

AUDIT COMMITTEE - THURSDAY, 13 JUNE 2019

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOMS 2/3,
CIVIC OFFICES ANGEL STREET BRIDGEND CF31 4WB ON THURSDAY, 13 JUNE 2019 AT
14:00**

Present

Councillor – Chairperson

CA Green	JE Lewis	MJ Kearn	B Sedgebeer
RM Granville	LM Walters	A Williams	AJ Williams
PA Davies	P Davies	TH Beedle	A Hussain

Officers:

Mark Thomas	Head of Regional Audit Service
Mary Williams	Chief Accountant
Julie Ellams	Democratic Services Officer - Committees
Gill Lewis	Interim Head of Finance and Section 151 Officer
Nigel Smith	Finance Manager
Joan Davies	Senior Group Auditor
Deborah Exton	Interim Deputy Head of Finance

Lay Member:

Josephine Williams

128. ELECTION OF CHAIRPERSON

RESOLVED: That Councillor Lyn Walters be elected as the Chairperson of the Audit Committee for the ensuing year.

129. ELECTION OF VICE-CHAIRPERSON

RESOLVED: That Councillor Alex Williams be elected as the Vice-Chairperson of the Audit Committee for the ensuing year.

130. DECLARATIONS OF INTEREST

None

131. APPROVAL OF MINUTES

RESOLVED: That the minutes of the meeting of the Audit Committee of 18 April 2019 be approved as a true and accurate record.

The Interim Head of Finance and Section 151 officer reported that as requested at the last meeting, an update on actions outstanding from previous Audit Committee meetings was being prepared. The Democratic Services Manager assured the committee that this information would be submitted to the next meeting on 8th August 2019.

The Head of Regional Audit Services referred to minute 123, Internal Audit – Final Outturn Report. He explained that they were still making progress on that particular piece of work and this should be concluded in the next 6 weeks.

132. WALES AUDIT OFFICE (WAO) PERFORMANCE WORK UPDATE 2019-20

The Interim Head of Finance and S151 Officer presented a report providing Members with an update on the Performance Audit Programme for 2019-20 by the Wales Audit Office (WAO).

The WAO performance audit work programme update June 2019 was attached as Appendix A to the report. It outlined the 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 WAO representative provided an update on the status of each item, including work undertaken and anticipated completion dates.

A Member referred to the "Review of Public Service Boards and the effectiveness of partnership working" and asked if the review included looking at the outcomes and achievements of the Public Service Boards. The WAO representative explained that the project brief had been sent to the Council and that as part of the next update, she would provide a copy. She would also discuss this area with the Interim Head of Finance and Section 151 Officer to establish a fuller understanding of what the work entailed.

The Interim Head of Finance and Section 151 Officer referred to the study on "The impact of austerity on discretionary services in Local Government" and explained that it would be helpful to have a clear definition of the term "discretionary" in relation to statutory services. The WAO representative replied that she would review the project brief, discuss with WAO officers and then report back. The Chairperson added that similar observations had been made in scrutiny committees where Councils had been advised that they had to be more innovative with their delivery of services.

RESOLVED: That Members noted the WAO performance audit work programme update June 2019.

133. ANNUAL GOVERNANCE STATEMENT 2018-19

The Interim Head of Finance and Section 151 Officer presented the Annual Governance Statement 2018-19 for approval before its inclusion within the unaudited Statement of Accounts 2018-19. This was an opportunity for Members to review and challenge the narrative within the document which had already been considered by Corporate Management Board, Cabinet, Internal and External Audit. She added that there would be a further opportunity for members to comment at the August Audit Committee meeting.

The Interim Head of Finance and Section 151 Officer referred to pages 36 to 38 of the agenda which showed progress made since the previous year's statement.

A Member stated that it would be helpful to see that information upfront and that it was difficult to read through the complete document to try to establish what had changed in comparison to last year.

The Chairperson stated that the document was easier to read than it had been the previous year.

RESOLVED: That the Committee reviewed and approved the Annual Governance Statement 2018-19 (Appendix A) for inclusion within the unaudited Statement of Accounts 2018-19.

134. STATEMENT OF ACCOUNTS 2018-19 (UNAUDITED)

The Finance Manager – Financial Control and Closing presented the unaudited Statement of Accounts for 2018-19 for noting and the Harbour Authority Annual Return for 2018-19 for approval.

He explained that the Council's draft Statement of Accounts for the financial year ended 31 March 2019 was attached as Appendix A to the report and comprised a number of different statements relating to the financial performance and reserves as well as a statement on corporate governance arrangements. The Annual Return for the Harbour Authority was also attached to the report for approval.

The Finance Manager – Financial Control and Closing explained that the Statement of Accounts 2018/19 was signed by the Section 151 Officer and passed to the Wales Audit Office on 28 May 2019, two weeks in advance of the date it was required. This demonstrated the Council's commitment to earlier closing of accounts, as achieved in the last two years. He outlined the Core Financial Statements included in the Accounts, produced in accordance with International Financial Reporting Standards (IFRS) and other headlines of interest.

A Member referred to the high number of schools with a deficit budget and queried if the funding formula was correct. The Interim Head of Finance and Section 151 Officer replied that that was an interesting question and that a new document had recently been submitted to Council which set out what was being done to manage the deficit. Some Councils had changed the formula but the total sum remained the same so in these cases there would be some schools that gained and some that lost. The Schools Budget Forum was the body that would consider the advantages/disadvantages of any changes to the funding formula.

The Member commented that given the MTFs, those schools already in deficit would struggle to balance their budget. The Interim Head of Finance and Section 151 Officer explained that they were already working closely with schools to help reduce the deficits and that in general, schools were in this position for all sorts of reasons. The level of support had been increased to give schools the opportunity to produce a plan stating how they would reduce the deficit and she was positive they had halted the slide. The Member asked how a deficit budget aligned with Estyn inspection results and how these schools could make progress. The Interim Deputy Head of Finance explained that the trend was the same across Wales. The position had improved slightly this year but only because of a last minute WG grant. It was difficult for schools to manage when grant information was available at the last minute. A major grant from WG had still not been agreed for the current year and this made it very difficult for schools to manage their budgets. She explained that when an inspection took place, the inspectors looked at the financial management arrangements in place to support schools. The recent Estyn inspection was complimentary and they could see good support was being provided. They would also look at the balances over a number of years and pupil numbers. It was hard to plan but they were supporting the schools as much as they could.

A Member referred to the reduction to the cost of services by approximately £10 million over the course of the year and asked if that was in line with expectations given the savings plan for the year. She added that the biggest reduction appeared to be in Education and Family Support and asked if the savings met expectations.

The Finance Manager – Financial Control and Closing explained that the reduction in Education and Family Support was partly due to a technical adjustment following the revaluation of schools resulting in a reduction in expenditure year-on-year. The Member asked if other savings had been achieved and the figures reflected this. The Interim

Deputy Head of Finance explained that the figure partly reflected the technical adjustments just referred to and partly reflected MTFs savings and transfers into the settlement from Welsh Government. The actual total BCBC budget had not fallen over recent years, it had possibly increased due to transfers of grants into the settlement, but technical adjustments make it look lower this year.

The Chairperson queried why the table on directorate under and over spends included in the presentation, was included in the accounts last year but not this year and asked if the over spend on the communities directorate was a result of savings not achieved or unexpected costs. The Interim Deputy Head of Finance explained that she did not have the details to hand but a report on financial performance for 2018/19 was due to be submitted to Cabinet the following week. Part of the over spend was in respect of budget savings not realised in full and part was due to an over spend on services. The Interim Head of Finance and Section 151 Officer explained that 2 particular schemes had not been taken forward, subsidised bus routes and public conveniences, and these would show as an over spend. They had both been delayed due to a consultation exercise but would eventually be delivered.

RESOLVED: That the Committee noted the unaudited Statement of Accounts for 2018-19 and approved the Harbour Authority Annual Return 2018-19.

135. **ANNUAL TREASURY MANAGEMENT OUTTURN REPORT 2018-19**

The Interim Head of Finance and Section 151 Officer presented a report updating the Audit Committee on the outturn position for treasury management activities, the Treasury Management and Prudential Indicators for 2018-19 and to highlight the compliance with the Council's policies and practices before they were reported to Cabinet and Council.

The Interim Head of Finance and Section 151 Officer explained that the Council had complied with its legislative and regulatory requirements during 2018-19. The TMS 2018-19 and the Half Yearly Outturn were reported to Council on 28 February 2018 and 24 October 2018 respectively. The Annual Treasury Management Outturn Report would be reported to Cabinet and Council in September 2019. In addition quarterly monitoring reports would be presented to Cabinet during 2018-19.

The Interim Head of Finance and Section 151 Officer presented a summary of the treasury management activities for 2018-19 and outlined the Council's external debt and investment position for 1 April 2018 to 31 March 2019 as shown in in table 1 of the report. No long term borrowing was taken in 2018-19 and no debt rescheduling was undertaken as there were no significant savings to be made, however, the loan portfolio would be reviewed during 2019-20. Favourable cash flows had provided surplus funds for investment and the balance on investments at 31 March 2019 was £27.40 million (average interest rate 0.94%).

In 2018-19 the Council operated within the treasury limits and the Treasury Management and Prudential Indicators as set out in the agreed TMS 2018-19 and also complied with its Treasury Management Practices.

A Member referred to inter council loans and asked what the interest rate was for these. The Finance Manager explained that the authority had not taken any long term borrowing since March 2012 and only taken short term borrowing on two occasions during 2018-19 for cash flow purposes which would have been from Local Authorities at lower interest rates. As described in the Report, the Council maintained an under-borrowed position.

As well as the long term PWLB debt, there were also Lender's Option Borrower's Option (LOBO) loans however the authority was locked into these and not able to sell the debt on.

The Chairperson asked if the returns were net of the costs paid to Arlingclose. The Interim Head of Finance and Section 151 Officer replied that it was and that they regularly met with Arlingclose who advised on strategy.

RESOLVED: Audit Committee noted the annual treasury management activities for 2018-19.

136. **COUNCIL TAX REDUCTION FRAUD INVESTIGATIONS: APRIL 2018 TO MARCH 2019**

The Interim Head of Finance and Section 151 Officer presented a report informing the Committee of the activities that had been undertaken during 1 April 2018 to 31 March 2019 with regard to Council Tax Reduction (CTR) fraud investigations. The report also summarised the results achieved during 2018/19 as compared with the position for 2017/18.

The Interim Head of Finance and Section 151 Officer outlined the background to the Single Fraud Investigation Service (SFIS), the current situation including the Council Tax Reduction (CTR) contact network, fraud referrals, the DWP's Verify Earnings and Pensions (VEP) alerts initiative, a breakdown of the types of allegations that were referred and the penalties and fines issued in the relevant period. In May 2019, a CTR investigation undertaken by the Fraud Investigator led to a successful prosecution and resulted in a 12 month Community Order and 60 hours unpaid work. The person was also ordered to pay costs of £600 and an £80 victim surcharge. It was hoped that this would serve as a deterrent to others.

A Member asked how many people had been taken to court and how many had been given warnings. The Interim Head of Finance and Section 151 Officer explained that this was the first case that had been taken to court and that there was quite a burden of proof to bring a case to that stage.

A Member asked how the authority claimed back overpayments particularly when a number of the individuals were in a poor financial position. The Interim Head of Finance and Section 151 Officer explained it could take a long time and they could use court orders or attachment of earnings if necessary. The circumstances of individual cases varied greatly.

RESOLVED: Audit Committee noted the report.

137. **HOUSING BENEFIT SUBSIDY RETURN 2017/18 UPDATE**

The Interim Head of Finance and Section 151 Officer presented a report informing the Committee of the changes to the level of management review, housing benefit induction and training activities that had been undertaken to date and actions planned for 2019/20 to address the issues identified during the 2017/18 Housing Benefit subsidy audit.

The Interim Head of Finance and Section 151 Officer confirmed that there had been a far better outcome this year than in 2017/18.

The Chairperson asked if the identified issue in para 4.11 was a new issue or one they were already aware of. The Interim Head of Finance and Section 151 Officer explained that it was an issue they were already aware of.

RESOLVED: Audit Committee noted the report.

138. INTERNAL AUDIT - OUTTURN REPORT - APRIL TO MAY 2019

The Head of Regional Audit Services presented a report informing the Audit Committee of the actual Internal Audit Performance against the first two months of the audit plan for the financial year 2019/20.

The 2019/20 Internal Audit Plan was submitted to Audit Committee for consideration and approval on the 18th April 2019. The Plan outlined the assignments to be carried out and their respective priorities. The current position against quarter 1 of the 2019/20 Risk Based Plan was attached as Appendix A to the report. The Head of Regional Audit Services explained that as they were only two months into the start of the new audit plan, no significant weaknesses in the system of internal control had been identified so far to date.

A Member asked for an explanation of the information contained within the plan. The Head of Regional Audit Services explained that the plan gave an indication of the current position in regard to each proposed area identified for review in quarter 1. It was early in the financial year and the audit work on many areas identified for review had only just commenced.

RESOLVED: Members gave due consideration to the Internal Audit Outturn Report covering the period April to May 2019.

139. UPDATED FORWARD WORK PROGRAMME 2019/20

The Senior Group Auditor presented a report providing Members with an update of the Forward Work Programme for 2019/20. She explained that the Corporate Fraud Report 2018/19 would be submitted to the August 2019 meeting and would include an update on the National Fraud Initiative.

A Member asked if the Whistle Blowing Policy could be presented with the Corporate Fraud Framework when that was due to be considered.

A Member asked if the August meeting was a provisional arrangement or a definite date. The Senior Group Auditor explained that that meeting would be required to sign the accounts.

RESOLVED: Members considered and noted the updated Forward Work Programme for 2019/20.

140. THANKS TO CHIEF ACCOUNTANT

The Interim Head of Finance and S151 Officer advised Members that this was the Chief Accountant's last meeting of the Audit Committee and that she was due to leave in July. She advised that the Chief Accountant had been a very loyal member of staff and that she had worked for Mid Glamorgan before transferring to Bridgend when she qualified in 1996.

She became a Group Accountant in 2004 then transferred to Internal Audit before becoming a Principal Officer in social services. She later returned to accountancy where her strengths in the technical side were appreciated. In 2012 she was promoted to Chief Accountant, a post which she still held. The Chief Accountant was key in the earliest ever completion of the Statement of Accounts and an expert on treasury management

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with knowledge of a multitude of financial projects. The section relied on her for her technical expertise and her contribution would be greatly missed. The Interim Head of Finance and S151 Officer commended her for her professionalism and dedication to her work and together with the Chairperson, Members and Officers, thanked her for her support and wished her well for the future.

The Chief Accountant thanked officers and the committee for their warm wishes. She explained that she would be working for South Wales Police still doing the work that she loved.

141. URGENT ITEMS

None.