

**AUDIT COMMITTEE - THURSDAY, 6 SEPTEMBER 2018**

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOMS 2/3 - CIVIC OFFICES ANGEL STREET BRIDGEND CF31 4WB ON THURSDAY, 6 SEPTEMBER 2018 AT 14:00**

Present

Councillor A Williams – Chairperson

CA Green  
AJ Williams

JE Lewis  
P Davies

MJ Kearn  
TH Beedle

LM Walters

Apologies for Absence

T Giffard

Officers:

Mark Jones	Financial Audit Manager, Wales Audit Office
Helen Smith	Chief Internal Auditor
Mary Williams	Chief Accountant
Mark Galvin	Senior Democratic Services Officer - Committees
Gill Lewis	Interim Head of Finance and Section 151 Officer
Kelly Watson	Head of Legal & Regulatory Services

Lay Member:

Josephine Williams

71. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Tom Giffard.

72. DECLARATIONS OF INTEREST

Councillor Janice Lewis declared a personal interest in Agenda item 8. in that her grandson was in Flying Start, an organisation for families, that was referred to in the report.

73. APPROVAL OF MINUTES

RESOLVED: That the Minutes of a meeting of the Audit Committee dated 28 June 2018 be approved as a true and accurate record, subject to the following amendment to Minute 61. entitled Annual Governance Statement 2017-18:-

Last sentence before the resolution, change to 'The Interim Head of Finance stated that managers are focused on workforce priority areas and that the Statement of Accounts be changed to reflect it's monitoring on a frequent basis.'

74. WALES AUDIT OFFICE PERFORMANCE WORK UPDATE 2018-19

The Interim Head of Finance and S151 Officer presented a report, in order to provide Members with an update on the Performance Audit Programme for 2018-19 by the Wales Audit Office (WAO).

The above was attached at Appendix A to the report, and this contained work undertaken in the Council by and on behalf of the Auditor General under the Local Government (Wales) Measure 2009, and Parts 2 and 3A of the Public Audit (Wales) Act 2004.

The Interim Head of Finance and S151 Officer confirmed that it was a role of the Committee to receive reports on work areas shown in Appendix A, but not to interrogate or scrutinise such reports. Its role was more to provide an Audit Plan and to ensure that any actions on areas of work areas contained within this are completed.

The Interim Head of Finance and S151 Officer then referred to the report's financial implications, confirming that the annual fee for Performance Audit Work in 2018-19 was £97,356, and that there was a revenue budget allocated for this charge.

The Financial Audit Manager, WAO then gave a resume of the work undertaken and advised those present that the Authority were in a healthy position, further adding that performance levels in respect of the elements

detailed in Appendix A to the report had either been progressed to a satisfactory standard or were in hand. The completion of each of these was an important element in determining the extent to which the Council's Corporate Objectives could be delivered he added.

A Member asked Officers what the Committee's role was in respect of the report, and also asked whether or not the Committee were being asked to approve it, and if so, was it in their remit to do so. She also asked where the subject headings of the Appendix were derived from.

The Interim Head of Finance and S151 Officer advised that it was a role of the Committee to approve the Audit Committee External Plan and be active in the monitoring of this. Members were also as part of their role, able to challenge the Plan to ensure that it was timeless and accurate etc, in terms of its detail and descriptors. She added that the subject headers were derived from a fairly complicated set of criteria laid down by the Auditor General. She further added that the programmes intentions were to compliment the work of other stakeholders; identify any inherent risks, as well as to look for continuous improvement.

**RESOLVED:** That the Committee agreed to accept the progress made in respect of the External Audit Plan, and also both noted and approved the WAO Performance Audit Work programme update August 2018, as detailed in Appendix A to the report.

75. **WALES AUDIT OFFICE - OVERVIEW AND SCRUTINY - FIT FOR THE FUTURE?**

The Head of Legal and Regulatory Services submitted a report, in order to present to Members, the completed Wales Audit Office report in respect of the Overview and Scrutiny – Fit for the Future Review.

She gave some background information for the benefit of Members, and of a review previously undertaken exploring how 'fit for the future' scrutiny functions are within the Authority. The review in particular, considered how BCBC are responding to certain current new challenges, including those of a legislative nature.

The review concluded that BCBC's overview and scrutiny function was well run, but needed to adapt to meet future challenges, as well as considering certain opportunities to work differently. The review also proposed areas for improvement.

A copy of the full report was attached at Appendix 1 to the covering report.

Details of the review and the proposals arising out of this would be considered by the Corporate O&SC at its meeting on 26 September next explained the Head of Legal and Regulatory Services.

A Member pointed out that the Scrutiny Section and the Democratic Services Section as a whole, had been the subject of a reduction in its workforce over the past few years, including at management level, in line with budget reductions imposed (across the Authority as a whole), as part of the Medium Term Financial Strategy (MTFS) so as to meet required savings. She asked if this would compromise in any way, the suggested proposals for improvement contained in the Wales Audit Office report.

The Head of Legal and Regulatory Services confirmed that this report did not refer to any staffing levels past or present affecting Democratic Services, nor whether the section was either under or over staffed. The report did however highlight that overview and scrutiny in BCBC could process work more innovatively, which may in turn, improve current work methods and protocols.

A Member whilst appreciating this, asked how working using more innovative methods than was presently the case, could be adequately monitored and measured in order to gauge any improvements.

The Head of Legal and Regulatory Services acknowledged that this proposal would involve a certain amount of trial and error, though there were other associated methods of developing the scrutiny process further, such as for example engaging more with the public, as well as internally with Directorates and externally through outside bodies and/or other organisations. An expansion of key topics to scrutinise would also be explored.

It was further proposed to benchmark overview and scrutiny in BCBC against other neighbouring authorities.

The representative from the Wales Audit Office (WAO) added that he could also take away some of the proposals for improvement to see if any assistance here could be provided by the WAO.

Committee finally felt that perhaps it would be an idea for Members to have more training in the working area of overview and scrutiny.

**RESOLVED:** That Members noted the content of the Wales Audit Office report – Overview and Scrutiny – Fit for the Future?

76. **STATEMENT OF ACCOUNTS 2017-18**

The Group Manager – Chief Accountant submitted a report, in order to present the final Statement of Accounts for 2017-18, which is now due to be certified by the Council's external auditors, Wales Audit Office (WAO) and the associated Letter of Representation of the Council. Certain feedback in respect of this would be given verbally at today's meeting by the Financial Audit Manager from WAO.

The report outlined certain background information, and then confirmed that the WAO have substantially completed their audit work and the Statement of Accounts were due to be signed by the Auditor General for Wales on 10 September, subject to Audit Committee approval of the accounts.

Paragraph 4.2 of the report showed in table format a summary of the Council Fund and Earmarked Reserves balances as at 31 March 2018, as presented to the Committee in June. Further details were available in respect of this information on pages 62 to 66 within the Statement of Accounts.

The representative from the WAO confirmed that there had been no adjustments that had impacted on these year-end figures.

Notwithstanding the above, whilst not impacting on the financial position of the Council, the WAO Audit of Financial Statements Report did identify a number of amendments that were required to the draft accounts, as summarised in paragraph 4.4 of the report.

The WAO representative gave a resume of these by cross referencing to the appropriate areas of the Statement of Accounts 2017-18, attached at Appendix A to the report.

A Final Letter of Representation from the Council was required by the Appointed Auditor to complete the process and enable the accounts to be approved, and this was shown at Appendix B of the report.

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 Financial Statements Report" shown at Appendix C to the report. The appendix also contained the full list of all adjustments made to the accounts as a result of the audit described in paragraph 4.4 together with management responses to the recommendations so made.

The WAO representative wished to emphasise that the Council's Statement of Accounts for 2017-18 were of a high quality/standard, and the adjustments made.

Members asked a number of minor questions of Officers, which were suitably responded to by them.

The Chairperson concluded debate on the report by thanking Finance Officers for producing excellent Accounts in a timely manner.

**RESOLVED:** That Committee:-

- (1) Approved the audited Statement of Accounts 2017-18 (Appendix A to the report).
- (2) Noted and agreed the Final Letter of Representation to the Wales Audit Office (Appendix B to the report).
- (3) Noted the appointed auditor's Audit of Financial Statements Report (Appendix C to the report).

**77. AUDIT REPORT - HEALTHY ORGANISATION REVIEW - ACTION PLAN**

The Interim Head of Finance and S151 Officer presented a report on behalf of the Chief Executive, the purpose of which, was to present to Members the completed Action Plan in respect of the Healthy Organisation Review presented to the Committee at its meeting on the 28 June 2018.

By way of background, she confirmed that as a consequence of resourcing issues within the Internal Audit Shared Service (IASS) during 2017/18, it was necessary to commission a number of reviews to be carried out by an external provider. The South

West Audit Partnership (SWAP) was therefore contracted to undertake the above Review on five of the eight core functions of the Council.

The outcome of the Review shared previously with Members, was that the Council's Corporate Management Board would focus on the high risk areas of the review, and that these then be incorporated within an Action Plan. This Action Plan had since been produced and was attached to the report at Appendix A.

In response to a Members question, the Chief Internal Auditor confirmed that the work with regard to the follow up on one of the five (of the eight) core functions, namely Information Management had not yet been concluded due to delays with the receipt of the draft report, and therefore, the outcomes from this would be presented to Members at the next scheduled meeting of the Committee on 15 November 2018.

She assured the Committee that all Actions contained in the Plan currently showing as incomplete, would be followed-up in a timely manner in order to ensure their completion, with confirmation of this and any further information regarding these being shared with Committee accordingly.

A Member also felt that in any such future reports, information contained in the Action Plan could be more expansive, to include more expansive information on the Items/Risks/Actions taken etc.

**RESOLVED:** That Members considered the content of the Healthy Organisation Review Action Plan, so as to ensure it addresses those key areas requiring attention, subject to the comments made above, and with the outcome of the follow-up Review on Information Management being reported to a future meeting.

**78. INTERNAL AUDIT - OUTTURN REPORT - APRIL TO JULY 2018**

The Chief Internal Auditor submitted a report, the purpose of which, was to inform the Audit Committee of actual Internal Audit performance against the period April to July 2018 of the Audit Plan year.

By way of background information, she advised that the Internal Audit Plan for 2018/19 was submitted to the Audit Committee for consideration and approval in April last. This outlined the assignments to be carried out and their respective priorities.

She added that the Plan provided for a total of 1,000 productive days to cover the financial year 2018/19. These days were split into those reviews considered to be Priority One and those considered to be Priority Two with the aim of completing the whole plan by the end of the financial year.

Actual progress against the 2018/19 Risk Based Plan was attached at Appendix A to the report, whilst further information was attached at Appendix B, detailing those reviews which have not yet been allocated in the respective quarters, and those reviews which have been brought forward from future quarters. Some reviews had not as yet been allocated, due to limited staffing resources. The shortfall here had equated to 40 working days, though it was anticipated that this work would be made-up prior to the end of the financial year.

The report then gave an outline of the staffing compliment in the Internal Audit section, and though there had been a successful recruitment exercise in recent months, the section still carried some vacant posts.

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In order to assist with the effective monitoring of the annual risk based plan, further information was attached at Appendix C, detailing all those reviews which have been completed during the period and performance.

The Chief Internal Auditor further added that during the period only one review had identified significant weaknesses in the system of internal control so far to date, and further information was provided in the appendix referred to immediately above.

Members asked questions on the reports supporting information, including on the audit of the work areas of Direct Payments and Domiciliary Care allocated to SWAP, and whether or not they would be required to support further audit related work in the future, due to a lack of internal resources.

A Member then referred to Appendix C to the report, and the review of Flying Start, and the limited assurance given to this following an audit of the service area previously undertaken.

She asked if the areas of weaknesses identified were linked, as she was aware from the report, that there had been two investigations in this work area, commenced under the Council's Disciplinary Policy, one of which had been referred to the Police. She asked if these investigations were linked.

Following the advice of Officers, it was agreed that the Committee go into closed session in order that a response could be given to this question.

### EXCLUSION OF THE PUBLIC

RESOLVED: That under Section 100A (4) of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007, the public be excluded from the meeting during consideration of the following item of business as it contains exempt information as defined in Paragraphs 12, 13 and 18 of Part 4 and Paragraph 21 of Part 5 of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

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

Following the above question being responded to, the Committee went back into open session and the press and the public were re-admitted to the meeting.

RESOLVED: That Members gave consideration to the Internal Audit Outturn Report covering the period of April to July 2018, in order to ensure that all aspects of their core functions are being adequately reported.

## 79. UPDATED FORWARD WORK PROGRAMME 2018/19

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The Chief Internal Auditor presented a report, the purpose of which, was to present to Members the updated Audit Committee Forward Work Programme (FWP) for 2018/19 attached at Appendix A to the report.

Members were mindful of the amount of reports scheduled for the next three scheduled Committee meetings, particularly for the meeting dated 15 November 2018, where 10 items were currently listed to form the agenda.

The Interim Head of Finance confirmed that the item entitled 'Treasury Management Half Year monitoring report 2018-19', could be rolled over to the subsequent meeting on 17 January 2020.

Members and Officers felt that there may be merit in having a further ad-hoc Audit Committee meeting, above those scheduled in the Programme of Meetings 2018-19, to deal with the considerable number of report items currently listed on the Committee FWP.

RESOLVED: That Members considered and noted the updated Forward Work Programme for 2018/19 as attached at Appendix A to the report.

### 80. URGENT ITEMS

None

The meeting closed at 15:40