

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COUNCIL CHAMBER,  
CIVIC OFFICES ANGEL STREET BRIDGEND CF31 4WB ON THURSDAY, 30 JUNE 2016 AT  
10.00 AM**

Present

Councillor E Dodd – Chairperson

JR McCarthy  
G Davies

JE Lewis  
CA Green

CL Jones  
M Gregory

DK Edwards

Officers:

Randal Hemingway	Head of Finance & Section 151 Officer
Andrew Rees	Senior Democratic Services Officer - Committees
Helen Smith	Chief Internal Auditor
Nigel Smith	Finance Manager
Mary Williams	Chief Accountant

251. ELECTION OF CHAIRPERSON

RESOLVED: That Councillor E Dodd be elected Chairperson of the Audit Committee for the ensuing Municipal Year.

252. ELECTION OF VICE-CHAIRPERSON

RESOLVED: That Councillor CA Green be elected Vice-Chairperson of the Audit Committee for the ensuing Municipal Year.

253. APOLOGIES FOR ABSENCE

Apologies for absence were received from the following Members:

Councillor GW Davies MBE  
Councillor D Sage.

254. DECLARATIONS OF INTEREST

Councillor DK Edwards declared a personal interest in agenda item 8 – Statement of Accounts 2015-16 as the Chair of Governors of Maesteg PFI School.

255. APPROVAL OF MINUTES

RESOLVED: That the minutes of the meeting of the Audit Committee of 21 April 2016 be approved as a true and accurate record subject to the attendance of Mrs J Williams being recorded in the list of attendees.

256. PILOT SCHEME - EXPANSION OF THE COMPUTER AUDIT SERVICE

The Chief Internal Auditor introduced Mr Andrew Wathan, Chief Internal Auditor for both Newport City Council and Monmouthshire County Council.

The Chief Internal Auditor reported on the recent pilot in which the specialist computer skills of the Internal Audit Shared Service have been utilised to undertake an audit for Newport City Council.

The Chief Internal Auditor informed the Committee opportunities for extending the Internal Audit Shared Service to other neighbouring authorities would be explored including expanding the specialist computer audit service. To this end, Newport City Council had expressed an interest in utilising this resource and it was agreed to provide a specialist computer audit review of 20 productive days, which had been completed in 19 days. She informed the Committee that overall, the pilot had proved to be a success resulting in Newport City Council receiving a valuable audit report. It had also been recognised that the area reviewed would not have been covered in such detail in house as Newport City Council's Internal Audit Section does not have the level and depth of specialist knowledge required. The Chief Internal Auditor informed the Committee that since the pilot, the IT Department at Newport was likely to undergo significant change and that the IT Department had not been outsourced as stated in the report.

The Chief Internal Auditor reported that there have been lessons learnt from this pilot which will assist in developing any future work with other local authorities and she listed some of the challenges faced during the process. She informed the Committee that constructive feedback had been provided by Newport City Council which will assist in improving any future service provided to other local authorities / public bodies.

The Chief Internal Auditor Newport City Council informed the Committee that the specialist computer audit review had been an extremely useful piece of work, boosting the audit plan and resulting in a very balanced and fair report. He stated that he had been approached by the Bridgend and Vale Internal Audit Shared Service offering audit services it could provide. He stated that it had proven useful to have the expertise of a computer auditor who was able to discuss IT requirements with the IT Department. He informed the Committee that he would consider approaching the Shared Service in the future but this was dependent on the future of the IT service in Newport.

The Chief Internal Auditor of Bridgend and the Vale informed the Committee that she would make a presentation on the pilot scheme at a future meeting of the Welsh Chief Internal Auditors Group.

**RESOLVED:** That the report be noted.

**257. ANNUAL GOVERNANCE STATEMENT 2015-16**

The Head of Finance presented the report of the Corporate Director Operational and Partnership Services which sought approval of the Annual Governance Statement for inclusion in the Council's Statement of Accounts for 2015-16. He stated that the Annual Governance Statement had been led by the Group Manager Corporate Performance, Partnerships and Transformation and her team.

He explained that there are six core principles of good governance in the CIPFA/SOLACE framework contained within Delivering Good Governance in Local Government, which have been adapted for local government purposes. The six principles are also aligned with the principles and values set out by the Welsh Government.

The Head of Finance reported that good corporate governance requires the active participation of Members and officers across the Council and that these arrangements are reviewed annually and the findings used to update the Annual Governance Statement. It also helps to ensure the continuous improvement of the Council's corporate governance culture.

The Head of Finance informed the Committee that the inclusion of the Annual Governance Statement within the Statement of Accounts provides 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 identifies where improvements need to be made.

The Head of Finance highlighted to the Committee the revised corporate priorities which had been set out on the Corporate Plan. He informed the Committee that the Auditor General's Annual Improvement Report had been positive who had concluded that the Council to make progress in delivering improvements; had recognised the need to support improvement of children's services and that it's forward planning arrangements and track record suggested it was well placed to secure improvement in 2015-16. He stated that the Auditor General did not make any statutory recommendations, but had made 13 specific proposals for improvement.

The Head of Finance informed the Committee that the Auditor General had undertaken a Corporate Assessment of the Council in 2015-16 in order to provide a position statement on the authority's capacity and capability to deliver continuous improvement. He stated that the outcome of the assessment was very positive and found no reason to make any formal recommendations, or conduct an investigation, or recommend that Ministers of Welsh Government intervene, but had made 8 proposals for improvement.

The Head of Finance informed the Committee of changes to the management structure agreed by Council in April 2016 which resulted in the re-allocation of the functions of the Corporate Director Resources and had led to him being appointed the Section 151 Officer and a member of the Corporate Management Board.

He reported on the wide range of issues which had been the subject of consultation and that the Shaping Bridgend's Future consultation had included 15 community engagement events, an on-line survey and access to a budget simulator to capture the views of the public on budget savings in the Medium Term Financial Strategy. He stated that the Council uses social media to promote its services and to engage with the public.

The Head of Finance informed the Committee of the role of the Local Service Board (now the Public Service Board) and on the consultation it had undertaken during 2015-16. He stated that the Wellbeing of Future Generations (Wales) Act 2015 established Public Service Boards in each local authority.

The Head of Finance also informed the Committee of the training undertaken by the Committee in Treasury Management to assist in the scrutinising of the Annual Treasury Management Strategy. He stated that Internal Audit provides independent and objective assurance and undertakes a continuous audit of Council services. The Head of Audit had undertaken a self-assessment to demonstrate the extent to which the Internal Audit Shared Service complied with the Public Service Internal Audit Standards.

The Head of Finance informed the Committee that a Financial Resilience Assessment was undertaken which focused on the delivery of the 2014-15 savings and 2015-16 financial planning period. The assessment concluded that whilst the Council faced significant financial challenges, its current arrangements for achieving financial resilience are sound. He stated that the purpose of the Corporate Assessment undertaken was to provide a position statement of an improvement authority's capacity and capability to deliver continuous improvement. It also considered the authority's track record of performance and outcomes as well as examining the key arrangements necessary to underpin improvements in services and functions. He stated that the Auditor General had concluded that the Council is developing appropriate plans for the future and is well placed to secure improvement.

The Head of Finance informed the Committee that the Public Services Ombudsman for Wales had noted a decrease in the number of complaints received made against the authority. He also stated that the care and Social Services Inspectorate Wales in its Annual Review had concluded that the Council remained realistic about the challenges posed by the need to deliver improving services within the context of reducing financial resources.

The Head of Finance concluded that the challenge facing the Council will be to consider alternative delivery models for services which will be essential to mitigate the impact of cuts. He stated the Council continues to face reduced resources and increased demands on services and it was necessary that the control environment, including governance and risk management remains robust, proportionate and efficient. He also stated there were no significant cross cutting control issues that would impact on the Council's Annual Governance Statement.

A member of the Committee requested that consideration be given to the effectiveness of the Scrutiny function and the Call-in process and devoting more resources to the function.

RESOLVED: That the Committee reviewed the Annual Governance Statement and approved its inclusion in the statement of Accounts 2015-16.

258. STATEMENT OF ACCOUNTS 2015-16

The Section 151 Officer presented the unaudited Statement of Accounts for 2015-16 and the Harbour Authority Return for 2015-16.

He reported on the requirement for the Statement of Accounts for 2015-16 to be signed and dated by the Responsible Financial Officer before 30 June 2016 certifying that it presents a true and fair view of the Council's financial position. He stated that the audited accounts will be brought back to the meeting of the Audit Committee for approval by 30 September 2016. He informed the Committee that the Statement of Accounts comprises a number of different statements relating to financial performance and reserves as well as a statement on corporate governance arrangements.

The Section 151 Officer reported that each year the Council prepares detailed revenue budgets for its activities and regularly reviews these budgets to take account of changes in plans, processes or assumptions and if necessary re-profile the original budgets. He stated that overall there was a net under-spend on Directorates' budgets of £1.639M. After allowing for capital financing and contingency costs, transfers to and from earmarked reserves and additional council tax income is £0.154M. This was transferred to the Council Fund which increased to £7.604M as at 31 March 2016. He outlined the position of the Council's reserves where there had been a drop in earmarked reserves from £35.637M to £35.311M. Total capital spending during 2015-16 was £25.1M.

The Section 151 Officer reported that the Annual Governance Statement highlighted the challenges the Council faced in the delivery of the £35.5M savings in the Medium Term Financial Strategy.

RESOLVED: That the Committee:

1. noted the unaudited Statement of Accounts for 2015-16
2. noted the Harbour Authority Annual Return 2015-16.

259. ANNUAL TREASURY MANAGEMENT REPORT 2015-16

The Section 151 Officer reported on the outturn position for Treasury Management activities, Treasury Management and Prudential Indicators for 2015-16 and highlighted compliance with Council policies and practices prior to them being reported to Cabinet and Council.

He reported that the Council complied with its legislative and regulatory requirements during 2015-16. He stated that no long term borrowing was taken in 2015-16 and no debt rescheduling undertaken as there were no significant savings to be made, however, the loan portfolio would be reviewed during 2016-17. Favourable cash flows had provided surplus funds for investment with the balance on investments at 31 March 2016 being £26.00M with an average interest rate of 0.67%. He informed the Committee that the Council had operated within the treasury limits and Treasury Management and Prudential Indicators set out in the agreed Treasury Management Strategy 2015-16 and also complied within its Treasury Management Practices.

The Section 151 Officer reported that the Treasury Management function would be reviewed by the Council's external Auditors, the Wales Audit Office, during the 2015-16 annual audit which has not yet been completed. He stated that Internal Audit had undertaken an audit of Treasury Management and which noted strengths and areas of good practice in all areas tested and it had concluded that the effectiveness of the internal control environment was considered to be sound. He informed the Committee that the Council's current Treasury Management advisers are Arlingclose.

The Committee requested an explanation of the Halo liability. The Chief Accountant informed the Committee that at the time of the transfer of the Council's leisure facilities to GLL/Halo a programme of capital works was being undertaken at the Bridgend Recreation Centre, GLL undertook £1.5M of capital work which was recouped from the Council through its management fee. Discussions then took place with GLL in relation to their loan and following advice from the Council's Treasury Management advisers, the loan was repaid and the Council now derived monthly savings from a reduced management fee.

The Committee questioned the likely implications on the authority of the recent referendum vote to leave the European Union. The Head of Finance informed the Committee that a report on this subject will be presented to the next meeting of Council. He stated that there had been significant changes to the value of the pound particularly against the dollar; however the FTSE 100 had recovered to its previous levels. There was also uncertainty in the UK economy which may impact on public expenditure. The Head of Finance informed the Committee that all of the Council's investments are held in sterling with no exposure to foreign currency with the Council holding a deposit account a Swedish bank, Sveska Handelsbanken which did not pose an immediate risk, but this situation would be monitored. The Council's long term debt is of a fixed interest rate and would not be affected should there be an increase in interest rates.

RESOLVED: That the Annual Treasury Management Activities for 2015-16 be noted.

260. INFORMATION AND ACTION REQUESTS BY COMMITTEE

The Chief Internal Auditor presented a report which summarised actions and information requests made by the Audit Committee at its last meeting on 21 April 2016.

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The Chief Internal Auditor requested clarification of the additional information required on the savings achieved in Legal and Regulatory Services. The Committee had concerns regarding the large proportion of savings made in Legal and Regulatory Services and whether it would have a detrimental impact on services across the Council as it was also a significant concern of the Budget Research and Evaluation Panel.

In addition and in response to a question from the Committee, the Chief internal Auditor stated that she would provide (via email) the Committee with information as to whether there was an overspend on the Porthcawl Harbour project.

RESOLVED: That the report be noted.

### 261. COMPLETED AUDITS

The Chief Internal Auditor presented a report which summarised the findings of the audits recently completed by the Internal Audit Shared Service.

The Committee questioned the next steps following the completed audit of Harbour Operations which had received Reasonable assurance. The Chief Internal Auditor informed the Committee that an audit report would have been issued to ensure that they undertake reconciliations and that if there were further concerns a report would be brought back to Committee.

The Committee questioned the reason for the password integrity constraints of the Tranman and Triscan Systems not complying with the ICT password policy. The Chief Internal Auditor informed the Committee that a tick box system was used in this system which was not compliant with the Council's ICT policy but would be changed to ensure compliance.

RESOLVED: That the Committee considered the summary of completed audits to ensure that all aspects of their core functions are being adequately reported.

### 262. INTERNAL AUDIT - OUTTURN REPORT - APRIL TO MAY 2016

The Chief Internal Auditor reported on the actual Internal Audit performance against the two months of the audit plan year covering April and May 2016. She informed the Committee that 148 actual productive days had been achieved, which was less than the expected target of 176 days by 28 days.

The Chief Internal Auditor reported that the overall structure of Internal Audit was based on 18 Full Time Equivalent (FTE) employees; however at the end of the 2015-16 financial year, the section carried 4 FTE vacant posts which continued to be the case at the start of the new financial year.

The Chief Internal Auditor informed the Committee that no significant weaknesses in the system of internal control had been identified in the new audit plan, to date.

RESOLVED: That the Committee considered the Internal Audit Outturn Report covering the period April to May 2016 to ensure that all aspects of their core functions are being adequately reported.

### 263. EXTERNAL ASSESSMENT

The Chief Internal Auditor reported on the draft scope for assessing the Internal Audit Shared Service compliance with the Public Sector Internal Audit Standards (PSIAS).

The Chairperson informed the Committee of a request by the Chief Executive that it consider a Peer Review be undertaken which would be in compliance with the Public Sector Internal Audit Standards rather than by means of an external assessment due to its cost implications to the authority.

The Chief Internal Auditor reported that in accordance with the requirements of both Councils Audit Committees a procurement exercise will be undertaken to procure the most economically advantageous organisation to undertake an external assessment of the Bridgend and Vale Internal Audit Shared Service, ensuring compliance with the Vale of Glamorgan's Contract and Financial procedure Rules. The Chief Internal Auditor informed the Committee that she would complete the Checklist for Conformance with the PSIAS in advance of the external assessment. She highlighted the scope of the external assessment.

The Chief Internal Auditor reported that she would confirm the Terms of Reference, timescales and convenient dates for the review in consultation with the Section 151 Officer of the Vale of Glamorgan. The outcome of the External Assessment will be reported to the Internal Audit Shared Service Board, both Councils Corporate Management Team / Board and the respective Audit Committees and will be accompanied by an action plan. She stated that any significant areas of non-compliance would be reported in the Annual Report of the Head of Audit for 2016-17 and in the Annual Governance Statement if deemed necessary.

The Committee gave due consideration to the request of the Chief Executive for a Peer Review but expressed a preference for it to be conducted by means of an external assessment

**RESOLVED:** That the Committee considered the request of the Chief Executive for a Peer Review but expressed a preference for it to be conducted by means of an external assessment and approved the scope for the External Assessment.

264. **UPDATED FORWARD WORK PROGRAMME 2016-17**

The Chief Internal Auditor presented an update on the 2016/17 Forward Work Programme for the Committee's information.

**RESOLVED:** That the Committee noted the updated Forward Work Programme to ensure that all aspects of their core functions are being adequately reported.

265. **URGENT ITEMS**

There were no urgent items.

The meeting closed at 11.22 am