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**MAE HWN YN GYFARFOD Y MAE GAN Y CYHOEDD HAWL EI FYNYCHU**

Date Not Specified

Annwyl Syr/Madam

**PWYLLGOR ARCHWILIO**

Cynhelir cyfarfod o'r Pwyllgor Archwilio yn Siambr y Cyngor, Canolfan Ddinesig on Dydd Mawrth, 2ail Chwefror, 2021 am 9.30 am.

Yn gywir

Michelle Morris  
Rheolwr Gyfarwyddwr

**AGENDA**

**1. CYFIEITHU AR Y PRYD**

Mae croeso i chi ddefnyddio'r Gymraeg yn y cyfarfod, mae angen o leiaf 3 diwrnod gwaith o rybudd os dymunwch wneud hynny. Darperir gwasanaeth cyfieithu ar y pryd os gwneir cais.

**2. YMDDIHEURIADAU**

Derbyn ymddiheuriadau.

**3. DATGANIADAU BUDDIANT A GODDEFEBAU**

We welcome correspondence in the medium of Welsh or English. / Croesawn ohebiaith trwy gyfrwng y Gymraeg neu'r Saesneg.

Derbyn datganiadau buddiant a goddefebau.

**4. PENODI CADEIRYDD**

Derbyn enwebiadau ar gyfer penodi Cadeirydd y Pwyllgor Archwilio ar gyfer y flwyddyn 2020/21.

**5. PWYLLGOR ARCHWILIO 5 - 18**

Derbyn cofnodion y cyfarfod o'r Pwyllgor Archwilio a gynhaliwyd ar 17 Tachwedd 2020.

(Gofynnir i chi nodi y cyflwynir y cofnodion er pwyntiau cywirdeb yn unig).

**6. DALEN WEITHREDU 19 - 20**

Ystyried camau gweithredu yn deillio o gyfarfod y Pwyllgor Archwilio a gynhaliwyd ar 17 Tachwedd 2020.

**7. POLISI ATAL GWYNGALCHU ARIAN 21 - 36**

Ystyried adroddiad yr Uwch Archwilydd.

**8. ADRODDIAD BLYNYDDOL Y RHEOLWR ARCHWILIO A RISG 2019/20 37 - 44**

Ystyried adroddiad y Rheolwr Archwilio a Risg.

**9. ADRODDIAD CYNNYDD PWYLLGOR ARCHWILIO – 45 - 66**

Ystyried adroddiad y Prif Swyddog Adnoddau.

**10. PROSES DADGOMISIYNU ADEILAD 67 - 72**

Ystyried adroddiad y Cyfarwyddwr Corfforaethol Adfywio a Gwasanaethau Cymunedol.

Derbyn ac ystyried yr adroddiadau dilynol sydd ym marn y Swyddog Priodol yn eitemau eithriedig gan roi ystyriaeth i'r prawf budd cyhoeddus ac y dylai'r wasg a'r cyhoedd gael eu heithrio o'r cyfarfod (mae'r rheswm am y penderfyniad am yr eithriad ar gael ar restr a gedwir gan y Swyddog Priodol).

**11. YMCHWILIAD I GYHOEDDI GWYBODAETH EITHRIEDIG 73 - 82**

Ystyried adroddiad y Rheolwr Gyfarwyddwr.

At: Cynghorwyr S. Healy (Is-gadeirydd)  
D. Davies  
P. Baldwin  
D. Hancock  
J. Hill  
W. Hodgins  
J. Holt  
J. Millard  
J. C. Morgan  
M. Moore  
K. Rowson  
B. Summers  
S. Thomas  
H. Trollope  
L. Winnett  
Edwards  
Veale

Pob Aelod arall (er gwybodaeth)  
Rheolwr Gyfarwyddwr  
Prif Swyddogion

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**COUNTY BOROUGH OF BLAENAU GWENT**

**REPORT TO: THE CHAIR AND MEMBERS OF THE AUDIT COMMITTEE**

**SUBJECT: AUDIT COMMITTEE – 17<sup>th</sup> NOVEMBER, 2020**

**REPORT OF: DEMOCRATIC SUPPORT OFFICER**

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**PRESENT: COUNCILLOR S. HEALY (VICE-CHAIR IN THE CHAIR)**

Councillors D. Davies

J. Hill

W. Hodgins

J. Holt

K. Rowson

B. Summers

S. Thomas

H. Trollope

L. Winnett

**WITH:** Managing Director  
Chief Officer Resources  
Senior Business Partner – Capital and Corporate Accounting  
Professional Lead – Internal Audit  
Service Manager Accountancy  
Audit & Risk Manager  
Corporate Director Social Services  
Corporate Director Regeneration & Community Services  
Head of Legal & Corporate Compliance  
Data Protection & Governance Officer  
Branch Secretary - UNISON

**AND: Audit Wales**  
Mike Jones  
Dave Rees  
Derwyn Owen

## DECISIONS UNDER DELEGATED POWERS

<u>ITEM</u>	<u>SUBJECT</u>	<u>ACTION</u>
No. 1	<p><b><u>SIMULTANEOUS TRANSLATION</u></b></p> <p>It was noted that no requests had been received for the simultaneous translation service.</p>	
No. 2	<p><b><u>APOLOGIES</u></b></p> <p>Apologies for absence were received from Councillor M. Cross.</p>	
No. 3	<p><b><u>DECLARATIONS OF INTEREST AND DISPENSATIONS</u></b></p> <p>The following declarations of interest were reported:</p> <p>Councillor B. Summers - Item No. 6 Statement of Accounts for 2016/17, 2017/18 &amp; 2018/19</p> <p>Councillor J. Hill - Item No. 6 Statement of Accounts for 2016/17, 2017/18 &amp; 2018/19</p> <p>Item No. 7 External Audit of 2016/17 Statement of Accounts – Blaenau Gwent County Borough Council</p> <p>Item No. 8 External Audit of 2017/18 Statement of Accounts – Blaenau Gwent County Borough Council</p> <p>Item No. 9 External Audit of 2018/19 Statement of Accounts – Blaenau Gwent County Borough Council</p>	
No. 4	<p><b><u>AUDIT COMMITTEE</u></b></p> <p>The minutes of the special Audit Committee held on 29<sup>th</sup> September, 2020 were submitted.</p> <p>RESOLVED that the minutes be accepted as a true record of proceedings.</p>	
No. 5	<p><b><u>ACTION SHEET</u></b></p> <p>The Action Sheet arising from the meeting of the Audit Committee held on 29<sup>th</sup> September, 2020 was submitted,</p>	

	<p>whereupon:</p> <p><u><i>Business Resource Centre Decommissioning</i></u></p> <p>The Managing Director apologised to Members regarding the delay in this matter coming back to Committee, which was due to other areas of work as a result of the pandemic. However, the Managing Director assured Members that a report would be submitted to the next meeting to outline lessons learned from the BRC report and how we deal with decommissioning buildings in the future.</p> <p>In terms of the question raised at the previous meeting regarding the planning application, the Corporate Director Regeneration &amp; Community Services confirmed that an application for change of use had been approved had the site had been sold to Dragon Recycling, and they were currently undertaking refurbishment of the site to begin their recycling activities.</p> <p>RESOLVED, subject to the foregoing, that the Action Sheet be noted.</p>	
<p><b>No. 6</b></p>	<p><b><u>STATEMENT OF ACCOUNTS 2016/17, 2017/18 &amp; 2018/19</u></b></p> <p>Consideration was given to report of the Chief Officer Resources.</p> <p>The Chief Officer Resources presented the report, and pointed out that Items 6, 7, 8 &amp; 9 on the agenda related to the Council's accounts for 2016/17, 2017/18 and 2018/19. Item No. 6 reported the Council's statement of accounts covering all three years, with Items 7, 8 &amp; 9 being Audit Wales reports, which included their opinion for each set of accounts. The Chief Officer Resources suggested that Item Nos. 6, 7, 8 &amp; 9 on the agenda be considered together.</p> <p>She said Members would recall during September 2017 Audit Wales received correspondence raising concerns regarding the Council's relationship with Silent Valley Waste Services.</p>	

An Audit Wales investigation has been ongoing and as a result the Auditor General has been unable to provide opinion on the Council's accounts for the three years referred to. Whilst Audit Wales continue to examine a number of matters relating to the Council's historic relationship with Silent Valley, which they intend to report on in due course, they do not now consider any of the ongoing matters to be material to the Audit General's opinion on the Council's Financial Statements. An audit opinion has therefore been provided, and the Statement of Accounts for the three years (2016/17, 2017/18 & 2018/19) have been presented to Committee for approval.

The Chief Officer Resources reported that for 2016/17 and 2017/18 the Auditor General considered the pension contributions paid on behalf of the Chief Finance Officer and the Corporate Director for Environment & Regeneration for their roles as Directors on Silent Valley Waste Services appeared to be contrary to law, and considered that the Council should have disclosed the nature and impact of the additional pension contributions but failed to do so. Further detail on this opinion was provided in the Audit Wales reports at Items 7 and 8, and explained that whilst the value of the transactions identified in the Accounts were relatively small, the assessment of materiality could also be affected by certain quality issues, such as legal and regulatory requirements as well as political sensitivity. This was the case with Senior Officers' Remuneration Note considered to be material to its nature rather than value, and as result materiality level of £1 has been applied. Given this low level of materiality, Audit Wales expect this level of disclosure to be correct since it was publishing individuals' remuneration and making this information publicly available. As result of this, it was the Auditor General's intention to issue a modified or qualified opinion on the Council's financial statements for 2016/17 and 2017/18, and the 2018/19 opinion as unqualified.

The Chief Officer Resources said the Council had sought



independent legal advice on this matter, and whilst it was accepted that there were procedural errors in the way in which employer pension contributions were administered, it was considered that these did not have the effect of rendering the payments contrary to law.

In addition to the above issue, the Audit Wales' reports also highlighted the corrected and uncorrected misstatements identified as part of the audit of accounts. For 2016/17 & 2017/18 the misstatements have been corrected within the respective Statement of Accounts. For 2018/19 there were a small number of misstatements that remain uncorrected. All misstatements have been considered previously by the Audit Committee who agreed with the Officer recommendation not to amend the misstatements identified in 2018/19 on the basis that these would not have a material impact on the accounting statements.

Whilst a qualified opinion on the accounts for 2016/17 and 2017/18 was disappointing, the Officer was pleased that the Auditor General was now in a position to provide an opinion that confirmed, with the exception of those pension contribution payments highlighted, that for each of the three years the Council's financial statements provide a true and fair view of the financial position of Blaenau Gwent County Borough Council as it stood at 31<sup>st</sup> March each year; and have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

The Chief Officer Resources concluded by recommending that the Audit Committee, after due consideration, approve the 2016/17, 2017/18 and 2018/19 Statement of Accounts in line with the preferred option outlined at 3.1 of the report.

A Member said given the fact that this matter was referred to the Police by Audit Wales, and then referred back to Audit Wales, he said Members needed to be clear on whether it would be appropriate to agree the Statement of Accounts. He referred to the issue of pension contributions, and the fact that the Council had sought independent advice, and asked why

the independent legal advice had not been provided to Members within the report.

In response the Chief Officer Resources said the legal advice received was clear, and was similar in certain aspects to the advice of Audit Wales, however, the Council had a different opinion on the interpretation of the advice provided.

The Member asked whether the independent legal advice was contrary to that of Audit Wales in respect of members of staff receiving pension contributions from the Authority, whilst representing outside bodies.

The Chief Officer Resources said the independent advice received stated that whilst the payment in relation to Silent Valley Directorship should have been treated as a separate pension pot, it did not necessarily make the payments unlawful.

The Member then referred to Item No. 7 and the pension contributions totalling £4,975 and asked whether this was the total cost over a number of years, or the costs for the 2016/17 financial year.

In response the Chief Officer Resources said the Audit Wales report referred to years 2016/17 and 2017/18, so the amount referred to was the pension contributions paid for both individuals in those financial years.

The Member said when reading Item No. 7 he was incensed that, while being a previous Deputy Leader and Leader of the Council, that the information did not come before Members, and this was clearly an issue within the report, bearing in mind that this issue was reviewed in March 2012, November 2016 and in 2017, and on this basis he found it difficult to support the reports.

A Member asked whether the reports could be signed-off in the absence of the Chair, and the Chief Officer Resources confirmed that the Vice-Chair would be in a position to sign-off the accounts on behalf of the Committee, as Chair of this meeting.

The Vice-Chair said if the Committee agreed the reports, he would be prepared to sign-off on behalf of the Council.

Another Member said he was concerned that the pension contributions had not been identified previously, and sought clarity on who paid the pension contributions, as the accounts registered with Companies House for Silent Valley Waste Services show them as paying pension contributions. He also referred to the significant variations in the Director's remunerations over the years, particularly the significant increase in 2017.

The Chief Officer Resources explained that Silent Valley Waste Services accounts registered with Companies House would reflect the fact that they paid pension contributions on behalf of their employees, and confirmed that they never paid pension contributions in the LGPS in relation to the two individuals, as these were paid by the Council.

In relation to the variations in Director's remunerations, the Audit Wales Officer explained that the significant increase in that particular year (2017) was due to a termination payment to the then Managing Director.

A Member enquired as to the costs of the independent legal advice, and the Chief Officer Resources undertook to provide this information.

Another Member asked why the Council paid the pension contributions to the two individuals in their roles on an outside organisation, and how many years this had been happening.

**Chief  
Officer  
Resource  
s**

In response the Chief Officer Resources said this was an historic issue. When Silent Valley Waste Services was established the Council agreed that the Directors nominated to the Board would be paid an addition to their pay for undertaking that role, and at that time as it was classed as an addition to pay, it was pensionable. In the interim the arrangements changed and it became less part of the individuals' role from the Council, and became separate employment, and at that time the Council should have treated the payments differently. However, this was not done, and whilst this was accepted as a mistake, it was not considered that the payments were unlawful.

The Member asked whether the Council could reclaim the pension contributions, and the Chief Officer Resources that Silent Valley Waste Services had been asked for reimbursement of the payments made but declined, stating that the individuals were employees of the Council at that time. They reimbursed the Council for the Directors' fee but not the pension contributions.

The Audit Wales Officer pointed out that Audit Wales were not suggesting that any fraud had taken place. The issues related to the fact that the Council had not, in the past, put adequate governance arrangements in place over the relationship between itself and Silent Valley, and failed to define the roles to be performed by the Officers concerned or determine what the remuneration of roles should be, and the position of pensions.

The Head of Legal & Corporate Compliance said in terms of reclaiming any potential monies due, at this point it would not be advisable to comment on any possible future legal action or repayment. However, she assured the Audit Committee that these matters would be considered.

A Member stated that Audit Wales have stated that the

accounts could be signed-off. However, he said this was a serious issue and assured that the investigation would continue and the outcome would be reported back to the Audit Committee for Members to consider.

The Audit Wales Officer said in terms of the continuing investigation, he said it was likely that the report would include greater detail on the issue of pensions, and other issues, however, it was considered that those issues do not impact on the Auditor General's opinion on the financial statements.

A Member referred to the inadequacy of the governance arrangements between the Council and Silent Valley over a period of years, and said it was important to point out that previous reports that came before Members were written by Senior Officers of the Council, and some of those Senior Officers would have been in receipt of the pension contributions; and Audit Wales have stated that this was unlawful. Whilst the Council has taken advice to the contrary, the Member said the fact that this has not been reported to Members, in his opinion somewhat weakened the significance of that advice. He said the public would be interested in this issue and would likely be of the opinion that an addition to pay would have been sufficient for the role, without the pension payment on top, and that this was done without the knowledge of elected Members. On the basis of the concerns outlined he found it difficult to support approval of the accounts. In relation to the continuing investigation by Audit Wales he asked when a report could be expected.

The Audit Wales Officer reported that the audit work was nearing completion, and the provisional findings and conclusions have been drafted. In the first instance, the relevant extracts of the document would be circulated to those who are answerable within it, to provide opportunity for them to correct any factual inaccuracies to the extent that it related to themselves or their actions. Once that has been

undertaken any following any amendments that may be necessary, the document would be sent to the Council as a consultation draft, and the Council would have the opportunity to comment on it at that stage, and it was anticipated that this would be early next year.

In response the Member asked whether the report could include a timeline of the significant events, i.e. when the issue was reported to Council, and when the Police investigation was launched etc., as it would be beneficial for Members to have this information when making judgement on the report.

A Member said he would support sign-off of the accounts, subject to assurance that the governance arrangements would be strengthened moving forward.

In response the Managing Director reminded Members that a review of the governance arrangements for Silent Valley Waste Services was undertaken in late 2017, and new arrangements put in place at the end of March 2018, hence the reason that year's accounts were not qualified because some of the issues identified had to be corrected preventing sign-off of the previous two years' accounts. In conclusion the Managing Director said a review had already been undertaken and arrangements put in place, and this would hopefully be reflected by Audit Wales in their full report that Council would receive in due course.

The Audit Wales Officer confirmed that there had been significant changes and improvements made in the governance arrangements, and many of the issues likely to be reported on had been dealt with and this would be highlighted in our report.

A discussion ensued when a Member expressed concern that the Council had not taken the advice provide by Audit Wales.

The Chief Officer Resources said the Council were not going against the advice of Audit Wales, it was more of a difference of opinion in relation to some of the transactions within the 2016/17 and 2017/18 accounts being deemed unlawful.

The Audit Wales Officer said whilst there was a difference of opinion on the question of lawfulness, there was no difference of opinion on the issue of governance matters and the need to improve, and those opinions have been taken on board and the Council has taken action.

Prior to Members making a decision, the Audit Wales Officer undertook to formerly report the findings. He said the first thing to point out was that the Auditor General's opinion for all three years, was that the Accounts were a true and fair reflection of the Council's financial position. For 2016/17 and 2017/18, except for the pension payments and ongoing work, it was the Auditor General's opinion that the ongoing work would not affect his audit opinion. However, Certificate of Completion of the Audit would remain open on all three years to allow us to continue the work referred to, and provide assurance to Members that a report would be available. He said when the report was completed the Certificate would be issued and the audits would be closed.

He concluded that the audits for 2016/17 and 2017/18 had already been reported to previous Audit Committees, and felt it was important to point out that whilst Audit Wales stated that the Council acted outside the regulations and contrary to law, this was not to say that anything illegal has been undertaken. In relation to the 2018/19 accounts, he said this was a very standard report with a clear audit opinion and again this had been reported to Committee previously.

A Member proposed that in light of the Auditor's General opinion highlighted at Section 2.6 of the report, that the

	<p>statements give a true and fair view of the financial position of Blaenau Gwent County Borough; and that the financial statements have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, a Member proposed that Option 1 be approved with the addition that a further report be received from Audit Wales in due course.</p> <p>The proposal was seconded.</p> <p>Upon a vote being taken it was</p> <p>RESOLVED that the Statement of Accounts for the years 2016/17, 2017/18 &amp; 2018/19 be approved and a further report be received from Audit Wales in light of the Auditor's General opinion highlighted at Section 2.6 of the report, that the statements give a true and fair view of the financial position of Blaenau Gwent County Borough; and that the financial statements have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.</p>	
<p><b>No. 7</b></p>	<p><b><u>EXTERNAL AUDIT OF 2016/17 STATEMENT OF ACCOUNTS – BLAENAU GWENT COUNTY BOROUGH COUNCIL</u></b></p> <p>Consideration was given to the report of Audit Wales.</p> <p>RESOLVED that the report be noted.</p>	
<p><b>No. 8</b></p>	<p><b><u>EXTERNAL AUDIT OF 2017/18 STATEMENT OF ACCOUNTS – BLAENAU GWENT COUNTY BOROUGH COUNCIL</u></b></p> <p>Consideration was given to the report of Audit Wales.</p> <p>RESOLVED that the report be noted.</p>	
<p><b>No. 9</b></p>	<p><b><u>EXTERNAL AUDIT OF 2018/19 STATEMENT OF ACCOUNTS – BLAENAU GWENT COUNTY BOROUGH</u></b></p>	



	<p><b><u>COUNCIL</u></b></p> <p>Consideration was given to the report of Audit Wales.</p> <p>RESOLVED that the report be noted.</p>	
<b>No. 10</b>	<p><b><u>ANNUAL GOVERNANCE STATEMENT</u></b></p> <p>Consideration was given to report of the Chief Officer Resources.</p> <p>The Audit and Risk Manager presented the Annual Governance Statement for 2019/20 which provided an assessment of the effectiveness of the Authority's governance arrangements.</p> <p>The Officer spoke to the report and highlighted points contained therein.</p> <p>RESOLVED that the report be accepted and the Annual Governance Statement be approved and adopted (Option 1).</p>	
<b>No. 11</b>	<p><b><u>THE ANNUAL REPORT OF THE PUBLIC SERVICES OMBUDSMAN FOR WALES 2019/2020</u></b></p> <p>Consideration was given to report of the Head of Legal &amp; Corporate Compliance.</p> <p>The Head of Legal &amp; Corporate Compliance presented the report which informed Members of the Council's performance with regard to complaints to the Public Services Ombudsman for Wales.</p> <p>The Officer went through the report and highlighted points contained therein.</p> <p>RESOLVED that the report be accepted and the Audit Committee note that the process for the monitoring of complaints was robust and the performance information provided reflected these practices (Option 1).</p>	
<b>No. 12</b>	<p><b><u>WAO ACTION PLAN UPDATE</u></b></p>	

	<p>Consideration was given to report of the Corporate Director of Social Services.</p> <p>The Corporate Director of Social Services presented the report which updated Members on the formation of the Corporate Safeguarding Leads group and the developments in respect of the Welsh Audit Office (WAO) recommendations following their review of the arrangements of the corporate arrangements for the safeguarding of children.</p> <p>The conclusion of the WAO review was that the Council had made limited progress in addressing previous recommendations and proposals for improvement, and safeguarding arrangements were not consistent enough to provide assurance across all areas.</p> <p>The Corporate Director reported that as a direct result of the COVID 19 pandemic the Action Plan in response to the WAO recommendations has been amended to allow for the timescales for the completion of the actions to be extended.</p> <p>RESOLVED that the report be accepted and the WAO revised Action Plan timescale be approved (Option 1).</p>	
<p><b>No. 13</b></p>	<p><b><u>AUDIT WALES CERTIFICATE OF COMPLIANCE FOR THE AUDIT OF BLAENAU GWENT COUNTY BOROUGH COUNCIL'S ASSESSMENT OF 2019-20 PERFORMANCE</u></b></p> <p>Consideration was given to report of the Head of Governance and Partnerships.</p> <p>The Chief Officer Resources presented the Audit Wales Certificate of Compliance following the audit of the Council's Assessment of 2019-20 Performance.</p> <p>RESOLVED that the report be accepted and the Audit Committee note the compliance certificate dated October 2020.</p>	

**COUNTY BOROUGH OF BLAENAU GWENT**

**REPORT TO: THE CHAIR AND MEMBERS OF THE AUDIT COMMITTEE**

**REPORT SUBJECT: ACTION SHEET ARISING FROM THE MEETING HELD ON 17<sup>TH</sup> NOVEMBER, 2020**

**REPORT AUTHOR: DEMOCRATIC & COMMITTEE SUPPORT OFFICER**

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<b><u>ITEM NO.</u></b>	<b><u>DATE</u></b>	<b><u>ACTION TO BE TAKEN</u></b>	<b><u>BY WHOM (TIMESCALE IF DECIDED)</u></b>	<b><u>ACTION TAKEN</u></b>
6	17.11.20	<b><u>STATEMENT OF ACCOUNTS 2016/17, 2017/18 &amp; 2018/19</u></b>  A Member enquired as to the costs of the independent legal advice, and the Chief Officer Resources undertook to provide this information.	<b>Chief Officer Resources</b>	

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# Agenda Item 7

*Executive Committee and Council only*

Date signed off by the Monitoring Officer:

Date signed off by the Section 151 Officer:

**Committee: Audit Committee**

Date of meeting: **02 February 2021**

Report Subject: **Anti-Money Laundering Policy**

Portfolio Holder: **Cllr. Nigel Daniels, Leader / Executive Member  
Corporate Services**

Report Submitted by: **James Powell – Senior Auditor**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
Virtual	Virtual		02/02/2021					

**1. Purpose of the Report**

1.1 The purpose of this report is to provide the Audit Committee with the revised Anti-Money Laundering Policy (attached at Appendix 1).

**2. Scope and Background**

2.1 The report provides the revised Anti-Money Laundering Policy.

2.2 The policy has been revised to reflect the amended Money Laundering and Terrorist Financing (Amendment) Regulations (2019).

2.3 Local Authorities and their staff may be at risk of committing most of the principal offences under the Proceeds of Crime Act 2002 (the POCA). Whilst money laundering regulations do not apply to public sector bodies, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, anti-money laundering and other anti-financial crime regimes.

**3. Options for Recommendation**

3.1 The Audit Committee consider and challenge the content of the policy ensuring it is consistent with their knowledge and understanding of the wider issues.

3.2 The Audit Committee may then choose to:

Option 1

Approve and adopt the Policy.

Option 2

Propose amendments / alterations to the Policy.

Option 3

Not approve the Policy.

4. **Evidence of how does this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

This policy supports the Corporate Plan by demonstrating clear and visible leadership to deliver a viable and resilient Council.

5. **Implications Against Each Option**

5.1 ***Impact on Budget (short and long term impact)***

There are no direct financial implications resulting from this report.

5.2 ***Risk including Mitigating Actions***

Failure to meet its obligations regarding the reporting of money laundering activity could result in criminal sanctions being imposed on the Authority or individual officers. The mitigating action would be to share and fully endorse the attached policy.

5.3 ***Legal***

Adoption of the policy ensures the Authority's compliance to the following legislation relating to financial crime:

- Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
- Money Laundering and Terrorist Financing (Amendment) Regulations 2019
- Proceeds of Crime Act 2002
- Terrorism Act 2000

5.4 ***Human Resources***

There are no additional Human Resource required in the adoption of this report. The report will impact all staff and Members.

6. **Supporting Evidence**

6.1 ***Performance Information and Data***

There are no performance information/data relevant to this report.

6.2 ***Expected outcome for the public***

Protection of public funds, prevention & detection of criminal activities.

6.3 ***Involvement (consultation, engagement, participation)***

Where relevant, consultation, engagement and participation has been sought in the development of this report. Advice and guidance was sought from the Legal department in relation to the relevant laws applicable to the policy.

6.4 ***Thinking for the Long term (forward planning)***

Adoption of the policy enhances the internal control environment and financial resilience of the Authority.

6.5 ***Preventative focus***

Adoption of the policy enhances the Authority's internal control environment which aims to minimise loss due to fraud/error.

6.6 ***Collaboration / partnership working***

This report has no direct Collaboration / Partnership working elements to report.

6.7 ***Integration (across service areas)***

The policy applies to all Officers and Members of Blaenau Gwent County Borough Council however it is likely to impact direct with those colleagues working within Legal, Resources and Commercial directorates.

6.8 ***EqIA***

No impact assessment is required for this policy as the policy does not identify groups or sets of individuals and will not impose barriers to any specific individual or groups.

7. **Monitoring Arrangements**

7.1 No further monitoring arrangements required for this report.

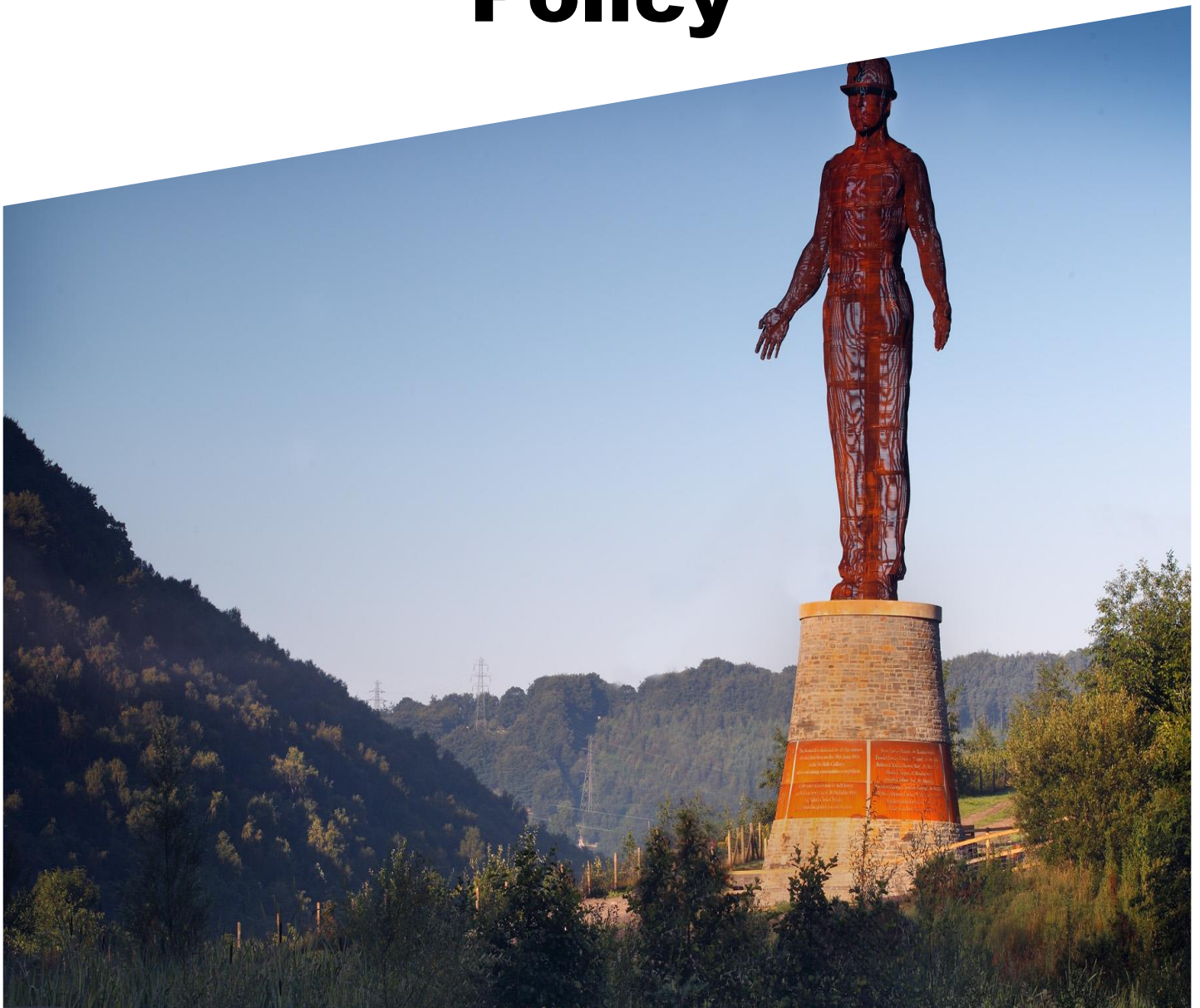
**Background Documents /Electronic Links**

- *Appendix 1 – Anti Money Laundering Policy*

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# Anti ‘Money Laundering’ Policy



**INTERNAL AUDIT SECTION**

Issued: December 2020    Review: December 2022

# Version Control

This document is intended for:

- Council staff only     School-based staff only     Council & School-based staff

Version	Key Changes	Approved By
2.0	New format and legislation changes (December 2020)	

This document may be reviewed and amended at any time and without consultation in response to legal requirements, in line with best practice or in response to an organisational requirement and where the changes do not affect the spirit or intent of the document.

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# 1. Introduction and Scope

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- 1.1 Money Laundering is the process by which criminally obtained money or other criminal property is exchanged for “clean” money or other assets with no obvious link to their criminal origins. The term is used for a number of offences involving the integration of “dirty money” (i.e. the proceeds of crime) into the mainstream economy. The aim is to legitimise the possession of such monies through circulation and this effectively leads to “clean” funds being received in exchange.
- 1.2 Although local authorities are not directly covered by the requirements of The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, guidance from the Chartered Institute of Public Finance and Accountancy (“CIPFA”) indicates that they should comply with the underlying spirit of the legislation and regulations.
- 1.3 Blaenau Gwent County Borough Council (the Council) is committed to establishing and maintaining effective arrangements to prevent and detect attempts to launder money using Council services. The Council requires all Members and employees to demonstrate the highest standards of honesty and integrity and this includes compliance with appropriate legislation. The Council is committed to working constructively with the Police and other relevant agencies in relation to combating money laundering and ensuring compliance with the legislation.
- 1.4 This policy should be read in conjunction with the Council’s Anti-Fraud, Anti-Corruption and Anti-Bribery Policy. The Council will seek to ensure the corporate stance on money laundering is widely publicised and that employees and Members have access to the appropriate guidance. A breach of these procedures may lead to disciplinary and/or criminal action being taken.
- 1.5 This policy applies to the Council, and as a consequence it applies to Members and all employees of the Council, including temporary and agency staff as well as those employed within Schools. It contains specific sections to advise employees and Members of the process to be followed to enable the Council to comply with its legal obligations.
- 1.6 Our policy is to ensure all appropriate action is taken to prevent, wherever possible, the employees, the Council and its Members from being exposed to money laundering and to comply with all legal and regulatory obligations, including the reporting of suspected or actual cases in line with disclosure requirements.

# 2. What is Money Laundering?

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- 2.1 The Proceeds of Crime Act 2002 (as amended by the Crime and Courts Act 2013, Serious Crime Act 2015 and the Criminal Finances Act 2017), Terrorism Act 2000 (as amended by the Criminal Finances Act 2017) and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (as amended by the Money Laundering and Terrorist Financing (amendment) Regulations 2019) cover a range of activities and offences in relation to money laundering. The primary ones are listed below;
  - Concealing, disguising, converting or transferring criminal property or removing it from the UK;
  - Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person;
  - Acquiring, using or possessing criminal property;
  - Failure to disclose knowledge or suspicion of another person(s) involvement in money laundering; and
  - Tipping off or making a disclosure which is likely to prejudice an investigation being carried out by a law enforcing authority, knowing that such an investigation is in motion.

- 2.2 Potentially any member of staff could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and / or do nothing about it. This Policy sets out how any concerns should be raised.
- 2.3 Whilst the risk to the Council of contravening the legislation is low, ***it is extremely important that all employees are familiar with their legal responsibilities: serious criminal sanctions may be imposed for breaches of the legislation. The key requirement on employees is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer.***

### 3. Requirements of Money Laundering Legislation

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- 3.1 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 impose specific obligations on “relevant persons”.
- 3.2 The term relevant person relates to the following activities carried out in the course of business; tax advice; accounting services; treasury management; investment or other financial services; credit institutions; audit services; legal services; estate agents; services involving the formation, operation or arrangement of a company or trust; dealing in goods wherever a transaction involves a cash payment equivalent to £10,000 (cash includes notes, coins, travellers cheques in any currency) or more.
- 3.3 Some activities undertaken by local authorities could be included within the scope of the money laundering regulations. Therefore, to ensure compliance with the regulations and legislation and for the purposes of this Policy and Guidance, the Council are considered a relevant person when acting in the course of business and activities carried on by them.
- 3.4 The obligations include the following requirements:
- Appoint a Money Laundering Reporting Officer (MLRO).
  - Obtain sufficient knowledge to ascertain the true identity of customers in certain circumstances, by applying customer due diligence measures.
  - Know the intended nature of business relationships and undertake ongoing monitoring of them (to identify unusual transactions).
  - Implement a procedure for assessing and controlling risk and reporting suspicions of money laundering.
  - Maintain record keeping procedures (e.g. for evidence of identity obtained, details of transactions undertaken, for at least 7 years).
- 3.5 The European Union 4th Money Laundering Directive requires a focus on risk assessments in relation to anti-money laundering; in particular, the need to evidence that an organisation’s exposure to risk is considered as part of ongoing business. As such Chief Officers/Directors/Service Managers should maintain engagement with Internal Audit as business operations change with regard to undertaking appropriate and proportionate assessments.

### 4. The Money Laundering Reporting Officer

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- 4.1 The officer nominated to receive disclosures about money laundering activity within the Council is the Chief Officer Resources. In the absence of the MLRO, the Audit and Risk Manager is authorised to deputise for them. Where it is suspected that the MLRO is involved in suspicious transactions, concerns should be raised with the Audit and Risk Manager.

## 5. Due Diligence Procedure

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- 5.1 Where the Council is carrying out activities in the course of business (paragraph 3.2), extra care needs to be taken to check the identity of the customer – this is known as carrying out customer due diligence. This is covered in Regulations 27-38 of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.
- 5.2 The requirement for customer due diligence applies **immediately** for new customers and should be applied on a risk basis for existing customers. Ongoing customer due diligence must also be carried out during the life of a business relationship but should be proportionate to the risk of money laundering and terrorist funding, based on the officers' knowledge of the customer and a regular scrutiny of the transactions involved.
- 5.3 Where cash in excess of £1000 is received from customers, employees should ask for, and inspect, identification. This will help to identify and report any suspicious transactions.
- 5.4 No payment to the Council will be accepted in cash (including notes, coins or travellers' cheques in any currency) if it exceeds £10,000.
- 5.5 Each area of the Council acting in the course of business carried on by them, see paragraph 3.2, must maintain records of every customer due diligence record, preferably electronically, and details of all relevant transactions carried out for customers for a minimum of seven years from the date of (as appropriate) the transaction / end of any client relationship. This is to meet the requirements of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (Regulation 40) and may be used as evidence in any subsequent investigation/inspection by the relevant supervising body.
- 5.7 Records must be capable of providing an audit trail during any investigation, for example distinguishing the customer and the relevant transaction and recording in what form any funds were received or paid. In practice, the business areas of the Council will be routinely making records of work carried out for customers in the course of normal business and these should suffice in this regard.
- 5.8 Any record keeping should be in line with GDPR and the originating departments Privacy Statement.

## 6. Reporting Procedure for Suspicions of Money Laundering

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- 6.1 Where an employee or Member suspects money laundering activity they must disclose this as soon as practicable to the MLRO. The disclosure should be within "hours" of the information coming to your attention, not weeks or months later. **SHOULD THIS NOT BE DONE, THEN THE EMPLOYEE/MEMBER MAY BE LIABLE TO PROSECUTION.**
- 6.2 The standard pro-forma report attached at Appendix 1 should be used for this purpose. The report must include as much detail as possible, for example:
- Full details of the people involved (including employee or Member, if relevant);
  - Full details of the nature of their involvement;
  - The types of money laundering activity involved;
  - The dates of such activities, including whether the transactions have happened, are ongoing or are imminent;
  - Where they took place;
  - How they were undertaken;
  - The (likely) amount of money/assets involved;



- Exactly why there are suspicions; the National Crime Agency (NCA) will require full reasons;
- Any other relevant available information to enable the MLRO to make a sound judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable them to prepare their report to the NCA, where appropriate.

- 6.3 If an employee or Member becomes concerned that their own involvement in a transaction would amount to an offence under sections 327 – 329 of the Proceeds of Crime Act 2002 or Regulations 86 - 88 of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, then the report must include all relevant details. Consent will be required from the NCA, via the MLRO, for the individual to take any further part in the transaction. This is the case even if the customer gives instructions for the matter to proceed before such consent is given. Employees and Members should therefore make it clear in the report if such consent is required and clarify whether there are any deadlines for giving such consent e.g. a completion date or court deadline.
- 6.4 Once the matter is reported to the MLRO, employees must follow any directions they may be given. The employees must NOT make any further enquiries into the matter themselves: any necessary investigation will be undertaken by NCA. All members of staff will be required to cooperate with the MLRO and the authorities during any subsequent money laundering investigation.
- 6.5 Similarly, at no time and under no circumstances should the employee voice any suspicions to the person(s) suspected of money laundering without the specific consent of the MLRO, even if NCA has given consent to a particular transaction proceeding; otherwise a criminal offence of “tipping off” may be committed.
- 6.6 No reference should be made on a client file to a report having been made to the MLRO – should the client exercise their right to see the file, then such a note will tip them off to the report having been made and may render an employee liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.
- 6.7 Any information containing personal and/or sensitive data which is supplied or processed during the course of a money laundering investigation shall not be processed wider than is absolutely necessary for the purposes of determining whether a money laundering offence has been committed.

#### **Consideration of the disclosure by the MLRO**

- 6.8 Upon receipt of a disclosure report, the MLRO must note the date of receipt on their section of the report and acknowledge receipt of it. They should also advise the employee of the timescale within which they expect to respond.
- 6.9 The MLRO will consider the report and any other available internal information they think is relevant, for example:
- a. reviewing other transaction patterns and volumes;
  - b. the length of any business relationship involved;
  - c. the number of any one-off transactions and linked one-off transactions;
  - d. any identification evidence held;
  - e. and undertake such other reasonable inquiries they think is appropriate in order to ensure that all available information is taken into account in deciding whether a report to NCA is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved). The MLRO may also need to discuss the report with the employee.
- 6.10 Once the MLRO has evaluated the disclosure report and any other relevant information, they must make a timely determination as to whether:

- a. there is actual or suspected money laundering taking place; or
  - b. there are reasonable grounds to know or suspect that is the case; and
  - c. whether they need consent from NCA for a particular transaction to proceed.
- 6.11 Where the MLRO concludes this is the case, then they must disclose the matter as soon as practicable to NCA on their standard report form and in the prescribed manner, unless they have reasonable grounds for non-disclosure to NCA (for example, a lawyer can claim legal professional privilege for not disclosing the information).
- 6.12 Where the MLRO suspects money laundering but has reasonable grounds for non-disclosure, then they must note the report accordingly. They can then immediately give their consent for any ongoing or imminent transactions to proceed.
- 6.13 In cases where legal professional privilege may apply, the MLRO must liaise with the legal adviser to decide whether there are reasonable grounds for not reporting the matter to NCA.
- 6.14 Where consent is required from NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until NCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from NCA.
- 6.15 Where the MLRO concludes that there are no reasonable grounds to suspect money laundering they then shall mark the report accordingly and give their consent for any ongoing or imminent transaction(s) to proceed.
- 6.16 All disclosure reports referred to the MLRO and reports made by them to the NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of seven years.
- 6.18 The MLRO commits a criminal offence if they know or suspect, or has reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering and they do not disclose this as soon as practicable to NCA.

## 7. Conclusion

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- 7.1 The legislative requirements concerning anti-money laundering procedures are lengthy and complex. This Policy has been written so as to enable the Council to meet the legal requirements in a way which is proportionate to the very low risk to the Council of contravening the legislation.
- 7.2 Further information can be obtained from the MLRO and the following sources:
- [www.nationalcrimeagency.gov.uk](http://www.nationalcrimeagency.gov.uk) – website of the National Crime Agency
  - “Combating Financial Crime: Further Guidance on Anti-Money Laundering for Public Service Organisations” – CIPFA
  - “Anti-Money Laundering Guidance for the Accountancy Sector: August 2008” – CCAB [www.ccab.org.uk](http://www.ccab.org.uk)
  - Money Laundering Guidance at [www.lawsociety.org.uk](http://www.lawsociety.org.uk)
- 7.3 The Council will continue to review its rules and procedures and will make sure that the Anti-Money Laundering Policy is regularly reviewed to ensure it stays current, appropriate and effective.

# Appendix 1

## Report to MLRO for suspicious activity



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### Money Laundering Report

To: Money Laundering Reporting Officer

From:.....  
*[insert name of officer]*

Directorate:..... Ext/Tel No:.....  
*[insert post title and Service Area]*

#### **DETAILS OF SUSPECTED OFFENCE**

*Name(s) and address(es) of person(s) involved:*

*[if a company/public body please include details of nature of business]*

*Nature, value and timing of activity involved:*

*[Please include full details e.g. what, when, where, how. Continue on a separate sheet if necessary]*



*Nature of suspicions regarding such activity:*

*[Please continue on a separate sheet if necessary]*

**Has any investigation been undertaken (as far as you are aware)?**

*[Please tick appropriate box]*

**Yes  No**

**If yes, please include detail below:**

**Have you discussed your suspicions with anyone else?**

*[Please tick appropriate box]*

**Yes  No**

**If yes, please include detail below explaining why such discussions were necessary:**

**Have you consulted any supervisory body guidance re money laundering? (e.g. the Law Society)**

*[Please tick appropriate box]*

**Yes  No**

**If yes, please specify below:**

**Do you feel you have reasonable grounds for not disclosing the matter to NCA? (e.g. are you a lawyer and wish to claim legal professional privilege?)**

*[Please tick appropriate box]*

**Yes  No**

**If yes, please specify details below:**

**Are you involved in a transaction which might be a prohibited act under sections 327- 329 of the Proceeds of Crime Act 2002 or Regulations 86 – 88 of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and which requires appropriate consent from the NCA?**

*[Please tick appropriate box]*

**Yes  No**

**If yes, please specify details below:**

**Please set out any additional information you feel is relevant**

**SIGNED..... Date.....**

*Please do not discuss the content of this report with anyone else and in particular anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence, which carries a maximum penalty of 5 years' imprisonment.*

**The following part is to be completed by the MLRO**

**Date Report Received:.....**

**Date Report Acknowledged:.....**

*[insert action plan]*

**CONSIDERATION OF DISCLOSURE**

**OUTCOME OF CONSIDERATION OF DISCLOSURE**

**If there are reasonable grounds for suspicion, will a report be made to the NCA?**

*[Please tick appropriate box]*

**Yes  No**

**If yes, please confirm the date of report to the NCA and complete the box below:.....**

*Are there reasonable grounds for suspecting money laundering activity?*

*Details of Liaison with NCA regarding this report*

*Notice Period:.....to.....*

*Moratorium Period:.....to.....*

**Is consent required from the NCA to any ongoing or imminent transactions which would otherwise be prohibited acts?**

*[Please tick appropriate box]*

**Yes  No**

**If yes, please specify details below:**

**Date consent received from NCA:.....**

**Date consent given by you to the employee:.....**

**If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the NCA, please set out below the reason(s) for non-disclosure:**

*[Please set out any reasonable excuse for non-disclosure]*

**Date consent given by you to employee for any prohibited transactions to proceed:.....**

*[insert any relevant information]*

**Signed.....**

**Dated.....**

***This report is to be retained securely for at least seven years.***

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# Agenda Item 8

*Executive Committee and Council only*

Date signed off by the Monitoring Officer:

Date signed off by the Section 151 Officer:

## **Committee: Audit Committee**

Date of meeting: 2<sup>nd</sup> February 2021

Report Subject: Annual Report of the Audit & Risk Manager 2019/20

Portfolio Holder: Cllr. Nigel Daniels, Leader / Executive Member  
Corporate Services

Report Submitted by: Louise Rosser, Audit & Risk Manager

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
15/01/2020	21/01/2021		2/2/2021					

### 1. **Purpose of the Report**

1.1 This report provides the Audit Committee with the Audit & Risk Manager's (A&RM) objective review of the Authority's system of internal control during the financial year 2019/20 and the annual audit opinion of the Audit & Risk Manager.

1.2 As such in my opinion, Blaenau Gwent County Borough Council's system of internal control during the financial year 2019/20 operated to a level which gives Reasonable Assurance on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

### 2. **Scope and Background**

#### 2.1 Background and Context

2.1.1 The report highlights the work undertaken by the Internal Audit Service and complies with the Public Sector Internal Audit Standards (PSIAS) and the Audit Committee Terms of Reference.

2.1.2 In line with the PSIAS, the Audit & Risk Manager is required to produce an annual report for the Audit Committee. The report must include:

- An annual audit opinion, including a summary of the work that supports that opinion;
- A statement on conformance with the International Professional Practices Framework (IPPF), including the PSIAS; and
- The results of the Quality Assurance and Improvement Programme.

2.1.3 The Audit & Risk Manager must demonstrate organisational independence and this is achieved through the Committee approving the Internal Audit Charter, agreeing the Audit Plan and receiving periodic progress reports

on the work undertaken by the service. Progress reports have been received by the Committee throughout the year, supplementing this report and informing them of the performance of the Internal Audit Service and the results of the work undertaken. In addition, the Committee received the outturn position for 2019/20 at its September meeting.

- 2.1.4 The Audit & Risk Manager line manages the Insurance and Risk Management Service in addition to the Internal Audit Service. Independence is maintained through appropriate review and reporting processes being put in to place for audit work relating to the Insurance and Risk Management Service. Audit output for this area will bypass the Audit & Risk Manager and be subject to sign off by the Chief Officer Resources to ensure independence is maintained.
- 2.1.5 Audit Wales will produce its own report on the effectiveness of Internal Audit and the adequacy of the Council's control environment.
- 2.1.6 This report, in respect of the financial year 2019/20, would usually be presented to Members as soon as practically possible following the year end. However, the impact of Covid 19 has resulted in a delay in presenting this report for consideration by Committee.

## 2.2 Annual Opinion and Summary of Audit Activity for Financial Year 2019/20

- 2.2.1 The Authority has received a number of reports from regulators during 2019/20 and recommendations for improvement have been made. In general, the reports support the view that the Authority's governance framework continues to improve as reflected in the Annual Governance Statement.
- 2.2.2 Audit Wales received some correspondence towards the end of their 2016/17 audit resulting in them making enquiries regarding the issues raised and subsequently passing the matter to Gwent Police for further investigation. The Police have closed their investigation concluding there is no criminal case to answer and Audit Wales continue to examine a number of matters relating to the Council's historic relationship with SVWS that will be reported on in due course.

However, Audit Wales do not consider that any of the ongoing matters to be material to the Auditor General's opinion on the Council's financial statements and as a result in November 2020 the Auditor General for Audit issued an audit opinion on the Councils 2016/17, 2017/18 & 2018/19 accounts.

As a result of the ongoing work the Council has not received a certificate of audit completion for 2016/17, 2017/18 and 2018/19.

- 2.2.3 The Managing Director concluded a Senior Management Review that redesigned the Corporate Leadership Team (CLT). All appointments were concluded during 2019. The Director of Education retired in April 2020

with the post being covered on an interim basis until a permanent appointment was made in November 2020.

2.2.4 The Risk Management Strategy and Handbook have been adopted and a consistent approach to risk evaluation and reporting has embedded across the Council. Quarterly updates on the position of the Corporate Risk Register are provided to the Executive and Corporate Overview Scrutiny Committee. It was intended to provide this information to the Audit Committee during 2019/20 to further support their assurance role. This has not yet happened due to capacity in the service area, but is scheduled for future meetings.

2.2.5 A range of Financial Efficiency Projects were developed as part of the budget setting process with a target of £3.35m set for 2019/20. Progress against each project was reported to WCLT, Executive and Joint Scrutiny on a quarterly basis. £3.28m (98%) of the agreed savings proposals were achieved.

2.2.6 The Internal Audit Service issued 52 audit opinions during the year. These included seven Limited Assurance gradings and one No Assurance grading. The No Assurance grading related to an investigation regarding the decommissioning of a Council property. A follow up exercise will be conducted on all Limited Assurance and No Assurance audits during 2020/21 to ensure actions have been taken as agreed.

2.2.7 A combination of a long term staff absence, the retirement of the Principal Auditor and the appointment and training of an Audit Apprentice have all impacted on the service's capacity to complete the audit plan. Consequently, audits have focused on the spread of coverage ensuring a good range of audit assignments were undertaken across all departments instead of undertaking fewer more complex audits. Audits reports produced reflect the adequacy of the specific system examined, and the controls within that system, and therefore need to be taken in context. There were no patterns / trends to the audit outcomes that indicated particular areas of concern.

2.2.8 A follow-up process is routinely undertaken on any audits receiving a Limited Assurance or No Assurance grading. Six follow up audits were conducted all of which showed satisfactory progress had been made to improve controls.

2.2.9 Audit gradings issued are comparable with the previous year with the majority of audits indicating Full or Reasonable Assurance. A number of the financial systems audits were undertaken using the Control Risk Self-Assessment methodology, which continues to be well received by audit clients. A new thematic review approach is being piloted for 20/21, with details of this to be reported to a future Audit Committee.

2.2.10 In forming an opinion on the control environment, the combined effect of audit findings, referrals to the section and the results of follow up work are

taken into account and in general positive movement has been evident. No individual findings are of such significance to cause concern regarding the integrity of the Statement of Accounts.

2.2.11 Audit assignments have included a range of audit disciplines including systems audits, establishment audits, contract audits, regulatory audits and follow-up audits.

2.2.12 The section continues to recognise the lack of an IT auditor and this remains as a risk on the service's risk register. The Authority is a partner in the SRS who are currently audited by Torfaen CBC. The results of the audit work undertaken by Torfaen CBC are fed back to all board members with reliance being placed on this work as appropriate.

2.2.13 At the close of the financial year, the Authority instigated emergency planning arrangements as a result of the Covid-19 pandemic. As a consequence of this only critical services operated for a period during lockdown and audit staff were redeployed to assist in these areas. This had an impact on the audit plan as this time of year is normally used to conclude a number of audits.

### International Standards of Professional Practice

2.3

2.3.1 The service works within the parameters of the International Professional Practices Framework (IPPF). This consists of three mandatory elements namely: a Definition of Internal Audit; a Code of Ethics; and the Professional Standards (PSIAS).

2.3.2 The A&RM is required to make a statement, as part of this report, on whether the service conforms to the PSIAS, and in addition must report any instances of non-compliance with the Definition of Internal Auditing, the Code of Ethics and the Standards. Any significant instances of non-compliance should be included in the Annual Governance Statement.

2.3.3 I am able to confirm that the Internal Audit Service for Blaenau Gwent CBC fully conforms to the requirements of the PSIAS and the IPPF.

### Quality Assurance and Improvement Programme

2.4

2.4.1 The A&RM is required to implement a programme of quality assurance and improvement. This is done through a combination of the performance indicators referred to in 6.1 below and internal review processes and discussion with audit clients

2.4.2 I am able to confirm that no areas of concern have been highlighted as part of the quality assurance and improvement programme.



### 3. **Options for Recommendation**

- 3.1 The Audit Committee receive the annual audit opinion of the A&RM as detailed in paragraphs 1.1 and 3.3.
- 3.2 The audit assignments conducted cover a range of activities and provide a reasonable indicator of the level of assurance for the Authority, however, they cannot provide complete coverage and it is acknowledged that assurance procedures alone do not guarantee that all significant risks are detected.
- 3.3 Based on the findings of the audit work undertaken during 2019/20 and the continued improvement of the Authority's governance framework and the internal control environment, in my opinion, Blaenau Gwent County Borough Council's system of internal control during the financial year 2019/20 operates to a level which gives Reasonable Assurance on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

### 4. **Evidence of how does this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

- 4.1 The provision of assurance on the internal control environment supports the Corporate Plan objective of being an ambitious and innovative council delivering the quality services we know matter to our communities
- 4.2 The Local Government Act (1972) and the Accounts and Audit Regulations (Wales) 2014 require the Council to maintain an effective Internal Audit Service in accordance with proper internal audit practices. The Authority's Internal Audit Service has adopted the Public Sector Internal Audit Standards (PSIAS) for this purpose.

### 5. **Implications Against Each Option**

- 5.1 Impact on Budget  
There are no direct financial implications resulting from this report. Poor financial controls could lead to fraud and misappropriation of council assets.
- 5.2 Risk including Mitigating Actions  
Failure of the A&RM to provide an annual opinion would indicate that an adequate internal audit service has not been provided. In not complying with statutory legislation, the section 151 officer would not be able to discharge her statutory duties. This would be reflected in the opinion provided by the external auditor and could result in additional regulation and costs to the Authority.
  - 5.2.1 The Audit Committee would not be informed as to the level of assurance provided by the systems of internal control preventing them from fulfilling

their role as a Committee as required by the Local Government (Wales) Measure. This is mitigated through the Committee receiving the annual opinion of the A&RM and periodic reports of audit activity relating to the adequacy of the control environment.

### 5.3 Legal

Provision of an adequate audit service, demonstrated in part through the provision of an annual audit opinion, contributes to the Section 151 officer being able to fulfil her statutory duties under the Local Government Act (1972).

### 5.4 Human Resources

The section was above the corporate and directorate tolerance levels for sickness absence losing 7.33 days per person against the directorate target of 6 days per person. This was due to the long term sickness absence of the Audit & Risk Manager. The Committee are kept abreast of staffing issues throughout the year as part of the periodic progress reports.

## 6. **Supporting Evidence**

### 6.1 Performance Information and Data

Performance information for the service for the period 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 was presented to this Audit Committee in September 2020 as part of the Audit Plan Outturn Report. The section completed 65.31% of the audit plan against a target of 75%. This is a downturn from the previous year and is attributed to a number of factors including, a long term absence due to bereavement, the retirement of the principal auditor and the appointment and subsequent training of the audit apprentice. In addition, the Covid-19 pandemic at the end of the financial year also had a minor impact on the plan percentage achieved.

6.1.1 The section maintains eight performance indicators two of which were not met during the period namely the plan percentage achieved and the sickness absence target as described above and in 5.4.2. The remaining six performance indicators were achieved during the year.

6.1.2 The five-year Internal Audit Plan is routinely presented to Audit Committee for approval. For 2020/21, proposals to change the format of the plan, to include a pilot of thematic reviews, was agreed by CLT with a view to then reporting these proposals to the Audit Committee. This decision was made just prior to the outbreak of Covid-19 which resulted in redeployments within the audit service and delays to the reporting process.

6.1.3 It is intended to bring to a future Audit Committee, the rationale for the risk based approach adopted to develop a future plan, including the basis for undertaking thematic reviews, and narrative on the adequacy of the audit resource to continue to provide an annual opinion to this Committee.

- 6.2 Expected outcome for the public  
An effective audit service will assist with the stewardship of public money providing assurance to communities of Blaenau Gwent on the robustness of the Authority's internal controls.
- 6.3 Involvement (consultation, engagement, participation)  
There are no direct implications under involvement.
- 6.4 Thinking for the Long term (forward planning)  
The work of Internal Audit is intended to provide advice and guidance on system improvements resulting in an improved control environment for the future of the Authority.
- 6.5 Preventative focus  
A robust control environment reduces the risk of fraud and misappropriation and safeguards the assets of the Authority.
- 6.6 Collaboration / partnership working  
Reliance is placed on the work of other regulators, partners and local authorities when forming an audit opinion on the control environment of the Council.
- 6.7 Integration(across service areas)  
In providing an annual opinion, the A&RM has considered the Authority's whole control environment across all directorates.
- 6.8 EgIA  
The provision of the A&RM Annual Report and opinion has a neutral impact against people or groups from the nine protected characteristics.
7. **Monitoring Arrangements**
- 7.1 Both CLT and the Audit Committee receive periodic updates throughout the year on progress made against the audit plan, and any other issues arising through the work of Internal Audit Services.

**Background Documents /Electronic Links**

- *Audit Plan Outturn Report*
- *Internal Audit Plan*
- *Annual Governance Statement*

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# Agenda Item 9

*Executive Committee and Council only*

Date signed off by the Monitoring Officer:

Date signed off by the Section 151 Officer:

Committee: **Audit Committee**  
Date of meeting: **2<sup>nd</sup> February 2021**  
Report Subject: **Audit Plan Progress Report –  
April 2020 to December 2020**  
Portfolio Holder: **Cllr. Nigel Daniels, Leader / Executive Member  
Corporate Services**  
Report Submitted by: **Rhian Hayden – Chief Officer Resources  
Andrea Owen – Professional Lead – Internal  
Audit**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
19/01/2021	21/01/2021		02/02/2021					

## 1. Purpose of the Report

- 1.1 The purpose of the report is to update the Audit Committee on the progress for the period 1<sup>st</sup> April to 31<sup>st</sup> December 2020 and confirm the process for determining the priority areas of the operational audit plan for the financial year.

## 2. Scope and Background

- 2.1 The report highlights the work undertaken by the Internal Audit Service and complies with the Public Sector Internal Audit Standards (PSIAS).
- 2.2 At the close of the 2019/20 financial year, the Authority instigated emergency planning arrangements as a result of the Covid-19 pandemic. As a consequence of this, only critical services operated for a period during lockdown and audit staff were redeployed to assist in these areas. The redeployments lasted throughout the first quarter of the financial year and impacted the section's ability to complete audit work. Therefore, the Internal Audit Plan for 2020/21 is based on 9 months of the year from July 2020 to March 2021.
- 2.3 During the first quarter of the year, limited internal audit assignments were issued with staff completing outstanding tasks from the previous financial year whilst being redeployed to support the Authority's critical services.
- 2.4 The Internal Audit Operational Plan for the financial year has been based upon the Risk Assessments completed for 2019/20 with appropriate updates from senior management following the impact of the response to the Covid-19 pandemic. Risk Assessments were undertaken on all applicable audit areas which created a rank order for prioritising audit work within each directorate.
- 2.5

2.6 The audit work allocated to staff is based on the rank order prioritisation and the ongoing operation of the service areas throughout the pandemic response, taking into account an individual auditor's experience and skill set.

2.7 The planned audit work has been supplemented with additional assurance work undertaken in respect of emerging risks during the financial year, such as those caused by the Covid-19 pandemic response and changes in service delivery and the administration of new grants.

The Operational Audit Plan for 2020/21 is attached as Appendix F and incorporates the elements detailed above. The operational plan usually includes the number of available audit days, but due to a number of factors including redeployments impacting significantly upon the available audit resource for the year, it is not possible to accurately determine these for the period. Instead, the audit plan has focused on delivering the breadth of audit coverage across the Authority to enable the Audit and Risk Manager to provide an annual audit opinion.

### 3. **Option for Recommendation**

3.1 The Audit Committee considers the report and findings within the attached Appendices, notes the progress on activities for the period 1<sup>st</sup> April to 31<sup>st</sup> December 2020 providing appropriate challenge where relevant, and supporting the selection of audit activities for the 2020/21 operational audit plan.

### 4. **Evidence of how does this topic support the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

4.1 In line with the Corporate Plan Priority of being an efficient Council, presentation of the Internal Audit progress report demonstrates the breadth and depth of the audit coverage of the Council's systems and internal controls. In doing this it also enables the Chief Officer – Resources to satisfy her statutory duties under Section 151 of the Local Government Act (1972) in providing an effective Internal Audit Service.

4.2 The Audit Committee, in their role as those responsible for governance, and in compliance with the PSIAS, have a responsibility to oversee the performance of the Internal Audit function including receiving a summary of the work upon which the Audit and Risk Manager will base her annual audit opinion.

### 5. **Implications Against Each Option**

#### 5.1 Impact on Budget

There are no direct financial implications resulting from this report.

#### 5.2 Risk including Mitigating Actions

The report demonstrates the breadth and depth of audit coverage to provide assurance that key areas of concern and areas deemed to have the highest

risk priority are being examined during the financial year. Failure to cover sufficient audit areas exposes the Authority to the risk that weaknesses within specific systems in the Authority's internal control environment are not being identified, resulting in increased financial or reputational damage. This is mitigated by regular review of progress and reprioritisation as appropriate.

### 5.3 Legal

The Section 151 Officer has a statutory responsibility under the Local Government Act (1972) to ensure the provision of an adequate Internal Audit Service.

### 5.4 Human Resources

The section currently has a complement of six full time posts. This includes a new appointment to an Apprentice post since September 2020 via the Aspire Scheme administered by the Authority enabling a young person to attain the AAT qualification.

The section's sickness for the period April to 31<sup>st</sup> December 2020 is an average of 0 days per person against a departmental target of 6 days per person.

## 6. **Supporting Evidence**

### 6.1 Performance Information and Data

Activities during the period 1<sup>st</sup> April to 31<sup>st</sup> December 2020 are set out in Appendix A attached. The format shows a summary of findings from audit reports produced in the period, including a formal audit opinion where appropriate. Where individual audits are graded as Limited Assurance or No Assurance, an Internal Audit Summary Report is presented at Appendix B. The Follow –Up audit completed during the period where weaknesses have not been implemented is shown at Appendix C.

6.1.1 Performance data for the Section for the period to 31<sup>st</sup> December 2020 is presented at Appendix D. Grading's issued during the period are shown in the bar chart at Appendix E.

### 6.2 ***Expected outcome for the public***

An effective Audit Committee will assist with the stewardship of public money providing assurance to the communities of Blaenau Gwent on the robustness of the Authority's internal control.

### 6.3 ***Involvement (consultation, engagement, participation)***

Prior engagement has been undertaken with Heads of Services when determining the risk assessments for the audit plan.

### 6.4 ***Thinking for the Long term (forward planning)***

The work of Internal Audit is intended to provide advice and guidance on system improvements resulting in an improved control environment for the future of the Authority.

### 6.5 ***Preventative focus***

Internal Audit provides a cost effective and professional Audit review of the Authority's internal control environment with the aim of minimising the risk of loss from error, fraud, or irregularities.

6.6

***Collaboration / partnership working***

There are no collaboration / partnership working arrangements arising from this report.

6.7

***Integration (across service areas)***

The audit plan is developed with a view to providing assurance on the whole of the Authority's control environment. Audit assignments are conducted for a range of activities across all directorates in order for the Audit and Risk Manager to provide an annual audit opinion that an adequate internal audit service has been provided.

6.8

***EqIA***

No impact assessment is required for this report.

7.

**Monitoring Arrangements**

7.1

Internal Audit Summary reports are presented to the Audit Committee as part of the progress report. Where audit assignments have been graded as Limited Assurance or No Assurance, the Internal Audit Summary reports will be provided as appendices for Members' consideration.

7.2

Performance data for the Section is attached as appendices with this report.

7.3

The levels of audit coverage and the grading's of individual audits will inform the annual opinion of the Audit and Risk Manager and supports the Audit Committee in fulfilling its assurance role to the citizens of Blaenau Gwent.

**Background Documents /Electronic Links**

- Appendix A – Audit activities for the period April 2020 to December 2020.
- Appendix B – Internal Audit Summary Reports.
- Appendix C – Follow Up Audits for the period April 2020 to December 2020.
- Appendix D – Performance Indicators 2020-21.
- Appendix E – Gradings issued for the period April 2020 to December 2020.
- Appendix F – 2020/21 9 months Operational Audit Plan.



**Progress Against Activities Undertaken for the Period 1st April 2020 - 31st December 2020**

The progress against each task undertaken by the Internal Audit Section during the period is as follows:

<b>Internal Control Classification</b>	<p><b>Full Assurance</b> - Minimal or no risks identified.</p> <p><b>Reasonable Assurance</b> - Controls appear to be operating effectively, however some weaknesses have been identified.</p> <p><b>Limited Assurance</b> - Weaknesses have been identified with an increased risk to the Authority.</p> <p><b>No Assurance</b> - Unacceptable risks identified.</p>
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Audit Area	Audit Scope	Grading	Progress / Comments
<b>Resources</b>			
<b>Financial Services</b>			
PDG Grant	Internal Audit review to ensure compliance with the grant terms and conditions including signing the Grant Certificate for Welsh Government.	Full Assurance	Audit certificate and audit report issued in August 2020. No weaknesses identified.
RCSIG Grant	Internal Audit review to ensure compliance with the grant terms and conditions including signing the Grant Certificate for Welsh Government.	Full Assurance	Audit certificate and audit report issued in August 2020. No weaknesses identified.
Treasury Management - Bank Reconciliation (2019/20)	To determine the effectiveness of the internal controls operating with regards to the Bank Reconciliation process.	Reasonable Assurance	Final report issued in October 2020. 5 weaknesses were identified of which all were classified as medium risk. The Manager has agreed appropriate actions to mitigate all weaknesses identified.
Creditors Reconciliation (2019/20)	To determine the effectiveness of the internal controls operating with regards to the Creditors Reconciliation process.	Reasonable Assurance	Final report issued in April 2020. 2 weaknesses were identified of which both were classified as high risk. The Manager has agreed appropriate actions to mitigate all weaknesses identified.
Budgetary Control CRSA	To determine the effectiveness of the internal controls operating with regards to the Budgetary Control System. A Control Risk Self Assessment (CRSA) methodology has been used.	Full Assurance	Final report issued in December 2020. No weaknesses were identified.
Bedwelty House & Park Charity Accounts	Independent audit review to provide an annual return for the charity as prescribed by the Charity Commission.	Not Applicable	A review commenced in December 2020. Audit planning ongoing.
Ebbw Vale Recreation Ground Charity Account	Independent audit review to provide an annual return for the charity as prescribed by the Charity Commission.	Not Applicable	A review commenced in December 2020. Audit planning ongoing.
<b>Revenue Services</b>			
Social Services Debtors CRSA (2019/20)	To determine the effectiveness of the internal controls operating with regards to the Debtors System for Social Services. A Control Risk Self Assessment (CRSA) methodology has been used for this audit.	Full Assurance	Final report issued in August 2020. No weaknesses were identified.
Debtors CRSA	To determine the effectiveness of the internal controls operating with regards to the Debtors System. A Control Risk Self Assessment (CRSA) methodology has been used for this audit.	Not Applicable	A review commenced in November 2020. Audit testing ongoing.
Social Services Debtors CRSA	To determine the effectiveness of the internal controls operating with regards to the Debtors System for Social Services. A Control Risk Self Assessment (CRSA) methodology has been used for this audit.	Not Applicable	A review commenced in November 2020. Audit testing ongoing.
Council Tax CRSA	To determine the effectiveness of the internal controls operating with regards to the Council tax System. A Control Risk Self Assessment (CRSA) methodology has been used for this audit.	Full Assurance	Final memorandum issued in August 2020. No weaknesses were identified.
NNDR CRSA	To determine the effectiveness of the internal controls operating with regards to the Debtors System for Social Services. A Control Risk Self Assessment (CRSA) methodology has been used for this audit.	Full Assurance	Final memorandum issued in August 2020. No weaknesses were identified.
<b>Audit, Insurance &amp; Risk Management</b>			
Insurance (2019/20)	To determine the effectiveness of the internal controls operating within the Insurance section with regard to Public Liability Claims.	Reasonable Assurance	Final report issued in September 2020. 8 weaknesses were identified of which 3 were classified as high risk, 4 were medium risk and 1 was low risk. The Manager has agreed appropriate actions to mitigate 7 of the 8 weaknesses identified.
<b>Commercial</b>			

Procurement			
Bravo CMS Follow Up	Follow up review to determine the action taken on the weaknesses made as a result of the audit.	Not Applicable	A review commenced in August 2020 to ensure the 6 weaknesses agreed as a result of the audit had been implemented. 2 weaknesses had been fully implemented, 2 had been partly implemented, 1 had not been implemented and 1 could not be tested at the time of the Follow Up. The weakness not implemented is detailed in Appendix C attached. The Manager has since agreed an appropriate action to mitigate the outstanding weakness..
Purchasing CRSA	To determine the effectiveness of the internal controls operating with regards to the Purchasing system to include the creditor payments system in each directorate. A Control Risk Self Assessment (CRSA) methodology has been used for this audit.	Not Applicable	A review commenced in November 2020. Audit testing ongoing.
Customer Services			
Housing Benefit CRSA	To determine the effectiveness of the internal controls operating with regards to the Housing Benefit System. A Control Risk Self Assessment (CRSA) methodology has been used for this audit.	Not Applicable	A review commenced in October 2020. Audit testing ongoing.
Workforce Management			
Standby Payments (2019/20)	To determine the effectiveness of the internal controls operating in respect of Standby Payments.	Not Applicable	Draft report issued in September 2020. A meeting is to be arranged to agree an action plan.
Governance			
Performance & Democratic			
Business Planning Improvement & Data (2019/20)	To determine the effectiveness of the Internal Controls with regards to the Business Planning Improvement & Data.	Limited Assurance	Final report issued in September 2020. 5 weaknesses were identified of which 4 were classified as high risk and 1 was medium risk. The Manager has agreed appropriate actions to mitigate all the weaknesses identified. The Internal Audit Summary Report is attached at Appendix B1.
Partnership and Policy			
Welsh Language (2019/20)	To determine the effectiveness of the internal controls operating in respect of Welsh Language Policies.	Reasonable Assurance	Final report issued in September 2020. 6 weaknesses were identified of which 2 were classified as high risk, 3 were medium risk and 1 was low risk. The Manager has agreed appropriate actions to mitigate the weaknesses identified.
Regeneration & Community Services			
Frontline Integrated Services			
Waste Disposal	To determine the effectiveness of the Internal Controls operating with regards to Waste Disposal.	Not Applicable	A review commenced in September 2019. Audit deferred due to COVID 19.
Highways Maintenance Follow Up	Follow up review to determine the action taken on the weaknesses made as a result of the audit.	Not Applicable	A review commenced in October 2020 to ensure the 9 weaknesses agreed as a result of the audit had been implemented. 6 weaknesses had been fully implemented and 3 had not been implemented. The weaknesses not implemented are detailed in Appendix C attached. The Manager has since agreed an appropriate action to mitigate the outstanding weakness..
Public Protection			
Rent Smart Wales Grant	Internal Audit review to ensure compliance with the grant terms and conditions including signing the Grant Certificate for Welsh Government.	Full Assurance	Final report and certificate issued in September 2020. No weakness were identified.
Homelessness Grant	Internal Audit review to ensure compliance with the grant terms and conditions including signing the Grant Certificate for Welsh Government.	Full Assurance	Final report and certificate issued in September 2020. No weakness were identified.
Enable Grant	Internal Audit review to ensure compliance with the grant terms and conditions including signing the Grant Certificate for Welsh Government.	Reasonable Assurance	Final report and certificate issued in July 2020, 1 weakness was identified classified as high risk. The manager has agreed an appropriate action to mitigate the weakness identified.
Regeneration & Thriving Communities			
General Offices (2019/20)	To determine the effectiveness of the internal controls operating in respect of the processes administered at the General Offices.	Limited Assurance	Final report issued in October 2020. 15 weaknesses were identified of which 11 was classified as high risk, 3 were medium risk and 1 was low risk. The Manager has agreed appropriate actions to mitigate all the weaknesses identified. The Internal Audit Summary Report is attached at Appendix B2.

Education			
Education Transformation			
SIMS (School System)	Internal Audit review of the SIMS system within all schools to determine the use and consistency applied by all schools.	Not Applicable	A review commenced in October 2020. Audit testing ongoing.
Schools CRSA	Internal Audit review of the Control Risk Self Assessment (CRSA) programme issued to all schools.	Not Applicable	A review commenced in September 2020. Audit report being reviewed.
Youth Support Grant	Internal Audit review to ensure compliance with the grant terms and conditions including signing the Grant Certificate for Welsh Government.	Reasonable Assurance	Final report and certificate issued in September 2020. 2 weaknesses were identified of which, 1 was classified as high risk and 1 was low risk. The Manager has agreed appropriate actions to mitigate the weaknesses identified.
Social Services			
Adult Services			
Development & Commissioning			
Supporting People Programme Grant (Outcomes)	Internal Audit review to ensure compliance with the grant terms and conditions including signing the grant certificate for Welsh Government.	Full Assurance	Audit certificate and audit report issued in November 2020. No weaknesses identified.
Supporting People RDC Grant	Internal Audit review to ensure compliance with the grant terms and conditions including signing the Grant Certificate for Welsh Government.	Reasonable Assurance	Audit certificate and audit report issued in October 2020. 1 weakness identified classified as medium risk. The Manager has agreed an appropriate action to mitigate the weakness identified.
Supporting People Grant	Internal Audit review to ensure compliance with the grant terms and conditions including signing the Grant Certificate for Welsh Government.	Full Assurance	Audit certificate and audit report issued in October 2020. No weaknesses identified.
Commissioning (2019/20)	To determine the effectiveness of the internal controls operating in respect of the Commissioning Process within Social Services.	Reasonable Assurance	Final report issued in July 2020. 1 weakness was identified classified as medium risk. The Manager has agreed an appropriate action to mitigate the weakness identified.
Long Term Care			
Community Care (2019/20)	To determine the effectiveness of the internal controls operating in respect of Community Care.	Not Applicable	Draft report issued in July 2020. A meeting has been arranged to agree an action plan.
Childrens Services			
Flying Start, early Years & Play			
Flying Start	To determine the effectiveness of the internal controls operating in respect of Flying Start system.	Not Applicable	Internal Audit review commenced September 2020. Audit planning ongoing.
General			
General Audit Areas			
Departmental Flexi System Use (2019/20)	To determine the effectiveness of the internal controls with regard to the application of the Flexible Working Scheme policy.	Not Applicable	Draft report issued in November 2019. A meeting is to be arranged to agree an action plan.
Thematic Review	To undertake a thematic review of the internal controls within the systems and processes involved in the recruitment and retention of employees, from the pre-recruitment stages through to end of an employee's probationary period.	Not Applicable	Internal review commenced in April 2020. Audit testing ongoing.

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**INTERNAL AUDIT SUMMARY REPORT****SYSTEMS AUDIT – BUSINESS PLANNING****1. INTRODUCTION**

- 1.1. This audit was carried out in line with the Internal Audit Plan 2019/20, and in full consultation with operational staff and management.
- 1.2. The scope of the audit was to determine the effectiveness of the internal controls for Business Planning specifically relating to the auxiliary aspects of business plans, these aspects are:
  - Equalities
  - Business Continuity Management (BCM)
  - Risk Register
  - Environment Act
- 1.3. In addition, the audit will determine the effectiveness of the internal controls in relation to:
  - Support from the Corporate Performance Team
  - Application of the Future Generations Act within business plans
- 1.4. The audit involved confirming the current system with relevant staff and ‘walk through tests’ conducted on a sample of records administered by the Section.

**2. SUMMARY OF FINDINGS**

- 2.1. Five weaknesses were identified; of which four were classified as High Risk. The remaining weakness was classified as Medium Risk. The areas involving the High Risk weaknesses were:
  - Business Plans are not authorised appropriately.  
Agreed action – The way in which Business Plans are authorised will be looked at to determine the most effective way to evidence authorisation and management support.
  - Business Plans are not completed fully.  
Agreed action – Individual sections will be reminded of their responsibilities in relation to completing Business Plans.
  - No service level objectives have been set. (Environment Act)  
Agreed action - Service level objectives have now been implemented.
  - BCM plans have not set and updated in line with BCM guidance.  
Agreed action – A review will take place to ensure what should be included within the Business Planning process in relation to BCM.

**3. CONCLUSION**

- 3.1. After reviewing all documentation and the current system, it was found that the internal controls used within the Business Planning process were not operating effectively. It should be noted that at a corporate level that an adequate control system and framework has been designed and implemented however on a departmental and operational level the controls are not operating effectively
- 3.2. The Service Manager Performance and Democratic Services has agreed to mitigating actions for each of the weaknesses identified.

**4. INTERNAL CONTROL STANDARD GRADING**

- 4.1. In accordance with the standard gradings, the systems examined indicate that a number of weaknesses have been identified that require appropriate actions to be implemented. The grading is therefore assessed as **‘Limited Assurance’**.

## **INTERNAL AUDIT SUMMARY REPORT**

### **ESTABLISHMENT AUDIT – GENERAL OFFICES**

#### **1. INTRODUCTION**

- 1.1. This audit was carried out in line with the Internal Audit Plan 2019/20, and in full consultation with operational staff and management.
- 1.2. The scope of the audit was to determine the effectiveness of the internal controls within General Offices to cover the day to day operations in areas such as:
  - Ordering and Receipt of Goods
  - Petty Cash
  - Inventory
  - Security of Assets
  - Budget Monitoring
  - Bookings
  - Income Collection
- 1.3. The audit was conducted by the Audit Apprentice and Senior Auditor and took the form of a series of detailed tests and checks, together with discussions with operational staff and managers.

#### **2. SUMMARY OF FINDINGS**

- 2.1. 15 weaknesses were identified during the audit, of which 11 were classified as High Risk, 3 weaknesses were classified as Medium Risk and 1 weakness was classified as Low Risk. The areas involving the High Risk weaknesses were:
  - There are a high number of staff that have access to the safe.  
Agreed action: A risk assessment to be undertaken to ensure that the number of staff who have access to the safe is appropriate.
  - Income must be recorded accurately and be supported by appropriate documentation.  
Agreed action: New Saturday Standard Operating Procedures (SOP's) to be drafted and emailed to all staff who cover and copy kept on reception for them. SOP's will be communicated to all appropriate staff.
  - The Manager who is independent to the collection of income, had not authorised all of the cash denomination slips to confirm the income had been collected.  
Agreed action: The recording, reconciliation and banking of income will be completed by a minimum of two staff. The authorisation and oversight will be signed by the manager.
  - The till receipts and the supporting documentation were not reconciled prior to income being recorded on the miscellaneous slip for banking.  
Agreed action: This is now recorded on sheet and also receipt. Authorised by two staff as well as manager where possible.
  - Imbalances were not being recorded and authorised by the Manager.  
Agreed actions: This is now recorded on both cash denomination sheet and receipt and amounts highlighted.
  - There was no confirmation that the total of the float is accurate.

Agreed action: The float will be marked as checked once completed.  
Business support to be reminded of processes and requirements.

- The booking form does not provide for it to be dated or signed.

Agreed action: Current booking form to be amended.

- A journal had not been made for one booking.

Agreed Action: Business Support to monitor and review work for accuracy more closely.

- One order had been raised retrospectively.

Agreed action: Orders will be raised on the purchasing system prior to the invoice date.

- Payment had not been paid within 30 days.

Agreed action: Purchase orders will be raised on the system accurately as to avoid late payments.

- Stock records were not maintained for the tuckshop/café.

Agreed action: Stock collection sheet that is used to collect stock daily. This will be adapted to detail daily sales.

### **3. CONCLUSION**

3.1. The Audit Report is produced on an exception basis consequently the only points made are where weaknesses have been identified. The samples chosen would not be able to cover every transaction or eventuality; therefore, reliance is placed in part on the information and explanations provided by the appropriate officers.

3.2. The General Offices Facilities Manager agreed to implement actions for the weaknesses identified.

### **4. INTERNAL CONTROL STANDARD GRADING**

4.1. In accordance with the standard gradings, the systems examined indicate that a number of weaknesses have been identified that require appropriate actions to be implemented. The grading is therefore assessed as **'Limited Assurance'**.



**FOLLOW - UP AUDITS - PROGRESS REPORT FOR OUTSTANDING ACTIVITIES FOR THE PERIOD APRIL TO  
DECEMBER 2020**

**APPENDIX C**

The table below provides details of the results of follow-up audits where original audit recommendations/weaknesses have not been implemented:

AREA	ORIGINAL RISK CATEGORY	DESCRIPTION OF WEAKNESS	FINDINGS
<b>Resources</b>			
Bravo CMS	Medium	Two contracts had not been 'created' and a further two had not been 'activated' following the completion of the tender exercises.	A sample of ten procurement activities was selected for audit testing and it was found that there were two procurement activities where the contract within the system had not been 'created' or 'activated', It was confirmed by the Corporate Procurement Manager that both instances were due to administrative error and have since been remedied.
Highways Maintenance	High	The Highways Maintenance Plan of the Authority requires updating.	There has been no update on the Maintenance Plan due to the Covid outbreak and restrictions. The Department intend to finalise the arrangements in the New Year.
Highways Maintenance	Medium	Job sheets had not been signed as complete.	This has been discussed with staff at a Team Meeting. The Follow-Up identified further instances where the Job Sheets had not been signed as complete.
Highways Maintenance	Medium	The historic cost of £33 per man should be revisited to ensure it is the correct charge levied.	The Team Leader has met with the Accountancy Department and the cost is to remain. Instances were highlighted as part of the Follow-Up whereby the costs of work had been calculated incorrectly.

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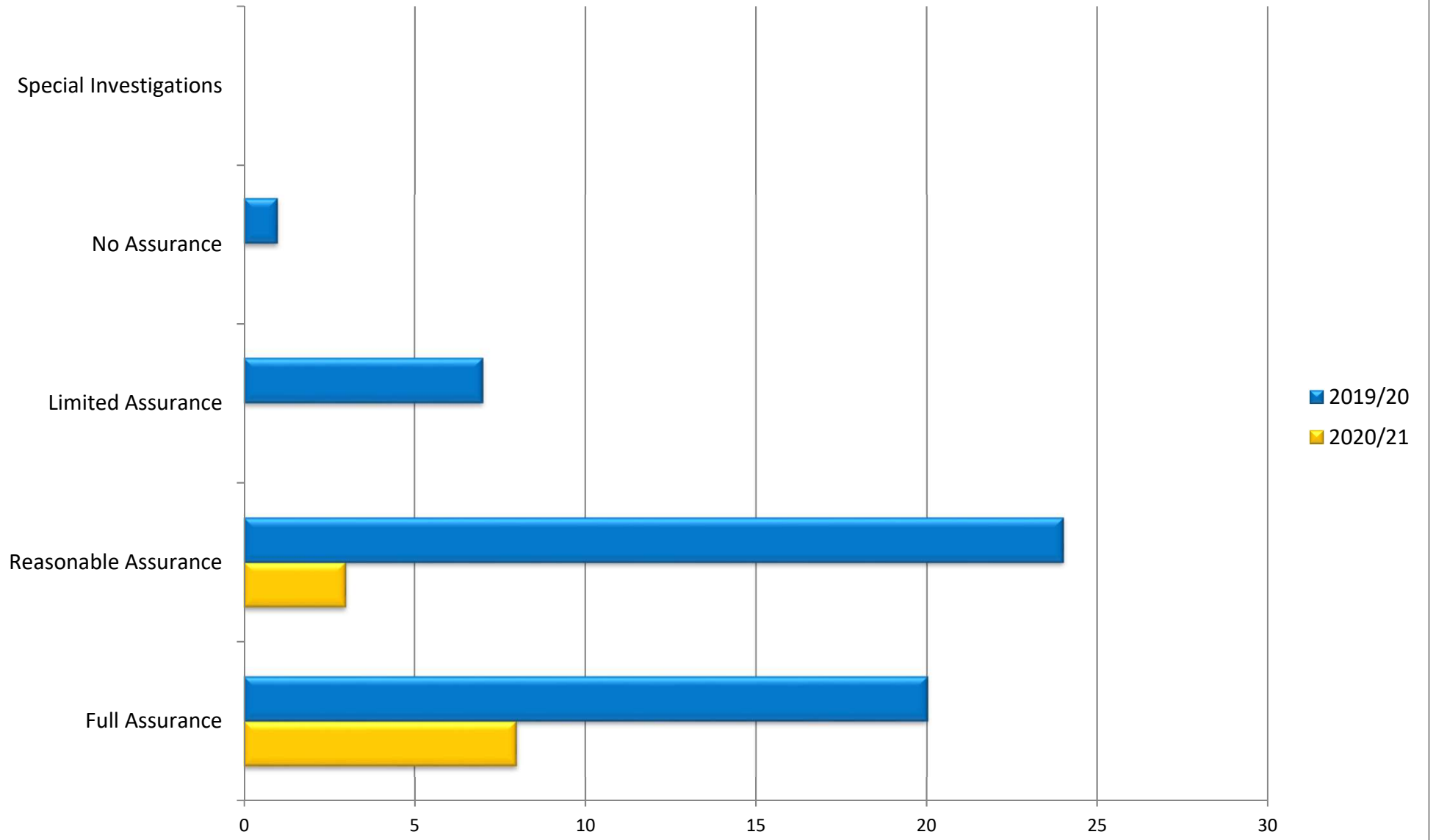
INTERNAL AUDIT SECTION

PERFORMANCE INDICATORS 2020/21

	Performance Indicator	2019/20 Target	2019/20 Actual	2019/20 Actual to Month 3	2020/21 Target	2020/21 Actual to Month 9	RAG Rating
Local PI	Audit Plan Completion %	75%	65.31%	N/A	N/A	N/A	N/A
Local PI	% of Agreed Actions for Weaknesses Identified	90%	100%	100%	90%	98%	
Local PI	% of Agreed Actions completed after 6 months	80%	84%	100%	80%	80%	
Local PI	% of Audit Clients at least "satisfied" with the service	95%	100%	100%	95%	100%	
Local PI	Average number of days taken to issue Final Reports	5 days	2.4 days	0.73 days	5 days	3.65 days	
Local PI	% of Audits completed within time allocated	75%	87%	91%	75%	95%	
Local PI	% of Performance Reviews undertaken within previous 12 months	100%	100%	100%	100%	100%	
Local PI	Average number of sick days per person (cumulative average)	6 days	7.33 days	0.5 days	6 days	0 days	

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# Gradings 2019/20 vs 2020/21



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<b>Resources</b>	
<b>Audit Area</b>	<b>Risk Assessment Score</b>
<b>Financial Services</b>	
Education Improvement Grant	S
Pupil Deprivation Grant	S
Budgetary Control - Monitoring	F - CRSA
Treasury Management - Bank Reconciliation	F
Creditors - Reconciliation	F
Creditors - Central	F - CRSA
<b>Revenue Services</b>	
Debtors System	F - CRSA
Social Services Debtors	F - CRSA
NNDR Data Matching grants	NA - emerging risk
NNDR	F - CRSA
Council Tax	F - CRSA
Debtors Reconciliation	F
<b>Audit, Insurance &amp; Risk Management</b>	
Insurance (b/f 2019/20)	4.25

<b>Commercial</b>	
<b>Audit Area</b>	<b>Risk Assessment Score</b>
<b>Communications</b>	
<b>Customer Services</b>	
Housing Benefits	F - CRSA
Cashiers	F
<b>Digital &amp; IT</b>	
User Access	F - Thematic
<b>Procurement</b>	
Purchasing	F
BRAVO F/UP	Follow up
<b>Strategic Transformation</b>	
<b>Workforce Management</b>	
Payroll	F - CRSA
Stand By Payments (b/f 2019/20)	3.125

<b>Legal and Corporate Compliance</b>	
<b>Audit Area</b>	<b>Risk Assessment Score</b>
<b>Commercial, Property &amp; Information Governance</b>	
RIPA	3.45
<b>Corporate Services &amp; Registration</b>	
Local Land Charges	3.17

<b>Governance and Partnerships</b>	
<b>Audit Area</b>	<b>Risk Assessment Score</b>
<b>Performance &amp; Democratic</b>	
Business Planning Improvement & Data (b/f 2019/20)	2.86
Future Generation Act - Individual Duty	2.55
<b>Partnership and Policy</b>	
BREXIT	3.04
Welsh policy (b/f 2019/20)	4.01

S - Standard  
F - Fundamental Financial System  
CRSA - Control Risk Self Assessment  
TR - Thematic Review

<b>Regeneration and Community Services</b>	
<b>Audit Area</b>	<b>Risk Assessment Score</b>
<b>Community Services</b>	
<b>Frontline Integrated Services</b>	
Highways Main F/UP	Follow up
Street Lighting	4.66
Waste Disposal	4.56
<b>Property</b>	
Corporate Landlord - Property Maintenance	3.075
<b>Public Protection</b>	
Enable Grant	S
Homelessness Grant	S
Rent Smart Wales	S
Trading Standards - Inspection, Enforcement and Advice	3.025
<b>Regeneration</b>	
<b>Regeneration &amp; Thriving Communities</b>	
General Offices (b/f 2019/20)	2.52

<b>Education</b>	
<b>Audit Area</b>	<b>Risk Assessment Score</b>
<b>Education Transformation</b>	
Schools CRSA	S - CRSA
School Systems	S
Pen Y Cwm /parents school fund	N/A - emerging risk
<b>Youth Services</b>	
Youth Support Grant	S
<b>Inclusion Services</b>	
Education Welfare	2.145

<b>Social Services</b>	
<b>Audit Area</b>	<b>Risk Assessment Score</b>
<b>Adult Services</b>	
<b>Development &amp; Commissioning</b>	
Supporting People Programme (Outcomes) Grant	S
Supporting People Grant (RDC Post)	S
Supporting People Grant	S
Commissioning (b/f 2019/20)	4.7
<b>Long Term Care</b>	
Community Care (West) (b/f 2019/20)	2.35
Community Care (East) (b/f 2019/20)	2.35
<b>Childrens' Services</b>	
<b>Flying Start, Early Years &amp; Play</b>	
Flying Start	2.185



<b>General</b>	
<b>Audit Area</b>	<b>Risk Assessment Score</b>
<b>Performance Management</b>	
Performance Management	S
Audit Plan	S
Performance Reviews	S
AGS	S
<b>Other</b>	
Ad Hoc/Contingency/Follow Ups	S
Office Duties(incl. Cont. Stat & Auth Sigs)	S
Meetings	S
Audit Committee	S
Special Projects / Investigations	S
GDPR	S
<b>General Audit Areas</b>	
HR Policies	S
Financial Procedure Rules	S
Contract Procedure Rules	S
Departmental Internet / Email Use	S
Anti Money Laundering Policy	S
Anti Bribery, Fraud & Corruption Policy	S
Departmental Flexi System Use (b/f 2019/20)	S
Thematic review Recruitment & Retention	Thematic review
Contract Audit - > £75k	S
Contract Audit - <£75k	S
Register of interest check	TR/Compliance Audit

S - Standard  
F - Fundamental Financial System  
CRSA - Control Risk Self Assessment  
TR - Thematic Review

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# Agenda Item 10

Executive Committee and Council only

Date signed off by the Monitoring Officer: N/A

Date signed off by the Section 151 Officer: N/A

Committee: **Audit Committee**  
Date of meeting: **2<sup>nd</sup> February 2021**  
Report Subject: **Building Decommissioning Process**  
Portfolio Holder: **Cllr Nigel Daniels, Leader / Executive Member  
Corporate Services**  
Report Submitted by: **Richard Crook – Corporate Director Regeneration  
and Community Services**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
			02.02.21					

## 1. Purpose of the Report

- 1.1 To present to the Audit Committee an update on the implementation of the Actions identified in the previous report around the decommissioning of the BRC

## 2. Scope and Background

- 2.1 The Audit Committee considered a report in March 2020 which identified a number of issues in relation to the decommissioning of the BRC and the Committee sought reassurance that the lessons had been learned and embedded into Council procedures going forward.
- 2.2 The Business Resource Centre has now been sold and is no longer in Council control. Therefore, this report sets out the response to the action contained in 5.2 of the report '*The Managing Director has tasked the Corporate Director of Regeneration and Community Services to undertake a full review of the arrangements for the management of disposals*'.
- 2.3 The decommissioning process has been reviewed and the lessons learned highlighted the need for a systematic approach to the decommissioning of non-operational buildings. An approach has been developed that is now embedded into working practice, with the Corporate Landlord implementing the actions in conjunction with the service area that is vacating a premises.
- 2.4 Where a building is to be vacated an officer group comprising the service area and the Corporate Landlord is established to ensure that all relevant service based material is removed prior to the handover of the building to the Corporate Landlord. In parallel with this the Corporate Landlord has a template Appendix 1) to provide a consistent and structured approach which will be customised by the Officer group to reflect the specific premises requirements covering:

- Property and Equipment Maintenance
- Grounds Maintenance
- Network and IT services
- Utilities
- Furniture

2.3 In addition, a protocol (Appendix 2) has been developed using the lessons learned from previous reports for the disposal of schools which include the actions set out previously. The recent disposal of the Queen Street and Bryngwyn Schools has used the revised practice and following completion the Officer Group have met to review how the process has worked to ensure any further lessons are learned and embedded into the disposal process. The use of the developed process for disposals demonstrates that the Council has learned from previous experience (& weaknesses identified in the BRC Decommissioning report) and is now using an effectively process.

### 3. **Options for Recommendation**

3.1 **Option 1 (preferred option)** - The Audit Committee consider the report and take assurance that improvements in the decommissioning processes have been made and compliance is being monitored.

3.2 **Option 2** - The Audit Committee consider the report and does not take assurance that improvements in the decommissioning processes have been made.

### 4. **Evidence of how does this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

4.1 The process now being used will ensure that the Council complies with statutory Duties.

### 5. **Implications Against Each Option**

#### 5.1 Impact on Budget (short and long term impact)

The following of a process will ensure that the activity is undertaken and delivered within the agreed budget for the decommissioning and should minimise further pressure on the Corporate Landlord budget.

#### 5.2 Risk including Mitigating Actions

The process now adopted minimises the risks for the Council of decommissioning of buildings as there is now a consistent methodology applied to the process. This process has been used and a lessons learned approach has been included to ensure that a process improvement can continue to be captured. There is now clear ownership of the process and of any actions which provides clarity and accountability

### 5.3 Legal

There are no direct implications under legal in this report.

### 5.4 Human Resources

The decommissioning of property sits within the existing roles of officers.

## 6. **Supporting Evidence**

### 6.1 Performance Information and Data

The Authority will be able to demonstrate that it gets the best value from its assets if buildings are decommissioned properly.

### 6.2 Expected outcome for the public

The agreement of this report provides assurance to the communities of Blaenau Gwent on the robustness of the Authority's internal control.

### 6.3 Involvement (consultation, engagement, participation)

There are no direct implications under involvement in this report.

### 6.4 Thinking for the Long term (forward planning)

There are no direct implications under thinking for the long term in this report.

### 6.5 Preventative focus

The application of correct protocols when decommissioning buildings will protect the Authority's interests and prevent exposure to risks of prosecution or financial loss.

### 6.6 Collaboration / partnership working

There are no direct collaboration/partnership arrangements arising from this report.

### 6.7 Integration (across service areas)

There are no direct implications for integration.

### 6.8 EqIA (screening and identifying if full impact assessment is needed)

The production of this report has a neutral impact against people or groups from the nine protected characteristics.

7. **Monitoring Arrangements**

- 7.1 The process will be monitored by the Corporate Landlord as part of the disposal process.

AREA	CONTACT	SERVICE CATEGORY	WHO	COMPLETED BY	DATE
Lease	Landlord	Notify surrender of any lease			
Property & Equipment Maintenance	Technical Services Maintenance Manager (Simon Jennings EXT: 5728)	Heating PAT Testing Legionella Testing Portable Fire Equipment Fire Alarm & Emergency Lighting Security Alarm (Monitoring & Maintenance) Making good requirements			
Grounds Maintenance	Leisure Services Alun Watkins EXT: 5675	Grass cutting etc			
Network and Router Network Cabling Network Phones	SRS I.T. EXT 5000	Email, fax, phones (identify staff names,numbers, user names; locationa and addres to and from; future use and/or occupants of current location)			
Services	(Relevant Suppliers & notify LA Energy Officer Oriol Price EXT:6109 LA - C2BG LA Building Facilities (Helen Price EXT: 5676)	Utilities:- Electricity, Gas Water, Main telephonr land lines. Refuse Collection, Council rates office (NNDR), Caretaking and Cleaning.			
Contracts	(Relevant Suppliers)	Photocopiers/Printers, Drinks Machines, Vending Machines			
Public Information	Lee McDonald SSD Ext:4630 Corporate Ext:6004	Change of service location/delivery			
External telephone	(Relevant Supplier)	Redirection of telephone calls etc			
Furniture & Equipment to be relocated		Desks, chairs, pedestals, filing cabinets, cupboards, Tables, display equipment, computers, book cases, coat stands etc. Label all user specific equipment e.g. chairs for back conditions; computers etc. If items to go to specific areas identified in new location, clearly label with instruction e.g. ground floor, conference room etc.			

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