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Bridgend County Borough Council



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Cyfarwyddiaeth y Prif Weithredwr / Chief Executive's Directorate

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

Gofynnwch am / Ask for: Democratic Services

Ein cyf / Our ref:

Eich cyf / Your ref:

Dyddiad/Date: Friday, 21 April 2023

Dear Councillor,

GOVERNANCE AND AUDIT COMMITTEE

A meeting of the Governance and Audit Committee will be held as a Hybrid in the Council Chamber - Civic Offices, Angel Street, Bridgend, CF31 4WB on **Thursday, 27 April 2023 at 10:00.**

AGENDA

1. Apologies for Absence
To receive apologies for absence from Members.
2. Declarations of Interest
To receive declarations of personal and prejudicial interest (if any) from Members/Officers in accordance with the provisions of the Members' Code of Conduct adopted by Council from 1 September 2014.
3. Approval of Minutes 3 - 14
To receive for approval the minutes of the Committee of 26/01/2023
4. Governance and Audit Committee Action Record 15 - 18
5. Audit Wales Governance and Audit Committee Reports 19 - 60
6. Progress against the Internal Audit Risk Based Plan 2022-23 61 - 70
7. Regional Internal Audit Service Charter 2023-24 71 - 96
8. Anti Tax Evasion Policy 97 - 122
9. Forward Work Programme 2023-24 123 - 128
10. Urgent Items
To consider any other items(s) of business in respect of which notice has been given in accordance with Rule 4 of the Council Procedure Rules and which the person presiding at the meeting is of the opinion should by reason of special circumstances be transacted at the meeting as a matter of urgency.

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Note: This will be a Hybrid meeting and Members and Officers will be attending in the Council Chamber, Civic Offices, Angel Street, Bridgend / Remotely via Microsoft Teams. The meeting will be recorded for subsequent transmission via the Council's internet site which will be available as soon as practicable after the meeting. If you have any queries regarding this, please contact cabinet_committee@bridgend.gov.uk or tel. 01656 643147 / 643148.

Yours faithfully

K Watson

Chief Officer, Legal and Regulatory Services, HR and Corporate Policy

Councillors/Lay Members

Mr G Chapman

Mr B Olorunnisola

Ms S Davies

Mr A Bagley

A Wathan

A Williams

C Davies

D M Hughes

M L Hughes

RM Granville

S J Griffiths

S J Bletsoe

Agenda Item 3

GOVERNANCE AND AUDIT COMMITTEE - THURSDAY, 26 JANUARY 2023

MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD HYBRID IN THE COUNCIL CHAMBER / REMOTELY - VIA MICROSOFT TEAMS ON THURSDAY, 26 JANUARY 2023 AT 10:00

Present

G Chapman – Chairperson (Lay Member)

Councillors/Lay Members

B Olorunnisola	S Davies	A Bagley	S J Griffiths
D M Hughes	M L Hughes	A Wathan	A Williams
RM Granville	S J Bletsoe	C Davies	

Officers:

Rachel Keepins	Democratic Services Manager
Carys Lord	Chief Officer - Finance, Performance & Change
Deborah Exton	Deputy Head of Finance
Mark Thomas	Head of Regional Audit Service
Samantha Clements	Audit Wales
Nigel Smith	Finance Manager
Eilish Thomas	Finance Manager - Financial Control & Closing
Jason Blewitt	Audit Wales
Joan Davies	Deputy Head of Regional Internal Audit Service
Alex Rawlin	Corporate Policy & Public Affairs Manager

48. DECLARATIONS OF INTEREST

None.

49. APPROVAL OF MINUTES

RESOLVED: That the minutes of the 10/11/2022 be approved as a true and accurate record.

50. GOVERNANCE AND AUDIT COMMITTEE ACTION RECORD

The Democratic Services Manager outlined the report which provided Members with an update on the Governance and Audit Committee Action Record.

The action record was attached at Appendix A of the report.

RESOLVED: That the Committee noted the report and the attached Action Record.

51. REGULATORY TRACKER

The above report was presented by the Corporate Policy and Public Affairs Manager and its purpose was to provide an update to the Governance and Audit Committee (GAC) on the regulatory tracker.

She stated that following feedback received on the Regulatory Tracker there was a focus on the link with Overview and Scrutiny Committees to ensure that the detail of the inspections and the actions on recommendations was adequately being covered. Therefore, she would arrange a meeting with Scrutiny colleagues to discuss and to

ensure regulatory information is picked up in future forward work plans that are presented to those Committees.

As an example, she stated that if it is felt that there was limited evidence of progress there needed to be a clear mechanism for dealing with that or referring it to an Overview and Scrutiny Committee.

The Corporate Policy and Public Affairs Manager also stated that there was a discussion required, in order to understand if going back two years in respect of the above was sufficient and as a result of this, the Estyn inspection from 2019 had been included as part of follow-up action.

She requested committee to treat the report submitted as a first progress report, with the summary report indicating the inspections and recommendations that have been added since that last report in November, as referred to in Appendix 1 to the report and as highlighted in paragraph 4.1.

It was stated that there was a new Care Inspectorate Wales report on the transformational Leadership Progress Programme Board and a possibility of 2 other reports on two of BCBC's care homes.

Paragraph 4.2 of the report confirmed that 18 recommendations had been closed, including 8 from recommendations of new audits.

There were a considerable number of regulator recommendations for the Council, with 18 of these now having been closed. These were subject to RAG status. Some of these were of an urgent priority to complete, she added.

The Corporate Policy and Public Affairs Manager stated that it was hoped that the Committee would be reassured that the regulatory tracker had been added to the quarterly corporate performance management arrangements and would therefore be monitored through this process. She concluded her submission by stating that the regulatory tracker had been considered by Corporate Management Board on the 16 January 2023.

A member queried how and where he could find information relating to a particular report being submitted to the relevant Overview and Scrutiny Committee within the regulatory tracker.

The Corporate Policy and Public Affairs Manager stated that while such a mechanism was not active at the time of the meeting, this would be something that she could link in with Officers on in order to try to implement this in the future.

A member queried who the lead officers on the Amber and Red categories would be and how it would be possible to identify officers responsible for the corrective plans and approval of recommendations, including related time scales for these. This was reinforced by the Chairperson who stated that the definitions for the Amber and Red categories needed to have specific timelines attached to them for their completion.

A lay member congratulated the lead officer for the work she had completed on the Regulatory Tracker and stated that he felt it would help the Governance and Audit committee to take charge or be able to discharge its functions in an improved way going forward. He queried the existence of an official definition between Red and Amber. He suggested that the definitions are annexed. He also stated it may be useful to have specific timelines for actions and recommendations, rather than keeping it open-ended as this would assist the committee for tracking purposes.

The Chairperson wished it noted that he endorsed the above comments. He also added it would be useful to know the names of the officers who would be responsible for delivering the recommendations and a timeline of when the recommendations would be completed, including target dates for completion.

The Corporate Policy and Public Affairs Manager responded stating that she would look at having these details included in the tracker following the discussion with scrutiny colleagues regarding the links with the Overview and Scrutiny process.

RESOLVED : That the Governance and Audit Committee agreed the summary points and detailed regulatory tracker and raised the above issues for follow up.

52. **AUDIT WALES GOVERNANCE AND AUDIT COMMITTEE REPORTS**

The Financial Audit Manager from Audit Wales presented the report, the purpose of which was to submit to the Committee reports from Audit Wales, to include an update on the financial and performance work already and due to be undertaken by Audit Wales.

Her colleague, a senior auditor from Audit Wales, advised that the purpose of the Baseline Governance Review Of Cwm Taf Morgannwg Regional Partnership Board had been to gain assurance that the Health Board and three Local Councils are working effectively through the Transformation Leadership Board to support regional integrated working across the Cwm Taf Morgannwg region. This included building on the work undertaken in the last 18 months, as well as looking at more long-term thinking moving forward and ways to better resource the region. It was considered that more effective strategic planning was required in the future.

Paragraph 4.1 of the report gave information on the reports that Audit Wales had produced for the Committee to consider, namely:

- The Audit Wales Programme and Timetable (Appendix A to the report);
- Transformational Leadership Programme Board – Baseline Governance Review – Cwm Taf Morgannwg Regional Partnership Board (Appendix B)

The Corporate Director – Social Services and Wellbeing provided a response to the elements of the Audit carried out which related to Appendix B above, and had responded in full at the report at Appendix C.

The Audit Wales representative also made reference to the 7 recommendations as detailed in the Audit Wales report (at page 6 of Appendix B) and briefly gave an overview of these for the benefit of members.

A member queried the reason for the delay in setting up the board for the Governance Cross Cutting programme which was expected in July 2022. The Senior Auditor with Audit Wales stated that the purpose of the study was to gain assurance that the Health Board and the three councils work together through the Transformation Leadership Partnership Board (TLPB). He stated that the fieldwork was undertaken from November 2021 to January 2022 after which their findings were presented in March 2022.

The conclusion was, as depicted in the report, building on the productive working relationships over the past 18 months, which had also encompassed the challenges of COVID, the TLPB was well placed to develop a strong regional working approach and there needed to be more long term thinking strengthening aspects of governance arrangements and improving regional and innovative use of resources.

Seven recommendations were made at that time and subsequently presented back to the new Integrated Leadership board on the 1st of December 2022. The Corporate Director, Social Services and Wellbeing added since the field work was undertaken and the report was published, a review of governance had been undertaken.

A new integrated leadership board chaired by the Chief Executive of the Health Board and attended by very senior officers across organisations has been established to ensure cross cutting work around finance, workforce, capital and buildings. She stated that the workforce is an area still in need of further work. The arrangements were in place in terms of performance management.

The priorities within it were translated into a refreshed area plan and the performance dashboards across all of the supporting infrastructures. She stated that the results were in varying levels of maturity. However, whilst there was a time scale of completion of September, there has been work completed.

The Corporate Director for Social Services stated that there was further work to be done in that area and the same in terms of risk management which is focused on the risk around funding, particularly because the RPB is responsible for short term grant funding with tapering requirements. The ambition of the Regional Partnership Board is very clear in that it is not just to be about the Regional Integration Fund, but the use of core budgets and the opportunity to explore further pooled funds across the region. As part of that vision around integration, more work by the end of the financial year is to be undertaken.

A member stated that since becoming a Councillor in 2022 he had observed good progress on the collaboration around the whole area of governance arrangements and improving regional resources. He welcomed the focus on the five years plus planning linking in between the Council's Local Development Plan and the Plans of the Health Board.

He stated he had observed that Health was an end-to-end provision and the problems that emergency departments faced were caused potentially by a lack of workforce in the field of social care, especially since the pandemic. He was assured however by the Corporate Director - Social Services and Wellbeing with the Department's plans for progress, as referred to in her report.

The Chairperson stated that it would be useful to know what arrangements had been put in place in terms of governance and queried if it was known who would deal with the performance management and any related delays on the traffic light system of alerts. He suggested that there was core budget based work undertaken to address issues faced with resources within the local authority and in particular, the area of Children's and Social Services.

The Corporate Director - Social Services and Wellbeing, agreed that an action plan which would reflect more within the regulatory tracker, as well as working towards progressing a national specification for what integrated Community services needed to be shaped like going forward.

RESOLVED : That Members noted the Audit Wales Governance and Audit Committee reports including the Corporate Director – Social Services and Wellbeing report, and the attachments at Appendix A, B and C.

53. **CORPORATE RISK ASSESSMENT 2023-24**

The Chief Officer – Finance, Performance and Change presented a report, the purpose of which was to provide the Governance and Audit Committee with an updated Corporate Risk Assessment 2023-24 and an updated Corporate Risk Management Policy.

The Corporate Risk Assessment, attached at Appendix A to the report, had been reviewed in consultation with the Corporate Management Board. It identifies the main risks facing the Council, their link to the corporate well-being objectives under the Well-being of Future Generations (Wales) Act 2015, the likely impact of these risks on Council services and the wider County Borough, and identifies what actions are being taken to mitigate the risks and who is responsible for the Council's response. The risk assessment is aligned with the Medium Term Financial Strategy.

The Chief Officer – Finance, Performance and Change stated that there were currently 11 risks on the Corporate Risk Register. Every Risk had been reviewed by CMB.

The Risk Management Policy had also been amended to reflect the introduction of new Risk tracking and reporting software during 2023.

The Corporate Risk Management Policy timeline, included in Appendix B to the report, had been amended for 2023-24.

The Corporate Director, Social Services and Wellbeing stated that the issues in terms of pressures in the health and social care system were not new but the reason for escalating this to the corporate risk register at this time, was due to the level of risk within this volatile service area.

She stated that there were action plans in place focussing on the two areas depicted in red within the report which were of high risk.

There was a Social Work Review being conducted by the Head of Adult Social Care which would look at the configuration of teams and resources across adult services, with the view of improving the service area going forward.

The Corporate Director then went on to mention the challenges faced in the recruitment market within Social Care, where there was a difficulty with recruitment and retention. This was not just common to BCBC but was an issue across the whole of Wales.

She explained that the Council were therefore taking steps to combat this, by 'growing its own' and linking in with Bridgend College and Universities, in order to better promote Bridgend from a marketing perspective. This will hopefully attract younger people to forge a career in Children and Adult Social Care, particularly as Bridgend, in this area of work, was becoming an ageing workforce.

A real focus for the Service was rebuilding capacity and the reablement services. A reduction had been seen post COVID or during COVID, to a point where the service was delivering around 1,000 hours less a year of reablement than was being delivered prior to the pandemic. If individuals did not go through those reablement pathways, they were likely to require more care and support on an ongoing basis.

In relation to strategic work around workforce, there was a large focus in terms of marketing and work linking in with Bridgend College around their health and social care students. For reasons expressed above, there was a need to get more younger people into care related job vacancies.

To this end, job descriptions had been reviewed and the market supplement application was due to be submitted this month, in order to address the very challenging market around the care workforce.

The Corporate Director – Social Services and Wellbeing stated that strategically, on a regional level, she would look to shift resource into those areas where there were gaps in terms of services offered locally. She added that there was a need to look to block book interim placements where it could be seen that people needed that level of support.

Though a full assessment had not been undertaken around long-term placements, the aim was to try and improve the situation and the flow through the whole system for individuals and to do that in a way which best meets the needs of individuals, but also reduces any compromise overall in terms of the whole system

The Corporate Director – Social Services and Wellbeing, referred to a project that was being overseen by the Welsh Government under the name 1000 bed equivalent. She confirmed that it was not about beds per se, but about bed equivalents. She concluded stating that an improvement has been seen through management arrangements in this area of the service.

She elaborated that to ensure statutory duties are met in a timely way 3 levels of escalation had been introduced, namely :

- Bronze – operational – service level – chaired by Head or Deputy Head of Service
- Silver - tactical – directorate level – chaired by Corporate Director
- Gold – strategic – corporate – chaired by Chief Executive

Once statutory duties were consistently met in a timely manner across the whole social care services the command structure will be stood down.

The Corporate Director – Social Services also stated that this linked into the Audit Wales review of unscheduled care, in order to ensure that the Service is systemically managing issues of business continuity. She stated that actions had been put in place and was happy to share these with the Committee upon request, as referred to in more detail as part of relevant action plans.

A member suggested that the three categories of risk mentioned be depicted by way of a coloured chart with the inclusion of a RAG status, to help for easier reading and understanding of progress being made in respect of risk categories. The member also queried the risks mentioned around workforce recruitment and supplier failure.

The Chief Officer, Finance, Performance and Change, responded by stating that management would take on board suggestions around presentation to facilitate ease of understanding, etc.

A member highlighted inflationary pressures, grant funding reliance, inflations costs for materials for works gone out to tender, cost of living challenges and non-payment of council tax. He felt that these were of particular high risk that required careful monitoring.

The Chief Officer, Finance Performance and Change, responded that these risks were becoming more significant and, when next reviewed, she would look at how best to address these, through perhaps splitting risks into more defined categories in future.

There was a discussion between a lay member and the Chief Officer, Finance, Performance and Change around how the Council addressed the various risks, the key

actions established, how they can be progressed and differentiated between risks and business as usual. He mentioned the implementation of target dates to enable focus on outcomes. The Chief Officer, Finance Performance and Change stated that while they have a very strong financial governance system in place which minimises the risks, she suggested that they could split the business as usual and any particular new actions that were brought forward because the risks move and will require alternative action.

A Lay member asked about the Policy and the changes that took place. He queried if the policy was new and how changes to the Policy would be recorded. The Deputy Head of Finance confirmed that the policy was not new but is an existing one reviewed annually, she confirmed that there were no changes in the last financial year. It was noted that any future changes to policy would be highlighted.

RESOLVED : That the Committee considered the Corporate Risk Assessment 2023-24 report together with the updated 2020-2023 Risk Management Policy.

54. **TREASURY MANAGEMENT STRATEGY 2023-24**

The Group Manager – Chief Accountant submitted a report on the draft Treasury Management Strategy 2023-24, that included the:

- Borrowing Strategy 2023-24
- Investment Strategy 2023-24
- Treasury management Indicators for the period 2023-24 to 2025-26

A Member asked the Chief Officer, Finance, Performance and Change about the risks and protections regarding lending to other authorities.

The Chief Officer – Finance, Performance and Change assured the Committee that such transactions only took place having had due regard to the advice from BCBC's Treasury Management Advisors.

A Member expressed that he wished to continue on from the previous question around Ethical Investment Policy and requested that the Chief Officer - Finance Performance and Change elaborate on the significant changes in interest rates for borrowing and lending.

The Chief Officer – Finance, Performance and Change stated that she could take away suggestions in relation to the Ethical investment Policy to enhance the Strategy going forward. She responded that in relation to borrowings, the current loans were on fixed rates and therefore the changes in interest rates did not have an impact on any Council financial commitments in the immediate future. The changes to interest rates would be reflected when new investments were made.

A member welcomed the changes in respect of lending to other authorities.

The Chief Officer – Finance, Performance and Change referred members to the changes to BCBC's Lending Policy which were contained in the report and were deemed as reasonable. She added that lending and borrowing by the local authority was carefully considered in conjunction with specialist advice from the Council's Treasury Management advisors.

The member asked if BCBC could look at implementing an Ethical Investment Policy, to which the Officer replied that she would take this up with our above advisors, Arlingclose.

RESOLVED : That the Committee considered the Treasury Management Strategy for 2023-2024 and recommended that the final updated Treasury Management Strategy be presented to Council for approval in March 2023.

55. **STATEMENT OF ACCOUNTS 2021-22**

The Group Manager – Chief Accountant presented a report, the purpose of which was to present to the Governance and Audit Committee the audited Statement of Accounts for 2021-22, which is now due to be certified by our external auditors, Audit Wales, and the associated Letter of Representation of the Council.

Audit Wales also updated the Committee on their main findings from the audit, summarised the audit work carried out in respect of the 2021-22 financial year, and presented their Audit of Accounts Report, which requires the appointed auditor to report these key findings to those charged with governance.

The amended audited Statement of Accounts 2021-22 was attached at Appendix A to the report. The detail of all the amendments were contained within the Auditor's Audit of Accounts Report at Appendix B.

He explained that the audited Statement of Accounts 2021-22 was required to be signed by the Chief Financial Officer and the Chair of the Governance and Audit Committee as presenting a 'true and fair view' of the financial position of the Council as at 31 March 2022.

Audit Wales have substantially completed their audit work and the Statement of Accounts are due to be signed by the Auditor General for Wales on 27 January 2023, subject to Governance and Audit Committee approval of the accounts.

The Group Manager – Chief Accountant further added that the Council Fund at 31 March 2022, as presented to the Governance and Audit Committee in July 2022, has not changed.

In line with the International Standard on Auditing (ISA) 260, the external auditor is required to communicate relevant matters relating to the audit of the financial statements to those 'charged with governance'. These matters were incorporated into the Audit of Accounts Report at Appendix B. This Appendix also contains the full list of adjustments made to the accounts as a result of the audit, as described in paragraphs 3.2 and 3.3 of the report.

A final Letter of Representation from the Council is required by the Appointed Auditor to complete the process and enable the accounts to be approved. This is included at Appendix C and is required to be signed by the Chair of the Governance and Audit Committee and Section 151 Officer.

A Lay member queried dates on the Audit report and a correction to the date was acknowledged. As a result of this, the Group Manager - Chief Accountant confirmed that the dates would be corrected from 2019 to 2021.

RESOLVED : That the Committee:

- Approved the audited statement of accounts 2021-22
- Noted the appointed Auditor's Audit of Accounts Report

- Noted and agreed the final letter of representation to Audit Wales to be signed by the Chairperson of the Committee and Section 151 Officer.

56. **GOVERNANCE AND AUDIT COMMITTEE SELF-ASSESSMENT OF KNOWLEDGE & SKILLS**

The Head of the Regional Internal Audit Service presented a report, in order to set out the skills & knowledge self-assessment questionnaire feedback provided by Government and Audit Committee Members to inform the development of a learning and development plan for the Committee.

Following the report's background information, he advised that the Governance and Audit Committee members were requested to consider ten statements and to indicate whether their level of knowledge / experience was either 'good', 'satisfactory' or 'little' knowledge in relation to each.

Paragraph 4.3 of the report, gave some feedback on the results of this.

The results indicated that Governance and Audit Committee members have an overall sound base of knowledge and experience in the areas of responsibility for this Committee.

The questionnaire also asked Governance and Audit Committee members to indicate what knowledge and skills they had which will add value to the work of the Governance and Audit Committee.

The table in paragraph 4.6 of the report, provided a summary of the feedback received in respect of areas of knowledge/skills. The feedback indicated that there is experience and knowledge, at varying levels, across all key areas.

The Self-Assessment Questionnaire was attached at Appendix A to the report, while the responses from the ten returned questionnaires were at Appendix B and were summarised in the covering report.

With the agreement of Members, it was suggested Officers would draft a learning and development plan for reporting to the next meeting for review and, if deemed appropriate, sign off which would include risk management and counter fraud.

The Chief Officer – Finance, Performance and Change stated that there was a Member training session on Treasury Management arranged in February for Members including lay members of the Committee.

The Chairperson stated that if there were issues around risk management, counter fraud or any of the other areas relayed by the Head of the Regional Internal Audit Service, he invited Members to bring them to his attention.

- RESOLVED** :
- (1) That the members of the Governance And Audit Committee reviewed the self-assessment questionnaire feedback information and discussed the learning and development areas required.
 - (2) That Officers draft a learning and development plan reflecting the views of the Committee.

57. **PROGRESS AGAINST THE INTERNAL AUDIT RISK BASED PLAN 2022-23**

The Deputy Head of the Regional Internal Audit Service presented a report in order to provide members with a position statement on progress being made against the audit work included and approved within the Internal Audit Risk Based Plan 2022-23.

She explained that the Plan had been submitted to the Governance and Audit Committee for consideration and approval at its June 2022 meeting. The Plan outlined the assignments to be undertaken, which would provide sufficient coverage to provide an opinion at the end of 2022-23.

Appendix A of the report showed the progress made against the approved Plan for the period 1 April to 31 December 2022. This showed that, as at the end of 2022, a total of 11 audits had been completed, with 6 of these having been finalised with an audit opinion. A further 6 audits had been completed with draft reports having been issued. Further information was awaited from the service departments on the Management Action Plans proposed for these reviews before these reports could be finalised. A further 22 audits were work in progress, with a further 11 due to commence shortly. The finalised audits have made a total of 16 recommendations to date.

New staff had been recruited during 2022- which has had an impact on resources available, however it is felt that there will be sufficient coverage by the year end to provide an overall audit opinion.

Appendix A also identified that to date, 9 medium priority and 7 low priority recommendations had been made to improve the control environment. The implementation of these recommendations was being monitored to ensure that the identified and agreed improvements were being made.

A Member referred to page 319 of the report and asked if, in future, a priority rating and number of days allocated could be indicated and core reviews split from other activities such as advice, audit planning etc.

Internal Audit Officers confirmed that this would be considered.

RESOLVED : That Members of the Committee noted the content of the report and also the progress made against the Internal Audit Risk Based Plan.

58. **RECOMMENDATION MONITORING**

The Deputy Head of the Regional Internal Audit Service submitted a report that provided Committee with a position statement on Internal Audit recommendations that had been made, implemented and ones which were outstanding.

Appendix A to the report provided a summary of the status of the recommendations made as at 31 December 2022, which also included the recommendations made in respect of audits completed in 2021-22 not yet implemented, as well as all recommendations made on 2022-23 audits to date.

She asked members to note that in respect of audits from the 2021-22 plan, 2 recommendations remained outstanding as the agreed implementation date has been exceeded, whilst 28 recommendations have a future target date. Appendix B provided the detail of the 2 outstanding recommendations and the current position in respect of their implementation.

The Deputy Head of the Regional Internal Audit Service stated that Appendix A also illustrated the position of the recommendations made within audits from the 2022-23 plan and she gave a resume of some of these for members information.

A Member queried the progress of point 2 of the good governance and risk management recommendation. The Deputy Head of the Regional Audit Service confirmed that she would get an update to this query and provide a response to members.

A Lay member commended the officers for the work undertaken.

RESOLVED : That Members considered the information provided in respect of the status of the recommendations made in the report.

59. **UPDATED FORWARD WORK PROGRAMME 2022/23**

The report was presented by the Deputy Head of Finance, the purpose of which was to seek Members' approval for the Forward Work Programme for 2022-23 attached at Appendix A of the report.

Paragraph 4.2 of the report listed those agenda items that were earmarked for the next scheduled Committee meeting dated 27 April 2023.

A member queried which Overview and Scrutiny Committee would discuss the topics of Digital strategy and Digital Transformation and was advised that it would in all likelihood, be the Corporate Overview and Scrutiny Committee.

RESOLVED : That the Committee considered and approved the Forward Work Programme for 2022-2023.

As this was the last meeting of the Governance and Audit Committee before his retirement, the Chairperson expressed his gratitude and the committee expressed their best wishes to the Head of the Regional Audit Service for his years of service to the public sector that included in recent years, the Shared Regional Service.

The Head of the Regional Audit Service thanked members for their kind comments and confirmed how much he had enjoyed working in a local government environment, for a large part of his career.

60. **URGENT ITEMS**

None.

The meeting closed at 12:04

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

27 APRIL 2023

REPORT OF THE CHIEF OFFICER – LEGAL AND REGULATORY SERVICES, HR AND CORPORATE POLICY

GOVERNANCE AND AUDIT COMMITTEE ACTION RECORD

1. Purpose of report

- 1.1 The purpose of this report is to provide Members with an update on the Governance and Audit Committee Action Record.

2. Connection to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objectives under the **Well-being of Future Generations (Wales) Act 2015**:-

1. **Supporting a successful sustainable economy** – taking steps to make the county borough a great place to do business, for people to live, work, study and visit, and to ensure that our schools are focussed on raising the skills, qualifications and ambitions for all people in the county borough.
2. **Helping people and communities to be more healthy and resilient** - taking steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services. Supporting individuals and communities to build resilience, and enable them to develop solutions to have active, healthy and independent lives.
3. **Smarter use of resources** – ensure that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

3. Background

- 3.1 An Action Record has been devised to assist the Committee in tracking the decisions made by the Committee in the exercise of its functions.

4. Current situation/proposal

- 4.1 In order to assist the Governance and Audit Committee in ensuring that decisions made by the Committee are actioned and implemented, the Action Record is attached at **Appendix A**. The Action Record will be presented to each meeting of the Committee for approval.

5. Effect upon policy framework and procedure rules

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

6. Equality Act 2010 Implications

6.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. This is primarily an information report, therefore it is not necessary to carry out an Equality Impact assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

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

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

8. Financial implications

8.1 There are no financial implications arising from this report.

9. Recommendation

9.1 The Committee is recommended to note the Action Record and provide any comment upon this, as appropriate.

Kelly Watson

CHIEF OFFICER – LEGAL AND REGULATORY SERVICES, HR AND CORPORATE POLICY

April 2023

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Postal address: Democratic Services
Chief Executive's Directorate
Level 4
Civic Offices
Angel Street
Bridgend
CF31 4WB

Background Documents:

None

Governance and Audit Committee Action Record

Date of Committee	Item	Lead	Target Date	Action	Date for action to be brought to Committee	Completed Date
15 March 2022	Corporate Complaints	Corporate Director Education and Family Support	June 2022	Update to be provided to the Committee on how school complaints were recorded and ensuring they were recorded effectively.	June 2023	
22 June 2022	Audit Wales Governance and Audit Committee Report	Chief Officer – Finance, Performance and Change	July 2022	Council to develop an Action Plan on each of the recommendations emanating from the national report on Direct Payments.	June/July 2023	
		Audit Wales		Audit Wales to discuss with its Local Government Studies Team on what steps are to be taken by the Welsh Government in working with local authorities on the implementation of best practice on Direct Payments.	January 2023	January 2023
22 June 2022	Corporate Risk Assessment 2022-23	Chief Officer – Finance, Performance and Change Chief Officer – Legal and Regulatory, HR and Corporate Policy		<ol style="list-style-type: none"> 1. A Task and Finish Group be set up to monitor and agree a framework of key risks and mitigating actions being taken by officers on the Risk Register. 2. Information to be provided to the relevant Overview and Scrutiny Committee that the assurance and review of risks scores is ongoing. 	Ongoing Ongoing	
28 July 2022	Audit Wales Governance and Audit Committee Report	Audit Wales	September 2022	Audit Wales representative to clarify how metrics are defined in relation to sleeping rough and homelessness across Councils with the Project Manager responsible for this piece of work and she would update the Committee in the future.	April 2023	
28 July 2022	Statement of Accounts 2021-22 (Unaudited)	Group Manager – Chief Accountant	September 2022	Information to be included in this year's Statement of Accounts on climate change in connection with the Council's commitment around 2030 and the Council's progress towards 2030.	January 2023	January 2023
28 July 2022	Annual Governance Statement 2021-22	Chief Officer – Finance, Performance and Change	September 2022	A statement be included in the Annual Governance Statement on the control mechanisms the Council has in place on the movement of former Councillors becoming officers of the	January 2023	

				Council. (Action completed by the Regional Internal Audit Service)		
13 October 2022	Audit Wales Governance and Audit Committee reports	Chief Officer – Finance, Performance and Change		A process be brought back to committee outlining how Audit Wales and other regulators recommendations will be dealt with via the Scrutiny and G&AC process	January 2023	January 2023
13 October 2022	Corporate Complaints	Chief Officer – Legal and Regulatory Services, HR and Corporate Policy		Timing of Corporate Complaints internal update report to be updated and submitted to Members in April 2023 with a further 6 month update then coinciding with the Ombudsman's report on the same topic in October	June 2023	
10 November 2022	Half Year Review of the Annual Governance Statement	Chief Officer – Finance, Performance and Change and Group Manager – Chief Accountant	Ongoing	Treasury Management training to be provided for all Committee Members including Lay Members in January/February 2023 and further training needs to be identified through the annual training analysis.	April 2023	February 2023
26 January 2023	Audit Wales Governance and Audit Committee reports	Corporate Director Social Services & Wellbeing		To receive a progress report on the implementation of the action plan in relation to the Audit Wales report 'Transformational Leadership Programme Board – Baseline Governance Review - Cwm Taf Morgannwg Regional Partnership Board' (outlined in Appendix C)	June 2023	
26 January 2023	Treasury Management Strategy 2023-24	Chief Officer – Finance, Performance and Change		To look at implementing an ethical investment policy following discussion with the treasury management advisors	July 2023	
26 January 2023	Governance And Audit Committee Self-Assessment of Knowledge & Skills	Head of Regional Internal Audit Service		To draft the learning and development plan for Members	July 2023	

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

27 APRIL 2023

REPORT OF THE CHIEF OFFICER - FINANCE, PERFORMANCE AND CHANGE

AUDIT WALES GOVERNANCE AND AUDIT COMMITTEE REPORTS

1. Purpose of report

- 1.1 The purpose of this report is to submit to the Committee reports from Audit Wales, including an update on the financial and performance audit work undertaken, and due to be undertaken, by Audit Wales, along with the management response to the Performance Management Review.

2. Connections to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objective under the **Well-being of Future Generations (Wales) Act 2015**:

- **Smarter use of resources** – ensuring that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

- 2.2 The Council's performance is an important element in determining the extent to which the well-being objectives can be delivered.

3. Background

- 3.1 Audit Wales undertakes a programme of work during the year to help the Auditor General discharge his duties under the Public Audit (Wales) Act 2004. The Auditor General's functions include auditing accounts and undertaking local performance audit work at a broad range of public bodies, alongside conducting a programme of national value for money examinations and studies. The Auditor General also assesses the extent to which public bodies are complying with the sustainable development principle when setting and taking steps to meet their well-being objectives.

- 3.2 Part 2 of the 2004 Act sets out the powers and duties of the Auditor General to undertake studies in relation to local government bodies in Wales. The most widely used of these provisions is section 41, which requires the Auditor General to undertake studies designed to enable him to make recommendations for, among other things, improving the value for money in the provision of services.

- 3.3 In accordance with Section 89 of the Local Government and Elections (Wales) Act 2021 the Authority is required to keep under review the extent to which it is exercising its functions effectively, using its resources economically, efficiently and effectively and ensuring its governance is effective for securing these performance requirements.

4. Current situation/proposal

4.1 Audit Wales has produced a number of reports for the Governance and Audit Committee to consider. These are:

- **The Audit Wales Work Programme and Timetable (Appendix A)** - under the Local Government and Elections (Wales) Act 2021, the Auditor General is required to produce a work programme update for each financial year for each principal council covering both his functions and those of 'relevant regulators' (Care Inspectorate Wales and Estyn). At the meeting of the Governance and Audit Committee in July 2021, Audit Wales reported that they will provide an updated version of this report to the Council on a quarterly basis. **Appendix A** is an updated position as at 31st March 2023.
- **Annual Audit Summary 2022 (Appendix B)** – this report shows the work completed since the last Annual Audit Summary, which was issued in January 2022. The audit summary forms part of the Auditor General for Wales' duties.
- **Performance Management Review (Appendix C)** – the report covers the review of the Council's performance management arrangements, undertaken in order to establish how well they inform the Council of progress in meeting its priorities which was issued in February 2023. The management response to this report is attached as **Appendix D**.

5. Effect upon policy framework and procedure rules

5.1 There is no impact on the policy framework and procedure rules.

6. Equality Act 2010 implications

6.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. This is an information report, therefore it is not necessary to carry out an Equality Impact assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

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

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

8. Financial implications

8.1 There are no financial implications arising from this report.

9. Recommendation

- 9.1 That the Committee notes the Audit Wales Governance and Audit Committee Reports at **Appendices A, B and C**, and the management response to the Performance Management Review at **Appendix D**.

Carys Lord
Chief Officer – Finance, Performance and Change
April 2023

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Deputy Head of Finance

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Background Documents: None

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Audit Wales Work Programme and Timetable – Bridgend County Borough Council

Quarterly Update: 31 March 2023

Annual Audit Summary

Description	Timetable	Status
A report summarising completed audit work since the last Annual Audit Summary, which was issued in November 2021.	March 2023	Complete. Report issued and published.

Financial Audit work

Description	Scope	Timetable	Status
Audit of the Council's 2021-22 statement of accounts	To confirm whether the statement of accounts provide a true and fair view.	Audit Opinion by 31 January 2023.	Accounts certified 27 January 2023.
Audit of the Council's 2021-22 grant returns	Audit of five claims as required by the terms and conditions of the grants.	In line with the individual deadlines for each grant claim.	Audit Work now complete.

Description	Scope	Timetable	Status
Audit of the Council's 2022-23 statement of accounts	To confirm whether the statement of accounts provide a true and fair view.	Audit Opinion by 30 November 2023.	Planning and Risk assessment work underway.

Performance Audit work

2022-23 Performance audit work	Scope	Timetable	Status
Assurance and Risk Assessment	Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources and acting in accordance with the sustainable development principle.	Ongoing	
	<ul style="list-style-type: none"> Financial position 	Ongoing monitoring of financial position	Ongoing
	<ul style="list-style-type: none"> Capital programme management 	April – September 2023	Scoping
	<ul style="list-style-type: none"> Use of performance information – with a focus on service user feedback and outcomes 	February – September 2023	In progress - fieldwork is being scheduled at each council between March and August 2023
	<ul style="list-style-type: none"> Setting of well-being objectives 		Deferred to 2023-24

2022-23 Performance audit work	Scope	Timetable	Status
Thematic Review – Unscheduled Care	A cross-sector review focusing on the flow of patients out of hospital. This review will consider how the Council is working with its partners to address the risks associated with the provision of social care to support hospital discharge, as well as prevent hospital admission. The work will also consider what steps are being taken to provide medium to longer-term solutions.	August 2022 – June 2023	Fieldwork nearing completion, reporting from April 2023 onward.
Thematic review – Digital	A review of councils' strategic approach to digital, and the extent to which this has been developed in accordance with the sustainable development principle; and that it will help to secure value for money in the use of councils' resources.	January – September.	In progress - fieldwork is being scheduled at each council between March and August 2023.
Local review – performance management	Review of the Council's performance management arrangements.	July to October 2022	Complete. Report issued and published.

Local government national studies planned/in progress

Study	Scope	Timetable	Status	Fieldwork planned at Bridgend County Borough Council
Building Social Resilience and Self reliance	Review of how local authorities can build greater resilience in communities	Autumn 2021 – Autumn 2022	Published January 2023	
Building safety	Review of how well local authorities are delivering their responsibilities for building safety	September 2022 – August 2023	Evidence gathering – fieldwork underway	Yes – interview with nominated officer at the Council and survey.
Planning for sustainable development – Brownfield regeneration	Review of how local authorities are promoting and enabling better use of vacant non-domestic dwellings and brownfield sites	October 2022 – September 2023	Evidence gathering – fieldwork underway	Yes – interview with nominated officer at seven councils and survey.
Governance of special purpose authorities – National Parks	Review of systems and effectiveness of governance	November 2022 – September 2023	Evidence gathering – fieldwork underway	No

Study	Scope	Timetable	Status	Fieldwork planned at Bridgend County Borough Council
Corporate Joint Committees (CJCs)	Assessing CJCs' progress in developing their arrangements to meet their statutory obligations and the Welsh Government's aim of strengthening regional collaboration.	September 2022 – June 2023	Draft report has been issued to the four CJCs. Report due to be published May/June	Yes – We explored the Council's perspective via our routine liaison meetings. Fieldwork included interviews with the chief executive, director of finance and chair of each of the four CJCs.

Estyn

Our link inspectors are continuing to work with Torfaen as part of our follow-up process for an authority causing significant concern. Wrexham local authority is still in a causing concern category and we convened a progress conference in December to look specifically at the school improvement recommendation. We are proposing to re-visit Wrexham in the summer term. We will convene an improvement conference in Powys in May to consider aspects of their work on school improvement, the transformation agenda and financial management in schools. We contributed to risk and assurance workshops in conjunction with Audit Wales and CIW in all local authorities during the spring term. We inspected Blaenau Gwent in December, and the report was published on 10 February. We inspected Rhondda Cynon Taf in January, and the report was published on 31 March.

Field work being carried out across local authorities during the spring term includes a focus on elective home education, support for ALN reform and joint visits with colleagues from the Welsh Government to evaluate the work of local authorities regarding the support they provide to deliver national digital strategies.

Care Inspectorate Wales (CIW)

CIW planned work 2022-23	Scope	Timetable	Status
Programme 2022-23	We will publish our amended Code of Practice for the review of local authority social services in April 2023.	April 2023	Preparing for publication

CIW planned work 2022-23	Scope	Timetable	Status
Joint work	We are finalising our thematic reviews programme of work for 2023-2026. Areas for consideration include, adult safeguarding, carers, CLDT and CAMHS.	Current	In progress
	We continue to work with partners, sharing information and intelligence including completing joint reviews.	Current	In progress
	We are working in collaboration with HIW for a national review of the stroke pathway. A national report will be published early summer.	Current	In progress
	We continue to work in collaboration with HIW in conducting CMHT inspections.	Current	In progress
	CIW is working with partners to complete a rapid review. The overarching objective of the rapid review is to determine to what extent the current structures and processes in Wales ensure children who are in need of care, support and protection are appropriately placed on, and removed from, the Child Protection Register, when sufficient evidence indicates it is safe to do so. This is a collaborative review.	January 2023 – June 2023	In progress

CIW planned work 2022-23	Scope	Timetable	Status
Deprivation of Liberty Safeguards Annual Monitoring Report for Health and Social Care 2021-22	The 2020-21 report was published on 7 February 2021	Published	Published
National review of Care Planning for children and young people subject to the Public Law Outline pre-proceedings	<p>Purpose of the review</p> <p>To provide external scrutiny, assurance and to promote improvement regarding the quality of practice in relation to the care planning for children and young people subject to the public law outline pre-proceedings.</p> <p>To consider the extent to which practice has progressed since the publication of both the CIW 'National Review of care planning for children and young people subject to public law outline pre proceedings' and the publication of the PLO working group report 2021 including best practice guidance.</p>	September 2022 – Spring 2023	Delivery
Joint Inspection Child Protection Arrangements (JICPA)	<p>Cross-inspectorate approach. Areas to be determined. We will complete a further four multi-agency joint inspections in total. Each local authority will have a published letter post inspection.</p> <p>We will publish a national report in late 2023.</p>	Autumn 2022 – late spring 2023	Delivery

Audit Wales national reports and other outputs published since January 2022

Report title	Publication date and link to report
Digital inclusion in Wales (including key questions for public bodies)	March 2023
Orthopaedic Services in Wales – Tackling the Waiting List Backlog	March 2023
Betsi Cadwaladr University Health Board – Review of Board Effectiveness	February 2023
Welsh Government purchase of Gilestone Farm	January 2023
Together we can – Community resilience and self-reliance	January 2023
A Picture of Flood Risk Management	December 2022
'A missed opportunity' – Social Enterprises	December 2022
Poverty Data Tool	November 2022
'Time for change' – Poverty in Wales	November 2022
Learning from cyber-attacks	October 2022 (distributed privately to audited bodies)
National Fraud Initiative 2020-21	October 2022

Report title	Publication date and link to report
COVID-19 business support in 2020-21 – Memorandum for the Public Accounts and Public Administration Committee	October 2022
Payment to the Welsh Government’s Former Permanent Secretary on Termination of Employment	September 2022
Equality Impact Assessments: More than a Tick Box Exercise?	September 2022
Welsh Government – setting of well-being objectives	September 2022
Welsh Government workforce planning and management	September 2022
NHS Wales Finances Data Tool – up to March 2022	August 2022
Public Sector Readiness for Net Zero Carbon by 2030: Evidence Report	August 2022
Public Sector Readiness for Net Zero Carbon by 2030	July 2022
Sustainable Tourism in Wales’ National Parks	July 2022
Third Sector COVID-19 Response Fund – Memorandum for the Public Accounts and Public Administration Committee	July 2022

Report title	Publication date and link to report
The Welsh Community Care Information System – update and data tool	July 2022
Tackling the Planned Care Backlog in Wales – and waiting times data tool	May 2022
The new Curriculum for Wales	May 2022
Unscheduled care – data tool and commentary	April 2022
Direct Payments for Adult Social Care	April 2022
Local Government Financial Sustainability data tool	February 2022
Joint Working Between Emergency Services (including data tool)	January 2022

Audit Wales national reports and other outputs (work in progress/planned)¹

Title	Indicative publication date
NHS quality governance	May/June 2023

¹ We will continue to keep our plans under constant review, taking account of the evolving external environment, our audit priorities, the context of our own resourcing and the capacity of audited bodies to engage with us. Our Annual Plan 2023-24 will confirm plans for new work in other topic areas and we will update this list accordingly at the next quarterly update.

Title	Indicative publication date
Local Government Financial Sustainability Data tool update	April 2023
Springing Forward: Managing assets and workforce in local government	May/June 2023
NHS workforce planning (data briefing)	May/June 2023
Maximising EU funding	May/June 2023
Covering teachers' absence – follow-up	July 2023
NHS finances data tool – to 31 March 2023	July/August 2023
Net zero (pan UK overview)	August/September 2023
Ukrainian refugee services	September 2023
Local government digital strategy review – national summary	October 2023
Local government use of performance information, outcomes and service user perspective – national summary	October 2023
Affordable housing	January/February 2024
Local government capital programme management – national summary	To be confirmed

Title	Indicative publication date
Active travel	To be confirmed
Cancer services	To be confirmed

Good Practice Exchange events and resources

Title	Link to resource
<p>Tackling poverty in Wales: responding to the challenge – this shared learning event brought people together from across public services to share ideas, learning and knowledge on how organisations can respond to the challenges caused by poverty. We shared examples of approaches being taken by organisations within Wales and across the UK.</p>	<p><u>Tackling poverty resources</u></p>
<p>Making Equality Impact Assessments more than a tick box exercise: This shared learning event aims to assist public bodies to improve use and application of EIAs beyond an exercise in compliance by bringing people together from across public services to share ideas, learning and knowledge.</p>	<p><u>Making Equality Impact Assessments more than a tick box exercise resources</u></p>

Title	Link to resource
<p>Together we can – creating the conditions to empower our communities to thrive: This shared learning event will bring people together from across public services to share ideas, learning and knowledge. We will share the findings of our reports on social enterprises and community resilience, including our recommendations going forward.</p>	<p>19 April 2023 – 9 am – 1 pm – Cardiff. To register, please complete our booking form.</p>
<p>A Wales of vibrant culture and thriving Welsh language: Inspired by the Football Association of Wales journey over the past decade, this event will examine and discuss how going beyond expectations creates an inclusive and positive attitude that becomes self-fulfilling.</p> <p>Working in partnership with the Future Generations Commissioner and the Welsh Language Commissioner, this event will assist and inspire public bodies, and the third sector to embrace the cultural diversity of modern Wales and work beyond compliance and into excellence.</p>	<p>To register, please complete our booking form.</p>

Recent Audit Wales blogs

Title	Publication date
<p>Helping people to help themselves</p>	<p>15 February 2023</p>
<p>A perfect storm – the cost of living crisis and domestic abuse</p>	<p>21 November 2022</p>

Title	Publication date
<u>Tackling poverty means tackling poverty data</u>	11 November 2022
<u>Cost of living and putting away the bayonet</u>	21 September 2022
<u>Heat is on to tackle Climate Change</u>	18 August 2022
<u>Direct Payments in Wales</u>	15 June 2022
<u>Unscheduled Care in Wales – a system under real pressure</u>	21 April 2022
<u>Skills Competition Wales</u>	18 February 2022
<u>Cyber resilience – one year on</u>	9 February 2022
<u>Helping to tell the story through numbers</u> (Local government financial sustainability data tool)	3 February 2022
<u>Call for clearer information on climate change spending</u>	2 February 2022
<u>Actions speak louder than words</u> (Building social resilience and self-reliance in citizens and communities)	14 January 2022

Bridgend County Borough Council

Annual Audit Summary 2022

This is our audit summary for Bridgend County Borough Council. It shows the work completed since the last Annual Audit Summary, which was issued in January 2022. Our audit summary forms part of the Auditor General for Wales' duties.



More information about these duties can be found on our [website](#).

About the Council

Some of the services the Council provides



Key facts

The Council is made up of 51 councillors who represent the following political parties:

- Labour 26
- Bridgend County Independents 13
- Democratic Alliance 8
- Independent 3
- Conservative 1

The Council spent £323.1 million on providing services¹ during 2021-22².

¹ We define spending on services as the cost of services charged to the general fund from the Expenditure Funding Analysis, less any Housing Revenue Account cost of services, plus precepts, levies and debt interest.

² Source: 2021-22 Statement of Accounts

Key facts

As at 31 March 2022, the Council had £116.8 million of useable financial reserves³. This is equivalent to 36.1% of the Council's annual spending on services⁴.

Bridgend has 7% of its 88 areas considered to be within the most deprived 10% of areas in Wales, this is the 11 highest of the 22 unitary councils in Wales⁵.

The population of Bridgend is projected to increase by 7% between 2020 and 2040 from 146,400 to 157,300, including a 2% decrease in the number of children, a 1% increase in the number of the working-age population and a 34% increase in the number of people aged 65 and over⁶.

The Auditor General's duties

We completed work during 2021-22 to meet the following duties

- **Continuous improvement**
During 2021-22, the Auditor General had to assess whether the Council had met its performance reporting requirements in relation to 2021-22.
- **Audit of Accounts**
Each year the Auditor General audits the Council's financial statements to make sure that public money is being properly accounted for.
- **Value for money**
The Auditor General examines whether the Council has put in place arrangements to get value for money for the resources it uses, and he has to be satisfied that it has done this.
- **Sustainable development principle**
Public bodies need to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

³ We define useable financial reserves as reserves usable for revenue costs, where the purpose is not protected by law. This is the total of the general fund, earmarked reserves and schools' balances. It excludes Housing Revenue Account reserves, capital receipts and capital grants unapplied.

⁴ Source: 2021-22 Statement of Accounts

⁵ An area in this context is defined as a 'Lower Super Output Area'. Source: Stats Wales

⁶ Source: Stats Wales

What we found

Audit of Bridgend County Borough Council's Accounts 2021-22

Each year we audit the Council's financial statements.



To meet the Auditor General's duties we complete specific projects, but we also rely on other audit work, and the work of regulators such as Care Inspectorate Wales and Estyn (the education inspectorate). We take the findings of our audit work into account when assessing whether the Council has put in place arrangements to secure value for money. Our findings and conclusions are summarised below.

For 2021-22:

- the Auditor General gave an unqualified true and fair opinion on the Council's financial statements on 27 January 2023, ahead of the Welsh Government's deadline of 31 January 2023.
- the Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. They were also consistent with the financial statements prepared by the Council and with our knowledge of the Council.
- the quality of the draft statements presented for audit on 30 June 2022 was generally good.
- a number of changes were made to the Council's financial statements arising from our audit work, which were reported to the Audit Committee in our Audit of Financial Statements Report in January 2023.
- in addition to the Auditor General's responsibilities for auditing the Council's financial statements, he also has responsibility for the certification of a number of grant claims and returns. The work is ongoing but has not identified any significant issues to date.
- the Auditor General issued the certificate confirming that the audit of accounts for 2021-22 has been completed.

Continuous improvement

The Auditor General certified that the Council had met its remaining Local Government (Wales) Measure 2009 duties for the financial year 2021-22, as served by an order made under the Local Government and Elections (Wales) Act 2021.

Assurance and risk assessment review

We reviewed the arrangements the Council has put in place to secure value for money in the use of its resources. Our work focused on the following aspects of the Council's arrangements:

- Financial position
- Implications of the Local Government and Elections (Wales) Act 2021
- Carbon reduction plan
- Disabled Facility Grants
- Statutory Building Compliance

Our findings from this work are set out in our [Assurance and Risk Assessment report](#).

Springing forward review – assets and workforce

During 2021-22, we examined how councils are strengthening their ability to transform, adapt and maintain the delivery of services. Our work focused on the Council's strategic management of its [assets](#) and [workforce](#). We found that for assets, the Council made positive progress in delivering its previous asset management strategy and now needs to ensure future strategic asset plans are fully shaped by the sustainable development principle. However, workforce challenges are impacting on its ability to plan more strategically and critically, to ensure its buildings meet statutory safety requirements. We found that for workforce, the Council is taking action to respond to its significant workforce issues but needs to develop a corporate workforce plan shaped by the sustainable development principle, to address these challenges and strengthen its resilience.

Review of the Transformation Leadership Programme Board and whether it is supporting regional integrated working across Cwm Taf Morgannwg

Regional Partnership Boards (RPBs) have been established to manage and develop services to secure strategic planning and partnership working between local authorities and Local Health Boards.

Following a ministerial decision in 2018, Bridgend County Borough Council moved from the Abertawe Bro Morgannwg Regional Partnership Board to the Cwm Taf Morgannwg Regional Partnership Board (CTM RPB) in April 2019. The boundary change has provided a fresh opportunity for partners to learn from one another and develop more cohesive partnership arrangements to deliver better outcomes for people across the Cwm Taf Morgannwg region.

Our review sought to gain assurance that the health board and the three councils are working together effectively through the aegis of the Transformation Leadership Programme Board to

support regional integrated working across the Cwm Taf Morgannwg region. We undertook fieldwork between November 2021 and January 2022. Overall, in our [report](#), we found that the Transformation Leadership Programme Board is well-placed to develop stronger regional working, building on the productive relationships over the past 18 months. However, it needs to ensure its planning is more integrated and longer term, strengthen aspects of its governance arrangements and be more ambitious in using its combined core resources to have a greater impact on the Cwm Taf Morgannwg region. Our report can be found [here](#).

Other inspectorates

We also took into account the reports of Care Inspectorate Wales (CIW) and Estyn as well as any subsequent actions taken by the Council in response. [Report of performance evaluation inspection: Bridgend County Borough Council children's services](#). This report summarises findings from our inspection of Bridgend children's services between 23 May and 27 May 2022.

Local government studies

As well as local work at each council, each year we also carry out studies across the local government sector to make recommendations for improving value for money. Since the last annual improvement report, we have published the following reports:

Joint working between Emergency Services (January 2022)

This report examines whether emergency services in Wales are working more closely together to make better use of resources. Joint working across emergency services to make best use of resources is not a new concept. Emergency services have been working closely together to provide a better service to the public for many years. Innovative partnership initiatives have saved money, reduced local response times and have contributed to protecting the public. Despite this, there are growing expectations from government policy and legislation that collaboration needs to happen more deeply and quickly to ensure front line services can meet the challenges facing 21st century Wales. Overall, we concluded that blue light emergency service collaboration is slowly growing but requires a step change in activity to maximise impact and make the best use of resources.

Direct Payments (April 2022)

Direct Payments are an alternative to local-authority-arranged care or support and can help meet an individual's or a carer's need. They aim to give people more choice, greater flexibility and more control over the support they get. Our report looked at how Direct Payments help sustain people's wellbeing and whether they are improving quality of life. We also looked at how local authorities manage and encourage take up of Direct Payments and whether these services present value for money. We found that Direct Payments are highly valued, with the people we surveyed acknowledging that they help them remain independent. But we also found that managing and supporting people to use Direct Payments varies widely resulting in service users and carers receiving different standards of service.

‘Time for Change’ – Poverty in Wales (November 2022)

Poverty in Wales is not a new phenomenon and tackling poverty, particularly child poverty, has been a priority for both the Welsh Government and councils in Wales. The current cost-of-living crisis means that more people are being affected and families who have been living comfortably are moving into poverty for the first time. Many of the levers that could be used to alleviate poverty are outside of Wales’s control. The Welsh Government adopted a Child Poverty Strategy in 2011, but this is out of date and the target to eliminate child poverty by 2020 was dropped. Councils and partners are prioritising work on poverty, but the mix of approaches and a complicated partnership landscape mean that ambitions, focus, actions, and prioritisation vary widely. The Welsh Government makes significant revenue funding available but, due to the complexity and nature of the issues, the total level of spend is unknown, and no council knows the full extent of its spending on alleviating and tackling poverty. The short-term nature of grant programmes, overly complex administration, weaknesses in guidance and grant restrictions, and difficulties spending monies means that funding is not making the impact it could. Councils find it hard to deliver preventative work because of the sheer scale of demand from people in crisis.

‘A missed Opportunity’ – Social Enterprises (December 2022)

Social Enterprises sit between the public and private sectors. They apply commercial strategies to maximise improvements in financial, social and environmental well-being, often for individual groups in society, defined communities or geographical areas. Social enterprise work in every sector of the Welsh economy and in all parts of the country and are increasingly prominent in Welsh Parliament legislation. While local authorities claim they value Social Enterprises, few have mapped their activity and most authorities do not know the scale of provision within their area. Less than a third of local authorities consider themselves to have a proactive and supportive relationship with Social Enterprises and none have a dedicated strategy or policy that charts how they intend to promote and grow the sector. As a result, local authorities are missing out on the potential for Social Enterprises to help deliver services that can improve people’s quality of life. Current procurement and commissioning arrangements often unintentionally discourage Social Enterprises to engage because they are overly bureaucratic. Social value – the added value that commissioning processes can deliver – does not feature as a key driver for many local authorities. Most local authorities are not delivering their responsibilities under the Social Services and Wellbeing (Wales) Act 2014 and effectively promoting Social Enterprises.

‘Together we can’ – Community resilience and self-reliance (January 2023)

At a time when there is likely to be further reductions in public spending, local authorities are showing an increasing interest in encouraging and growing community resilience; equipping people to do more for themselves and be less reliant on the state. While 19 of the 22 local authorities are prioritising community resilience, too often the work is poorly defined and the actions that underpin plans are narrowly focussed. Given the societal, financial and demographic challenges facing Wales there is a need to scale and speed up activity. Capacity, resources and skills are scarce, people are facing tougher choices and struggling to cope with the cost-of-living crisis. Communities and local authorities themselves also have

different abilities and are starting from different places with their own unique challenges to overcome. We highlight positive practice and examples of how others are seeking to address the challenge of enabling people to be less reliant on local authority services and how they are supporting and enabling this transition.

Planned work for 2022-23

We also looked at the key challenges and opportunities facing the Council. These could have an effect on the Council's ability to meet its legal obligations in relation to the sustainable development principle and the use of its resources.

Our planned work for 2022-23 includes:

- Assurance and risk assessment including a focus on:
 - Financial position
 - Capital programme management
 - Use of performance information – with a focus on service user feedback and outcomes
 - Setting of well-being objectives
- Thematic review – unscheduled care. This review covers the health and local government sectors
- Thematic review – digital
- Review of Performance Management Arrangements

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This document is also available in Welsh.

Performance Management Review – Bridgend County Borough Council

Audit year: 2022-23

Date issued: February 2023

Document reference: 3386A2022

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Summary report

Summary

What we reviewed and why

- 1 We reviewed the Council's performance management arrangements to establish how well they inform the Council of progress in meeting its priorities.
- 2 At the time of the review the Council acknowledged that their performance management process needed to be improved.
- 3 For the purposes of the review, performance management arrangements will include the Council's strategic approach to setting and delivering its corporate priorities and wellbeing objectives. We will also consider the Council's performance management framework, meaning the structures and mechanisms the Council has put in place to monitor its progress towards meeting its objectives. We will not consider the performance management of individuals.
- 4 We recognise that the Council is continuing to deal with significant issues arising from the Pandemic giving rise to increased demand for services, the cost-of-living crisis and difficulties with recruitment and retention of staff. All impacting on the Council's capacity to operate effectively across service areas.
- 5 Why performance management is important.
 - effective performance management involves monitoring progress against key objectives and service performance standards and successfully intervening where performance is falling below the objectives or standards that the Council has set itself.
 - an effective performance management system should help the Council to identify performance issues as they emerge and help the Council to intervene to improve performance.
 - without an effective performance management system, there is a significant risk that the Council will not be able to measure and monitor its performance against its objectives and take action where they are not being met, and therefore achieve its objectives.
- 6 What we looked for
 - performance management arrangements are aligned to corporate objectives and integrated into its business planning arrangements.
 - the Council uses a wide range of performance information that reflect the Council's priorities and the needs of service users, including benchmarking its performance and processes.
 - the performance measures are Specific, Measurable, Achievable, Relevant, and Time-Bound.
 - performance data is accurate measuring the right things and where appropriate outcome focussed.

- arrangements enable the Council to recognise good performance and tackle poor performance. They should provide feedback to help the Council understand and learn from the reasons for good or poor performance.
- performance reports are easily accessible to the public and other external stakeholders.

7 We undertook the review during the period August 2022 to September 2022.

What we found

8 The review sought to answer the question: Do the Council's performance management arrangements support robust and effective decision-making and improvement?

9 Overall, we found that: The Council's performance management arrangements do not consistently enable it to effectively evaluate and manage its performance.

10 We reached this conclusion because:

- weaknesses in performance information are limiting the Council's awareness of its own performance and its ability to manage its performance effectively.
- the Council's focus on collecting, rather than analysing data and ensuring its accuracy, limits the impact of its performance management arrangements.

Recommendations

Exhibit 1: recommendations.

The table below sets out the recommendations that we have identified following this review.

Recommendations	
R1	Ensure that service level business plans are complete, having a full range of performance indicators to support its wellbeing objectives.
R2	Ensure that all performance indicators are meaningful, outcome focused and have clear links to the Council's wellbeing objectives.
R3	Put robust and consistent verification processes in place to ensure that performance information is accurate.

Recommendations

- R4 Make better use of the performance information collected by prioritising more data analysis and a broader range of information to help understand performance.

Detailed report

We found that the Council's performance management arrangements do not consistently enable it to effectively evaluate and manage its performance

Weaknesses in performance information are limiting the Council's awareness of its own performance and its ability to manage its performance effectively.

11 In reaching this conclusion we found that:

- the Council's Corporate Performance Assessment does provide the Council with the opportunity to recognise good and tackle poor performance. This should help the Council understand and learn from the reasons for good or poor performance. However, this is undermined by weaknesses in performance information.
- the performance indicators selected are not always outcome focused nor clearly linked to the Council's wellbeing objectives. For example, in Communities business plan 2022-23 commitment 1.2.5 – improve visitor experience. This has two components both enhancing the natural environment and to act as host for the Valleys Regional Park Programme team and to complete Cosy Corner. There is one milestone, which relates to Cosy Corner and one PI measuring annual expenditure by tourists. These measures will not tell the Council how they have enhanced the natural environment in a way that will improve visitor experience.
- there are examples of missing performance indicators in service business plans. For example, in Education and Family Services business plan 2022-23 commitment 3.2.4- build on technological progress. The milestone is to implement Capita One. There are no performance indicators in place to measure success in achieving this commitment. The Council's own internal arrangements did not address this.
- there are performance indicators which do help to measure progress towards corporate priorities. These tend to be where relatively straightforward metrics are possible to measure progress. For example, in Social Services and Wellbeing business plan commitment 2.2.1 – 'continue the safe reduction of care experienced children, and support care experienced children to achieve the best possible outcomes by: ensuring care experienced children are supported to live with their families and where this is not possible identify alternative permanence options at the earliest opportunity and ensuring care experienced children enjoy the same life chances as other children'. There are seven performance indicators, about

the numbers in care, but also about whether assessments are completed on time, how many placements children have had, and what is happening to them (employment/ homelessness) after leaving care. These complex issues are supported by a range of PIs which are both qualitative and quantitative.

- the Council regularly reports its performance information to both internal and public meetings. The information is presented in a way that is accessible and easy to understand.
- the Council does not always consider a range of performance information together in reports such as the implications of budget workforce and performance.
- there is limited benchmarking of data and processes to explore how the Council can learn and strengthen its arrangements and demonstrate value for money. This is an issue we have raised with a number of councils.

The Council's focus on collecting, rather than analysing data and ensuring its accuracy, limits the impact of its performance management arrangements.

12 In reaching this conclusion we found that:

- considerable officer time is spent collecting and presenting performance information. However, less priority is given to analysing performance information to help the Council understand its performance and where and how it can improve value for money.
- the Council does not have robust and consistent arrangements to ensure the quality of its data. There is a risk that senior officers and councillors may be acting and/or making decisions based on inaccurate information.
- the Council has not reviewed its performance management arrangements to consider if they provide value for money.



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Council Response

Report title: Performance Management Arrangements Review Bridgend County Borough Council

Issue date: February 2023

Document reference: 3385A2023

Ref	Recommendation	Organisational response Please set out here relevant commentary on the intended implementation plan in response to the recommendation	Completion date Please set out here when you plan for the organisational response to be	Responsible officer (title)
R1	Ensure that service level business plans are complete, having a full range of performance indicators to support its wellbeing objectives.	<ul style="list-style-type: none"> • Develop directorate and service level business planning templates following the same approach and criteria as the corporate plan delivery plan • Ensure performance indicators in the corporate plan delivery plan are developed to measure achievement of broad corporate aims, rather than specific projects or commitments 	September 2023	Corporate Policy and Public Affairs Manager
R2	Ensure that all performance indicators are meaningful, outcome focused and have clear links to the Council's wellbeing objectives.	<ul style="list-style-type: none"> • Develop a corporate plan delivery plan that defines and better links wellbeing objectives and aims and the commitments and PIs that support their delivery. • Ensure each wellbeing objective is fully reflected in aims, commitments and appropriate PIs • Develop clear and agreed criteria for PI development (including a balance of input, output and outcome measures, measures we can compare over time and with others, measures we can report quarterly in real time) 	July 2023	Corporate Policy and Public Affairs Manager

Ref	Recommendation	Organisational response Please set out here relevant commentary on the intended implementation plan in response to the recommendation	Completion date Please set out here when you plan for the organisational response to be completed and intended outcome achieved.	Responsible officer (title)
R3	Put robust and consistent verification processes in place to ensure that performance information is accurate.	<ul style="list-style-type: none"> • Develop a clear and agreed approach to data collection, use and validation with performance indicator guidance notes for each new corporate plan PI • Include data workings and tables in the performance system • Implement findings of the internal audit PI audit • Work with internal audit / Audit Wales to better understand the PI audit process. Train performance team staff to undertake PI audits • Develop a regular, internal PI audit programme 	July 2023 September 2023 July 2023 September 2023	Corporate Policy and Public Affairs Manager
R4	Make better use of the performance information collected by prioritising more data analysis and a broader range of information to help understand performance.	<ul style="list-style-type: none"> • Recruit to the Corporate improvement officer and Corporate Performance Manager roles • Agree a permanent place in the organisation for the Corporate Performance Team • Reiterate quarterly reporting deadlines and requirements to CMB, HoS, business managers and performance champions • Implement a new system from Q2 with short presentations of key issues, challenges, opportunities and RAG indicators for each directorate (as well as providing detailed dashboards) at CPA • Establish CPA meeting dates for the year ahead (including Q3). Establish a longer, full day meeting at Q4 to consider performance alongside the self-assessment • Add regulator comments, consultation/engagement to CPA quarterly dashboards for consideration alongside commitments/Pis • Take part in the CPDN Data Cymru group on self-assessment national PIs to support benchmarking improvement • Introduce a regulatory tracker to GAC and Scrutiny Chairs groups and a process for dissemination of messages and picking up issues 	July 2023 April 2023 July 2023 September 2022 February 2023 January 2023 January 2023 January 2023	Corporate Policy and Public Affairs Manager

- Investigate how the current system can take from directorate data systems

September 2023

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

27 APRIL 2023

REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE

PROGRESS AGAINST THE INTERNAL AUDIT RISK BASED PLAN 2022-23

1. Purpose of report

- 1.1 The purpose of this report is to provide members of the Committee with a position statement on progress made against the audit work included and approved within the Internal Audit Risk Based Plan 2022-23.

2. Connection to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objective under the **Well-being of Future Generations (Wales) Act 2015**:

- **Smarter use of resources** – ensuring that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

3. Background

- 3.1 In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit is responsible for developing a risk-based annual audit plan which takes into account the Council's risk management framework. Within the Standards there is also a requirement for the Head of Internal Audit to review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, controls and resources. The Head of Internal Audit must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

- 3.2 The Internal Audit Plan for 2022-23 was submitted to the Governance and Audit Committee for consideration and approval on 22nd June 2022. The Plan outlined the assignments to be carried out which will provide sufficient coverage to provide an opinion at the end of 2022-23.

- 3.3 The Plan is also flexible to allow for changing circumstances and events that may occur, such as requests to respond to new issues that may emerge.

4. Current situation/proposal

- 4.1 Progress made against the approved Plan for the period 1st April 2022 to 31st March 2023 is attached at **Appendix A**. This details the current status of each planned review, the audit opinion and the number of any high, medium or low priority recommendations that have been made to improve the control environment. It should

be noted that some reviews listed have no audit opinion, for example advice and guidance and Governance and Audit Committee / Corporate Management Board (CMB) reporting. This is because the audit work carried out in respect of these items is planned but the nature of the work does not lead to testing and the formation of an audit opinion, although in some instances recommendations are made.

- 4.2 **Appendix A** illustrates that a total of 17 audits have been completed with an audit opinion whilst a further 6 audits have been issued as draft. Feedback is awaited from the service departments in respect of the management action plans for these draft audits and once received the reports will be finalised. In addition 10 audits are under review with the draft audit reports due to be issued imminently. Therefore, it is estimated that the audit opinion of 33 audits will feed into the overall annual audit opinion for 2022/23.
- 4.3 Based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control environment the audit opinions for the 17 audits are as follow; 5 have been given substantial assurance, 11 reasonable assurance and one audit has been given an audit opinion of limited, that is only limited assurance can be placed on the current system of internal control.
- 4.4 For reference, the audit assurance/opinion categories are:

AUDIT ASSURANCE CATEGORY CODE	
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

- 4.5 An explanation in respect of the audit where an audit opinion of limited has been given is detailed as follows :

Abercerdin Primary School

The purpose of this audit was to provide assurance on the adequacy and effectiveness of the internal control, governance and risk management arrangements in respect of Abercerdin Primary School. This audit was undertaken in October 2022. Although some strengths were identified, it was noted that the school was significantly affected by the pandemic and key issues were found. These were in respect of the Governing Body which had failed the statutory requirement to meet termly during the 2021/22 academic year due to membership and attendance issues making it non quorate. There was no evidence that the school budget had been agreed and no evidence to demonstrate when policies had been reviewed and agreed by the Governing Body. There were also issues identified in respect of the school's private fund. As a result of these findings, recommendations were made which have been agreed and a follow up audit will take place during the summer term to ensure that improvements have been made.

- 4.6 **Appendix A** also identifies the audits that have not been completed during 2022/23. Of these, 2 have commenced and are being carried forward whilst a further 9 did not start but will be considered in the 2023/24 plan. One audit was not undertaken and will not be included in the 2023/24 plan, this was a review of grant schemes from Welsh Government which were allocated during and after the pandemic.
- 4.7 **Appendix A** identifies that to date 41 medium priority and 49 low priority recommendations have been made to improve the control environment. The implementation of these recommendations is monitored to ensure that the identified and agreed improvements are being made.
- 4.8 Again for reference, Internal Audit recommendations are categorised/prioritised as follows:

RECOMMENDATION CATEGORISATION	
Risk may be viewed as the chance, or probability, of one or more of the organisation's objectives not being met. It refers both to unwanted outcomes which might arise, and to the potential failure to realise desired results. The criticality of each recommendation is as follows:	
High Priority	Action that is considered imperative to ensure that the organisation is not exposed to high risks.
Medium Priority	Action that is considered necessary to avoid exposure to significant risks.
Low Priority	Action that is considered desirable and should result in enhanced control.

- 4.9 As reported during the year the Regional Internal Audit Service (RIAS) has successfully recruited new audit staff during 2022-23 but as previously highlighted, the new staff have had an impact on the current resource available to deliver the internal audit plan due to the support and training that has been required. The plan was compiled assuming a full establishment and although SWAP Internal Audit Services have assisted, 9 planned audits have not been undertaken during 2022/23.
- 4.10 However, it is estimated that 33 audits will be completed with audit opinions. These, together with other sources of assurance such as external assessment reports from

Care Inspectorate Wales, Estyn and our own controlled risk self-assessments completed by all schools, will provide a level of coverage that is sufficient to allow the Head of Internal Audit to provide an opinion on the Council's arrangements for internal control, governance and risk management arrangements throughout 2022-23.

5. Effect upon policy framework and procedure rules

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

6. Equality Act 2010 implications

6.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. This is an information report, therefore it is not necessary to carry out an Equality Impact assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

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

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

8. Financial implications

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

9. Recommendation

9.1 That members of the Committee note the content of the report and the progress made against the 2022-23 Internal Audit Risk Based Plan.

Mark Thomas
HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE
April 2023

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Background Documents :

None

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BCBC - AUDIT PLAN 2022/23

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Area	Initial Audit Objective / Scope	Status	Opinion			Recommendations		
			Substantial	Reasonable	Limited	High	Medium	Low
Follow up Limited Assurance Reports	To ensure that improvements have been made to the control environment since the previous limited assurance review.							
	Creditor - Supplier Data Follow Up	complete		√		0	1	3
Good Governance	To provide assurance that key Corporate Governance processes are in place within the Council and that these are operating effectively to enable the Council to be provided with sufficient information to enable them to discharge their responsibilities. Assist in the AGS	to be undertaken 2023/24						
Safeguarding	This review will include an annual assessment of the Council's overall operating model for safeguarding; including reviewing the adequacy of assurances obtained by the Council in respect of safeguarding arrangements in place for vulnerable adults and children.	to be undertaken 2023/24						
Grant Certification Work	Under the conditions of the specific grant determination, the Head of Audit must certify that the conditions of the grant have been complied with.							
	Bus Service Support Grant 2021-22	complete		√		0	0	1
	Regional Consortia School Improvement Grant 2021-22	complete		√		0	2	1
Risk Management	A review of a sample of corporate risks to identify if they are being appropriately managed and progress is being reported accurately. The focus of the review has been deep dives of the following risks through discussions with the risk owners: •SS-2023-01: Social care services •COR-2019-04: Workforce •COR-2019-05: Key supplier failure •COR-2019-01: Medium to long term decisions •SS-2019-01: Safeguarding	complete	√			0	0	0
Bridgend 20-30 Zero Carbon Strategy- Climate Change & Energy Efficiency	To ensure the staff structure, methodology and governance arrangements are in place and operating effectively to deliver this programme and identify any improvements that could be made. Also identify what plans are in place to improve energy efficiency	complete		√		0	5	0
Procurement	Review current processes and practices to ensure that they are reasonable, effective and efficient in the current economic landscape identifying any best practice across the other Authorities within the Regional Service	aspects included in various individual audits						
Tender Evaluation & Award	To undertake a review to compliance to the Council's Rules and Regulations and Project Management Methodology associated with high risk contracts. Focus will be on tender and award.	draft issued						
Members	To ensure that all elected Members meet the associated qualifying criteria and have fully declared any relevant declarations of interest as per the Council's Code of Conduct.	complete		√		0	2	0
Elections	To ensure that controls surrounding the elections is robust and the costs incurred are accurately supported with source documents and the overall governance is sound	complete		√		0	2	3
Scheme of Delegation	To ensure compliance to the scheme of delegation through sample testing of decisions and authorisations	under review						
Code of Conduct	Review of compliance of Officers to the Council's Code of Conduct	carried forward						
Attendance & Sickness Recording	Provide assurance that information relating to sickness absence is accurate and the recording and reporting is complete and timely. Ensure compliance to Council policies across Directorates.	under review						
Financial Systems	A rolling programme of audits is adopted, work programme for each year may differ. This approach enables us to deliver a more cost-effective service, whilst providing sufficient assurance as to the adequacy of the Council's material system control environment.							
	Debtors	draft issued						
	Cost of Living Scheme	draft issued						
	Winter Fuel Payments	under review						

	Housing Benefits	carried forward						
Grant Schemes	Review the arrangements for administering grant payments made on behalf of Welsh Government	not undertaken						
Project Management	To undertake a review of the governance and decision making around Major Projects. Particular emphasis will be placed on compliance to the Council's Rules and Regulations and Project Management Methodology associated with high risk contracts.	to be undertaken 2023/24						
Performance Management	To review the performance management arrangements paying particular attention to the accuracy of the PI information collected and reported	draft issued						
ICT Audit	Systems reviews will be undertaken across Directorates to ensure robust controls are evident and operating effectively in order to minimise the threat of risks including cyber crime Enterprise EDRM - Document Management System	draft issued						
Cyber Security	Undertake testing to ensure that staff are aware of requirements to protect devices, services and networks and the information on them from theft or damage via electronic means and staff are aware of what to do if there is a concern or breach. Ensure this information is monitored and reported consistently across the Council Vulnerability & Patch Management	under review						
Temporary Housing Solutions	Examine compliance with this statutory duty, review process for availability, processing and prioritising cases to provide assistance that systems are efficient and effective.	to be undertaken 2023/24						
Coychurch Crematorium	A compliance review to complete the Annual Accounting Statement 2021/22	complete	√			0	1	0
	An assurance review to ensure compliance to standard obligations such as recording and certification as well as undertaking testing to inform the Annual Accounting Statement 2022/23	under review						
Porthcawl Harbour	A compliance review to complete the Annual Accounting Statement	complete	√			0	0	1
Fleet Management	To ensure that mileage incurred by Council vehicles is for work purposes only and journeys are as efficient as possible and within the agreed parameters.	complete		√		0	4	2
Vehicle Fuel Management	To provide assurance on the adequacy and effectiveness of the internal control, governance and risk management arrangements in respect of Vehicles Fuel System.	draft issued						
Porthcawl Regeneration	To ensure the governance, structure and scope of the Project Board are in place and operating effectively to successfully deliver this programme.	to be undertaken 2023/24						
Schools	To undertake a number of school based reviews as well as cross cutting thematic reviews in accordance with the Internal Audit risk based assessment.							
	Abercerdin Primary	complete			√	0	6	9
	Blaengarw Primary	complete		√		0	5	10
	Llangewydd Junior School	complete		√		0	2	6
	Tynyrheol Primary	complete		√		0	5	8
	Calon Y Cymoedd	under review						
	School Unofficial / Private Funds	under review						
School Vehicles	under review							
School CRSA	To undertake the annual controlled risk self – assessment for schools. The aim of the process is to enable Head Teachers to review their internal controls and to ensure that they undertake and comply with the requirements of current legislation and the Financial Procedure Rules.	under review						
School Admissions	To ensure all processes and procedures are in place and operating effectively	to be undertaken 2023/24						
Placements	Review the contracts and monitoring arrangements in place to provide assurance that the Council's interests are protected and agreed rates are paid. Include Adults Learning Disabilities and Mental Health as well as LAC	to be undertaken 2023/24						
Prevention & Wellbeing	Review the arrangements in place for Halo and Arwen to provide assurance that the Council getting VFM	to be undertaken 2023/24						

WCCIS	Ensure robust controls are in place and operating effectively in respect of access and security of the system	complete	v			0	0	1
Support for Carers	Carers' Assessments & Payments	to be undertaken 2023/24						
Occupational Therapists	Provide assurance in respect of the efficiency and effectiveness of the processes in place in respect of assessment of need	complete	v			0	0	0
Information, Advice & Assistance Team	Review processes and procedures and verify data to ensure the service is provided as effectively and efficiently as possible.	under review						
Annual Opinion Report 2021/22	Preparation for the production of the 2021/22 Annual Opinion Report.	complete						
Annual Opinion Report 2022/23	Preparation for the production of the 2022/23 Annual Opinion Report.	on-going						
Audit Planning 2022/23	Preparation for the production of the annual risk based plan 2022/23.	complete						
Audit Planning 2023/24	Preparation for the production of the annual risk based plan 2023/24.	complete						
Governance & Audit Committee /Members and CMB Reporting	This allocation covers Member reporting procedures, mainly to the Governance & Audit Committee. Regular reporting to, and meeting with, the Section 151 Officer, Corporate Management Board and the RIAS Board.	complete						
Closure of Reports from 2021/22	To finalise all draft reports outstanding at the end of 2021/22.							
	Capital Monitoring	complete		v		0	1	2
Recommendation Monitoring	Monitoring the implementation of Internal Audit recommendations in consultation with service areas which have received these recommendations.	complete						
Advice & Guidance	To allow auditors to facilitate the provision of risk and control advice which is regularly requested by officers within the authority, including maintained school based staff.	complete						
Data Analytics	Data Analytics is proving to be a useful internal audit tool as councils become more reliant on electronic data, as data analytics enables a vast amount of data to be analysed when selecting testing samples	complete						
Quality Assurance & Improvement Programme	To review / ensure compliance with the Accounts and Audit (Wales) Regulations 2014 / Public Sector Internal Audit Standards (PSIAS).	complete						
External Audit Liaison	To ensure that a "managed audit" approach is followed in relation to the provision of internal and external audit services.	complete						
Emerging Risks / unplanned	To enable Audit Services to respond to provide assurance activity as required.							
	Recruitment	complete				0	3	1
Fraud / Error / Irregularity	National Fraud Initiative - Collection of data and analysis of matches for the NFI exercise, providing advice and guidance to key contact officers.	complete						
Fraud / Error / Irregularity	Irregularity Investigations - Reactive work where suspected irregularity has been detected.							
	Accuracy of Data & Caseloads	complete				0	2	1
Fraud / Error / Irregularity	Anti-Fraud & Corruption – Proactive - Proactive counter-fraud work that includes targeted testing of processes with inherent risk of fraud.	complete						
	Overall Totals		5	11	1	0	41	49

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

27 APRIL 2023

REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE

REGIONAL INTERNAL AUDIT SERVICE CHARTER 2023-24

1. Purpose of report

- 1.1. The purpose of this report is to present to members of the Governance and Audit Committee the Regional Internal Audit Service Charter for 2023-24 for approval.

2. Connection to corporate well-being objectives/ other corporate priorities

- 2.1. This report assists in the achievement of the following corporate well-being objective under the **Well-being of Future Generations (Wales) Act 2015**:

- **Smarter use of resources** – ensure that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

3. Background

- 3.1. The Regional Internal Audit Service (RIAS) Charter establishes the position of internal audit activity within each Council along with reporting lines. It is a formal document that defines the purpose, authority and responsibility of internal audit activities.
- 3.2. The RIAS Charter defines the purpose, authority and responsibilities of the RIAS across Bridgend, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan Councils. The Charter was fully reviewed and amended for 2020-21 to develop a consistent charter for the four Councils and to be consistent with the objectives of the Shared Service, that is, to eliminate duplication and apply best practice.
- 3.3. The Charter establishes the position of internal audit activity within each Council, along with reporting lines, authorising access to records, personnel, and physical property relevant to the performance of audit work and defines the scope of internal audit activities.
- 3.4. The Head of Internal Audit is responsible for reviewing the Charter and presenting it to each Council's Governance and Audit Committee annually for review and approval in line with the Public Sector Internal Audit Standards.
- 3.5. The Public Sector Internal Audit Standards (PSIAS) are applicable to all areas of the United Kingdom public sector and are based on the Chartered Institute of Internal Auditor's (CIIA's) International Professional Practices Framework.

- 3.6. The RIAS is committed to meeting the standards laid down in the Public Sector Internal Audit Standards Framework and any significant deviations from the Standards will be reported to the Governance and Audit Committee.
- 3.7. The Charter is split into the following sections:
- Purpose, Authority and Responsibility;
 - Independence and Objectivity;
 - Proficiency and Due Professional Care;
 - Quality Assurance and Improvement Programme.
- 3.8. The Charter also has three annexes containing a Glossary of Terms, the Code of Ethics and Additional Requirements which outlines that staff must also comply with the Seven Principles of Public Life as well as the Vale of Glamorgan Council's Code of Corporate Governance.
- 3.9. The roles of the Governance and Audit Committee in relation to internal audit are to:
- Oversee its independence, objectivity, performance and professionalism;
 - Support the effectiveness of the internal audit process;
 - Promote the effective use of internal audit within the assurance framework.
- 3.10. One of the key roles which demonstrate the Governance and Audit Committee's oversight is the approval of the Internal Audit Charter.

4. Current situation / proposal

- 4.1. The Public Sector Internal Audit Standards requires the Head of Internal Audit to review the Charter periodically, but final approval resides with the Governance and Audit Committee.
- 4.2. The Regional Internal Audit Service Charter for 2023-24 is attached at **Appendix A** and has been reviewed for 2023-24 to ensure it continues to reflect the requirements of the PSIAS and that it remains applicable to all four Councils involved in the Shared Service.
- 4.3. The Charter has been updated to include in Section 2.17, "*in addition to the Code of Ethics staff must comply with the Seven Principles of Public Life and the Vale of Glamorgan Council's Code of Corporate Governance which are referred to in Annex 3 – Additional Requirements.*"
- 4.4. Paragraph 4.11 of the Charter relating to External Assessment has also been updated to reflect that a comprehensive and detailed self-assessment has been carried out during 2022 and shared with the external assessors in November 2022. The external assessment of the RIAS is currently in progress and is due to be completed in April 2023.

5. Effect upon policy framework and procedure rules

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

6. Equality Act 2010 implications

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

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

7.1. The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

8. Financial implications

8.1. An effective Internal Audit Service is a key contributor in ensuring that the Council's assets and interests are properly accounted for and safeguarded. There are no direct financial implications as a result of this report.

9. Recommendation

9.1. That members of the Committee consider and approve the Regional Internal Audit Service Charter for 2023-24 as attached in **Appendix A** to this report.

Mark Thomas
Head of the Regional Internal Audit Service
April 2023

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Background Documents

Public Sector Internal Audit Standards 2017

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Internal Audit Charter 2023/24

Bridgend County Borough Council



Merthyr Tydfil County Borough Council



Rhondda Cynon Taf County Borough Council



Vale of Glamorgan Council



March 2023

Review and Approval of the Internal Audit Charter

This Internal Audit Charter defines the purpose, authority and responsibility of the Internal Audit Service.

The Internal Audit Charter is defined within the Public Sector Internal Audit Standards as follows:

The Internal Audit Charter is a formal document that defines the purpose, authority and responsibility of Internal Audit activities. The Internal Audit Charter establishes Internal Audit's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit activities.

A professional, independent and objective Internal Audit Service is one of the key elements of good governance, as recognised throughout the UK Public Sector.

The purpose of this Regional Internal Audit Service Charter is to define the purpose, authority and responsibilities of the Regional Internal Audit Service (RIAS) across Bridgend, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan Councils.

The Charter establishes the position of internal audit activity within each Council along with reporting lines, authorising access to records, personnel and physical property relevant to the performance of audit work and defines the scope of internal audit activities.

The Head of Internal Audit is responsible for reviewing the charter and presenting it to each Council's Governance & Audit Committee annually for review and approval.

The Public Sector Internal Audit Standards sets out the Mission of Internal Audit (what internal audit aspires to accomplish within an organisation) and the definition of Internal Auditing.

Mission of Internal Audit

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Definition of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

- A. In each of the four Councils, the role of the Board, as defined within the Public Sector Internal Audit Standards, will be the responsibility of each Council's Governance & Audit Committee and any reference made throughout this document relating to the Governance & Audit Committee assumes the responsibilities of the Board as defined and referred to within the Standards.
- B. The Public Sector Internal Audit Standards require that the internal audit charter defines the terms Board, Chief Audit Executive and Senior Management in relation to the work of internal audit. For the purposes of internal audit work the roles are defined as follows:
- Board – The internal audit activity is established and defined by the Board, (hereafter referred to as the Governance & Audit Committee) which has responsibility for overseeing the work of Internal Audit.
 - Chief Audit Executive – The role of the Chief Audit Executive is undertaken by the Head of the Regional Internal Audit Service.
 - Senior Management – Senior Management is defined as those officers designated as Chief Officers as set out in each Council's Constitution.
- C. The Public Sector Internal Audit Standards became effective from the 1st of April 2013 and were updated in March 2017. The Public Sector Internal Audit Standards replaced the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. Conformance with the Standards, the Definition of Internal Auditing and Code of Ethics is mandatory.

The RIAS is committed to meeting the standards laid down in the Public Sector Internal Audit Standards Framework and any significant deviations from the Standards will be reported to the Governance & Audit Committee.

D. The Charter is split into the following sections;

1. Purpose, Authority and Responsibility;
2. Independence and objectivity;
3. Proficiency and due professional care;
4. Quality assurance and improvement programme.

1. Purpose, Authority and Responsibility (Standard 1000)

- 1.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to management and Members on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the Council's objectives.
- 1.2 It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 1.3 It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance issues.
- 1.4 In addition, the other objectives of the function are to:
 - Support the Chief Finance Officer in each Council to discharge their Section 151 duties;
 - Contribute to and support the organisation with the objective of ensuring the provision of, and promoting the need for, sound financial systems;
 - Investigate allegations of fraud or irregularity to help safeguard public funds in consultation with relevant Council Services;
 - Support the work of the relevant Governance & Audit Committees; and
 - Provide an annual audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 1.5 These objectives will be delivered through maintaining a high quality RIAS function that meets the needs of each Council, supporting the relevant Section 151 Officers and the Governance & Audit Committees in discharging their responsibilities and meeting the requirements of the Public Sector Internal Audit Standards.
- 1.6 Internal Audit is a statutory service. Part 3 of The Accounts and Audit (Wales) Regulations 2018 concerns financial management and internal control. Regulation 5 (responsibility for internal control and financial management) of Part 3 directs that:

'The relevant body must ensure that there is a sound system of internal control which facilitates the effective exercise of that body's functions and which includes:

*Arrangements for the management of risk, and (b)
Adequate and effective financial management.'*

1.7 Regulation 7 (Internal Audit) of Part 3 directs that:

'A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.'

1.8 The work of Internal Audit forms part of the assurance framework, however, the existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

1.9 Section 151 of the Local Government Finance Act 1972 requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In each Council it is the Chief Finance Officer/Head of Finance/Director of Finance or equivalent.

Scope

1.10 The scope for Internal Audit work includes the control environment comprising risk management, control and governance.

1.11 This effectively means that Internal Audit has the remit to independently review all the Council's operations, resources, services and processes in place to:

- Establish and monitor the achievement of Council objectives;
- Identify, assess and manage the risks to achieving the Council's objectives;
- Facilitate policy and decision making;
- Ensure the economical, effective and efficient use of resources;
- Ensure compliance with established policies, procedures, laws and regulations;
- Safeguard assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption; and
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting.

1.12 All the Council's activities, funded from whatever source, and indeed the entire control environment fall within the remit of Internal Audit.

- 1.13 Internal Audit will consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that management have taken all necessary steps to achieve these objectives.
- 1.14 The scope of Internal Audit work should cover all operational and management controls and should not be restricted to the audit of systems and controls necessary to form an opinion on the financial statements. This does not imply that all systems will necessarily be reviewed, but that all will be included in the audit needs assessment and hence considered for review following the assessment of risk. The Internal Audit activity is free from interference in determining the scope of internal auditing, performing work and communicating results.
- 1.15 It is not the remit of Internal Audit to challenge the appropriateness of Policy decisions. However, Internal Audit is required to examine the management arrangements of the Council by which such decisions are made, monitored and reviewed.
- 1.16 The Public Sector Internal Audit Standards provide the following definitions for assurance and consultancy work:
- Assurance Services
An objective examination of evidence for the purpose of providing an independent assessment on **governance, risk management and internal control** for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements. **This work will usually result in an opinion** being provided. (These Services may also be provided to other parties and organisations).
 - Consulting Services
Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's **governance, risk management and internal control** without the Internal Auditor assuming management responsibility. Examples include counsel, advice, facilitation and training. The nature of Consulting Services provided includes acting as a 'critical friend' on Project Boards. This work **will not normally result in an opinion** being provided. (These Services may also be provided to other parties and organisations).
- 1.17 The core aim of the work undertaken is to establish a risk based annual Internal Audit Plan that is balanced and covers the control environment of the Council as far as is practicable. In order to undertake a balanced workload, Internal Audit plans to complete a mix of assurance and consultancy work, the outcomes of which contribute to the Internal Audit Annual Report where it

concludes with an opinion on the Council's overall risk, governance and control environment. The Head of Internal Audit should share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

- 1.18 Internal Audit has right of access to all of the Council's records, information and assets that it considers necessary to fulfil its responsibilities, including those of partner organisations. Internal Audit staff shall have unrestricted access to all Council activities and records (whether manual or computerised systems), personnel, cash, stores, other assets and premises, including those of partner organisations and have authority to obtain such information and explanations as considered necessary to fulfil Internal Audit's responsibilities.

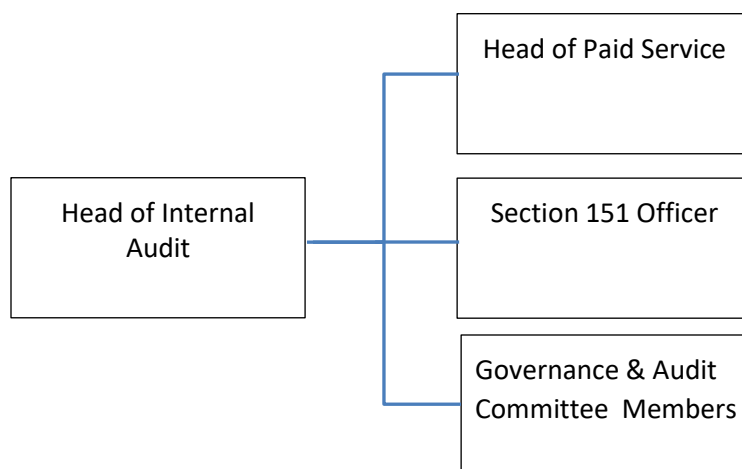
Rights of Access

- 1.19 All staff are required to give complete co-operation to Internal Audit staff to enable the undertaking of an audit.
- 1.20 All partners/agents contracted to provide services on the Council's behalf are also required to co-operate with Internal Audit staff and make available all necessary information. Rights of access to other bodies funded by the Council should be set out in conditions of funding or contract documents.

2. Independence and Objectivity (Standard 1100)

- 2.1 The main determinant of the effectiveness of Internal Audit is that it is seen to be independent and that Internal Auditors must be objective in performing their work. To ensure this, Internal Audit operates within a framework that allows:
- The Head of Internal Audit has direct access to the Chief Executive, the Section 151 Officer and Monitoring Officer;
 - Unrestricted access to Directors, Heads of Service, Managers and Staff;
 - Unrestricted access to Members (including the Leader, Cabinet Members and Governance & Audit Committee);
 - Unrestricted access to Audit Wales (i.e. the Council's External Auditor);
 - Reporting in its own name; and
 - Internal Audit is free from interference when determining the scope of audit reviews, performing the work and communicating the results.
- 2.2 This is achieved through a reporting relationship in each Council as shown in Figure 1 below:

Figure 1 – Internal Audit reporting arrangements



Section 151 Officer

- 2.3 The Section 151 Officer has overall responsibility for the proper administration of the Council’s financial affairs. Internal Audit assists the Officer by providing an opinion on the overall control environment and by regular assurance testing of the key financial systems.

Governance & Audit Committee

- 2.4 The Council operates a Governance & Audit Committee that meets on a cyclical basis. It monitors the performance of Internal Audit in relation to productivity, efficiency and quality. It receives regular reports from Internal Audit including progress in delivering the Annual Audit Plan and is attended by the Head of Internal Audit¹ as well as Officers from the Council.
- 2.5 In addition, the Governance & Audit Committee receives the Internal Audit Annual Report that provides a summary of all assurance and consultancy work undertaken and concludes by giving an opinion on the overall control environment within the Council. If a qualified or unfavourable annual internal audit opinion is issued, the reasons to support this will be stated within the Internal Audit Annual Report.
- 2.6 The Head of Internal Audit has unrestricted access to the Chair of Governance & Audit Committee.

¹ Head of Internal Audit – denotes the Head of the Regional Internal Audit Service

Senior Management

- 2.7 Each Council is divided into various Services and it is the role of the Chief Executive and each Director, Head of Service or equivalent to ensure delivery and operation of the service areas falling within their remit.

Relationships with key stakeholders and Service Managers

- 2.8 The Internal Audit Service develops constructive working relationships with Managers at all levels within the Council in terms of:
- Planning work;
 - Carrying out audit assignments; and
 - Agreeing action plans arising from the work undertaken.
- 2.9 Whilst maintaining its independence, the Internal Audit Service recognises that it must work with Managers to agree improvements that are deemed necessary.

External Auditors

- 2.10 The aim of the relationship between internal and external auditors is to achieve mutual recognition and respect, leading to a joint improvement in performance and to avoid, wherever possible, duplication of work.
- 2.11 The Head of Internal Audit liaises regularly with Audit Wales to consult on audit plans, discuss matters of mutual interest and to seek opportunities for co-operation in the conduct of audit work.

Elected Members

- 2.12 The Head of Internal Audit will aim to have sound working relationships and channels of communication with Elected Members and in particular, Governance & Audit Committee, Cabinet and Scrutiny Committees.

Internal Audit Standards

- 2.13 There is a statutory requirement for Internal Audit to work in accordance with the “proper audit practices”. These are set out in the Public Sector Internal Audit Standards (PSIAS) which the Chartered Institute of Public Finance and Accountancy (CIPFA) developed in collaboration with the Chartered Institute of Internal Auditors (CIIA) and which came into force on the 1st April 2013 and updated in March 2017.
- 2.14 Internal Audit Staff will;
- Comply with relevant auditing standards;
 - Comply and promote compliance throughout the Council with all Council rules and policies;

- Be expected at all times to adopt a professional, reliable, independent and innovative approach to their work; and
 - It is essential that Internal Audit staff are seen to be impartial. All Internal Audit staff are required to complete an annual declaration of their interests and must be kept up to date. This is reviewed as part of the annual appraisal and is in line with professional ethics. The Head of Internal Audit is responsible for ensuring that audit staff are not assigned to operational areas or investigations that could compromise their independence (including previous and / or secondary employment elsewhere in the relevant Council or organisation being audited).
- 2.15 The RIAS has adopted the CIIA's Code of Ethics. Where members of the RIAS have attained membership with other professional bodies such as: CIPFA or the Institute of Chartered Accountants in England and Wales (ICAEW), those officers must also comply with their relevant bodies' ethical requirements.
- 2.16 Each member of the Team will receive a copy of the Code of Ethics (included at Annex 2) and sign up to an annual declaration to confirm that they will work in compliance with the Code of Ethics as well as Councils standards and policies such as the Codes of Conduct. Where potential areas of conflict may arise during the year, the auditor will also be required to disclose this. It is critical that all Auditors maintain high standards of integrity, independence, objectivity, confidentiality and competence.
- 2.17 In addition to the Code of Ethics staff must comply with the Seven Principles of Public Life and the Vale of Glamorgan Council's Code of Corporate Governance which are referred to in Annex 3 – Additional Requirements.

Shared Service

- 2.18 Internal Audit is delivered through a shared regional service between Bridgend, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan Councils. The host authority for the delivery of the RIAS is the Vale of Glamorgan Council. The governance of the provision of the shared regional service is carried out by the Regional Board. This is made up of the Chief Financial Officers of each Authority or their nominated substitutes who shall be responsible for the strategic direction of the Service.
- 2.19 The activities of the Regional Board shall include but not be limited to:
- determining the strategic direction of the RIAS;
 - monitoring and reviewing standards;
 - determining the Authority Charging Rate on the basis of reasonable information provided by the Head of Internal Audit;
 - providing general supervision of the provision of the Service; and,
 - Resolving conflicts between competing interests amongst the authorities collectively and individually relating to RIAS, the Regional Board and / or the Service.
- 2.20 The Governance & Audit Committee for each Council reviews the performance and effectiveness of audit activity, including that of the RIAS.

3. Proficiency and Due Professional Care (standard 1200)

- 3.1 Directors, Heads of Service and Service Managers are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their Service including the risk of fraud and corruption.
- 3.2 The Head of Internal Audit is required to manage the provision of a RIAS to each Council which will include reviewing the systems of internal control operating throughout each Council, and will adopt a combination of system based, risk based, regularity, computer and contract audit approaches in addition to the investigation of fraud.
- 3.3 In discharge of this duty, the Head of Internal Audit will:
- Prepare an annual strategic risk based audit plan for approval and ratification by the relevant Governance & Audit Committee; and
 - The Annual Audit Plan will be regarded as flexible and may be revised to reflect changing services and risk assessments; elements of the annual plan are also based on items within Corporate or Strategic Risk Registers.

Resources and Proficiency

- 3.4 For the RIAS to fulfil its responsibilities, the service must be appropriately staffed in terms of numbers, professional qualifications, skills and experience. Resources must be effectively developed and deployed to achieve the approved risk-based plan. The Head of Internal Audit is responsible for ensuring that there is access to the full range of knowledge, skills, qualifications and experience to deliver the audit plan and meet the requirements of the PSIAS.
- 3.5 The Head of Internal Audit must hold a full professional qualification, defined as CCAB, CMIIA or equivalent professional membership and adhere to professional values and the Code of Ethics. They must have sufficient skill, experience and competencies to work with Directors, Heads of Service, and other Managers and the Governance & Audit Committee to influence the risk management, governance and internal control of the Councils.
- 3.6 Each job role within the RIAS structure details the prerequisite skills and competencies required for that role and these will be assessed annually in line with Council policy and the PSIAS. Any development and training plans will be regularly reviewed, monitored and agreed with officers.
- 3.7 All Auditors are also required to maintain a record of their continual professional development in line with their professional body.

Due Professional Care

3.8 Internal Auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the assignment objectives;
- Relative complexity, materiality or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk management and control processes;
- Probability of significant error, fraud, or non-compliance;
- Cost of assurance in relation to potential benefits; and
- Considering various data analysis techniques and being alert to significant risks that may affect the objectives.

Relationships

3.9 All stakeholders will be treated with respect, courtesy, politeness and professionalism. Any confidential or sensitive issues raised with or reported to Internal Audit staff will be dealt with in an appropriate manner.

Internal – Our main contacts are with:

- Elected Members;
- Chief Officers (as defined in the Council's Constitution)
- Corporate Directors and Section 151 Officers
- Heads of Service and Headteachers;
- Group Managers / Operational Managers and line supervisors;
- Front line employees delivering services to the public; and
- Back office support staff, in particular Financial Services, Legal Services, ICT and HR.

External – Our main contacts are with:

- The Council's External Auditors.
Internal and External Audit work together to ensure audit resources are used to best advantage for the benefit of the Council. The External Auditors have regard to the work performed by Internal Audit when undertaking their final accounts audit.
- Various Government Agencies and Inspectorates.

4. Quality Assurance and Improvement Programme (Standard 1300)

4.1 To enable the Head of Internal Audit to assess the RIAS's activities with conformance to the PSIAS and to aid in the annual assessment of the RIAS's efficiency and effectiveness and identify opportunities for improvement, a Quality Improvement and Management Programme (QIMP) has been developed.

4.2 The QIMP includes both internal and external assessments in accordance with the Standards.

- 4.3 Assessment against QIMP forms part of the annual assessment of the effectiveness of internal audit (as contained within the Head of Internal Audit's Annual Opinion Report) which is presented to the relevant Governance & Audit Committee.
- 4.4 Where there are instances of non-conformance to the PSIAS this will be reported to the Governance & Audit Committee and the Regional Board with any significant deviations being detailed within the Annual Governance Statement.

Internal Assessment

- 4.5 All Auditors have access to up to date business processes, working instructions, the Internal Audit Charter, Council policies, the PSIAS, journals, publications and other relevant articles and electronic training material and websites. Where staff are members of bodies such as CIPFA and/or CIIA further guidance is available.
- 4.6 To maintain quality, work is allocated to staff with appropriate skills, competence and experience. All levels of staff are supervised. Work is monitored for progress, assessed for quality and to allow for coaching and mentoring.
- 4.7 Targets are set for individual auditors (such as completion of an audit within a set number of days) as well as for the team. Audit targets and performance indicators will be agreed with the Regional Board and reported to the relevant Governance & Audit Committee.
- 4.8 In addition to the QIMP, progress made against the annual audit plan and any emerging issues (i.e. fraud risks or governance issues) are reported regularly to the relevant Governance & Audit Committee.
- 4.9 Ongoing assessment of individuals is carried out through regular on-going reviews, one to one meetings, feedback from clients via the Client Satisfaction Surveys and formally in the annual personal development review process.

External Assessment

- 4.10 In compliance with the PSIAS, external assessment will be carried out once every five years by a qualified, independent assessor or assessment team from outside of the RIAS Councils. The External Assessment of the previous Shared Service between Bridgend CBC and the Vale of Glamorgan Council took place during in 2017 and in the other respective Councils in 2018/19.
- 4.11 A comprehensive and detailed self-assessment has been carried out in 2022 and shared with the external assessors in November 2022. The external assessment of the RIAS is currently in progress and is due to be completed in April 2023.

Annex 1 - Glossary of Terms

Charter

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Chief Audit Executive

Chief audit executive describes the role of a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. The chief audit executive or others reporting to the chief audit executive will have appropriate professional certifications and qualifications. The specific job title and/or responsibilities of the chief audit executive may vary across organisations. In the context of the RIAS this is the Head of Internal Audit.

Code of Ethics

The Code of Ethics of the Chartered Institute of Internal Auditors (CIIA) are Principles relevant to the profession and practice of internal auditing and Rules of Conduct that describe behaviour expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services.

The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

Compliance

Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

Conflict of Interest

Any relationship that is, or appears to be, not in the best interest of the organisation. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Environment

The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values;

- Management's philosophy and operating style;
- Organisational structure;
- Assignment of authority and responsibility;
- Human resource policies and practices; and
- Competence of personnel.

Fraud

Any illegal act characterised by deceit, concealment or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organisations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.

Governance

The combination of processes and structures implemented by the board to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

Public sector definition: Governance Statement

The mechanism by which an organisation publicly reports on its governance arrangements each year.

Independence

The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Overall Opinion

The rating, conclusion and/or other description of results provided by the chief audit executive addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the chief audit executive based on the results of a number of individual engagements and other activities for a specific time interval.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Risk Appetite

The level of risk that an organisation is willing to accept.

Risk Management

A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives.

Annex 2 - Code of Ethics

Public sector requirement

Internal Auditors in UK public sector organisations (as set out in the Applicability Section) must conform to the Code of Ethics as set out below. If individual Internal Auditors have membership of another professional body then he or she must also comply with the relevant requirements of that body. The Code of Ethics promote an ethical and professional culture. It does not supersede or replace Internal Auditors' own professional bodies Code of Ethics or those of employing organisations.

The purpose of The Institute of Internal Auditor's Code of Ethics is to promote an ethical culture in the profession of Internal Auditing. A Code of Ethics is necessary and appropriate for the profession of Internal Auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.

The Institute's Code of Ethics extends beyond the definition of Internal Auditing to include two essential components:

Components

1. Principles that are relevant to the profession and practice of Internal Auditing; and
2. Rules of Conduct that describe behaviour norms expected of Internal Auditors.

These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of Internal Auditors.

The Code of Ethics provides guidance to Internal Auditors serving others. 'Internal Auditors' refers to Institute members and those who provide Internal Auditing services within the definition of Internal Auditing.

Applicability and Enforcement

This Code of Ethics applies to both individuals and entities that provide Internal Auditing services. For Institute members, breaches of the Code of Ethics will be evaluated and administered according to The Institute's Disciplinary Procedures. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable and therefore, the member liable to disciplinary action.

Public sector interpretation

The 'Institute' here refers to the Institute of Internal Auditors. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of this Code of Ethics.

1. Integrity

Principle

The integrity of Internal Auditors establishes trust and thus provides the basis for reliance on their judgement.

Rules of Conduct

Internal Auditors:

- 1.1 Shall perform their work with honesty, diligence and responsibility.
- 1.2 Shall observe the law and make disclosures expected by the law and the profession.
- 1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of Internal Auditing or to the organisation.
- 1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

2. Objectivity

Principle

Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Rules of Conduct

Internal Auditors:

- 2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- 2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement.
- 2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. Confidentiality

Principle

Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Rules of Conduct

Internal Auditors:

- 3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

4. Competency

Principle

Internal Auditors apply the knowledge, skills and experience needed in the performance of Internal Auditing services.

Rules of Conduct

Internal Auditors:

- 4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.
- 4.2 Shall perform Internal Auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 4.3 Shall continually improve their proficiency, effectiveness and quality of their services.

Annex 3 – Additional Requirements

In addition to the Code of Ethics staff must comply with the **Seven Principles of Public Life** and the **Vale of Glamorgan Council’s Code of Corporate Governance**.

The Seven Principles of Public Life (also known as the Nolan Principles) apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and **all people appointed to work in** the Civil Service, **local government**, the police, courts and probation services, non-departmental public bodies (NDPBs), and in the health, education, social and care services. **All public office-holders are both servants of the public and stewards of public resources. The principles also apply to all those in other sectors delivering public services.**

1.1 Selflessness

Holders of public office should act solely in terms of the public interest.

1.2 Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

1.3 Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

1.4 Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

1.5 Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

1.6 Honesty

Holders of public office should be truthful.

1.7 Leadership

Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.

More information is available via this link:

www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2;

Vale of Glamorgan Council - Code of Corporate Governance

Staff also need to be aware of and comply with the Council's Code of Corporate Governance which is part of the Constitution. Below is a link to the document:

[https://www.valeofglamorgan.gov.uk/Documents/ Committee%20Reports/Committee %20Information/Constitution/November-2022/22-11-10-Section-23.pdf](https://www.valeofglamorgan.gov.uk/Documents/Committee%20Reports/Committee%20Information/Constitution/November-2022/22-11-10-Section-23.pdf);

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

27 APRIL 2023

REPORT OF THE CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

ANTI-TAX EVASION POLICY

1. Purpose of report

- 1.1 The purpose of this report is to present the updated Anti-Tax Evasion Policy to the Governance and Audit Committee prior to the Policy being presented to Cabinet for approval in June 2023.

2. Connection to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objective under the **Well-being of Future Generations (Wales) Act 2015**:
- **Smarter use of resources** – ensure that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

3. Background

- 3.1 The Criminal Finances Act 2017 (the '2017 Act') became law in the summer of 2017. Part 3 of the 2017 Act sets out how those organisations categorised as 'relevant bodies' under the Act will be considered criminally liable where they fail to prevent those who act for, or on their behalf, from criminally facilitating tax evasion.
- 3.2 The 2017 Act introduced new offences that will be committed where a relevant body fails to have taken appropriate steps to prevent an associated person criminally facilitating the evasion of a tax, and this will be the case whether the tax evaded is owed in the UK or in a foreign country.
- 3.3 '**Relevant bodies**' include corporate bodies or partnerships (wherever incorporated or formed), local authorities and fire authorities.
- 3.4 An '**associated person**', as set out in the legislation, is an employee, agent or other person who performs services for or on behalf of the Council.
- 3.5 '**Tax evasion**' can be described as any fraudulent activity that intends to divert funds from the public revenue and constitutes the common law offence of cheating the public revenue.
- 3.6 Organisations, including local authorities, could be liable to severe penalties if they fail to put in place adequate procedures to prevent tax evasion.

- 3.7 In order for the corporate charges to be brought there must first be two offences that have taken place. There must be a criminal offence by the taxpayer and an associated person must deliberately and dishonestly take action to facilitate the taxpayer's evasion. To accidentally, ignorantly or negligently facilitate the evasion of tax will not result in the corporate offence.
- 3.8 If both offences have been committed then the Council will have committed the corporate offence of "failure to prevent the facilitation of tax evasion" unless it can demonstrate that it had reasonable preventative procedures in place.
- 3.9 The penalty for this offence includes unlimited fines and ancillary orders such as confiscation orders or serious crime prevention orders, as well as reputational damage to the Council. Tax based fraud or evasion is generally investigated by HM Revenues and Customs (HMRC) with prosecutions brought by the Crown Prosecution Service (CPS).
- 3.10 HMRC issued guidance for relevant bodies formulated around the following six guiding principles:
- a) Risk assessment
 - b) Proportionality of risk-based prevention procedures
 - c) Top level commitment
 - d) Due diligence
 - e) Communication (including training)
 - f) Monitoring and review.
- 3.11 On 26 January 2023 HMRC reported that they had 28 potential Corporate Criminal Offences cases underway (<https://www.gov.uk/government/publications/number-of-live-corporate-criminal-offences-investigations/number-of-live-corporate-criminal-offences-investigations>). They had 9 live investigations, and a further 26 live opportunities currently under review. These investigations spanned 11 different business sectors including software providers, labour provision, accountancy and legal services and transport.

4. Current situation/proposal

- 4.1 The Council is committed to establishing and maintaining effective arrangements to prevent and detect acts of bribery, corruption and tax evasion in relation to Council services. The Council requires all Members and employees to demonstrate the highest standards of honesty and integrity and this includes compliance with the relevant legislation.
- 4.2 The Council has in place Anti-Fraud and Bribery and Anti-Money Laundering policies to support effective arrangements to prevent and detect acts of bribery and corruption which are monitored and reviewed by the Governance and Audit Committee.
- 4.3 The Anti-Tax Evasion Policy specifically addresses the prevention of tax evasion and provides a coherent and consistent approach for all employees and any person who performs services for and on behalf of Bridgend County Borough Council. Cabinet approved the Anti-Tax Evasion Policy on 9 February 2021. This review updates the policy and makes a number of minor changes. These include setting out that the

Policy applies to Members and Officers, updating the role of Deputy Head of Finance which is no longer interim, the policy is to be reviewed biennially, and minor presentational changes and formatting. The revised Anti-Tax Evasion Policy is attached as **Appendix A**, with the changes identified therein. The revised Policy will be presented to Cabinet in June 2023 for approval.

- 4.4 This policy statement is supplementary to the Council's wider Anti-Fraud and Bribery Strategy which sets out the key responsibilities with regard to fraud prevention and what to do if fraud or financial irregularity is suspected and the action that will be taken by management.
- 4.5 The Council has a Fraud e-learning module which includes a section in relation to Anti-tax evasion, which was rolled out in August 2020 to appropriate staff and 713 staff have completed the training.
- 4.6 The Governance and Audit Committee are asked to consider the policy as part of their role to obtain assurance over the Council's corporate governance and risk management arrangements. The policy will be reviewed and updated as required on a biennial basis.
- 4.7 No instances of Anti-Tax Evasion have been reported to the Council.

5. Effect upon policy framework and procedure rules

- 5.1 Paragraph 25.5 of the Financial Procedure Rules requires the Chief Finance Officer to develop, maintain and implement the Anti-Tax Evasion Policy. All Chief Officers are responsible for ensuring compliance with the Anti-Tax Evasion Policy and with systems of internal control.

6. Equality Act 2010 implications

- 6.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh language have been considered in the preparation of this report. As a public body in Wales, the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. This is an information report, therefore it is not necessary to carry out an Equality Impact Assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

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

- 7.1 The well-being goals identified in the Act were considered in the preparation of this report. The following is a summary to show how the 5 ways of working to achieve the well-being goals have been used to formulate the recommendations within this report:

- **Long Term** The Anti-Tax Evasion Policy, Procedure and Reporting Arrangements will assist in the long term to support officers and Members in the successful execution of their duties by meeting

the legal obligations in the course of business activities.

- **Prevention** The purpose of the procedure is to prevent the facilitation of Tax Evasion under the Criminal Finances Act 2017.
- **Integration** The outcomes that the procedure supports is that implementation of the policy will help in the prevention of the facilitation of tax evasion by persons associated with the Council and in doing so prevent fraudulent activity that intends to divert funds from the public revenue. This objective links with the Government objective to tackle tax evasion.
- **Collaboration** An 'associated person' or person who performs services on behalf of the Council will be required to adhere to this policy.
- **Involvement** The persons mainly involved in the procedure will be Bridgend County Borough Council staff. However any agent or other person who performs services for or on behalf of the Council will be included, this may involve a diverse range of stakeholders.

8. Financial implications

- 8.1 There are no financial implications directly associated with the Anti-Tax Evasion Policy.

9. Recommendation

- 9.1 The Committee is asked to note the amended Anti-Tax Evasion Policy attached at **Appendix A**.

Carys Lord
Chief Officer – Finance, Performance and Change
March 2023

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Background documents: None



ANTI-TAX EVASION POLICY



Draft March 2023

ANTI-TAX EVASION POLICY

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1. Introduction

- 1.1 The Government believes that relevant bodies should be criminally liable where they fail to prevent those who act for, or on their behalf, from criminally facilitating Tax Evasion.
- 1.2 The Criminal Finances Act 2017 (the '2017 Act') became law in the summer of 2017 and Part 3 of the 2017 Act introduced new offences which sets out how those organisations categorised as 'relevant bodies' under the Act will be considered criminally liable where they fail to prevent those who act for, or on their behalf from criminally facilitating Tax Evasion. The act applies to both tax evaded which is owed in the UK or in a foreign country.
- 1.3 This statement sets out Bridgend County Borough Council's (the Council) policy in relation to anti-tax evasion and sets out the procedures that must be followed to enable the Council to comply with its legal obligation.
- 1.4 This policy statement is supplementary to the Council's wider Anti-Fraud and Bribery Strategy which sets out the key responsibilities with regard to fraud prevention and what to do if fraud or financial irregularity is suspected and the action that will be taken by management.
- 1.5 The Council aims to conduct its financial affairs in a law abiding way and does not tolerate either the commitment or facilitation of Tax Evasion. The Council has a zero tolerance approach to all forms of Tax Evasion, whether under UK law or under the law of any foreign country.
- 1.6 The Council already has a range of policies, procedures and guidance that underpins its financial activities including the Anti-Money Laundering Policy and Anti-Fraud and Bribery Policy.
- 1.7 We request all our officers and all who have, or seek to have, a business relationship with the Council, to familiarise themselves with our Anti-Tax Evasion Policy and to act at all times in a way which is consistent with the procedures and reporting arrangements therein.

2. Scope of the policy

- 2.1 This policy applies to Members and officers working for the Council or any subsidiary, including employees at all levels, directors, officers and associates (as defined below), including, but not limited to, agency workers, seconded workers, volunteers, apprentices, contractors, external consultants, third party representatives and business partners, sponsors or any other person associated with us, wherever located.
- 2.2 This policy is adopted by the Council. Officers in leadership positions are responsible for ensuring those reporting to them understand and comply with the policy.

3. What is the facilitation of tax evasion?

- 3.1 Part 3 of the Criminal Finances Act 2017 (“the Act”) created the corporate criminal offence of failure to prevent the facilitation of Tax Evasion. Under this offence the Council, if found to be facilitating Tax Evasion, could face an unlimited fine and consequent damage to reputation. The Council could be found guilty if a third party committed Tax Evasion which a member of Council staff or an associate helped to assist in any way.
- 3.2 This legislation aims to overcome the difficulties in attributing criminal liability to relevant bodies for the criminal acts of employees, agents or those that provide services for or on their behalf. Under the Act the new offence does not radically alter what is criminal, it simply focuses on who is held to account for acts contrary to the current criminal law. It does this by focussing on the failure to prevent the crimes of those who act for or on behalf of a corporation, rather than trying to attribute criminal acts to that corporation.
- 3.3 The legislation applies to any form of tax including employment taxes and indirect taxes such as VAT, national insurance, landfill tax, custom tax and excise duties e.g. road fund licence and tax on the sale of alcohol and tobacco, capital gains and employment taxes. This list is not exhaustive.
- 3.4 A person is “**associated**” with a relevant body if that person is an employee, agent or other person who performs services for or on behalf of the relevant body e.g. contractors, professional advisors and back office outsourced service suppliers such as IT or payroll providers.
- 3.5 Only a “**relevant body**” can commit the offences contained in the ‘2017 Act’. This means that only incorporated bodies (typically companies) and partnerships can commit the new offences, including local authorities. Individuals cannot commit these offences.

- 3.6 **Tax Evasion** is the illegal non-payment or under-payment of taxes, usually as the result of making a false declaration (or no declaration) of taxes due to the relevant tax authorities, which results in legal penalties if the perpetrator is caught.
- 3.7 **Tax Avoidance**, by contrast, is seeking to minimise the payment of taxes without deliberate deception. This is often legitimate but is sometimes contrary to the spirit of the law, e.g. involving the exploitation of loopholes. Importantly the corporate criminal offence of facilitation only applies to Tax Evasion.
- 3.8 There are two stages to assessing whether an offence has been committed under the Act and these apply to both UK and overseas Tax Evasion offences:
- Stage 1:** A criminal Tax Evasion by the taxpayer (either by an individual or legal entity) must have occurred under existing law. A prosecution is not a pre-requisite for tax evasion, however where there is no criminal conviction of the taxpayer, the prosecution in respect of the corporate offence would still have to prove to the criminal standard of beyond reasonable doubt that the taxpayer's offence had been committed.
- Stage 2:** The criminal facilitation of the offence by a person associated with the Council with a view to aiding, abetting, counselling or procuring the evasion of tax by the taxpayer.
- 3.9 Liability is strict – if stages 1 and 2 are satisfied, the Council will have committed an offence unless it shows that it has put in place reasonable measures and procedures to prevent the criminal facilitation of Tax Evasion or that it was not reasonable in the circumstances to expect it to have prevention procedures in place.
- 3.10 If a relevant body is found guilty of a facilitation of Tax Evasion it could face unlimited financial penalties. Tax based fraud or evasion is generally investigated by Her Majesty's Revenue and Customs (HMRC) with prosecutions brought by the Crown Prosecution Service (CPS).
- 3.11 The foreign Tax Evasion facilitation offence can only be committed by an organisation that has a connection with the UK, namely:
- it is a body incorporated, or partnership formed, within the UK, or;
 - it carries on business, or part of a business, within the UK, or;
 - through any conduct constituting part of the foreign Tax Evasion facilitation offence takes place in the UK.

4. Examples of tax evasion

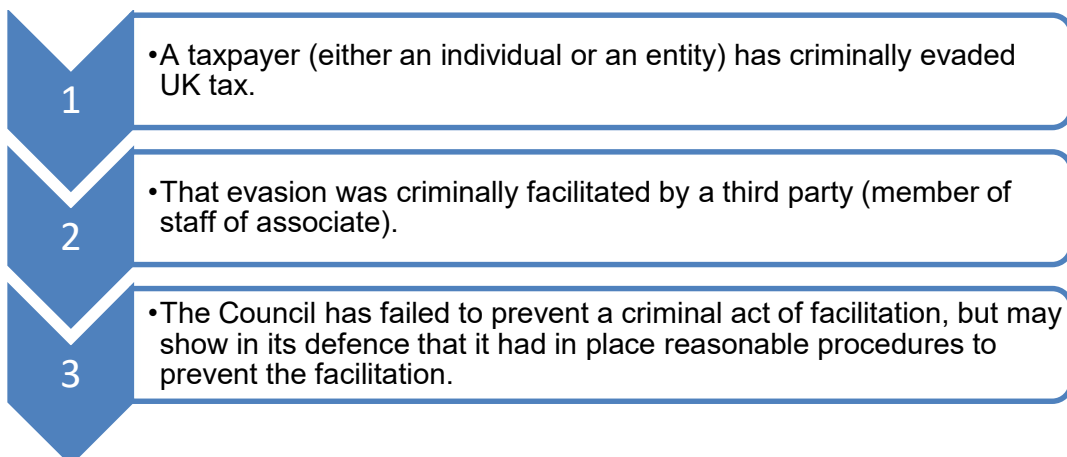
- 4.1 It is not possible to give examples covering every possible scenario, however, some 'red flag' indicators are detailed below to give a flavour of the scope of the legislation:

<i>INDICATORS OF POSSIBLE TAX EVASION:</i>
<i>You become aware, in the course of your work, that a third party has made or intends to make a false statement relating to tax; has failed to disclose income or gains to, or to register with, HMRC; has delivered or intends to deliver a false document relating to tax; or has set up or intends to set up a structure to try to hide income, gains or assets from a tax authority.</i>
<i>You become aware, in the course of your work that a third party has deliberately failed to register for VAT or failed to account for VAT.</i>
<i>Someone who works for a third party supplier offering you what seems like a discount because they tell you they don't need to charge you VAT – without giving a reason.</i>
<i>Someone asking you to do something that does not match up or 'feel right' and does not adhere to policy documentation – for example, paying into a different account than that which is specified on the invoice.</i>
<i>A third party requests payment in cash and/or refuses to provide an invoice or receipt for a payment made.</i>
<i>You become aware, in the course of your work that a third party working for us as an employee asks to be treated as a self-employed contractor, but without any material changes to their working conditions.</i>

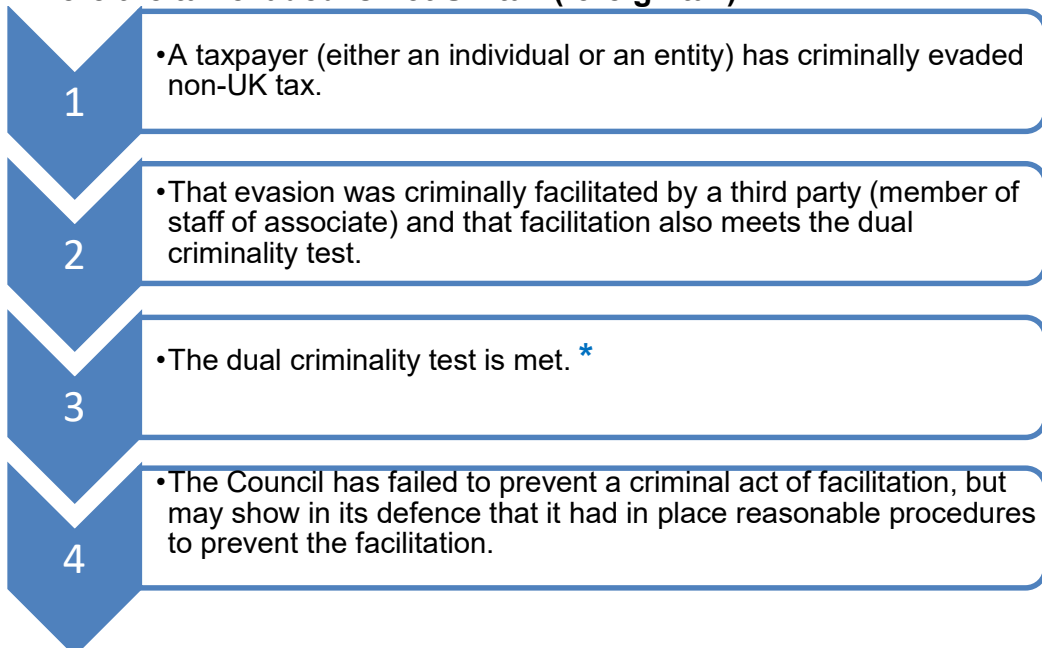
5. Defences

- 5.1 For the corporate offence to be committed there must be criminal facilitation of the taxpayer evasion by a person acting in the capacity of a person associated with the relevant body. The associated person must deliberately and dishonestly take action to facilitate the taxpayer-level evasion. If the associated person is only proved to have accidentally, ignorantly or even negligently facilitated the Tax Evasion offence then the offence is not committed by the relevant body.
- 5.2 It is a defence to the corporate criminal offence of facilitating Tax Evasion if the Council can prove that it has in place such prevention procedures as it is reasonable to expect in the circumstances. The diagram below summarises the stages of the offence for both UK and foreign Tax Evasion:

Where the tax evaded is UK tax



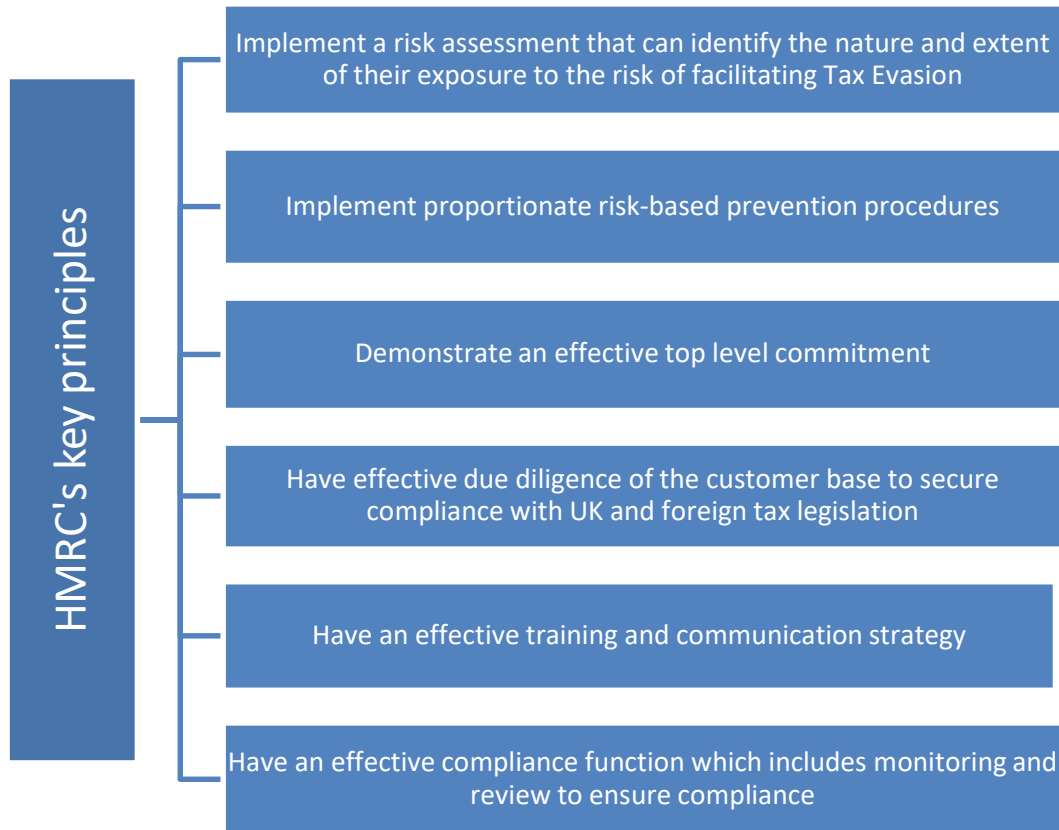
Where the tax evaded is not UK tax (foreign tax)



* *An organisation must have a connection with the UK and there must also be so-called “dual criminality”. In effect this broadly means equivalence between both the taxpayer’s Tax Evasion offence and the “associated person” facilitator’s offence with regard to the UK and the foreign jurisdiction:*

- For the taxpayer Tax Evasion offence: e.g. a French taxpayer evades French income tax (i.e. this is an offence in France) – Income Tax Evasion is a criminal offence in the UK, so there is “dual criminality”;
- For the “associated person” facilitator’s offence: e.g. an “associated person” commits a French offence of aiding and abetting Tax Evasion – aiding and abetting Income Tax Evasion is a criminal offence in the UK, so there is “dual criminality”.

- 5.3 HMRC has produced guidance on the appropriate set of prevention measures (six core principles) which could be put in place by a relevant body to prevent associated persons from criminally facilitating Tax Evasion are:



6. Responsibilities of staff & other associated persons

- 6.1 The prevention, detection and reporting of all forms of financial irregularity, including suspected Tax Evasion, are the responsibility of all those working for the organisation or under its control (“associated person”). All staff are required to avoid activity that breaches this policy.
- 6.2 To prevent Tax Evasion, Council staff (and associates, so far as relevant) should:
- always follow Council policies, procedures and guidance;
 - tell management if any criminal activity is suspected;
 - attend any appropriate training offered.

- 6.3 Failure to comply with these policies, procedures and guidance, including in particular failure to comply with the obligations detailed in this policy, may result in disciplinary action for staff and the termination of arrangements with associates.
- 6.4 Should staff or associates be concerned that another employee or associate is facilitating a third party's Tax Evasion, they should report this (*see section 10 on how to raise your concerns*).
- 6.5 Specifically, staff and associates must not knowingly do anything that helps someone else to evade tax. Note in this context that the Council is only responsible for the actions of associates in respect of things they do for, or on behalf of, the Council. Other than this the Council is not responsible for the way associates manage their business.
- 6.6 It is not acceptable for officers and associates to:
- engage in any form of facilitating Tax Evasion or Foreign Tax Evasion.
 - aid, abet, counsel or procure the commission of a Tax Evasion offence or Foreign Tax Evasion offence by another person.
 - fail to promptly report any request or demand from any third party to facilitate the fraudulent Evasion of Tax by another person, in accordance with this policy;
 - engage in any other activity that might lead to a breach of this policy;
 - threaten or retaliate against another individual who has refused to commit a Tax Evasion offence or a Foreign Tax Evasion offence or who has raised concerns under this policy.
 - commit an offence under the law of any part of the UK consisting of being knowingly concerned in, or taking steps with a view to, the fraudulent evasion of tax.

7. Risk assessment

- 7.1 The Council should assess the nature and extent of its exposure to the risk of those who act for or on its behalf engaging in activity during the course of business to criminally facilitate Tax Evasion, analysing whether they have the motive, opportunity and means to do so and how that risk might be managed. The Council should keep the risks under review.
- 7.2 The Council's systems of control are designed to aid compliance. In addition, the Council's Internal Audit Team conducts regular compliance checks paying specific attention to areas of high risk and providing reports to Governance and Audit Committee.
- 7.3 Examples of the type of exposure the Council faces in relation to the prevention of the facilitation of Tax Evasion and how the risk is managed is attached as **Appendix A**.
- 7.4 The Council has governance processes and procedures to address specific risks. This includes both this policy and a "whistle blowing" policy. The Council also has procedures in place on the segregation of duties, budget holder's guidance, Anti Money Laundering Policy and Anti-Fraud and Bribery Strategy.
- 7.5 There is not an exhaustive list of Tax Evasion opportunities. At a more general level, the best defence of Tax Evasion and facilitation of Tax Evasion remains the vigilance of our officers and the adoption of a common sense approach supported by our clear whistleblowing procedures.

8. Senior management commitment

- 8.1 The top-level management of a relevant body should be committed to preventing persons associated with it from engaging in the criminal facilitation of Tax Evasion. Those at the most senior levels of a relevant body are best placed to foster a culture where actions intended to facilitate Tax Evasion are considered unacceptable.
- 8.2 This policy has been approved by Cabinet and complements the Anti-Fraud and Corruption Strategy.
- 8.3 Once adopted the policy will be reported to the Governance and Audit Committee for monitoring and review.

9. Due diligence

- 9.1 A relevant body should apply due diligence procedures, taking an appropriate risk based approach, to identify the risk of criminal facilitation of Tax Evasion by associated persons, in order to mitigate such risks.
- 9.2 Reasonable care and caution is exercised when processing all transactions particularly high value/high risk area payments. Regular monitoring takes place and particular caution is exercised when making payment to new suppliers.
- 9.3 In applying a common sense approach, officers must be aware of the following:
- Is there anything unusual about the manner in which an associate of the Council is conducting their relationship with the third party (usually a customer)?
 - Is there anything unusual about the customer's or associate's conduct or behaviour?
 - Are there unusual payment methods?
- 9.4 An example of high risk factors are listed below:
- Private banking.
 - Anonymous transactions (which may include cash).
 - Non face-to-face business relationships or transactions.
 - Payment received from unknown or associated third parties.
 - The business relationship is conducted in unusual circumstances.
 - Non-resident customers.
 - Businesses that are cash intensive.
 - The ownership structure of the company appears unusual or excessively complex.
 - Countries identified by credible sources as not having adequate anti-money laundering and counter-terrorism financing approaches.
 - Countries subject to sanctions, embargoes, or similar measures issued by, for example, the UN
 - Countries identified by credible sources as providing support for terrorist activities, or that have designated terrorist organisations operating within their country
- 9.5 Unusual payment methods and unusual conduct of third parties with Council associates can be indicative that a transaction may not be as it seems – please refer to section 5 of the Council's 'Anti-money Laundering Policy' for further guidance on unusual payment methods and unusual conduct. Likewise, the Council procedures outlined in the aforementioned policy for identifying the customer are also an important part of the Councils' policy against Tax Evasion.

10. How to raise a concern

- 10.1 The Council is committed to ensuring that there is a safe, reliable, and confidential way of reporting any suspicious activity, and wants each and every member of staff to know how they can raise concerns.
- 10.2 All have a responsibility to help detect, prevent and report instances of Tax Evasion. If you have a concern regarding a suspected instance of Tax Evasion please speak up – your information and assistance will help. The sooner it is brought to attention, the sooner it can be resolved. You do NOT need to be certain that Tax Evasion is taking place to report it.
- 10.3 The Council has clear guidance in its Whistleblowing Policy in relation to how employees can raise their concern. However as this policy relates specifically to Tax Evasion any concerns or suspicions should be directed to the:
- Chief Officer – Finance, Performance and Change, and
 - Deputy Head of Finance
- 10.4 Officers are encouraged to raise concerns about any issue or suspicion of Tax Evasion as soon as possible. If there is any suspicions of any intention that a staff member, associate or third party is attempting to commit Tax Evasion, the details of the parties and the transaction must be reported to the Chief Officer – Finance, Performance and Change using the confidential form at **Appendix B**, who may report the circumstances to HMRC.
- 10.5 Concerns expressed anonymously may, at the Council’s discretion, be considered but are much less powerful. It is better to raise your concerns in writing but you may equally express your concerns verbally and have the detail recorded for you. Whilst you will not be expected to prove the truth of any allegations you make, you will need to demonstrate sufficient grounds for your concerns.
- 10.6 In the event that an incident of suspected wrong doing is reported, the Council will act as soon as possible to evaluate the situation. It has clearly defined procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in any investigation of this kind. This is easier if and quicker if concerns raised are not anonymous.

11. What happens if an officer prefers not to report their suspicions?

- 11.1 This should never happen. If there is any suspicion of any intention to evade tax and the transaction is nevertheless finalised, the Council can be criminally prosecuted, subject to a large fine and be publically named and shamed.
-

12. Self reporting

- 12.1 If an organisation suspects that one of the two offences may have taken place it may wish to undertake an internal investigation and (voluntarily) self-report; self-reporting can be done via an online form. The official UK HM Revenue & Customs guidance states that “In order to encourage relevant bodies to disclose wrongdoing, timely self-reporting will be viewed as an indicator that a relevant body has reasonable procedures in place” (so an organisation may have a defence).

13. Communication & training

- 13.1 To ensure that the policy against engaging in activities to help clients commit tax fraud is communicated, embedded and understood throughout the organisation to help deter those providing services on behalf of the relevant body from engaging in such activities, all new staff, especially those involved in processing and approving financial transactions, will be made aware of this policy via their induction.
- 13.2 All staff will also be able to access this information on the Council’s intranet.
- 13.3 It will be the responsibility of Chief Officers for ensuring compliance with the policy.

14. Monitoring & review

- 14.1 Monitoring and reviews of the Council’s prevention procedures will form part of audit programmes with regular reports to the Governance and Audit Committee.
- 14.2 The Chief Officer – Finance, Performance and Change will be responsible for the continuous review and amendment of this policy document, to ensure that it remains compliant with good practice and legislative requirements. The policy was reviewed in March 2023 and will be reviewed biennially thereafter.

15. Other relevant policies

- 15.1 Further information on the relevant Council policy and practice can be found in the following internal documents:

- The Council's [Constitution](#), incorporating the Members' Code of Conduct, Officers' Code of Conduct, Contract Procedure Rules, Financial Procedure Rules;
- [Anti-Money Laundering Policy](#);
- [Anti-Fraud and Bribery Policy](#);
- [Whistleblowing Policy](#);
- [Gifts & Hospitality Policy for Officers](#);

APPENDIX A

Example of risk exposure within the Council in relation to the facilitation of tax evasion & how the risk is managed

1. Construction Industry Scheme

- 2.1 There is a risk of suppliers purposely submitting artificially low labour breakdowns on their invoices to avoid tax being deducted on the labour element or no tax being deducted at all.
- 2.2 There is a risk that staff have a lack of understanding as to what work comes within the scope of the scheme or the implications of not applying the scheme.
- 2.3 The member of staff would have had to act deliberately and dishonestly to facilitate the taxpayer-level evasion for the Council to be considered as having committed a criminal offence in assisting in a third party in Criminal Tax Evasion.
- 2.4 The Council has in place adequate Construction Industry Scheme (CIS) procedure documents, and undertakes a daily check of all CIS payments input into the financial information system to ensure that they have been correctly included or excluded from the CIS scheme and that labour has been recorded and flagged as such, if expected. In addition all new data entry inputters receive full training about the scheme and their responsibilities, and are provided with the rules of the scheme on an annual basis. All staff centrally supporting the payment of CIS transactions have also received internal training and are familiar with the HMRC guidance on CIS.

3. Direct Payments (for Care & Support Services)

- 3.1 There is a risk that there is a deliberate failure to ensure deduction of Income Tax and National Insurance from payments made to personal assistants by recipients of Direct Care Payments.
- 3.2 There is a risk that the Council makes payments to people who have over-stated their requirements at the needs assessment stage.
- 2.3 A member of staff would have had to act deliberately and dishonestly to facilitate the taxpayer-level evasion for the Council to be considered as having committed a criminal offence in assisting in a third party in Criminal Tax Evasion. To achieve such evasion, it would require collusion by a number of parties involved in the Direct Payments process.
- 2.4 The Council has adequate Direct Payments Protocol and Guidance documents in place. The Council has a contract in place with a Direct Payments Support Organisation, who offer support to Direct Payment recipients, by providing a fully comprehensive payroll service in accordance with HMRC regulations. Direct Payments bank accounts are monitored and reconciled, to ensure that the money

is being used appropriately. All payments calculated by the Council to Direct Payment recipients are checked and authorised by a second member of staff.

3. Grants

- 3.1 There is a risk that an organisation purposely fails to ensure that grant funding provided by the Council is used for its intended purpose.
- 3.2 There is a risk that the Council gives a grant to an organisation for a specific project or service which may include the employment of staff. Staff are paid without the appropriate deduction of Income Tax and National Insurance.
- 3.3 The member of staff would have had to act deliberately and dishonestly to facilitate the taxpayer-level evasion for the Council to be considered as having committed a criminal offence in assisting in a third party in Criminal Tax Evasion.
- 3.4 The Council has in place a number of controls to mitigate the risk including a robust process in place in relation to the financial management of grants via its grant procedure rules, strong segregation of duties, due diligence and financial procedure rules which assists in mitigating the risk of collusion.

4. Off Payroll Working – IR35

- 4.1 There is a risk that a member of staff fails to identify workers and associates that should be paid via the payroll system rather than the creditors system. If the member of staff did not deliberately and dishonestly take action to facilitate the taxpayer-level evasion and are proved to have accidentally, ignorantly or even negligently facilitated the Tax Evasion offence then an offence has not been committed by the Council.
- 4.2 There is a risk that a supplier wishes to be treated as a self-employed contractor so that payments to them are paid gross and they can evade paying the appropriate income tax and national insurance liabilities. There is a risk that a Council officer helps the supplier by deliberately falsifying information on the Employment Status Questionnaire so the worker is treated as a contractor rather than deducting PAYE at source. By supplying false information in this way, the Council employee is committing a criminal offence as they have assisted a third party in Criminal Tax Evasion.
- 4.3 The Council has in place a number of controls to mitigate risk. Control procedures are in place so that all new suppliers are set up centrally and are reviewed to ensure that off payroll working is identified and treated appropriately. All sundry suppliers are reviewed daily and investigated where necessary to identify if they

meet the criteria for off payroll working. Although there are central controls to diligently review that off payroll working is identified, it does rely on the manager completing the IR35 self-assessment correctly.

5. PAYE- Income Tax & National Insurance

- 5.1 There is a risk that a member of staff fails to deduct the tax and NI at the correct rate. If there is no collusion and the member of staff did not deliberately and dishonestly take action to facilitate the taxpayer-level evasion and are proved to have accidentally, ignorantly or even negligently facilitated the Tax Evasion offence then an offence has not been committed by the Council.
- 5.2 The Council has in place a number of controls to mitigate this risk, Tax and National Insurance details are system generated on the payroll system so the only potential issue could be where these are manually overwritten. If this should happen then this would be picked up in the monthly real time submission to HMRC which provides information about tax and other deductions under the PAYE system.

6. Value Added Tax

- 6.1 There is a risk of suppliers adding VAT to their invoices when they are not registered for VAT. Payment would be made to the supplier and recovered from HMRC. The expense would not fall as a cost to anyone's budget so would be difficult to spot.
- 7.1 There is a risk that an officer pays a fraudulent VAT only invoice. The expense would not fall as a cost to anyone's budget as the money would be recovered from HMRC.
- 7.2 Both instances would have to be in collusion with officers for there to be an offence of assisting a third party in Criminal Tax Evasion.
- 6.4 The Council has in place a number of controls to mitigate risk. The Council's Constitution - Part 4 Rules of Procedure requires that each Chief Officer be responsible for examining, verifying and authorising invoices and any other payment vouchers or accounts arising from sources in their Directorate. Before authorising an account, the authorising officer shall be satisfied that invoices satisfy VAT regulations and that prices, extension, calculations etc. are correct. A similar responsibility exists for schools where the checking of invoices for accuracy and that VAT has correctly been charged is the responsibility of the Finance Officer or Bursar. Additionally, VAT only invoices are costed separately and are easily identifiable and as such are reviewed by a member of the VAT team to ensure VAT has correctly been applied.

- Payment To Suppliers

- 7.1 There is a risk that a supplier seeks to evade tax by asking to be paid into an offshore account, to deliberately and dishonestly hide their income which will not be declared in the UK for UK tax purposes, and that they send an invoice to the Council asking to be paid into this bank account which is not the same as the one set up within our supplier database.
- 7.2 There is a risk that an officer of the Council (who in this example is the 'associated person') facilitates this Tax Evasion by deliberately and dishonestly paying this invoice into the offshore account at the request of the supplier. This could be as a result of collusion (such as taking a bribe), or could be simply turning a blind eye to the Tax Evasion of which they are aware.
- 7.3 Both instances would have to be in collusion with officers for there to be an offence of assisting a third party in Criminal Tax Evasion
- 7.43 The Council has in place a number of controls to reduce the risk and prevent the facilitation of Tax Evasion including managing all supplier creation at a central point, a verification process for changing supplier bank details, the on-line authorisation of invoices and all supplier transactions must be supported by relevant invoice(s) / documentation and independently signed off as approved to pay. For payments over a certain financial value there is an additional tier of authorisation before payment is processed. Financial Procedure Rules also apply to all payments made by Corporate Purchasing Cards which should mitigate the risk of fraud and error. Planned Internal Audit reviews of payments also ensure that procedures are in place and being followed.

- Cash

- 7.3 There is a risk that cash received from a supplier or service recipient by a member of staff is retained by the individual and not paid into the Authority's bank account.
- 7.4 Whilst this would be considered a criminal activity, for a Criminal Tax Evasion Offence to be committed under the Act collusion would also have had to have taken place.
- 7.5 The Council has in place a number of controls to reduce the risk of the theft or facilitation of tax evasion in respect of cash transactions including financial procedure rules. Cash high risk areas also have additional controls in place to ensure the safety of cash as it progresses internally to the point of collection by our external secure cash collection service providers. For example all our metric car parking machines can be interrogated from the back office system to establish which machines need emptying, two officers are allocated for collection and counting of the cash and there is dual supervision when counting monies. Receipt of cash is supported by a full audit trail and coins bagged in readiness for collection by our courier service is reconciled back to machine receipts which is then signed for by the cash collection courier before onward transmission to a

specialist sorting office for banking. The system supporting metric car parking also has functionality which can identify any discrepancies very early so we can check machines to minimise and protect potential financial losses. A number of newer machines also have card payment facilities and as a result the use of coin is falling considerably, additionally most car parks have a paybyphone system and this usage has also increased.

- Outsourcing

7.6 There is a risk that an outsourced service provide colludes with a member of staff to facilitate tax evasion.

7.7 The Council has in place a number of controls to mitigate this risk of staff colluding with outsourced services as officers have to adhere to internal rules such as contract procedure rules and financial procedure rules. Additionally outsourced service providers have other rules that they need to comply with. For example:

- I. Our leisure services provider is a registered charity and a company limited by guarantee and therefore have to comply with company law as well as charity law and intrinsically are required to submit externally audited accounts and statutory reports to both annually. The leisure services provider have in place financial procedures and controls that support budget setting, financial performance review and operational controls that would be expected of an established charity, as well as an internal audit function. Financial performance is scrutinised at their board level and discussed as part of client monitoring approaches. An advisory board mechanism is available in Bridgend and quarterly reports present financial and other performance information. The leisure services provider provides their accounts to the charity commissioners and share the details with Bridgend County Borough Council. They also manage any food and beverage related services themselves – there is no outsourcing – which falls under the internal controls and processes established by the leisure services provider.
- II. Our cultural trust services provider also has in place financial procedures and controls that support budget setting, financial performance review and operational controls that would be expected of an established charity. Financial performance is scrutinised at the cultural trust services board level and discussed as part of client monitoring approaches. They also provide their accounts to the charity commissioners and share the details with Bridgend County Borough Council. Cultural Trust Services Trading is in place to operate services that have a level of commerciality (Bryngarw House, Bryngarw Café, Pavilion Café and bars) and to donate any profits to the Trust as the parent organisation-standard practice for Trust based models. The services referenced such as food and beverage are now directly operated by the Trust as opposed to being sub contracted. As well as the external audit, the Trust also have an internal audit function which assists in creating financial controls, ensuring they are adhered to, indicating where they need improving and ensuring that those improvements are actioned as required.

APPENDIX B

Report of tax evasion activity

Report to the Chief Officer – Finance, Performance and Change

To: Chief Officer – Finance, Performance and Change

From: _____
 [Insert name of employee]

Directorate: _____

[Insert post title and team]

Ext/Tel No: _____

Urgent Yes/No

Date by which response needed: _____

Details of suspected offence:

Name(s) and address(es) of person(s) involved:
[If a company/public body please include details of nature of business, please supply as many details as possible]

Nature, value and timing of activity involved:
[Please include full details e.g. what, when, where, how. Continue on a separate sheet if necessary]

Nature of suspicions regarding such activity:
[Please continue on a separate sheet if necessary]

--

Has any investigation been undertaken (as far as you are aware)? [Delete as appropriate]

Yes / No

If yes, please include details below:

--

Have you discussed your suspicions with anyone else? [Delete as appropriate]

Yes / No

If yes, please specify below, explaining why such discussion was necessary:

--

Please set out below any other information you feel is relevant:

--

Signed: _____ Dated: _____

Please do not discuss the content of this report with anyone and particularly those you believe to be involved in the suspected tax evasion activity described.

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

27 APRIL 2023

REPORT OF THE CHIEF OFFICER - FINANCE, PERFORMANCE AND CHANGE

FORWARD WORK PROGRAMME 2023-24

1. Purpose of report

- 1.1 The purpose of this report is to seek approval for the proposed Forward Work Programme for 2023-24.

2. Connections to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objective under the **Well-being of Future Generations (Wales) Act 2015**:
- **Smarter use of resources** – ensuring that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

3. Background

- 3.1 The core functions of an effective Governance and Audit Committee include the responsibility to:
- review, scrutinise and issue reports and recommendations in relation to the Authority's financial affairs.
 - consider the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting, governance processes, performance assessment and complaints arrangements.
 - seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
 - consider the effectiveness of the Council's anti-fraud and corruption arrangements.
 - be satisfied that the Council's assurance statements properly reflect the risk environment and any actions required to improve it.
 - oversee the work of internal audit (including the annual plan and strategy) and monitor performance.
 - review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
 - receive the annual report of the Head of Internal Audit.
 - consider the reports of external audit and inspection agencies, where applicable.
 - ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.

- review and approve the financial statements, external auditor’s opinion and reports to Members, and monitor management action in response to the issues raised by external audit.
- review and make any recommendations for change to the Council’s draft self-assessment report.
- consider panel performance assessment reports into how the Council is meeting its performance requirements.

3.2 Effective Governance and Audit Committees help to raise the profile of governance, internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors. They enhance public trust and confidence in the financial governance of an authority.

4. Current situation/proposal

4.1 In order to assist the Committee in ensuring that due consideration is given to all aspects of their core functions the proposed Forward Work Programme for 2023-24 is attached at **Appendix A**. Committee Members are asked to endorse this schedule, confirm the list of people they would like to invite for each item (if appropriate), and indicate whether any additional information or research is required.

4.2 Shown below are the items scheduled to be presented at the next meeting, currently proposed to be held on 1 June 2023.

Proposed Agenda Items – 1 June 2023	
1	Governance and Audit Committee Action Record
2	Audit Wales Governance and Audit Committee Reports
3	Annual Internal Audit Report 2022-23
4	Internal Audit Annual Strategy and Audit Plan 2023-24
5	Corporate Risk Assessment
6	Annual Self Assessment of the Council’s performance
7	Updated Forward Work Programme 2023-24

4.3 The schedule of items for discussion at specific meetings may be subject to change, to take into account other items that need to be considered, and operational factors. It should be noted that the meeting dates are subject to approval by Council at its Annual Meeting to be held on 17 May 2023.

5. Effect upon policy framework and procedure rules

5.1 There is no impact on the policy framework and procedure rules.

6. Equality Act 2010 implications

6.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies,

strategies, services and functions. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

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

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

8. Financial implications

8.1 There are no financial implications arising from this report.

9. Recommendation

9.1 That the Committee considers and approves the Forward Work Programme for 2023-24.

Carys Lord
Chief Officer – Finance, Performance and Change
April 2023

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Deputy Head of Finance

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CF31 4WB

Background Documents: None

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GOVERNANCE AND AUDIT COMMITTEE FORWARD WORK PROGRAMME 2023-24	Frequency	01 June 2023	26 July 2023	28 September 2023	09 November 2023	25 January 2024	18 April 2024
Standing Items							
Governance and Audit Committee Action Record	Each meeting	✓	✓	✓	✓	✓	✓
Audit Wales Governance and Audit Committee Reports	Each meeting	✓	✓	✓		✓	✓
Updated Forward Work Programme	Each meeting	✓	✓	✓	✓	✓	✓
Annual Accounts							
Statement of Accounts 2022-23 (unaudited)	Annually		✓				
Porthcawl Harbour Return 2022-23 (unaudited)	Annually		✓				
Audited Statement of Accounts and Annual Governance Statement	Annually				✓		
Porthcawl Harbour Return (audit letter)	Annually				✓		
Governance							
Annual Governance Statement 2023-24	Annually		✓				
Half Year Review of the Annual Governance Statement 2023-24	Annually				✓		
Audit Wales Annual Audit Plan (included in Audit Wales Governance and Audit Committee Reports item)	Annually						✓
Annual Audit Summary (included in Audit Wales Governance and Audit Committee Reports item)	Annually					✓	
Internal Audit Reports							
Annual Internal Audit Report 2022-23	Annually	✓					
Internal Audit Shared Service Charter	Annually						✓
Internal Audit Annual Strategy and Audit Plan 2023-24	Annually	✓					
Self Assessment of the Governance and Audit Committee	Annually					✓	
Internal Audit Progress Reports	Quarterly		✓		✓	✓	✓
Internal Audit Recommendation Monitoring Report	Quarterly		✓		✓	✓	✓
Treasury Management							
Treasury Management Outturn Report 2022-23	Annually		✓				
Treasury Management Half Year Report 2023-24	Annually				✓		
Treasury Management Strategy 2024-25	Annually					✓	
Risk Assurance							
Corporate Risk Assessment	At regular intervals	✓			✓	✓	
Counter Fraud							
Corporate Fraud Report 2022-23	Annually		✓				
Anti Tax Evasion Policy (previously considered April 2023, due April 2025)	Biennially						
Performance Related							
Complaints Process	Ad hoc						✓
Regulatory Tracker	6 monthly		✓			✓	
Annual Self Assessment of the Council's Performance	Annually	✓					

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