

No.

## AUDIT COMMITTEE

Minutes of a meeting held on 16<sup>th</sup> December, 2019.

Present: Councillor G.D.D. Carroll (Chairman); Councillor L.O. Rowlands (Vice-Chairman); Councillors: Mrs. P. Drake, Dr. I.J. Johnson, Mrs. J.M. Norman and M.R. Wilson; and Mr. P. Lewis (Lay Member).

Also present: Mr. S. Wyndham (Wales Audit Office).

### 529 APOLOGY FOR ABSENCE –

This was received from Councillor K.F. McCaffer.

### 530 MINUTES –

RESOLVED – T H A T the minutes of the meeting held on 3<sup>rd</sup> September, 2019 be approved as a correct record.

### 531 DECLARATIONS OF INTEREST –

No declarations were received.

### 532 PRESENTATION: ROLE OF INTERNAL AUDIT AND UPDATE ON THE SHARED SERVICE (HIAS) –

The Head of the Regional Internal Audit Service, by the way of a PowerPoint presentation, outlined the role of Audit and provided an update on the development of the Shared Service.

As included in the Agenda papers, the presentation included an overview of the:

- Personal background and experience of the Head of the Regional Internal Audit Service;
- background to the Service;
- identified objectives;
- opportunity and benefits of a Shared Service;
- immediate priorities and achievements for the Service;
- priorities for the first 12 months for the Shared Service;
- further development of a commercial approach;
- role of the Service; and
- how the Service wanted to be regarded.

A Committee Member queried how effective had the Shared Service been and he queried if the Service was currently more resilient and asked for examples of flexibility. He also asked whether the cultural differences of the four separate Local

No.

Authorities had caused any issues. In reply, the Head of the Regional Internal Audit Service stated that the Regional Service was more affordable and costs for each Local Authority had been reduced. The complex nature of the Shared Service had been recognised, which was why the budget had been fixed for the first three years. This would allow the new Service time to bed in. The main challenge was around reaching the full staff complement. Part of the plan is to create specialist roles in relation to IT & Contract Auditing. In terms of flexibility and resilience, the whole idea of bringing the four Local Authorities together was having a bigger pool of staff. On an individual Local Authority basis, there had been a reduction in the number of staff leading up to the setting up of the expanded service, but there is more flexibility and resilience as the overall pool of staff to draw upon was larger. With regard to the cultural differences, he advised that although staff were based in each of the four Local Authorities, all staff ultimately reported to him. A key challenge related to logistics and staff travel and this had been taken into account, but staff are expected to be flexible in terms of being able to carry out audit work across the four Local Authority areas in the Partnership.

A Member of the Committee commented that information within the presentation represented the top line of the Service and the queried oversight and scrutiny arrangements. The Member also queried how the main challenges had been addressed, and he asked for some thoughts on the market place and new commercial opportunities. In response, the Head of the Regional Internal Audit Service advised that in terms oversight, there was a legal agreement in place and oversight and governance was provided by a Board consisting of the Section 151 Officers of each Council. The Head of the Regional Audit Service was held to account by the Board and each of the four individual Audit Committees. In terms of risks and the main challenges, this related to the number of vacant staff positions and how these would be filled. The Board would be considering the proposed staffing structure, followed consultation with the Trades Unions and staff and then the Service would be actively trying to reach its full complement. The Head of the Regional Internal Audit Service added that filling Audit vacancies was an issue across Wales, possibly because many prospective candidates being attracted to a career in Accountancy. The proposed structure had three Trainees identified so the Service was looking to grow its own. In relation to the market place, he advised that there were different models. For example, Newport and Monmouth Councils, had separate Audit teams, but shared an Audit manager, while Health had an all Wales service. There were also private sector providers of Internal Audit Services in existence. He stated that he was still looking at what opportunities were available, and so it would be useful to provide an update report in the summer. The Head of the Regional Internal Audit Service also referred to proposals being put forward by Welsh Government for Audit Committees.

Having considered the update, it was

RESOLVED – T H A T the update on the Shared Service be noted.

#### Reason for decision

Following consideration of the Shared Service update.

### 533 CORPORATE RISK REGISTER QUARTER 2 UPDATE (MD) –

The Head of Policy and Business Transformation presented the update on the Quarter 2 position of Corporate Risks for April 2019 to September 2019 of risks contained within the Corporate Risk Register as outlined in the Corporate Risk Summary Report.

Attached at Annex A was the Quarter 2 Risk Summary Report. It was reported that there were 14 Corporate Risks on the Register. Of these, three currently scored Medium / High, 10 risks scored Medium and one risk scored Medium / Low. Members noted that the position of risks on the Register had remained largely unchanged with the exception of the Deprivation of Liberty Safeguards risk, the score of which had decreased from 12 (High) to a score of 8, giving it a Medium / High status. Although the resource pressure and demand for assessments continued to exist, the Council had made good progress in putting in play mitigations to reducing the risk. The risk status had been reviewed and considered in context of other risks contained within the Register such as Brexit.

During Quarter 2, a total of 13% of actions (20) were completed, 77% (123) were on track and allocated a Green status. 2% (3) of actions were allocated an Amber status for minor slippage and 8% (13) slipped and were allocated a Red status. A breakdown of the individual exceptions was provided in Section 6.

A Committee Member stated that it would be useful to have more information regarding how the issues around Brexit would be taken forward. He also queried why Welfare reform and Reshaping Services had not been flagged up as a higher risk given update reports provided at the Corporate Performance and Resources Scrutiny Committee meeting. In reply, the Head of Policy and Business Transformation advised that the Corporate Management Team had regular discussions on how the Council was handling Brexit. In addition, the Director of Environment and Housing was working on how some of the longer-term issues would be managed and this work would be communicated to all Councillors. With regard to Welfare Reform, the Head of Finance stated that the report was also considered by the Corporate Management Team and so there had been a change in membership of the Insight Board to include the relevant staff who worked in this area.

A Member referred to pages 152 and 153 and queried progress in relation to action AS/A042 – Implement a “Team around an individual” approach to Dementia Services, Action AS/A043 – A Vale Locality Model, Action AS/A044 – a Long Term Care Service at Ty Jenner and Action AS/IT053 – in relation to the integration of technology and video conferencing for the Vale Locality. In reply, the Head of Policy and Business Transformation stated that he would follow up these queries with the appropriate departments, but information on this had been presented to the Healthy Living and Social Care Scrutiny Committee. He also added that it may be an idea to focus the next quarter update on Welfare reform. With regard to the wider work around integration between Health and Social Care, he advised that a review had been undertaken on how the two areas interacted, so work was ongoing. Further to

No.

this point, a Committee Member stated that for some actions which had been flagged up Red, were attributed to the Cardiff and Vale Health Board so it was difficult to understand where the responsibility for the delays were.

A Committee Member outlined concern in relation to the environment and sustainability and he stated that he could not see what work was underway in order to reduce carbon emissions. In reply, the Head of Policy and Business Transformation stated that a response to this was provided following a question at Full Council the previous week which related specifically to the climate emergency. He clarified that a lot of work was underway, but the Council needed to better communicate the progress being made. Further to this point, a Committee Member stated that the Council had to undertake better management of trees as the Council did not employ experts in this field. He stated that the Council needed a Tree Strategy. In reply, the Head of Policy and Business Transformation stated that this would be fed back to the Director of Environment and Housing and he advised that a Tree Strategy would be presented to Cabinet over the next few months.

The Committee was then provided with an overview from the Head of Additional Learning Needs and Wellbeing of an emerging risk in relation to Additional Learning Needs. The Head of Additional Learning Needs and Wellbeing began by stating that in the Vale of Glamorgan there were numerous inter-related elements of service provision which formed a graduated response to need. There were six levels of provision, these being:

- Mainstream provision;
- Outreach services;
- ALN / SEN funding to schools;
- Specialist resource bases and a Pupil Referral Unit;
- Specialist schools;
- Out of county and independent school placements.

The aim was to prevent the pupil reaching the top of the pyramid by having services in place to manage individual needs.

The key driving forces associated with the risk around Additional Learning Needs was the growth in demand, the Council's capacity and financial viability to meet the growing needs which had been further impacted by duties coming out of the Additional Learning Needs (Wales) Act.

Members were advised that there had been a growth in the number of children presenting with increasingly more complex Additional Learning Needs. This impacted not only on the capacity of existing provision as Ysgol y Deri but also placed a significant cost pressure on budgets with every pupil placed at Ysgol y Deri costing an average of £25k. Therefore, the Council was looking at ways to adding further placements within the existing Ysgol y Deri site with a view in the longer term of building a new Ysgol y Deri site 2 as part of the 21<sup>st</sup> Century Schools Programme.

In relation to Post 16 education, the Head of Additional Learning Needs and Wellbeing stated that there was a need to interact with providers such as further educational colleges who were also bound by the new Act. However, colleges would

No.

only have to evidence that they had used their “best endeavour” to meet the needs of individuals and if they could not, then support would be passed to the Local Authority. This was a key risk to the Council which was more difficult as colleges were not the responsibility of the Council. If therefore the provision for support was not there then this would fall to the Council which would have considerable cost implications. In order to mitigate the risk, the Council was working with the Cardiff and Vale College in order to create a provision map and to ascertain where the gaps in provision may be. It therefore made sense to make use of current services, but the key would be where would funding be apportioned to.

Another aspect of the Act was the need to ensure that everything was bilingual and that Welsh was on parity to English. The Head of Additional Learning Needs and Wellbeing stated that he did not disagree with this principle, but for the Vale of Glamorgan the number of Welsh speakers made specialist provision very costly. Therefore, in order to meet demand, the Council would be working with neighbouring Local Authorities on a regional basis to create an outreach service. In addition, Welsh training would be provided to staff.

With regard to mainstream schools, the Head of Additional Learning Needs and Wellbeing advised that the main issue was more staff training to meet the individual needs of children and young people. This was therefore a major focus of the Central South Consortium. He outlined that when Ysgol Y Deri was built it had an initial capacity of 205 placements. At present, 276 children were currently placed there, so the numbers leaving the service was being outstripped by those going in. This, and because there had also been a reduction in respite use, was why it had been decided to remodel Ty Deri in order to create more classroom spaces. Over the medium-term, the plan was to create Ysgol Y Deri 2 which would increase capacity by 150 placements.

The Head of Additional Learning Needs and Wellbeing added that Ysgol Y Deri did not cater for social/emotional/mental wellbeing needs, as these were managed by the Pupil Referral Unit or resource bases at mainstream schools. This would therefore be the biggest challenge for schools. The demand for this kind of support was increasing and was in line with an increase in exclusions and home schooling. In order to tackle this an action plan had been devised to build capacity and to create centres for social/emotional/wellbeing support in order to avoid out of county placements. One of the key actions was the development of a “Trauma Informed Approach”, and funding had been granted around appropriate training for staff and senior leaders.

A Committee Member thanked the Head of Additional Learning Needs and Wellbeing for his update and stated that a key challenge was around improving transition at Post 16 education and he raised concern that, although the Council had the necessary expertise, it did not have a further educational institute. He stated that there were two strands, one was those with obvious needs and the second was those learners with emotional / mental health challenges which was a big issue and so it was important to talk to pupils in order to reduce isolation. The Member referred to the right of appeal and he was concerned that this could lead to increased costs to the Council as the funding from Welsh Government was insufficient. In reply, the Head of Additional Learning Needs and Wellbeing stated that an amount of

No.

£20m had been allocated across Wales by Welsh Government, but this was to assist Local Authorities with implementing the Act. Therefore, clarity was needed from Welsh Government around who would fund provision and the support services.

The Committee considered where the Additional Learning Needs risk sat within the Risk Register, and Members noted that this had been categorised under risk CR2 – Legislative Change and Local Government Reform. The Committee therefore considered it appropriate that as the emerging risks were increasing, for Additional Learning Needs to be a stand-alone risk within the Register. In reply, the Head of Policy and Business Transformation stated that this would be considered for the next Risk update and this would include a review of risks contained under the umbrella of legislative changes, with a focus on Additional Learning Needs. The Head of Additional Learning Needs and Wellbeing also added that further commentary of this risk would be welcomed, as Ysgol Y Deri 2 was something that the Council had to do to meet demand. He also advised Members, that another pressure related to income recoupment which had decreased from approximately £3m in 2014 to around £1m last year. This was because other Local Authorities had developed their own service provision, and because there had been an increase in demand for placements from Vale of Glamorgan residents.

Subsequently, it was

RESOLVED –

- (1) T H A T the Quarter 2 position of corporate risks for the period April to September 2019 as outlined in Annex A to the report be noted.
- (2) T H A T the Quarter 2 position for April 2019 – September 2019 be referred to Cabinet for consideration and endorsement.
- (3) T H A T the area of Additional Learning Needs should be a stand alone risk within the Risk Register.

#### Reasons for decisions

- (1) Following consideration of the Quarter 2 position.
- (2) To ensure Cabinet receives a Quarter 2 position on the Corporate Risk Register.
- (3) In order for Additional Learning Needs to be a stand alone risk within the Risk Register.

#### 534 AUDITOR GENERAL FOR WALES: VALE OF GLAMORGAN ANNUAL IMPROVEMENT REPORT 2018/19 (MD) –

The Head of Policy and Business Transformation presented the report which advised Members of the results of the assessment by the Auditor General for Wales of the Council's arrangements to secure continuous improvement.

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The report presented the Vale of Glamorgan Annual Improvement Report (AIR), which summarised the findings of the Auditor General Wales's audit, regulatory and inspection work programme undertaken in the Council during the period 2018 to 2019. The AIR brought together the key findings from all audit work undertaken in the Council during 2018-19 including those of other inspection and regulatory bodies such as Estyn (Her Majesty's Inspectorate for Schools in Wales) and Care Inspectorate Wales (CIW).

The report findings were generally positive and concluded that overall, the Council was meeting its statutory requirements in relation to continuous improvement.

Whilst no formal recommendations were made by the Auditor General, seven Proposals for Improvement were made in relation to specific local reviews on the Council's corporate arrangements for the safeguarding of children, the Welsh Housing Quality Standard (including tenants' views), and a further 14 areas for development in relation to CIW's inspection of Children's Services. Progress against these would be monitored by the Wales Audit Office throughout 2019-20 as part of the Annual Regulatory Plan. These Proposals for Improvement / Areas of Development had been incorporated within the Council's Insight Tracker and would be monitored by the Insight Board and reported to Scrutiny Committees and the Audit Committee as work to address them progressed.

The AIR was considered by Cabinet and all Members as part of the Council's annual review of performance for 2018/19 (Cabinet minute C83 and Full Council minute 267, 9<sup>th</sup> September, 2019) and the report's findings were endorsed. An excerpt from Council's Annual Report (Improvement Plan Part 2) which summarised the report was contained within the background papers for the report.

The report sought Audit Committee's consideration of the Auditor General Wales' findings as outlined in Vale of Glamorgan Annual Improvement Report 2018/19 and noted the comments of Cabinet on the report.

Having considered the report, it was

RESOLVED – T H A T the contents of the report be noted.

#### Reason for decision

Following consideration of the Auditor General's report findings in relation to the audit, regulatory and inspection work undertaken in the Council during 2018/19.

#### 535 ANNUAL AUDIT LETTER 2018/19 (HOF / S1510) –

The Annual Audit Letter 2018/19 was attached at Appendix A to the report and summarised the key messages arising from the work the external auditors had carried out during 2018/19

No.

The letter confirmed that the Council had complied with its responsibilities relating to financial reporting and use of resources. The key matters arising from the accounts audit were reported to Audit Committee on 2<sup>nd</sup> September, 2019 and subsequently Full Council on 9<sup>th</sup> September, 2019.

On 12<sup>th</sup> September, 2019 an unqualified audit opinion was issued within the statement of accounts confirming a true and fair view of the Council's financial position and transactions.

The appointed Auditor was satisfied that the Council had appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, and certified that the audit was completed when the audit opinion was issued.

The work undertaken to date on grant claims had not identified any significant issues and a more detailed report in grant certification work would be prepared once the programme of certification work was complete

Subsequently, it was

RESOLVED – T H A T the External Annual Audit Letter for 2018/19 be noted.

Reason for decision

To facilitate monitoring of the Council and the Audit function.

536 CORPORATE FRAUD UPDATE (HOF / S1510) –

The purpose of the report was to inform the Audit Committee of the actions undertaken in relation to fraud and irregularity.

The Council's Corporate Investigation Officer continued to develop his role and work through the action plan which was included at Appendix A to the report. A Fraud Risk Register template had been produced and a Fraud page had been updated which would be a point of reference for staff on the Council's intranet. Fraud awareness training sessions continued to be delivered which were providing staff with the knowledge and skills to identify potential frauds. A school's anti-fraud toolkit had been produced together with a supporting self-assessment health check and these had been published on the school's intranet site.

The Whistleblowing Policy was currently being reviewed and updated to ensure that it was clear and easy for staff to refer to and use if required.

A detailed NFI report was presented to Audit Committee in September 2019. The Corporate Investigation Officer continued to monitor the activity to ensure that outstanding matches were being reviewed and was meeting with the relevant Officers to provide training and offer advice where required.

There had also been some reactive work, whereby fraud or irregularity was suspected. To date, nine reviews of this nature had been undertaken and these

No.

were listed in Appendix B to the report. This work could be generated in a number of ways, by whistleblowing or complaint referrals; by Managers who may have concerns over a certain issue or individual or as a result of an audit review. The nine reviews undertaken this year were the result of concerns identified by Managers. Of the eight reviews completed, six were fact finding reports which were then referred back to Managers to consider the next course of action, such as disciplinary action. The remaining two had resulted in limited assurance audit reports being issued as it was identified that the control environment required improvement and recommendations were made accordingly. To date eight recommendations had been made to improve the existing systems to help prevent any further fraud or error.

The WAO were due to commence a review across a range of Welsh public sector bodies including all Unitary Authorities to examine how effective counter fraud arrangements were in practice and to make recommendations for improvement. The aim was for the report to be published in June 2020. The client briefing was attached at Appendix C to the report for information.

Having considered the report, it was

RESOLVED – T H A T the contents of the report, the measures in place and the work being undertaken to prevent and detect fraud and error be noted.

#### Reason for decision

To ensure effective monitoring of fraud and irregularity is undertaken.

#### 537 PROGRESS AGAINST THE AUDIT RISK BASED PLAN 1<sup>ST</sup> APRIL 2019 TO 30<sup>TH</sup> NOVEMBER 2019 (HOF / S1510) –

The Audit Client Manager presented the report which provided Members with a position statement on progress being made against the audit work that was included and approved within the 2019/20 Internal Audit Annual Risk Based Plan.

The Plan provided for a total of 1,402 audit days to cover the period April 2019 to March 2020. 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 Quarter 1 to Quarter 3 of the 2019/20 Risk Based Plan was attached at Appendix A to the report which detailed the status of each planned review, the audit opinion and the number of any high or medium recommendations made to improve the control environment. It should be noted that some reviews listed had no audit opinion, for example advice and guidance, Audit Committee and CMT reporting and the Closure of Reports. This was because the audit work carried out in respect of these items was planned but the nature of the work did not lead to testing and the formation of an audit opinion.

Appendix A to the report illustrated that as at 30<sup>th</sup> November, 2019, 32 audit reviews had been completed with an audit opinion being given. Based on the assessment of

No.

the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control environment, an audit opinion of substantial assurance had been given to five reviews and an opinion of reasonable to 20 reviews.

The remaining seven audit reviews had been given an audit opinion of limited, that was only limited assurance could be placed on the current systems of internal control. These areas were as follows :

#### Social Services – Direct Payments

This was a follow up review of a previous limited assurance report. Testing was undertaken to identify the progress made by the service area against the previous recommendations made. Unfortunately, progress had been slower than planned and as a result only limited changes had been made to improve the systems and controls. This would be monitored and reviewed again over the next few months.

#### Youth Services Missing Laptop

A laptop was reported missing and the subsequent audit review identified a poor systems of control in place to record and safely store the assets. Recommendations had been made and accepted by management and a follow up review would be undertaken to ensure that controls had improved.

#### Youth Services Petty Cash

Missing money was reported and as a result a review of the systems and processes in place identified improvements that could be made to strengthen the existing weak controls. These had been accepted and a follow up review would be undertaken in due course.

#### Stanwell Comprehensive School Payroll System

This school undertook its own payroll function and the planned audit review identified that certain processes and procedures required updating and strengthening. The recommendations made had been accepted and were in the process of being implemented.

#### School Budget Monitoring

This review was undertaken to ensure that the systems and processes in place for monitoring school revenue budgets were efficient and effective in order to provide timely and accurate information. There was a Service Level Agreement in place between schools and the Learning and Skills Directorate and each school had a dedicated Finance Support Officer. The review found areas where improvements could be made to increase efficiency and accuracy such as updating the website with applicable school finance documents, updating the school monitoring coverage and considering streamlining the financial systems in use to avoid duplication and manual entries.

#### Catering Governance and Set Up

A review of the proposed set up and governance arrangements of the new Catering Company was undertaken. At the time of the review, the planned "go live" date for the Catering Company was only five weeks away. Although the audit concluded that there were many positives to this concept, when looking at the readiness for trading

No.

within that timescale, several recommendations were made which had an impact on the level of assurance that could be assigned. Therefore a limited opinion was given. Since this audit review the "go live" date had been revised to a later date. The recommendations had been agreed and were being addressed prior to the new "go live" date.

#### Social Care Contract and Commissioning Follow Up

This was a follow up to a previous limited assurance review completed in 2018/19. SWAP undertook the work to verify that the previous recommendations had been successfully implemented. However, although the target implementation dates had passed, many recommendations were not fully completed and therefore improvements could not be verified. The status therefore remained limited and a further review would take place before the financial year end.

Appendix A illustrated that a total of 102 high or medium recommendations had been made to improve the control environment of the areas reviewed. The implementation of these recommendations would be monitored to ensure that improvements were being made.

The Annual Audit Plan was based on a fully staffed structure but as previously reported, the Section continued to carry vacant posts whilst the structure of the Regional Service was being developed. Therefore, the South West Audit Partnership (SWAP) had been commissioned in order to address in part some of the shortfall in days necessary to complete the Plan.

A Committee Member queried the number of recommendations in relation to the development of a Council Catering company. In reply, the Head of Finance stated that the Catering Team were looking at how the recommendations would be addressed, but none of these were a 'show stopper'. The Head of the Regional Internal Audit Service added, that the Catering project had been looked at in detail, with some aspects started but not fully implemented. This was why the operating date had been pushed back. Further follow up work by the Audit team was currently underway.

Subsequently, it was

RESOLVED – T H A T the contents of the report and the progress made to date be noted.

#### Reason for decision

To keep Audit Committee informed.

#### 538 FORWARD WORK PROGRAMME (HOF / S1510) –

The purpose of the report was to provide Members with an updated Forward Work Programme for 2019/20.

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Attached at Appendix A to the report was the updated Forward Work Programme 2019/20 for the Committee. This had been updated following the Committee's last meeting on 3<sup>rd</sup> September, 2019 and the postponement of 4<sup>th</sup> November, 2019 meeting.

Shown below are the items scheduled to be presented at the Committee's next meeting on 3<sup>rd</sup> February, 2020. Committee Members were asked to endorse the schedule, confirm the list of people they would like to invite for each item (if appropriate), and indicate whether any additional information or research was required.

3 <sup>rd</sup> February, 2020	Corporate Complaints (9 months update)
	Whistleblowing Policy – Performance Update
	Corporate Risk Update – Quarter 3
	Progress Against the Annual Risk Based Plan Quarter 3
	Treasury Management
	External Auditors / Inspection Reports (where applicable)

It was

RESOLVED – T H A T the updated Forward Work Programme for 2019/20 be endorsed.

Reason for decision

To ensure the Audit Committee is aware and informed of progress on both the current and proposed work programme.