

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM 2/3,
CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 20 NOVEMBER 2014 AT
2.00PM

Present:

Councillor E Dodd - Chairperson

Councillors

G Davies
G W Davies MBE
D K Edwards

Councillors

C A Green
R C Jones
J E Lewis

Councillors

J R McCarthy
M Reeves
C Westwood

Councillors

H M Williams
R E Young

Co-opted Member: J Williams

Officers:

N Young - Corporate Director - Resources and Section 151 Officer
M Shephard - Corporate Director - Communities
R Hemingway - Head of Finance and ICT
H Smith - Chief Internal Auditor
S Barratt - Auditor - Wales Audit Office
D Gilbert - Director - KPMG
R Martin - Risk Management and Insurance Officer
J Jenkins - Benefits and Financial Assessments Manager
K Daw - Legal Officer
M A Galvin - Senior Democratic Services Officer - Committees

145 WELCOME

The Chairperson welcomed Councillor D K Edwards to his first meeting as a Member of the Audit Committee.

146 APOLOGIES FOR ABSENCE

None.

147 DECLARATIONS OF INTEREST

None.

148 MINUTES OF PREVIOUS MEETINGS

RESOLVED: That the minutes of a meeting of the Audit Committee held on the 25 September 2014, be approved as a true and accurate record.

149 AUDIT COMMITTEE - ANNUAL AUDIT LETTER 2013/14

The representative from KPMG presented a report, the purpose of which, was to submit to Members the Appointed Auditor's Annual Audit Letter for noting, attached as Appendix A to the report.

This reflected that an unqualified audit opinion on the accounting statements had been made, confirming that these presented a true and fair view of the Council's financial position and transactions. The letter also confirmed that the Auditor was satisfied that the Council had

appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

He explained that a Certificate had been issued confirming that an audit of the accounts had been completed, in accordance with the Public Audit (Wales) Act 2004.

RESOLVED: That the Committee noted the content of the Appointed Auditor's Letter.

150 WALES AUDIT OFFICE PERFORMANCE WORK 2014/15

The Auditor, Wales Audit Office presented a report, the purpose of which, was to submit an update on the Performance Audit Programme 2014/15 (Appendix A to the report referred) by the Wales Audit Office.

He referred to Appendix A for the benefit of Members, and gave an update on the present position with regard to the Improvement Assessments 2014/15, including the current status in terms of progress that had been made on each of these, upon which he gave a resumé.

The Performance Audit Programme outlined work to be undertaken in the Authority, between April 2014 and March 2015.

RESOLVED: That Members noted the update on the Performance Audit Programme for 2014/15.

151 WALES AUDIT OFFICE LOCAL AUTHORITY ARRANGEMENTS TO SUPPORT SAFEGUARDING OF CHILDREN

The Auditor, Wales Audit Office presented a report, the purpose of which was to present to Members the findings of the Wales Audit Office review regarding Local Authority Arrangements to Support Safeguarding Children.

By way of background, he explained that during the period March to May 2014, the Wales Audit Office completed a review of the assurance and accountability arrangements of Bridgend County Borough Council (the Council) for ensuring that safeguarding policies and procedures are in place and being adhered to. The study examined what the Council itself has done to seek assurances that its arrangements to support safeguarding are effective by reviewing how the Council is discharging its safeguarding responsibilities at all levels.

He confirmed to Members, that the study focussed on answering the following question:

Do the Council's governance and management arrangements provide assurance that children are safeguarded?

The main questions that the review sought to answer were:-

- Are there clear governance, accountability and management arrangements for overseeing whether the Council is meeting its safeguarding responsibilities to children?
- Is the Council monitoring and evaluating appropriate information, which provides assurance that it is meeting its safeguarding responsibilities to children?
- Are assurance systems operating effectively?

The Auditor, Wales Audit Office stated that the report concluded that the arrangements for governance, accountability, management, monitoring, evaluating, identifying and acting on improvements is overall adequate but some improvements could be made. The WAO also

concluded that overall whistleblowing arrangements were generally sound, but some weaknesses in training needed to be addressed.

A copy of the Wales Audit Office report entitled Local Authority Arrangements to Support Safeguarding of Children was attached at Appendix A to the report.

A Member noted that the areas for improvement were outlined on page 8 of the attached Appendix A, and he asked if the Committee had any role to play in the support of these.

The Chief Internal Auditor confirmed that the Committee would have an involvement in the fourth proposal for improvement, i.e. 'Identify and agree an appropriate internal audit programme of work for Safeguarding'.

The Auditor, Wales Audit Office stressed that the report was positive, in that there were not any significant concerns but more just a revision of a few certain processes and protocols, and overall he felt it was a good and positive report.

RESOLVED: That the Committee noted the report,

152 INFORMATION AND ACTION REQUESTS

The Corporate Director - Resources submitted a report, that summarised for Committee the actions and information requests made by the Audit Committee at its last scheduled meeting.

This was detailed in paragraph 4.1 of the report, and the Chief Internal Auditor explained that a report on the topic so highlighted would appear later in the meeting as an agenda item.

A Member referred to page 5 (84) of the minutes of the previous meeting, and the third paragraph of Minute no 138 on this page where she had requested detailed information on the dispute between the Authority and the contractor over the final costs of the Bridgend Resource Centre's capital contract.

The Corporate Director - Resources and Section 151 Officer confirmed that the dispute had resulted in the Authority considering making a payment in the region of £175k costs to the contractor which could be challenged and appealed against though this was unlikely to take place if this sum was paid

A Member also asked for an update at the next meeting on disposal of waste/aerobic digestion.

The Chief Internal Auditor added that an update on the present position with regard to both the above, would be placed on the agenda at the next scheduled Committee meeting.

RESOLVED: That the Committee noted the report and awaits further progress reports as confirmed above, at its next meeting.

153 REVIEW ANNUAL GOVERNANCE STATEMENT 2013-14

The Head of Finance and ICT presented a report so as to review the Action Plan that accompanied the Annual Governance Statement (AGS) 2013-14.

He advised that legislation previously introduced a requirement for the Authority to be responsible for annually reviewing and reporting on internal controls.

The Annual Governance Statement (AGS) 2013-14 had previously been presented to the Audit Committee in June 2014, and was subsequently included within the Final Statement of Accounts for 2013-14 approved by Committee in September 2014.

The Head of Finance and ICT proceeded by stating that the AGS provided an overall assessment of the Council's corporate governance arrangements and an appraisal of the controls in place to manage the Council's key risks and identify where improvements need to be made. The AGS 2013-14 was attached at Appendix A to the report, subject to a minor amendment at paragraph 5.1 of the document.

He explained that in conjunction with producing the AGS 2013-14, it was necessary to review the Action Plan linked to this. To that end, Appendix B to the report showed the Plan which had been updated with progress on each significant governance issue.

A Member noted from Appendix A the main risks identified that were facing the Council and she asked what assurance could be given that plans were in place to mitigate these risks from being realised.

The Corporate Director - Resources and Section 151 Officer confirmed that when risks to the Authority were identified these were incorporated in Directorate Business Plans and regularly monitored corporately by Directors and through meetings with the Cabinet. There were also plans put in place she assured, to mitigate these risks.

RESOLVED: That the Audit Committee:

- (1) Noted the amended Annual Governance Statement 2013-14 (Appendix A to the report referred)
- (2) Considered the Annual Governance Statement 2013-14 Action Plan (Appendix B to the report referred)

154 THE CORPORATE RISK ASSESSMENT 2014 - 15

The Insurance and Risk Management Officer presented a report which confirmed that the Audit Committee overseen risk management within the Council. The purpose of the report was to inform Members of the amendments made to the 2014-15 Corporate Risk Assessment, as a result of the quarterly reviews undertaken by Corporate Management Board.

He commenced his submission by advising that good governance requires the Council to develop effective risk management processes, including an assessment of corporate risks.

The Audit Committee's Terms of Reference requires the Committee to review, scrutinise and issue reports and recommendations on the appropriateness of the Authority's risk management, internal control and corporate governance arrangements.

The Insurance and Risk Management Officer stated that in accordance with the Council's Corporate Risk Management Policy, it is a requirement that the Corporate Risk Assessment is considered and reviewed by Corporate Management Board, Cabinet and Audit Committee, and is one of the components reviewed as part of the Council's quarterly Corporate Performance Assessment framework.

He added that the Corporate Risk Assessment had been reviewed and updated by Corporate Management Board at their meetings on 24 March 2014, 30 June 2014 and 27 October 2014. The up to date document was attached at Appendix 1 to the report. This identified the main risks facing the Council, the likely impact of these on Council services and the wider County

Borough, what was being done to manage the risks and allocates responsibility for the Council's response.

The principal changes throughout 2014, were outlined in Paragraph 4.2 of the report.

The Insurance and Risk Management Officer for the benefit of Members, then expanded upon each of the following risks, along the lines detailed in Appendix 1:-

- (a) Welfare Reform;
- (b) Using resources effectively;
- (c) Supporting vulnerable people:
- (d) School modernisation:
- (e) Impact of persistent economic downturns;
- (f) Supporting vulnerable children, young people and families;
- (g) Disposing of waste;
- (h) Healthy life strategies;
- (i) Maintaining infrastructure;
- (j) Equal pay claims;
- (k) Impact of homelessness;
- (l) Collaboration with partners, and
- (m) Educational attainment.

A Member thanked the Insurance and Risk Management Officer for his submission.

She felt that in future such reports, it would be beneficial if the risks that compromised the Corporate Risk Assessment were categorised, for example those completed, those ongoing and potential future risks, with perhaps a summary page on these being provided as well as the Risk Assessment itself.

RESOLVED: That Committee:

- (1) Noted the changes to the Corporate Risk Assessment attached as Appendix 1 to the report.
- (2) Receives a further report in January 2015 concerning the 2015-16 Corporate Risk Assessment and review of the Risk Management Policy.

155 **HOUSING AND COUNCIL TAX BENEFIT FRAUD INFRASTRUCTURE OUTTURN 2013/14 AND A COMPARISON OF POSITION IN THE FIRST SIX MONTHS OF THIS YEAR**

The Benefits and Financial Assessments Manager presented a report, the purpose of which, was to inform the Committee of the activities that have been undertaken in the first six months of this financial year with regard to Housing and Council Tax Benefit fraud investigations,

compared with the position during the same period in 2013/14. In addition, the report also summarised the activities undertaken and the results achieved during 2013/14.

Following some background information, she explained that the fraud referrals were summarised in Table 1 of the report. This shows that overall during the first half of 2014/15 there has been a slight decrease in the number of referrals received overall. There has been a significant decrease in the number of cases referred via benefit staff, this was primarily due to an inflated 2013/2014 figure as an intervention exercise, where unreported increases in wages were highlighted, resulting in an influx of referrals. There were no National Fraud Initiative (NFI) referrals for the first 6 months of 2014 as this exercise is only run on alternate years whilst the Housing Benefit Matching Service has returned to its normal level.

Fraud awareness training sessions are undertaken for Benefit, Homelessness, Council Tax and Customer Service staff and with outside agencies on a cyclical basis. Fraud awareness also forms part of the induction process for all new benefits staff.

The Benefits and Financial Assessments Manager confirmed that investigations are undertaken based upon information received as a data match or in the form of a specific allegation regarding either the claimant's circumstances or the claimant's landlord. As well as new cases there are also cases ongoing from previous years.

She then referred to Table 2 in the report which illustrated a breakdown of the types of cases that have been investigated in specific periods, covering categories of living together, contrived tenancy, non-dependant, non-occupation, undeclared income and working and claiming..

She emphasised that investigations into alleged living together situations remain a major element of Benefit Fraud investigation within the county borough for the reasons given in paragraph 4.3 of the report.

The Benefits and Financial Assessments Manager confirmed that during 2013/14, 368 cases were closed and the closure categories were detailed below in Table 3 in paragraph 4.4 of the report.

She explained that the percentage of fraud proven cases for April to Sept 2014 has decreased from that of April to Sept 2013. This was partly due to a small decrease in the number of staff within the fraud team and also because the quality of information received in referrals from the public is typically not as reliable as those generated via housing benefit assessment staff or from external agencies.

Table 4 in the report then illustrated the sanction action taken in the relevant periods, i.e. April - Sept 2014, together with comparable information for the period April - September 2013.

The overall number of sanctions achieved during the first six months of 2013/2014 was down on that of the previous year, but this was in part due to the overall decrease in staff within the section and also the lack of targeted referrals (for example, an earned income intervention campaign) which generally provide less complex investigations and 'quick hits' for sanctions.

Finally, the Benefits and Financial Assessments Manager confirmed that investigation staff from all local authorities will become civil servants within SFIS as part of a phased programme which will run until 2016. The first phase of local authority investigators being absorbed into the new service (SFIS) began in June of this year; in Wales investigation staff from Blaenau Gwent, Cardiff and the Vale of Glamorgan were included in this first phase. In scope investigation staff from Bridgend are scheduled to join SFIS in November 2015, when all Housing Benefit and Council Tax Benefit investigation work transfers to SFIS. Prosecutions will then be dealt with by

the Crown Prosecution Service. The financial impact on the Council of this change is not yet known.

A Member asked if the grant allocated by the Welsh Government covered the costs of staffing in the Fraud Investigating Team.

The Benefits and Financial Assessments Manager advised that part of the grant to cover administration came from the DWP, though this was worked out by way of a very complex calculation. Though, some of this grant would be lost as part of the changes proposed as part of the staff transfer, some staff would also be lost to compensate for this.

A Member felt that steps should be taken for a higher profile to be given to the Fraud Team, for example by publishing successfully prosecutions made as a result of investigations.

RESOLVED: That the Committee is recommended to note the report.

155 INTERNAL AUDIT - OUTTURN REPORT - APRIL TO OCTOBER 2014

The Chief Internal Auditor submitted a report, the purpose of which was to inform the Audit Committee of actual Internal Audit performance against the seven months of the audit plan April - October 2014.

A summary of audits commenced and completed during the period April to October 2014 were detailed in both Appendix A and B to the report.

The Table in paragraph 4.2 of the report, showed an analysis of work done in relation to the plan (1,310 available days). There currently still existed a vacant post in the Section as it had been difficult to find a suitable candidate to appoint to this post. It was hoped this could be filled in the New Year.

The staffing structure was reflected at Table 1 in Appendix A to the report.

Sickness levels in the Audit Division were still presenting a problem, and this included one member of staff on maternity leave.

The Shared Services between Bridgend County Borough Council and the Vale of Glamorgan County Borough Council had just over a year of the Agreement to run and in relation to the period covered by the report the Internal Audit Section had achieved 104% of the Vale's expected plan days and 103% of Bridgend's.

The Chief Internal Auditor referred to Table 2 in Appendix A, which reflected that the majority of post audit assessments completed (i.e.76%) had identified that staff were working at a high standard and meeting appropriate targets.

She added that it was pleasing to note that nine assessments (7%) had scored five whereby the auditors had as a result of their work, also identified areas of improvement in terms of efficiency and effectiveness resulting in measurable savings for the client.

Table 3 of Appendix A indicated that a summary of Performance /Outturn 2014/15 also made for positive reading.

The Chief Internal Auditor spoke on the Implementation of recommendations, Audit Client Satisfaction Questionnaires, performance, the qualifications and experience of audit staff and finally issues regarding future financial and governance implications, which would link in with

the next agenda item, i.e. completed audits, where there were concerns with five areas of the Authority that had recently been the subject of Internal Audits.

A Member noted that even with staff deficiencies the Internal Audit Section had over achieved in terms of work processed in the above period. He asked how this was the case.

The Chief Internal Auditor advised that this was down to positive attitude and hard work committed by staff within the team, as well as senior staff including herself being actively involved in undertaking audits.

However, pressure of work was building, and therefore due to this there may be a need to look to re-structure the Section within the not too distant future.

RESOLVED: That Members considered the Internal Audit Outturn Report and attached Appendices covering the period April 2014 to October 2014 to ensure that all aspects of their core functions are being adequately reported.

156 COMPLETED AUDITS

The Chief Internal Auditor presented a report, to summarise for Members, the findings of the audits recently completed by the Internal Audit Shared Service, details of which were showed in appendix A to the report.

Referring to this Appendix, she wanted to raise to Members attention those reviews where issues relating to the internal control environment had been identified as listed in Appendix A.

<u>Work Area</u>	<u>Audit Opinion</u>
DBS	Limited Assurance

The key messages from this audit revealed that of the 2,418 total of new starter employees or posts being transferred covering the period highlighted in the report, 479 of these (i.e. 20%) were recruited without a DBS check being in place.. Of a sample taken of 50 of these to ascertain if a Risk Assessment had been completed in respect of these individuals, this confirmed that 21 out of the 50 (42% did have Risk Assessments on file. Of the remaining 29, 25 were covered by other mechanisms such as enhanced CRB checks in place from previous roles, proof of disclosure received prior to 1st available pay date etc.

Of the recommendations made as a result of the audit, the management of this Section had been positive in their response to these in that to improve the DBS process they were looking to introduce an E:Bulk System as a method for undertaking the above checks more effectively. The system was being introduced this month and a further audit review would take place in the New Year.

<u>Work Area</u>	<u>Audit Opinion</u>
Sign Shop	Limited Assurance

The Chief Internal Auditor confirmed that this was being provided as an in-house service for the production of road traffic and other signs. The Chief Internal Auditor confirmed that in 2013-14.

191 orders were made with 160 of these being fully completed. Since April 2014, 31 orders had been received of which 9 had been completed by June. Concerns as a result of the audit

were raised in respect of a lack of continuity of service, and disparities regarding the taking of stock.

<u>Work Area</u>	<u>Audit Opinion</u>
Section 117 Process	No Assurance

The Chief Internal Auditor advised that this area of Adult Social Care was jointly being covered by the Local Authority and the Local Health Board, namely to provide after-care services for certain types of detained patients when they leave hospital.

Notwithstanding the Audit Opinion, she felt that some credit should be given to the Group Manager who started employment with the Council in January 2013, and she identified significant problems within the service. There were weaknesses with regard to the application of the Section 117 process, and as this is a high risk area a two part review of procedures, processes and internal control was undertaken. The first part reviewed the existing processes and procedures so as to identify where the weaknesses were, and the second part to review the current financial arrangements with the Health Board, as there was nothing in place in terms of any financial documentation regarding the joint arrangement other than a 'gentleman's agreement' that the service would be supported financially by way of a "Gentleman's Agreement".

The Chief Internal Auditor stated that 277 people had been eligible for assessment in 2013/14, and 295 in 2014/15. Some of these, but not all, received financial support, and also not all of the patients obtained proper follow-up care arrangements such as an appointed Care Co-ordinator, which was a breach of the Act.

A Member asked if there had been any improvements within the service, since the Audit had been carried out.

The Chief Internal Auditor advised that the Group Manager was working tirelessly with Internal Audit to improve the service, and a follow-up audit would be undertaken and a further progress report would then in turn be presented to Committee on the outcomes of this, highlighting any improvements that had not been made, this will be undertaken before the end of the financial year.

Most of the recommendations made as a result of the initial audit had been completed, and the target date for those not yet completed had been set for December/January.

She further added that this had been the first review of the service by Internal Audit.

RESOLVED: (1) That Members gave consideration to the completed audits referred to in Appendix A to the report and expanded upon by the Chief Internal Auditor at the meeting.

(2) That Members await a follow-up report on progress being made in terms of the Section

157 FORWARD WORK PROGRAMME - 2014/15

The Corporate Director - Resources submitted a report, that attached at Appendix 'A', the dates of Audit Committee meetings as shown in the overall programme of Council meetings, together with a list of the Forward Work Programme aligned to past and future meetings.

RESOLVED: That Committee noted the updated 2014-2015 Forward Work Programme

to ensure that all aspects of its core functions are being adequately considered and reported.

158 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 were excluded from the meeting during consideration of the following item of business as it contained exempt information as defined in Paragraph 14 of Part 4 and Paragraph 21 of Part 5 of Schedule 12A of the said Act.

The Legal Officer explained the public interest test, and following this, Members resolved that pursuant to the provisions of the Act referred to above, to consider the undermentioned item in private with the public being excluded from the meeting as it would involve the disclosure of exempt information as stated above:-

<u>Minute No.</u>	<u>Summary of Item</u>
158	Porthcawl Harbour Review