

The Committee questioned whether the recommendations contained in the Healthy Organisation Review – Action Plan would be reported to the next meeting of the Committee. The Head of Regional Audit Service informed the Committee that a draft of the report had recently been received from the South West Audit Partnership which had

now been shared with officers. He stated that he would confirm when the report would be brought to Committee.

**RESOLVED:** That the Committee in considering the Action Record requested that an archive be kept of actions which had been completed, those which are shown in grey, that the status of ongoing be changed to update and that the Action Record be carried forward to future meetings.

145. **WALES AUDIT OFFICE (WAO) PERFORMANCE WORK UPDATE**

The Interim Head of Finance and Section 151 Officer reported on an update on the Performance Audit Programme by the Wales Audit Office. The performance audit work outlines the work undertaken in the Council and across Wales by and on behalf of the Auditor General under the Local Government (Wales) Measure 2009 and Parts 2 and 3A of the Public Audit (Wales) Act 2004.

The Interim Head of Finance and Section 151 Officer highlighted the status of the performance audit work undertaken in 2018-19 and in 2019-20 and the status of the local government studies, undertaken nationally in 2018-19 and 2019-20.

The Financial Audit Manager, Wales Audit Office informed the Committee that the Wales Audit Office had undertaken a review of Fraud which had been presented to the Assembly's Public Accounts Committee, which would result in local as well as the National report being produced.

The Committee questioned the year which the various components related to. The Interim Head of Finance to confirm with the Wales Audit Office the timing on the pieces of work i.e. Improvement audit, performance audit, AIR and ARA and the WAO to brief members at the next Audit Committee.

**RESOLVED:** That the Committee noted the WAO performance audit work Audit Committee Update August 2019.

146. **WALES AUDIT OFFICE INTEGRATED CARE FUND REPORT**

The Interim Head of Finance and Section 151 Officer reported that the Wales Audit Office had produced a report on the Integrated Care Fund, which had been undertaken to examine whether the fund is being used effectively to deliver sustainable services that achieve better outcomes for service users. It focused on whether the Welsh Government is effectively managing the fund to deliver against its intentions, as well as understanding whether Regional Partnership Boards are demonstrating effective use of the fund. It also considered whether projects supported by the fund are making a clear difference at a local level.

The Interim Head of Finance and Section 151 Officer informed the Committee that the report set out a number of recommendations which are intended to help support the Welsh Government and RPBs to improve the arrangements for managing the fund. She stated that alongside the national report, there would also be a local report which drew on the feedback to each of the RPBs and will be presented to the Audit Committee when finalised.

The Committee expressed concern at the problems in the system due to the funding being short term in nature, which had not promoted strategic planning, this difficulty had been recognised by the WAO. The Committee considered there was a need to monitor and address the annual nature of the funding and that consideration be given to match funding projects to enable a more strategic approach to be taken. The Committee

requested that the Wales Audit Office suggest actions and targets which the Council could use to test and monitor the effectiveness of the Integrated Care Fund.

The Interim Head of Finance and Section 151 Officer informed the Committee that the Corporate Director Social Services and Wellbeing could brief the Committee on the governance surrounding funding which is not mainstreamed to the Council, such as ICF funding and also the Regional Partnership Board. The Democratic Services Manager to establish whether such a report on the Integrated Care Fund is on the Overview and Scrutiny Forward Work Programme and if not, a briefing to be brought to the Audit Committee on the Integrated Care Fund.

**RESOLVED:** That the Committee noted the WAO Integrated Care Fund Report.

147. **STATEMENT OF ACCOUNTS 2018-19**

The Interim Group Manager Chief Accountant submitted a report which presented the final Statement of Accounts for 2018-19, which is now due to be certified by the Council's external auditors, Wales Audit Office (WAO) and the associated Letter of Representation of the Council. He informed the Committee that the WAO will update the Committee on their main findings from the audit, summarise the audit work carried out for the 2018-19 financial year and present their Audit of Financial Statements Report, which requires the appointed auditor to report those key findings to those charged with governance.

The Interim Group Manager Chief Accountant reported on a number of amendments required to the accounts, including pensions amendments as a result of a recent Supreme Court pensions case ruling; reclassification amendments and a number of exit package amendments. The Interim Group Manager also noted a number of asset valuation amendments which were identified during the interim audit but which had already been amended in the pre-audit Statement of Accounts presented to Committee in June. He also noted that a number of notes to the accounts were amended that did not affect the core financial statements or the financial position of the Council. Details of the amendments were contained within the Auditor's Report.

The Financial Audit Manager, Wales Audit Office informed the Committee that the Wales Audit Office is to issue an unqualified and clean audit certificate, the accounts will be certified on 13 August 2019. He also informed the Committee that the quality of the accounts are good and there has been a good level of engagement with officers. Since the signing of the unaudited Statement of Accounts by the Responsible Financial Officer and their presentation to the previous meeting of the Audit Committee, the external audit has taken place, resulting in a number of amendments being made to the financial statements. He highlighted recommendations arising from the 2018-19 financial audit work. He stated that the McCloud Judgement in relation to public sector pension reforms which amounted to direct age discrimination being unlawful, had resulted in a revised pensions actuary report being sought, requiring amendments to the cost of services within the Comprehensive Income and Expenditure Statement of £8.24M along with an associated increase in the Pensions Liability and Pensions Reserve in the Balance Sheet. This has been reflected through the Movement in Reserves, cash flow statement and associated notes to the accounts. He stated that the UK Government is looking at introducing changes to public sector pensions.

The Financial Audit Manager also informed of the early closure project, which, from 2021 requires the accounts be approved by Committee and the Auditor by 31 July. He requested that consideration be given to holding an Audit Committee on 30 July 2020.

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The Committee requested that reference to Wales being described as a Principality be removed from the narrative of Bridgend as a Place.

The Chairperson on behalf of the Committee thanked officers in the Finance Department for meeting the stringent timescales in producing the Statement of Accounts.

The Financial Audit Manager informed the Committee of the Porthcawl Harbour Annual Return for the year ended 31 March 2019, it was the intention of the Wales Audit Office to issue an unqualified certificate for the accounts and there no matters in respect of the opinion to be drawn to the attention of the Committee.

RESOLVED: That the Committee:

- (1) Approved the audited Statement of Accounts 2018-19 and amendments therein;
- (2) Noted the appointed auditor's Audit of Financial Statements Report;
- (3) Noted and agreed the Final Letter of Representation to the Wales Audit Office.

### 148. CORPORATE RISK ASSESSMENT

The Interim Head of Finance and Section 151 Officer reported on an update on changes to the Corporate Risk Assessment, in accordance with the Council's risk management timeline, contained within the Council's Risk Management Policy.

The Interim Head of Finance and Section 151 Officer informed the Committee that the risk assessment had been reviewed in consultation with the Corporate Management Board and 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 who is responsible for the Council's response. The Interim Head of Finance and Section 151 Officer summarised the changes to the risks.

The Committee expressed concern at changes which had been made to risks which had impacted in a number of scores being reduced and questioned how the risk appetite was calculated and decided on. The Interim Head of Finance and Section 151 Officer stated there was a need for officers to decide on the appropriate level of risk to escalate to the Corporate risk register and each Directorate has a risk register. She considered that mitigating actions have been put in place in the risk register and stated that she would take the Committee's concerns back to the Corporate Management Board for consideration.

The Committee also wished to be assured there was sufficient challenge across the authority in reviewing risk scores. The Committee was also concerned at the level of risk being reduced from 3 to 2 for Risk 1 as the Council faces considerable challenges in making savings in order to meet the requirements of the Medium Term Financial Strategy. The Committee considered that some of the risks reported were being presented as being too positive and expressed concern in relation to the score being reduced in Risk 8 in the event that the Council is unable to attract or retain staff with the necessary skills to meet the demands placed upon the authority and its services.

The Committee requested a breakdown of staffing risks per Directorate on Risk 8 – vacancies, cover etc. with the potential for sickness to increase as a consequence of the Council being unable to attract or retain a workforce with the necessary skills to meet the demands placed upon it.

**RESOLVED:** That the Committee considered the changes to the Corporate Risk Assessment and requested a further report in November 2019 on the matters above with an updated risk register.

149. **CORPORATE FRAUD REVIEW 2018-19 & NATIONAL FRAUD INITIATIVE UPDATE**

The Audit Client Manager reported on a summary of how the Council manages the risk of fraud with an aim of prevention, detection and subsequent investigation and reporting of fraud. She also presented an update to the latest National Fraud Initiative (NFI exercise).

The Audit Client Manager reported that the Council sets high standards for both Members and Officers in the operation of the Council's affairs and has always dealt with any allegations or suspicions of fraud, bribery and corruption promptly. It has in place policies, procedures and reporting mechanisms to prevent, detect and report on fraud, bribery and corruption. These include the Fraud Strategy and Framework, a Whistleblowing Policy, ICT Code of Conduct and the Anti-Fraud and Bribery Policy. She stated that Fraud Strategy and Framework 2018/19 to 2020/21 was reviewed and reported to the Audit Committee in January 2019 and continues to underpin the Council's commitment to prevent all forms of bribery and corruption, whether it be attempted externally or from within. There have been no new guidance since this date and therefore no changes are proposed to the existing strategy.

The Audit Client Manager reported that Fraud Strategy and Framework includes reactive and proactive work. The proactive work was presented in an action plan which had been updated and the progress of which was highlighted by the Audit Client Manager which set out the developments the Council proposes over the medium term future to further improve its resilience to fraud and corruption. She stated that effective fraud awareness training for Members and Officers is being developed. A schools anti-fraud toolkit has been drafted with a supporting self-assessment health check.

The Interim Head of Finance and Section 151 Officer informed the Committee of a recent enforcement exercise undertaken by the authority against the fraudulent abuse of the Blue Badge scheme. The Council had worked in partnership with a specialist team from Portsmouth City Council which resulted in 68 interventions, 15 of which were serious enough for fixed penalties to be issued, with further action under consideration. Officers provided advice to drivers clarifying the correct use of the scheme, however the Council had warned that abuse of the service will not be tolerated. The Interim Head of Finance and Section 151 Officer informed the Committee that the misuse of a Blue Badge can be subject to a penalty on conviction of up to £1,000, potentially increasing to more than £5,000 in cases of fraud.

The Audit Client Manager also reported that the National Fraud Initiative data matching exercises were conducted in 2016 and 2018 and of significance were the results of matches for individuals in receipt of Single Person Discount. She stated that the matches for the most recent data matching exercise undertaken in 2018 had been released. To date, 729 matches had been reviewed with a total value of £39,576 being identified as potential fraud or error with £15,522 having been recovered.

The Committee requested that an explanation on the reasons for the difference between the amounts over claimed and recovered for those in receipt of Single Person Discount as part of the 2016 exercise.

**RESOLVED:** That the Committee noted the report, the measures in place and the work being undertaken to prevent and detect fraud and error.

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150. UPDATED FORWARD WORK PROGRAMME 2019/20

The Head of Regional Audit Service presented an update on the 2019/20 Forward Work Programme. He 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.

The Head of Regional Audit Service informed the Committee that the Whistleblowing Policy scheduled for the January meeting of the Committee would instead be presented to the Standards Committee.

The Chairperson requested that the meeting of the Audit Committee be moved from 23 January 2020 to 30 January 2020. The Interim Head of Finance confirmed that an announcement would be made at the next meeting of Council to change the date of the meeting.

RESOLVED: That the Committee noted the updated Forward Work Programme 201/20.

151. URGENT ITEMS

There were no urgent items.

The meeting closed at 15:15