

**AUDIT COMMITTEE - THURSDAY, 14 NOVEMBER 2019**

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

Present

Councillor LM Walters – Chairperson

JE Lewis	RM Granville	A Williams	PA Davies
P Davies	TH Beedle	A Hussain	

Apologies for Absence

MJ Kearns and AJ Williams

Officers:

Mark Thomas	Head of Regional Audit Service
Samantha Spruce	Wales Audit Office
Andrew Rees	Democratic Services Manager
Gill Lewis	Interim Head of Finance and Section 151 Officer
Lynne Berry	Group Manager Housing & Community Regeneration
Joan Davies	Audit Client Manager
Martin Morgans	Head of Performance and Partnership Services
Mark Shephard	Chief Executive
Ieuan Sherwood	Economy and Natural Resources Manager
Kelly Watson	Head of Legal & Regulatory Services
John Llewellyn	Financial Audit Team Leader, Wales Audit Office
Ian Phillips	Performance Auditor, Wales Audit Office
Ginette Beal	
Will Lane	Operational Manager Shared Regulatory Services

152. DECLARATIONS OF INTEREST

None.

153. APPROVAL OF MINUTES

RESOLVED: That the minutes of the meeting of the Audit Committee of 8 August 2019 be approved as a true and accurate record subject to the name of Mrs J Williams being added to the list of those present.

154. INTEGRATED CARE FUND GOVERNANCE

The Corporate Director Social Services and Wellbeing reported on an overview of the National Integrated Care Fund (ICF) and the regional governance and monitoring arrangements surrounding the fund.

The Corporate Director Social Services and Wellbeing informed the Committee that as a result of the re-alignment of the health board boundary – now known as the Cwm Taf Morgannwg region, officers and elected members were now working with new partners and establishing new regional partnership arrangements. This included the allocation, influence and management of the Integrated Care Fund which remains under the approval of the Regional Partnership Board. She highlighted the governance structure which oversees the ICF process in the Cwm Taf Morgannwg region, the governance arrangements are in the process of being reviewed due to the re-alignment of the boundary changes. It was expected that the review will recommend a similar three tier structure, with it intended to be implemented from April 2020.

The Corporate Director Social Services and Wellbeing reported that the Cwm Taf Morgannwg Regional Partnership Board had seen its ICF Revenue allocation increase from £5.608m to £12.7m during 2019/20, due to the inclusion of the Bridgend ICF allocation. To assist Bridgend transition into the new Region, it was agreed that Bridgend would ring fence its previous ICF Revenue allocation of £1.988m. She highlighted examples of some ICF Revenue being ring fenced to themes identified by Welsh Government as being specific priorities to deliver national strategies. The Integrated Autism Service, Dementia Action Plan and Welsh Community Care Information System are examples of how specific ICF allocations are ring fenced within each regional allocation. She stated that completed bids for the ICF Revenue allocation therefore range from those from a single organisation, to integrated Health and Social Care bids, and also regional collaborative approaches that may consist of all local authorities or one local authority plus Health Board. Some ICF bids are for previous or existing schemes that are carried over from year to year, and such schemes are currently dependent on ICF. The Corporate Director Social Services and Wellbeing outlined the process for bids whereby proposals are approved locally and submitted to the Regional Commissioning Team that serve the Cwm Taf Morgannwg Regional Partnership Board.

The Corporate Director Social Services and Wellbeing reported on the ICF capital allocation, which for the region in 2019/20 is £5,049,000, inclusive of £1,500,000 transferred from Western Bay into the new region. It was estimated that this would total £5,771,000 in 2020/21. She stated that the process for considering ICF capital bids is similar to that of the revenue process. The key difference between ICF Revenue and ICF Capital Allocation is that the capital allocation can be separated into two parts being Main Capital Programme (MCP) for schemes over £100,000 and Discretionary Capital Schemes (DCP) for schemes under £100,000. Whilst there is not a requirement for regions to have DCP schemes, Welsh Government impose a limit on the DCP allocation to a maximum of up to 20% of the total capital funding available for the Region in 2019/20.

The Committee questioned whether it was necessary in respect of project MCP 11 for land and buildings to be purchased to create 10 new specifically designed accommodation for those with complex health and learning difficulties as it would be prudent to build on the Council's land. The Corporate Director Social Services and Wellbeing informed the Committee that a whole range of options would be considered in conjunction with registered social landlords and it had yet to be confirmed whether there would be a land deal for this project. She stated that sometimes land is better sold for development and that land would not be purchased until all options had been examined. Its cost effectiveness and achieving the best outcome for the service would be considered.

The Committee questioned the proposals for project MCP 13 Maesteg Hospital. The Corporate Director Social Services and Wellbeing informed the Committee this was a feasibility study for the future development of Maesteg Hospital.

The Committee questioned whether the new governance structure would cause concern to get bids for funding projects. The Corporate Director Social Services and Wellbeing informed the Committee that there were no immediate concerns. The Committee reminded the Wales Audit Office (WAO) that they had previously raised questions on whether ICF across Wales was effective. Samantha Spruce from the WAO informed the Committee that she would make those enquiries.

The Committee referred to delays in the decision making processes in the Welsh Government which meant that confirmation offers were not returned to the region until late August and whether there would be a risk to projects not being completed. The

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Corporate Director Social Services and Wellbeing informed the Committee that this is an issue of sustainability and it was difficult to plan in the long term with grant funding as it is not core funding, leading to difficulties in recruiting temporary staff. She stated there are contingency plans for slippage. The Corporate Director Social Services and Wellbeing stated that she would provide the Committee with details of schemes at risk due to delays in funding. She undertook to provide the Committee with the papers of the Regional Partnership Board.

RESOLVED: That the Committee noted the information in the report.

155. AUDIT COMMITTEE ACTION RECORD

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

in relation to the item on Corporate Fraud Review 2018-19 & national Fraud Initiative, the Interim Head of Finance and Section 151 Officer explained that the reason for the difference between the amounts identified as over claimed and recovered for those in receipt of Single Person Discount was due to 2 issues. The first was that the amount set out as over claimed was an estimate, and secondly, that there is a time difference between identification and collection.

RESOLVED: That the Committee considered the Action Record.

156. WALES AUDIT OFFICE ENVIRONMENTAL HEALTH SERVICES - FOLLOW-UP REVIEW

Ginette Beal of Grant Thornton presented a follow-up review of Environmental Health Services, which it had been commissioned to do by the WAO. She informed the Committee that the WAO undertook this piece of work as a follow up to a national report published in October 2014, entitled 'Delivering with less – impact on environmental health services and citizens'. The local review in 2019 assessed whether there have been any budget and staff changes within the Council's environmental health services and the extent to which it has addressed the recommendations included in their 2014 national report. The recent review focused on the Council's progress in addressing recommendations 2, 3, 4, and 5, namely:

- R2 Provide scrutiny chairs and members with the necessary skills and support to effectively scrutinise and challenge service performance, savings plans and the impact of budget reductions.
- R3 Improve engagement with local residents over planned budget cuts and changes in services by:
- consulting with residents on planned changes in services and using the findings to shape decisions;
  - outlining which services are to be cut and how these cuts will impact on residents; and
  - setting out plans for increasing charges or changing standards of service.
- R4 Improve efficiency and value for money by:
- identifying the statutory and non-statutory duties of council environmental health services;
  - agreeing environmental health priorities for the future and the role of councils in delivering these;
  - determining an 'acceptable standard of performance' for environmental health services (upper and lower) and publicise these to citizens;

- improving efficiency and maintaining performance to the agreed level through:
  - collaborating and/or integrating with others to reduce cost and/or improve quality;
  - outsourcing where services can be delivered more cost effectively to agreed standards;
  - introducing and/or increasing charges and focusing on income-generation activity;
  - using grants strategically to maximise impact and return; and
  - reducing activities to focus on core statutory and strategic priorities.

R5 Improve strategic planning by:

- identifying, collecting and analysing financial, performance and demand/need data on environmental health services;
- analysing collected data to inform and understand the relationship between 'cost: benefit: impact' and use this intelligence to underpin decisions on the future of council environmental health services; and
- agree how digital information can be used to plan and develop environmental health services in the future.

She informed the Committee that overall, the WAO found that the Shared Regulatory Services (SRS) model is enabling the Council to sustain its delivery of environmental health services in a context of reducing resources and additional responsibilities placed on it by ongoing changes in legislation. It also felt there is scope for the Council to strengthen its scrutiny and oversight arrangements of environmental health services and work with SRS and other providers to explore the opportunities for future improvement.

The Operational Manager Shared Regulatory Services informed the Committee that the report presented a positive picture. He stated that management had been streamlined, but there would be increasing challenges ahead. The SRS is committed to a 4 year review of the service consulting its Board, staff and Trade Unions. He was aware that there would be opportunities for the service to be the subject of scrutiny by each of the three Councils. The Democratic Services Manager confirmed that the Corporate Overview and Scrutiny Committee had scheduled an item on the Scrutiny of SRS as part of its work programme.

The Committee questioned whether the SRS was competitive with external providers of pest control services. The Head of Performance and Partnership Services informed the Committee that the Council is consulting on whether to continue with a non-paying service for pest control services. The Interim Head of Finance and Section 151 Officer informed the Committee that the Budget Research and Evaluation Panel had looked at this as part of the budget process, and had made recommendations. The proposal was currently part of the budget consultation process.

The Operational Manager informed the Committee that the Head of Shared Regulatory Services was looking at the delivery of training opportunities for Members. The Head of Legal and Regulatory Services confirmed that scrutiny opportunities were being looked at.

**RESOLVED:** That the Committee noted the WAO Environmental Health Services Follow Up Report.

157. **DISABLED FACILITIES GRANT (DFG) - RESPONSE TO WAO RECOMMENDATIONS**

The Head of Performance and Partnership Services reported on an update on progress on the recommendations made in the WAO report on satisfaction levels of Disabled Facilities Grant applicants in Bridgend.

He informed the Committee that since the report, a number of actions had been undertaken to respond to specific WAO recommendations. He also illustrated examples of case studies which had been provided. Other key actions completed were a staffing re-structure; research and liaison with other local authorities to investigate delivery and operational models, including Cardiff City Council and Neath Port Talbot Council; a Lean Thinking Review undertaken by an Independent Consultant to identify unnecessary bureaucracy and barriers; and a number of day-to-day operational changes made to clarify and simplify processes where possible and increased monitoring and review.

He highlighted the challenges facing the service, with complex cases taking longer to deliver affecting overall averages, with an average of 270 days to deliver a DFG (BCBC is ranked 20<sup>th</sup> in Wales); 713 days to deliver a children's DFG which tend to be the more complex and larger cases often comprising bedroom and wet room extensions. He stated that these require detailed design and planning and take longer to deliver than less complex cases; and 244 days to deliver an adult DFG. He informed the Committee that full spend during most years was not achieved, with there being many variables within the current model of delivery, both internal and external that had led to this position, which had been highlighted by the lean review and are currently being examined. He stated that this combined with information gathered from other local authorities, had highlighted key areas for further consideration.

He reported that the DFG service is in a period of change and actions to develop the service since the last Committee meeting had meant that significant work has been undertaken to develop options for the future model of delivery. Mindful of both the findings and recommendations from WAO and WG service standards, research is ongoing to identify the most effective Model in providing a timely and quality service to applicants; introduce a level of control over performance and safeguarding issues; ensure resources are at an appropriate level and ensure the effective delivery of minor works continues. He stated that a report would be presented to Cabinet on delivery models and cost benefit information on options.

The Committee questioned the performance of the service being 20<sup>th</sup> in Wales and the reasons why it had taken so long for improvements to be made in the performance of the service and what would be a reasonable timescale for the review of the service and for it to be ranked first in Wales. The Head of Performance and Partnership Services informed the Committee of the challenges facing the service and the objective is to improve the performance of the service. He stated that it had taken some time to establish what was wrong with the service and a new model of working was needed. He also stated that there was a need to aim high and that performance has improved with children's DFGs now taking 500 days to complete. He informed the Committee that best practice had been learned from Cardiff, RCT and Neath Port Talbot Councils. He stated that a new model of working had been developed to take the service forward which required the approval of Cabinet / CMB.

The Committee questioned the amount of times contractors would come in over price. The Head of Performance and Partnership Services stated that he would provide the Committee with that detail, however DFGs were limited to a maximum of £36k however loan facilities were also available to the recipients of the service. He stated that the authority had been open and transparent as to what it categorised as DFGs.

The Committee was informed that Internal Audit was currently reviewing of DFGs which would be the subject of a future report to the Committee when completed.

The Committee questioned whether contractors were the subject of DBS checks. The Head of Performance and Partnership Services informed the Committee that very few contractors are DBS checked and problems arise when contractors replace another

contractor. He stated that there was need to deliver a framework and to ensure that work was not sub-contracted.

The Committee expressed concern at the length of time it took for an occupational therapists recommendation to be actioned in one example. The Head of Performance and Partnership Services informed the Committee that the review had identified that delivery times would be quicker than 7 months for a recommendation from an occupational therapist.

The Committee expressed concern that delays to children's DFGs would cause pressure on families. He stated engagement would take place at the earliest opportunity in relation to children's DFGs and that expectations would be realistic.

**RESOLVED:** (1) That the Committee noted the responses made to the WAO report;

(2) That it be noted that Internal Audit is undertaking a review of DFGs and that the Head of Performance and Partnership Services report back to a future Audit Committee on improvements made in the performance of DFGs.

158. **PORTHCAWL RESORT INVESTMENT FOCUS PROGRAMME**

Samantha Spruce presented the final report of the Wales Audit Office on the examination of the Porthcawl Resort Investment Focus (PRIF) Programme. She stated that the WAO had examined the extent to which the Council is acting in accordance with the sustainable development principle in Delivering the Porthcawl Resort Investment Focus Programme. The PRIF programme aims to grow the value of tourism in the economy, increase employment and business opportunities and support a range of cultural, sporting and business events. She stated that the WAO had found there are positive aspects in how the Council has taken account of the sustainable development principle in its approach to delivering the Porthcawl Resort Investment Focus (PRIF) programme. She stated that the Council has further work to do to consistently embed the five ways of working and she outlined the way in which the Council had responded.

The Group Manager Economy, Natural Resources and Sustainability informed the Committee that the WAO had recognised the value of examining projects in the context of the Wellbeing of Future Generations (Wales) Act 2015. He stated that Porthcawl was ranked third as a destination in the Cardiff Capital Region and ranked ninth overall in Wales.

**RESOLVED:** That the Committee noted the the WAO report 'Well-being of Future Generations: An examination of delivering the Porthcawl Resort Investment Focus Programme – Bridgend County Borough Council'.

159. **WALES AUDIT OFFICE ANNUAL IMPROVEMENT REPORT (AIR) 2018-19**

Samantha Spruce representing the Wales Audit Office presented the Auditor General's Annual Improvement Report. The Auditor General had undertaken improvement assessment and assurance and risk assessment work alongside Wellbeing of Future Generations (Wales) Act 2015 work at all Councils. She stated that the Annual Improvement Report includes a summary of the national studies the WAO undertook during the year with recommendations which all local authorities are required to address. The overall conclusion of the AIR is positive and the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure 2009 during 2019-20.

She reported on the headline findings of the following projects where proposals for improvement had been identified:

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- Wellbeing of Future Generations Act (Wales) 2005 Examinations
- Service User Perspective of Disabled Facilities Grants
- Environmental Health
- Corporate Arrangements for the Safeguarding of Children

**RESOLVED:** That the Committee noted the Annual Improvement Report 2018-19 produced by Wales Audit Office.

160. **WALES AUDIT OFFICE FOLLOW-UP REVIEW OF CORPORATE ARRANGEMENTS FOR THE SAFEGUARDING OF CHILDREN**

Samantha Spruce representing the Wales Audit Office presented a follow-up review of Corporate Arrangements for the Safeguarding of Children.

Ian Phillips of the WAO informed the Committee that the WAO undertook this piece of work as a follow up to the review it undertook in 2014. The follow up review was undertaken between July and September 2019, involving interviews with a selection of officers and Members and a review of documentation. The follow up review in 2019 sought to answer the question: Has the Council acted upon the recommendations and proposals for improvement contained in the national and local reports of the Auditor General published in 2014 and 2015? He stated that overall, the WAO found that the Council has met, or partially met, their previous recommendations and proposals for improvement, but have identified some further proposals for improvement to strengthen aspects of the Council's corporate safeguarding arrangements. He outlined the nine proposals for improvement identified following the latest review and informed the Committee that the WAO also assessed progress against the recommendations from the 2014 local report and 2015 national report. In respect of the local report, most proposals for improvement have been met, but one further proposal for improvement had been identified. In relation to the 2015 national report the Council has met, or partially met the previous recommendations and proposals for improvement. The WAO have identified some further proposals for improvement to strengthen aspects of the Council's corporate safeguarding arrangements.

**RESOLVED:** That the Committee noted the WAO Follow-up Review of Corporate Arrangements for the Safeguarding of Children and that an update on the actions be reported to the next meeting of the Committee.

161. **WALES AUDIT OFFICE (WAO) AUDIT COMMITTEE UPDATE**

Samantha Spruce representing the Wales Audit Office presented an update on the Financial and Performance Audit work undertaken by the WAO during 2019-20. She informed the Committee that the programme of work is undertaken to help the Auditor General discharge duties under the Public Audit (Wales) Act 2004 (the 2004 Act) and the Local Government (Wales) Measure 2009. It may also inform a study for improving value for money under section 41 of the 2004 Act, and/or an examination undertaken by the Auditor General under section 15 of the Well-being of Future Generations (Wales) Act 2015. The Local Government (Wales) Measure 2009 also requires the Auditor General to carry out an annual Improvement Assessment to determine whether Bridgend County Borough Council is likely to comply with the requirements of Part 1 of the Measure.

She informed the Committee of the financial and performance work undertaken in the Council by and on behalf of the Auditor General under the Local Government (Wales) Measure 2009 and the Public Audit (Wales) Act 2004.

**RESOLVED:** That the Committee noted the WAO Audit Committee update.

162. **WALES AUDIT OFFICE SAVINGS PLANNING FOLLOW-UP REPORT**

Samantha Spruce presented a follow-up review of Savings Planning to the work undertaken previously, in a report issued to the Council in March 2017 with the following proposals for improvement to strengthen financial planning arrangements:

- ensuring that savings proposals are fully developed and include realistic delivery timescales prior to inclusion in the annual budget; and
- identifying indicative savings proposals over the period of the Medium Term Financial Plan.

She informed the Committee that the WAO had undertaken work in May and June 2019 to assess the Council's progress in addressing these proposals for improvement and to consider the effectiveness of the Council's arrangements for achieving its savings proposals. She stated that overall, the WAO found that the Council had strengthened arrangements to develop and achieve savings plans, but further work was needed to develop a deliverable medium term financial strategy, particularly for 2020-21 and beyond. Whilst the Council achieved most of its 2018-19 savings plans it needed to ensure that its strengthened arrangements continue this improved position, and that timescales for delivery need to be as accurate as possible. No further proposals for improvement had been identified from the follow up. The WAO found that:

- the process for developing budget savings proposals is now started earlier, giving officers and members greater opportunity to develop and engage on proposals, with particular reference to the role of the Budget Research and Evaluation Panel (BREP);
- finance officers are becoming more involved in the development of proposals and are challenging accuracy and realism of timescales for delivery;
- where savings are partially met this is often due to insufficient time being allowed for public consultation or contract negotiations with partners.
- not all savings proposals are supported by fully costed business cases and delivery plans.

She stated that officers will consider the specific comments and observations outlined in the report and will work to strengthen the processes in place. The WAO will be reviewing financial sustainability at all Welsh Councils as part of its performance audit work, which will include medium and longer term financial strategies, budget management, management of cost pressures, efficiency and savings plans and levels and use of reserves. She stated that the Council has recently completed and submitted a self-assessment as an integral part of this project.

The Interim Head of Finance and Section 151 Officer informed the Committee that officers are working hard on delivering the savings required in the MTFS and she commended the role of BREP in this. She stated that she would like to see the development of a 4 year MTFS, however the settlement was not known. She informed the Committee that it was becoming increasingly difficult to find savings and that £34m was required to be saved over the next 4 years.

Samantha Spruce of the WAO drew the Committee's attention to a piece of work which the WAO are currently undertaking on the financial sustainability of local authorities across Wales which would be presented to the Welsh Government. The Committee expressed concern with the Council having to continually make cuts to services and that pressure should be brought to bear on both the UK and Welsh Governments to increase spending. In response to a question, the Interim Head of Finance and Section 151



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Officer informed the Committee that the Council was some way from the scenario experienced in Northampton Council.

A member of the Committee commented that not all Members are able to access the same budget information in order to come up with alternative budget proposals. A request was made that BREP be put on a formal footing. Samantha Spruce stated that she would make enquiries in relation to other Councils arrangements for holding similar meetings to that of BREP and report back to the Committee. The Interim Head of Finance and Section 151 Officer informed the Committee that BREP has always been seen by the WAO as good practice. Its meetings are informal and the Members are bound by confidentiality and its work had been applauded. It exists primarily to support the Finance officers in preparing a balanced budget. She stated that there is a very varied picture across Wales in terms of sharing information, and that Members at many other Councils do not have access to this level of information and practice that this Council affords at BREP. She also stated that she is always available for all Members to speak to her in relation to the MTFs and budget.

RESOLVED: That the Committee noted the WAO Savings Planning Follow Up Report.

### 163. ANNUAL AUDIT LETTER 2018-19

The Financial Audit Team Leader, Wales Audit Office presented the Appointed Auditor's Annual Audit Letter 2018-19 which confirmed that an unqualified audit opinion had been issued on the accounting statements, confirming they present a true and fair view of the Council's financial position and transactions. The letter also confirmed that the Appointed Auditor is satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The Appointed Auditor, in accordance with the Public Audit (Wales) 2004, issued a certificate confirming that the audit of the accounts has been completed.

### 164. RESOLVED: That the Committee noted the Annual Audit Letter 2018-19. TREASURY MANAGEMENT - HALF-YEAR REPORT 2019-20

The Interim Head of Finance and Section 151 Officer presented a report updating the Committee on the mid-year review and half year outturn position for treasury management activities and treasury management indicators for 2019-20 and highlighted compliance with the Council's policies and practices which had been reported to Cabinet and Council.

The Interim Head of Finance and Section 151 Officer 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 Interim Head of Finance and Section 151 Officer reported that the Council has complied with its legislative and regulatory requirements during the first half of 2019-20. The TMS for 2019-20 and the Half Yearly Outturn were reported to Council on 20 February and 23 October 2019 respectively. In addition, a quarterly monitoring report was presented to Cabinet in July 2019. She presented a summary of the treasury management activities for the first half of 2019-20. 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 2019-20. Favourable cash flows had provided surplus funds for investment and the balance on investments at 30 September 2019 was £43.75 million with an average interest rate of 0.85%.

The Interim Head of Finance and Section 151 Officer informed the Committee that the Treasury Management Code requires the Council to set and report on a number of Treasury Management Indicators, which either summarise the expected activity or introduce limits upon the activity. She stated that the Council defines high credit quality as organisations and securities having a credit rating of A- or higher. All local authorities are required to conduct a mid-year review of its treasury management policies, practices and activities and that the outcome of the review is that no charges to the Treasury Management Strategy are required at this time.

A member of the Committee questioned the reason for the Council adopting the strategy it had and whether other strategies could be explored. The Interim Head of Finance and Section 151 Officer informed the Committee that the strategy was based on the principles of security, liquidity and yield and in that order. She informed the Committee that some councils had moved into commercialisation, and explained that English Authorities had the general power of competence. There was a proposal that this would be introduced for Welsh local authorities. Any proposals which change the Treasury Management Strategy would require the approval of Council.

**RESOLVED:** That the Committee noted the treasury management activities for 2019-20 for the period 1 April 2019 to 30 September 2019 and the projected Treasury Management and Prudential Indicators for 2019-20 which were all reported to Council on 23 October 2019.

165. **COMPONENTISATION POLICY**

The Interim Head of Finance and Section 151 Officer presented a report for the Committee's consideration and endorsement of the Council's Component Accounting Policy for Property, Plant and Equipment, and its application for the 2019-20 Statement of Accounts onwards.

The Interim Head of Finance and Section 151 Officer reported that part of the Code of Practice on Local Authority Accounting in the United Kingdom requires the componentisation of assets, where components form a significant element of the total cost of an asset and where they have significantly different asset lives to the overall asset. She stated that the Wales Audit Office had raised a number of points in relation to the Council's componentisation of assets in each of the last two years' audits, commenting that the Council had not applied its componentisation policy to a number of assets, and that the policy should be formally reviewed on an annual basis. She informed the Committee that a formal review of the policy would normally be undertaken by the Section 151 or appropriate officer, however it was considered appropriate to present the proposed amended policy to the Audit Committee for approval on this occasion following the recommendations of WAO. Discussions had taken place with the WAO to provide greater detail and clarification of the Council's methodology of asset componentisation.

The Interim Head of Finance and Section 151 Officer also reported that the Code sets out the responsibility of the Chief Finance Officer (CFO) to establish appropriate de minimis levels of significance for the recognition of components based on assessments of potential material impacts on the financial statements. The CFO must make an assessment about individual items of property, plant and equipment or groups of similar assets that are below the de minimis levels and can be disregarded for componentisation. Individual items above the de minimis limit need to be analysed as to whether they have significant components with differing useful lives or patterns of depreciation. She stated that all assets are revalued on a three-year rolling programme and the need for componentisation of assets will be considered at each revaluation point. The Interim Head of Finance and Section 151 Officer set out the proposed

Component Accounting for Property, Plant and Equipment Policy. The Background and Introduction has been simplified and the methodology for setting a deminimis has been clarified and the policy also clarifies those assets that will not be considered for componentisation, and for the remaining assets the nature of the components that will be considered.

**RESOLVED:** That Audit Committee considered and endorsed the Componentisation Policy and its application for the 2019-20 Statement of Accounts onwards.

166. **CORPORATE RISK ASSESSMENT**

The Interim Head of Finance and Section 151 Officer reported on an update on the changes to the Corporate Risk Assessment which have been made following Audit Committee on 8 August 2019.

The Interim Head of Finance and Section 151 Officer informed the Committee that the Corporate Management Board had reconsidered the scores for Risk 1 and Risk 8 as follows:

- Risk 1 - There is a risk that the Council is unable to make robust medium to long term decisions requiring service change

It was proposed that the likelihood score be increased from 2 (unlikely to happen) to 3 (will possibly happen) with the revised risk score being 15. The reason for this is that future Welsh Government funding is uncertain with settlements being agreed on a year by year basis making forward planning more challenging.

- Risk 8 - There is a risk that 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

It was proposed that the likelihood score be increased from 2 (unlikely to happen) to 3 (will possibly happen) with the revised risk score being 12. The reason for this is that the Council is continuing to have difficulty retaining and recruiting employees in certain types of professions including property, planning, legal and finance.

The Interim Head of Finance and Section 151 Officer also informed the Committee that the authority has recently appointed an experienced officer to replace the previous Risk Management and Insurance Officer who had recently left the authority.

**RESOLVED:** That the Committee considered the changes to the Corporate Risk Assessment and receive a further report in January 2020 concerning the 2020-21 Corporate Risk Assessment and review of the Corporate Risk Management Policy.

167. **REVIEW OF THE ANNUAL GOVERNANCE STATEMENT 2018-19**

The Interim Head of Finance and Section 151 Officer reported on an update on the Action Plan which accompanied the final Annual Governance Statement 2018-19 in the Statement of Accounts 2018-19.

The Interim Head of Finance and Section 151 Officer reported that good corporate governance requires active participation of Members and officers across the Council. Governance arrangements are reviewed on an annual basis and the findings used to update the Annual Governance Statement, which helps ensure continuous improvement of the Council's corporate governance culture. The AGS provides an overall assessment of the Council's corporate governance arrangements and an appraisal of the controls in place to manage the Council's key risks and identifies where

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improvements need to be made. She stated that since the report was presented to the Audit Committee in June 2019 it has been amended to update on the outcome of the Estyn Inspection.

The Interim Head of Finance and Section 151 Officer reported that in order to begin the process for producing the Annual Governance Statement 2019-20, it was necessary to review the Action Plan that was linked to the AGS 2018-19. The Interim Head of Finance and Section 151 Officer highlighted progress on each significant governance issue against the Plan.

RESOLVED: That the Committee:

- 1) Noted the amended Annual Governance Statement 2018-19;

Considered the Annual Governance Statement 2018-19 Action Plan.

168. PRESENTATION ON THE ROLE OF INTERNAL AUDIT AND UPDATE ON THE REGIONAL INTERNAL AUDIT SERVICE

The Committee received a presentation from the Head of the Regional Internal Audit Service on the role of Internal Audit and on an update on the Regional Internal Audit Service.

He informed the Committee of the progress made with the expanded Regional Internal Audit Service which took effect on 1 April 2019. He highlighted the objectives which had been identified; opportunities / benefits; the immediate priorities and achievements for the service; the priorities for the first 12 months and a proposal for the development of a commercial approach. He also highlighted the role of the Internal Audit Service and Internal Audit Plan for 2019-20 and the type of opinion and recommendations which would be found in the reports of the Internal Audit Service.

RESOLVED: That the Committee noted the content of the presentation.

169. PROGRESS AGAINST THE AUDIT RISK BASED PLAN (1ST APRIL 2019 TO 30TH SEPTEMBER 2019)

The Audit Client Manager reported on progress made against the audit work which was included and approved within the 2019-20 Internal Audit Annual Risk Based Plan.

She informed the Committee that the Plan provided for a total of 1,101 audit days to cover the period April 2019 to March 2020, split into those reviews considered to be Priority One and Priority Two with the aim of completing the whole plan by the end of the financial year. She stated that when the Plan was approved, 2019/20 is a transitional year for the newly extended service and some flexibility was needed to deal with additional demands in terms of setting up the new service.

The Audit Client Manager reported on actual progress against quarter 1 and quarter 2 of the 2019/20 Risk Based Plan and detailed the status of each planned review, the audit opinion and the number of any high or medium recommendations made to improve the control environment. As at 30 September 2019, 10 audit reviews had been completed, a further 4 reviews had been carried out and draft reports issued are awaiting feedback from Service Departments. Based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control environment an audit opinion of substantial assurance had been given to 1 review and an opinion of reasonable to 9 reviews. 11 medium recommendations had been made to improve the control environment of the areas reviewed and the implementation of these recommendations would be monitored to ensure improvements are being made. She stated that the plan was based on a fully staffed structure, however the service

continues to carry vacant posts whilst the structure of the Regional Service is being developed. The South West Audit Partnership (SWAP) had been commissioned to address in part some of the shortfall in days necessary to complete the plan.

The Committee questioned whether it was envisaged that all audit days would be completed and whether more reviews could be commissioned to SWAP. The Head of Regional Internal Audit Service informed the Committee that as at quarter 2, there are 6 vacancies covering Bridgend, however recruitment was taking place. Support had been commissioned from SWAP, with Internal Audit determining which reviews would be commissioned. He stated that 1005 of the plan would not be delivered, however this was common with other audit services. The Audit Client Manager informed the Committee that audits take 15 days to complete.

**RESOLVED:** That the Committee noted the content of the report and the progress made.

170. **NATIONAL FRAUD INITIATIVE UPDATE**

The Audit Client Manager reported on the progress to date on the National Fraud Initiative.

The Audit Client Manager informed the Committee that a data extraction and matching exercise was undertaken in September 2018, the matches were released in January 2019, with a total of 8,466 matches provided. Officer training had recently been delivered to staff responsible for reviewing the matches to ensure a consistent approach is taken across the Council. Officers gained a better understanding of the data matches provided, how to correctly record the findings and there was also an opportunity to network with other service areas to discuss any data matches which were cross cutting. To date 4,705 of the 8,466 matches (55.6%) had been processed and work is still ongoing on the remaining matches. The total value of £59,706 has been identified as potential fraud or error with £28,804 being recoverable.

The Audit Client Manager reported that the greatest number of matches are Creditor matches, which identify potential duplicates against creditor name, reference, address, and invoice reference or amount. When the matches were initially reviewed it was identified that many of the payments were genuine and this initial sift enabled approximately 50% to be closed. She stated that Internal Audit undertook an exercise to review the creditor to employee matches where an employee is linked to a creditor with the same bank account or address, most of the matches were petty cash reimbursements to school staff. Internal Audit also reviewed the matches whereby an employee or Member is listed as a director to a company with which the Council traded. Many of the matches were generated through Councillors holding director positions within companies with many of these companies being community based. The matches have been closed following confirmation that a declaration of personal interest has been made by the relevant Member.

The Audit Client Manager also reported that some NFI matches require liaison between various internal departments or with other organisations, in that some payroll matches identify that employees are being paid by more than one organisation. She informed the Committee of a match which involved a Bridgend Council employee. The Interim Head of Finance and Section 151 Officer clarified that there were no further concerns.

**RESOLVED:** That the Committee noted the NFI update.

171. **UPDATED FORWARD WORK PROGRAMME 2019/20**

The Head of Regional Internal Audit Service presented an update on the 2019/20 Forward Work Programme. He stated that in order to assist the Committee in ensuring

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that due consideration had been given by the Committee to all aspects of their core functions an updated Forward Work Programme was submitted.

The Chairperson informed the Committee of the need for a meeting of the Audit Committee to take place on 11 June 2020 to approve the Harbour Return and the draft Statement of Accounts.

RESOLVED: That the Committee noted the updated Forward Work Programme 2019/20.

172. URGENT ITEMS

There were no urgent items.

The meeting closed at 16:31