

**AUDIT COMMITTEE - THURSDAY, 18 APRIL 2019**

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOMS 2/3,  
CIVIC OFFICES ANGEL STREET BRIDGEND CF31 4WB ON THURSDAY, 18 APRIL 2019 AT  
14:00**

Present

Councillor A Williams – Chairperson

CA Green  
PA Davies

MJ Kearn  
TH Beedle

RM Granville  
T Giffard

LM Walters

Apologies for Absence

JE Lewis, AJ Williams and P Davies

Officers:

Mark Jones	Financial Audit Manager, Wales Audit Office
Sarah-Jane Byrne	Local Government Manager, Wales Audit Office
Mary Williams	Chief Accountant
Mark Galvin	Senior Democratic Services Officer - Committees
Gill Lewis	Interim Head of Finance and Section 151 Officer
Michael Pitman	Business & Administrative Apprentice
Mark Thomas	Head of Regional Audit Service
Samantha Clements	Wales Audit Office
Joan Davies	Senior Group Auditor

118. DECLARATIONS OF INTEREST

None.

119. APPROVAL OF MINUTES

RESOLVED: That the minutes of the meeting of Audit Committee for the 17/01/2019 be approved as a true and accurate record subject to Lay Member Josephine Williams' attendance being reflected therein.

The Chairperson referred to Minute. 110 and enquired when a report was to be presented to Council, seeking to amend the Audit Committees Terms of Reference in order that the Committee could, moving forward, consider future updates summarising the incidents and near misses recorded and the action taken to prevent a recurrence of these/others.

He also asked if an update could be provided to Members on Minute 113, ie if the Anti-Fraud and Bribery Strategy and Anti-Money Laundering Policy had yet been submitted to a meeting of Cabinet for consideration. The Chief Accountant confirmed that they had been approved by Cabinet in February 2019.

The Chairperson also introduced to Members the new Head of Internal Audit, who advised Committee of his background in terms of his previous work experience, including his employment in the professional areas of Finance and Audit.

120. WALES AUDIT OFFICE (WAO) PERFORMANCE WORK UPDATE

## AUDIT COMMITTEE - THURSDAY, 18 APRIL 2019

The Interim Head of Finance presented a report, which provided an update of the Performance Audit Programme for 2018-19 by Wales Audit Office (WAO).

She explained that this programme of work is undertaken to help the Auditor General discharge his duties under Section 17 of the Public Audit (Wales) Act 2004 (the 2004 Act) and Section 18 of the Local Government (Wales) Measure 2009. It also informed a study for improving value for money under Section 41 of the 2004 Act, and/or an examination undertaken by the Auditor General under Section 15 of the Well-being of Future Generations (Wales) Act 2015.

The Wales Audit Office (WAO) Representative gave a resume of Appendix A to the report, which outlined the Performance Audit Work for 2018-19 and planned for 2019-20. She explained the scope of work that had been undertaken, and that the Annual Improvement Report (AIR) for this financial year would also include details pertaining to last year's Annual Report.

She advised Members that the Assurance and Risk Assessment had been completed since the last meeting of Audit Committee and that this would also form part of the Audit Plan.

She further advised Members that the project brief for Environmental Health was currently work in progress.

She explained that work in the area of Corporate Safeguarding arrangements was also ongoing. She added that this was presently still in its planning stage, due to the recent Estyn Inspection having been carried out affecting the Education and Family Services Directorate, upon which Estyn's recommendations were still being awaited. The results of these were required, prior to the audit work of this service area being fully completed.

The items regarding Services to Rural Communities and Using Data Effectively were now completed, she added.

A Member asked the WAO representative what was specifically being looked at in respect to the item immediately above.

The WAO representative advised that she felt this related to access to services and if there were any gaps in this provision so provided, but she would look into this further and feed back to the Committee at a later date.

The Member also what was being looked at within this study and whether there was any good practice that BCBC could use share especially around the provision of bus services in rural communities, and if WAO could also provide an overview on this.

RESOLVED: That the Audit Committee noted the WAO performance audit work programme update April 2019.

### 121. EXTERNAL AUDIT ANNUAL AUDIT PLAN 2019

The Interim Head of Finance introduced the report on the External Annual Audit Plan 2019 together with a schedule of authorised Grant Signatories for the Council. The WAO representative presented the performance aspects of the report, which asked Members to review the External Auditors Annual Audit Plan 2019,

She explained to Members the Performance Audit Programme detailed at exhibit 3 of the report, which outlined the topics of work for the 2019-20 financial year. The report also provided a brief description of each one of these for the benefit of Members.

The WAO representative further explained that the Financial Sustainability Programme was currently being scoped and that there were staff within WAO presently working upon this. It was added that this was a project common to all local authorities, that will enable assessment of financial sustainability in light of current and anticipated future challenges Council's will face. This involved examining what the other 22 local authorities were doing in that respect, to gauge what challenges they had faced and overcome, in order that BCBC could learn from these.

He also explained that they were looking to scope the work on the new health partnership between BCBC and Cwm Taf Health Authority, which was progressing well.

The WAO representative explained that the Workforce Strategy, was a project established in order to review the Council's approach to workforce planning, and how work demands were being managed, particularly due to the continued pressures of budget cuts etc, that local authorities faced.

The Financial Audit Manager mentioned that the Audit Plan set out the responsibility of both the Auditors and BCBC, given their different respective roles.

**RESOLVED:**                      That Members:-

- (1) Reviewed and considered the content of the External Auditor's Annual Audit Plan 2019 attached at Appendix A to the report.
- (2) Noted the schedule of the authorised grant signatories attached at Appendix B (to the report).

122. **CERTIFICATION OF GRANTS AND RETURNS 2017-18**

The Financial Audit Manager presented a report from the Council's External Auditor on the grant work undertaken for 2017-18.

He summarised all the claims and returns which were subject to certification, as included within Appendix A of the report, together with the certification fee and outcome of the External Auditors Review. The certification results were as follows:-

- 100% of the grant claims were submitted in accordance with the awarding body's deadline (consistent with 2016-17);
- 9 certificates were unqualified, 2 were qualified, 1 as a result of a small number of errors in the calculation of housing benefits which resulted in an adjustment of £547, the other due to inclusion of an ineligible item of expenditure to the value of £6,298;
- There were adjustments made to 4 of the 11 claims, which resulted in an overall reduction of grant to the Council of £6,573. This compares to 6 requiring adjustment the previous year.

He explained that the Council's External Auditors made 1 recommendation which was listed in exhibit 3 of the report. He also explained that there had been some emphasis placed on training, for those staff involved in supporting this area of work.

He further explained the total cost of the audits on the grants claims and returns of £51,873, was lower than the estimated fee for this of £58,500, as set out in the 2018

## AUDIT COMMITTEE - THURSDAY, 18 APRIL 2019

Audit Plan. A breakdown of all the relevant fees applicable (by grant and return) was detailed in exhibit 4 of the report.

The Interim Head of Finance also advised Members that they would be updated on this outside of the meeting or through a future update report to Committee.

Finally, a suggestion was made by the Chairperson for a further report to be submitted to the next/a future Committee meeting, outlining a summary of improvements made in the Housing Benefit section as part of an Action Plan drawn up following an audit of this service area, to include details of any staff Training and Development Plan.

RESOLVED: That Members noted the content of the External Auditors Report on the grant work undertaken for 2017-18 attached at Appendix A to the report.

### 123. INTERNAL AUDIT - FINAL OUTTURN REPORT

The Head of the Regional Audit Service presented a report, which informed the Committee of the actual internal performance against the Audit Plan for the Financial Year 2018-19, as well as providing the Head of Audits Annual Opinion.

He provided background to the Internal Audit Plan explaining that the plan was submitted to the Audit Committee for consideration and approval on the 26<sup>th</sup> April 2018. This outlined the assignments to be carried out and their respective priorities. He also updated Members on the current situation/proposal as was detailed in Paragraph 4 of the covering report.

The actual outturn against the 2018/19 Risk Based Plan, was attached at Appendix A to the report.

He explained that Appendix B to the report, showed the work that had been undertaken since April 2018, including the various performance indicator information relating to the different elements of this work. He further explained each section from 1 through 13 of Appendix B to Members. He further explained that the Head of Audit's Opinion was of "Reasonable Assurance" on the adequacy and effectiveness of the Council's framework of governance, risk management and control.

A Member queried Project ARBED (in Appendix B) which confirmed that in January 2019, the Audit findings on this were nearing completion. She asked however, if some clarification could be given as to why the report stated this work was still ongoing and would be carried forward to 2019/20, given that this was conflicting information.

The Interim Head of Finance explained that the delay on completion of this work, had been due to the former Head of Internal Audit leaving the Authority due to retirement and the crossover of this with her replacement, the Head of the Regional Audit Service effectively taking over this position.

She further clarified that the work of this project was now in its final stages of completion. The Interim Head of Finance acknowledged that the wording contained in the report explaining this could have been clearer and therefore may have been misleading.

The Head of the Regional Audit Service said that considerable work had been undertaken but more work was required and that the Committee would be updated on progress as soon as possible.

The Lay Member asked if further information could be provided on the previous audit of Direct Payments, to include any financial value in respect of any efficiencies put in place

**AUDIT COMMITTEE - THURSDAY, 18 APRIL 2019**

to improve this service area and confirmation that any actions recommended by Members are followed-up and implemented.

The Head of Regional Audit Service said that more information could be provided on the above, after SWAP perform their planned follow-up audit work.

**RESOLVED:** That the Members of the Audit Committee gave due consideration to the Final Internal Audit Outturn Report for the financial year 2018/19 including the Head of Audit s Annual Opinion on the Councils control environment in relation to governance, risk management and internal control.

124. **INTERNAL AUDIT STRATEGY AND ANNUAL RISK BASED AUDIT PLAN APRIL 2019 TO MARCH 2020**

The Head of Regional Audit Service presented a report on the Councils Internal Audit Strategy and Annual Risk Based Audit Plan for the year April 2019 to March 2020.

He provided Members with a resume of the Regional Internal Audit Service Strategy and Draft Annual Risk Based Audit plan which covered the following:-

- Methodology;
- The Risk Assessment Process;
- The Internal Audit Plan;
- Resource Requirements

The Head of Regional Audit Service explained, that resource requirements are reviewed each year as part of the audit planning process and are discussed with the Internal Audit Shared Service Board (IASSB). The impact of the financial pressures with the requirements to generate efficiencies and hard savings have seen internal audit resources reduce year on year. As a consequence and at the commencement of 2019/20 the Audit Service has been extended to secure resilience moving forward and as such, will now provide the Internal Audit function to four Councils; these being Bridgend CBC, Merthyr Tydfil CBC, Rhondda Cynon Taf CBC and the Vale of Glamorgan Council. As this is a newly developed Regional Service, the overarching structure of the service is yet to be finalised. As a consequence, the plan has been based on the maximum number of productive days available to be delivered to Bridgend CBC for the whole year based on a full complement of staff.

Whilst it was recognised that we should be mindful of the fact that 2019/20 will be a transitional year for the service and as such some degree of latitude will be required in respect of the service delivery, arrangements will be put in place to closely monitor performance, keep the Audit Committee fully informed and should the need arise, assistance will be sought to bridge any gaps in delivery.

Attached at Appendix A to the report, was the draft Internal Audit Strategy document for 2019/20. This demonstrated how the Internal Audit Service will be developed and delivered in accordance with the Committees Terms of Reference and how it links to the Authorities objectives and priorities. He added that the Strategy would be reviewed and updated annually in consultation with key Members and Officers (such as Cabinet and Corporate Management Board).

The 2019/20 draft Annual Risk Based Plan of work has been formulated to ensure compliance with the Standards as contained within the PSIAS. In order to keep Members of the Audit Committee fully informed, and to ensure compliance with the

## AUDIT COMMITTEE - THURSDAY, 18 APRIL 2019

Standards for Internal Audit the draft detailed plan is attached at Appendix B (to the report).

He then further outlined to Members Table 1 of Appendix A which displayed the Productive Resource Availability & Utilisation for April 2019 - March 2020 - Draft proposals.

RESOLVED: That the Committee considered and approved the draft internal Audit Strategy (Appendix A to the report) and the draft Annual Risk Based Audit Plan for 2019/20 (at Appendix B).

### 125. REGIONAL INTERNAL AUDIT SHARED SERVICE CHARTER 2019/20

The Audit Client Manager presented a report on the Council's Internal Audit Shared Service Charter for 2019/20, attached at Appendix A to the report.

She explained that as of the 1st April 2013, the Public Sector Internal Audit Standards (PSIAS) came into force and superseded the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Auditors.

One of the key roles which demonstrate the Audit Committee's oversight is the approval of the Internal Audit Charter. The Audit Committee approved the first Internal Audit Shared Service Charter 2013/14 at their meeting held on 21st March 2013.

The PSIAS requires the Head of Audit to review the Charter periodically, with the final approval of the Charter being the responsibility of the Audit Committee.

She explained that the Charter, attached at Appendix A to the report, reflected that the content that largely remains the same as previous. However, it now related to 4 local authorities working collaboratively, namely Vale of Glamorgan, Bridgend, Merthyr Tydfil and Rhondda Cynon Taff.

The Lay Member asked what Officers views were on the significance of this scaling-up of joint working, and whether this would impact in any way on service delivery in BCBC.

The Audit Client Manager explained that the above would be taken into account and that each of the 4 participating Councils would take a standardised approach generally in terms of their respective auditing processes. She further explained that a larger service would assist in more specialisms as well as providing more depth with staffing, which would in turn, allow for increased work capacity overall. Therefore, the quality and speed of audits should improve.

A Member asked if there was anything in place like agency staff with regards to risk assessments, cost and timing.

The Chairperson requested that consideration be given to examining Audit Committee's Terms of Reference in neighbouring Authorities, particularly those that comprised the Internal Audit Shared Service, with a view to harmonising these. He added, that consideration also be given to Chairs of Audit Committees of neighbouring Authorities possibly meeting up as part of a Network Initiative, in order to share ways of effective working/good practice.

RESOLVED: That the Committee considered and approved the Regional Internal Audit Shared Service Charter for 2019/20 as attached as Appendix A to the report.

126. UPDATED FORWARD WORK PROGRAMME 2018/19 AND PROPOSED PROGRAMME FOR 2019/20

The Head of Regional Audit Service presented a report, which provided Members with an update of the Forward Work Programme for 2018/19 and sought approval for the proposed programme for 2019/20.

He referred Members to Appendix A of the report, which outlined the current schedule of meetings and forward work programme to date. He explained that the item on Fraud that was scheduled for 18<sup>th</sup> April 2019 had been deferred to 13<sup>th</sup> June 2019.

In response to a Members question on the Fraud Update item which had been deferred from a few previous meetings it had been previously scheduled for, the Interim Head of Finance and S151 Officer clarified that there were two separate items to be considered at a future Committee date(s) in relation to Fraud, one of which was an update on the previous audit carried out in relation to Purchasing Cards, and the other on the National Fraud Initiative.

A Member asked for clarification on dates of Audit Committee dates moving forward, as she had been under the impression that they were to be held on alternative dates to that outlined in Appendices A and B to the report.

The Senior Democratic Services Officer – Committees confirmed that some dates of meetings had now altered to that provisionally set previously, in order to accommodate certain key business that needed to be considered by Members.

RESOLVED: That Members considered and noted the updated Forward Work Programme for 2018/19.

127. URGENT ITEMS

None.

The meeting closed at 15:27