

AUDIT COMMITTEE - THURSDAY, 18 JANUARY 2018

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOMS 2/3 - CIVIC OFFICES ANGEL STREET BRIDGEND CF31 4WB ON THURSDAY, 18 JANUARY 2018 AT 14:00

Present

Councillor LM Walters – Chairperson

JE Lewis
A Williams

JR McCarthy
AJ Williams

MJ Kearn
MC Clarke

RMI Shaw
A Hussain

Apologies for Absence

B Sedgebeer

Apologies for Absence due to Council Business

CA Green

Officers:

Mark Jones	Financial Audit Manager, Wales Audit Office
Helen Smith	Chief Internal Auditor
Mary Williams	Chief Accountant
Andrew Rees	Senior Democratic Services Officer - Committees
Nigel Smith	Finance Manager
Sarah-Jane Byrne	Local Government Manager, Wales Audit Office
Roger Martin	Insurance and Risk Officer

Lay Member:

Josephine Williams

35. DECLARATIONS OF INTEREST

None.

36. APPROVAL OF MINUTES

RESOLVED: That the minutes of the meeting of the Audit Committee of 16 November 2017 were approved as a true and accurate record.

37. WALES AUDIT OFFICE ANNUAL IMPROVEMENT REPORT 2016-17 - BRIDGEND COUNTY BOROUGH COUNCIL

Sarah-Jane Byrne, Local Government Manager of the Wales Audit Office presented the Annual Improvement Report of the Auditor General.

The Local Government Manager of the WAO informed the committee that the Auditor General is required to undertake an annual improvement assessment and publish an annual improvement report for each improvement authority in Wales. She stated that overall, the Council is meeting its statutory requirements in relation to continuous improvement and based on the work carried out by the WAO and relevant regulators, the Council is likely to comply with the requirements of the Local Government Measure.

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The Local Government Manager reported on the headline findings of the following projects it had undertaken:

- Good Governance when Determining Service Changes
- Annual Audit Letter 2015-16
- Savings Planning
- Corporate Assessment Follow Up
- Annual Improvement Plan Audit
- Annual Assessment of Performance Audit

The Auditor General did not make any formal recommendations or proposals for improvement. In relation to the Good Governance when Determining Service Changes project, the Council had responded positively to the issues raised by the WAO and has taken action to address each area that requires improvement. The WAO has found that the Council has clear priorities that shape its decisions on significant service change and it seeks to learn and improve arrangements, but there is scope to improve the accessibility of some information. It also found, that the Council benefits from generally clear governance and accountability arrangements and positive working relationships between officers and members. The Council typically considers a range of options for significant service changes that are supported by clear information, but they are not generally accompanied by a formal options appraisal. The Council has generally effective consultation arrangements when considering significant service changes and it continues to develop them, though the accessibility of information could be improved. The Council monitors financial savings and the impact of some significant services changes, though this could be strengthened by clearly setting out how impact will be monitored at the point of decision. The Council is learning from its experience to improve its arrangements for determining and delivering service changes.

The Local Government Manager reported that national report recommendations had been made in respect of:

- Financial Resilience of Local Authorities in Wales 2015-16
- Community safety in Wales
- Charging for Services and Generating Income by Local Authorities
- Local Authority Funding of Third Sector Services

The Committee requested clarification of the statement made by the WAO in relation to savings planning that “whilst the Council has a sound financial planning framework underdeveloped savings plans may not fully support future financial resilience”. The Local Government Manager informed the Committee that the WAO had found there is a need for the Council to strengthen and further work is needed on savings planning to ensure Members can make decisions. The Group Manager Chief Accountant informed the Committee that budget monitoring reports include a section on savings monitoring and Directors are tasked with providing alternative savings proposals for ones not progressing. She stated that a report on Quarter 3 Budget Monitoring would be presented to cabinet in January.

The Committee questioned as to how the recommendations contained in the Annual Improvement Report would be implemented. The Chairperson informed the Committee that officers would report back to the Committee on implementing the report’s recommendations.

RESOLVED: That the Committee noted the Annual Improvement Report by the WAO.

38. ANNUAL AUDIT LETTER 2016-17

The Financial Audit Manager, Wales Audit Office presented the Appointed Auditor's Annual Audit letter 2016-17.

He reported that the Appointed Auditor had issued an unqualified audit opinion on the accounting statements; confirming that they present a true and fair view of the Council's financial position and transactions. He stated that the letter also confirms that the Appointed Auditor is satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The Appointed Auditor, in accordance with the Public Audit (Wales) 2004, issued a certificate confirming that the audit of the accounts has been completed.

RESOLVED: That the Committee noted the Annual Audit Letter 2016-17.

39. TREASURY MANAGEMENT STRATEGY 2018-19

The Group Manager Chief Accountant reported on the proposed Treasury Management Strategy 2018-19 prior to its submission to Council in February for approval as part of the Medium Term Financial Strategy.

The Group Manager Chief Accountant reported that this Committee has delegated responsibility for ensuring effective scrutiny of the treasury management strategy and policies. These activities are regulated by legislation and by CIPFA's Codes of Practices on treasury management and Prudential Code. These ensure that the Council's capital expenditure is prudent, affordable and sustainable and its treasury practices demonstrate a low risk approach. This Strategy fulfils Council's legal obligation under the Local Government Act 2003 to have regard to the both the CIPFA Code and the Welsh Government Guidance.

The Group Manager Chief Accountant highlighted the main points of the proposed Treasury Management Strategy and outlined the key features of the Treasury Management Strategy.

RESOLVED That the Committee gave due consideration to the Treasury Management Strategy 2018-19 before it was presented to Council for approval in February 2017 as part of the Medium Term Financial Strategy.

40. THE CORPORATE RISK ASSESSMENT 2018-19

The Risk Management & Insurance Officer reported on the outcome of the Corporate Risk Assessment which had been reviewed in consultation and informed the Committee of the proposed risk management timeline. He stated that the Senior Management Team had requested that the next review be undertaken in the spring.

He reported that the changes had resulted in new risks, the merger of existing risks or changes to risk score on the following risks:

- Making the cultural change necessary to deliver the Medium Term Financial Strategy
- Supporting vulnerable children, young people and their families
- Maintaining Infrastructure
- Welfare reform
- Supporting adults at risk

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- Healthy life styles
- Economic climate and austerity
- Ineffective collaboration
- School Modernisation
- An Unfunded NJC pay claim
- Additional Learning Needs
- Impact of homelessness
- Educational attainment
- Educational provision
- Health and safety
- Disposing of waste
- Compliance with the Welsh language Standards
- Implementation of the General Data Protection Regulation

The Committee recognised that the number of risks had been reduced but considered that the review should reduce the number of risks further.

The Committee considered that it should review the risks on Welfare Reform; the Disposal of Property to ensure it is in good condition in order to facilitate Community Asset Transfer. The Committee also considered that the Corporate Risk Assessment should contain timescales when risks are completed and removed from the risk register.

RESOLVED (1) That the Committee considered the annual risk assessment and updated risk management timeline contained within the Risk Management Policy and that it would review the Corporate Risk Assessment in the Spring;

(2) That the Committee reviews further the risks on Welfare Reform and the Disposal of Property to ensure it is in good condition in order to facilitate Community Asset Transfer.

41. INTERNAL AUDIT - OUTTURN REPORT - APRIL TO DECEMBER 2017

The Chief Internal Auditor reported on the actual Internal Audit performance against the period of the audit plan year covering April to December 2017. She informed the Committee that the Plan provided for a total of 1,085 productive days to cover the period April 2017 to March 2018, with 405 actual days achieved to date, which was significantly less than that expected.

The Chief Internal Auditor reported that the overall structure of Internal Audit was now based on 14 Full Time Equivalent (FTE) employees; however there were at present 6.5 current vacancies. She stated that at the end of the period, 24 reviews / jobs had been completed and closed, 17 of which had provided management with an overall substantial / reasonable audit opinion on the internal control environment for the systems examined. She stated that of the remaining 7 reviews, 5 identified weakness to such an extent that only limited assurance could be placed on the overall control environment. The remaining 2 reviews were closed without requiring an opinion due to the nature of the work undertaken.

The Chief internal Auditor informed the Committee that the South West Audit Partnership had been commissioned to conduct 2 audit reviews and both had been concluded to a very high quality.

In response to a question from the Committee as to whether the Internal Audit Plan should be included in the risk register to reflect the lack of staff resources, the Chief

Internal Auditor commented that it is a risk but there are mitigating measures being put in place. She stated that there are plans to look at a regional audit service and that a decision service on whether a regional service is established was needed to be made prior to advertisements being placed to fill the vacancies in the structure. The Risk Management & Insurance Officer stated that he would speak to the Interim Head of Finance as to whether the Internal Audit Plan should be included in the risk register.

RESOLVED: That the Committee considered the Internal Audit Outturn Report covering the period April to December 2017 to ensure that all aspects of their core functions are being adequately reported.

42. UPDATE ON THE AUDIT RISK BASED PLAN 2017-18

The Chief Internal Auditor presented a position statement on the audit work which had been included and approved within the 2017/18 Internal Audit Annual Risk Based Plan.

The Chief Internal Auditor reported on a position statement and highlighted those reviews which had been completed, those allocated for quarter 4, those that will be incorporated within the work allocated to the South West Audit Partnership and those that would no longer be completed this financial year but could be deferred to 2018/19 and / or where assurances can be sought from external regulators. She assured the Committee that every effort was being made to ensure that as much of the 2017/18 Risk Based Audit Plan can be completed in order that she could provide an annual opinion.

The Chief Internal Auditor also reported that the work to be undertaken by the South West Audit Partnership would encompass a new approach based along the 3 lines of Defence Model. She stated that it was a health check on 8 essential corporate functions which underpins day to day operational activities. She informed the Committee that in consultation with the Chief Executive, it had been agreed that four areas would be included in the Healthy Organisation review.

The Chief Internal Auditor informed the Committee that 202 days were available to this Council from the Internal Audit Shared Service and that 313 days had been delivered between April – October 2017, 320 days were available between November 2017 to March 2018. She stated that smarter ways of working would be looked at. The Chief Internal Auditor also informed the Committee that if there is sufficient resource available the Internal Audit Shared Service and South West Audit Partnership would be able to achieve the Plan.

RESOLVED: That the Committee noted the report.

43. UPDATED FORWARD WORK PROGRAMME 2017-18

The Chief Internal Auditor presented an update on the 2016/17 Forward Work Programme. She stated that in order to assist the Committee in ensuring that due consideration had been given by the Committee to all aspects of their core functions an updated Forward Work Programme was submitted.

RESOLVED:

- (1) That the Committee noted the updated Forward Work Programme 2017-18;
- (2) That reports on Incident Management and Risk Acceptance Procedures be added to the Forward Work Programme to be reported to the Committee in April.

44. URGENT ITEMS

There were no urgent items.

The meeting closed at 15:45