

COUNTY BOROUGH OF BLAENAU GWENT

REPORT TO: THE CHAIR AND MEMBERS OF THE AUDIT COMMITTEE

SUBJECT: AUDIT COMMITTEE - 2ND FEBRUARY, 2021

REPORT OF: DEMOCRATIC SUPPORT OFFICER

PRESENT: MR. T. EDWARDS (CHAIR)

Councillors S. Healy
P. Baldwin
D. Davies
D. Hancock
J. Hill
W. Hodgins
J. Holt
J. Millard
M. Moore
J.C. Morgan
K. Rowson
B. Summers
S. Thomas
L. Winnett

Mr. M. Veale

WITH: Managing Director
Chief Officer Resources
Professional Lead – Internal Audit
Corporate Director Regeneration & Community Services
Senior Auditor
Data Protection & Governance Officer

AND: Audit Wales
Mike Jones

ITEM	SUBJECT	ACTION
No. 1	<u>SIMULTANEOUS TRANSLATION</u>	

	<p>It was noted that no requests had been received for the simultaneous translation service.</p>	
No. 2	<p><u>APOLOGIES</u></p> <p>Apologies for absence were received from Councillors H. Trollope, and the Audit & Risk Manager.</p>	
No. 3	<p><u>DECLARATIONS OF INTEREST AND DISPENSATIONS</u></p> <p>The following declarations of interest were reported:</p> <p>Councillor B. Summers - Item No. 8 Annual Report of the Audit & Risk Manager 2019/20</p> <p>Councillor J. Hill - Item No. 8 Annual Report of the Audit & Risk Manager 2019/20</p> <p>Councillor W. Hodgins – Item No. 10 Investigation into Publication of Exempt Report</p>	
No. 4	<p><u>ORDER OF AGENDA</u></p> <p>The Data Protection & Governance Officer explained that Item No. 11 Building Decommissioning Process had been submitted under exempt information in error, therefore the report should be considered under the public section of the agenda.</p> <p>RESOLVED accordingly.</p>	
No. 5	<p><u>APPOINTMENT OF CHAIR</u></p> <p>Nominations were sought for the appointment of Chair of the Audit Committee for 2020/2021.</p> <p>A Member proposed that Councillor J. Millard be appointed to the role, and this proposal was seconded.</p> <p>Another Member proposed that Mr. T. Edwards be appointed to the role, and this proposal was seconded.</p> <p>Upon a vote being taken it was</p>	

	RESOLVED that Mr. T. Edwards be appointed as Chair of the Audit Committee for 2020/21.	
No. 6	<p><u>AUDIT COMMITTEE</u></p> <p>The minutes of the special Audit Committee held on 17th November, 2020 were submitted.</p> <p>RESOLVED that the minutes be accepted as a true record of proceedings.</p>	
No. 7	<p><u>ACTION SHEET</u></p> <p>The Action Sheet arising from the meeting of the Audit Committee held on 17th November, 2020 was submitted, whereupon:</p> <p><u>Statement of Accounts 2016/17, 2017/18 & 2018/19</u></p> <p>Following a request for additional information, the Chief Officer Resources reported that the costs for the independent legal advice obtained as part of work undertaken on the Statement of Accounts was £8,200k.</p> <p>RESOLVED, subject to the foregoing, that the Action Sheet be noted.</p>	
No. 8	<p><u>ANTI-MONEY LAUNDERING POLICY</u></p> <p>Consideration was given to report of the Senior Auditor.</p> <p>The Senior Auditor presented the report which provided the Anti-Money Laundering Policy, which had been revised to reflect the amended Money Laundering and Terrorist Financing (Amendment) Regulations 2019. The Policy was attached at Appendix 1.</p> <p>The Officer spoke to the report and highlighted point contained therein.</p> <p>A Member said it would be beneficial for amendments to be highlighted within the report, and also whether the Policy was in line with other LA's.</p> <p>In response the Officer said the amendments to the Policy were</p>	

mainly in the format to reflect other LA policies, however, any further amendments would be made clearer moving forward.

Another Member referred to the reporting procedure highlighted at section 6 of the Policy document, and the Officer explained that any suspicions of money laundering should be reported within 24 hours, or as soon as possible.

RESOLVED that the report be accepted and the Policy be approved and adopted.

No. 9

ANNUAL REPORT OF THE AUDIT & RISK MANAGER 2019/20

Consideration was given to the report of the Audit & Risk Manager.

The Professional Lead Internal Audit presented the report which provided the Audit & Risk Manager's 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.

The opinion of the Audit & Risk Manger was that 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.

The Officer then went through the report and highlighted points contained therein.

In response to a Member's comments, the Officer explained that the Appendices attached to the report were also included in the following item on the agenda. This was the Audit & Risk Manager's annual report, and her opinion was based on a combination of work that had previously been reported to Committee through the usual Audit Plan Progress Reports.

A Member referred to section 2.2.3 of the report and felt that the wording of the paragraph could be misinterpreted, and the Officer undertook to raise this with the Audit & Risk Manager.

Another Member then referred to section 2.4.2 where it stated that 'no areas for concern have been highlighted', and said he would

have thought there would always be areas where improvements could be made.

In response the Officer agreed and said there was always areas for improvement. She explained that the progress reports submitted to the Committee routinely identified weaknesses and actions for Managers to mitigate these weaknesses, and a follow-up audit was then conducted to ensure that the actions had been addressed. However, in terms of the Audit & Risk Manager's opinion for 2019/20, no actual significant trends or areas of concern had been identified that would impact on her audit opinion.

A Member referred to the previous outstanding Statements of Accounts and asked whether these had now been signed-off.

The Audit Wales Officer confirmed that the outstanding accounts for Blaenau Gwent up to 2018/19 was signed off by the Audit General for Wales on the 26th November, 2020; and the Accounts for 2019/20 would be signed-off at the next meeting of the Audit Committee.

In response to a question raised by a Member regarding the lack of an IT Auditor, the Officer said this was recognised and documented in the service risk register. It was not unique to Blaenau Gwent and most LA's lacked specialist IT Auditors. However, she assured that there was staff within the team that were very competent with IT.

RESOLVED that the report be accepted and the Audit & Risk Manager's annual audit opinion, as detailed in paragraphs 1.1 and 3.3, be acknowledged, namely:

- 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.
- 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.

No. 10 **AUDIT PLAN PROGRESS REPORT –**

Consideration was given to the report of the Professional Lead Internal Audit.

The Professional Lead Internal Audit presented the report which updated Members on progress for the period 1st April to 31st December, 2020; and confirmed the process for determining the priority areas of the operational audit plan for the financial year.

The Officer reported that 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 result, 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 was based on 9 months of the year from July 2020 to March 2021.

In response to a question raised by a Member, the Officer reported a typing error in Appendix D, and confirmed that the column should read '2019/20 Actual to month 9'.

A Member questioned the historic cost of £33 per man highlighted within Highways Maintenance on Appendix C, and whether these would impact on the highways maintenance budget.

The Officer explained that Appendix C highlighted follow-up audits where weaknesses identified have not been addressed. As outlined, the Officer has met with the Accountancy Department and the cost is to remain.

RESOLVED, subject to the foregoing, that the report be accepted and the Audit Committee:

- Note the findings within the attached Appendices;
- Note the progress on activities for the period 1st April to 31st December 2020; and
- Continue to provide appropriate challenge where relevant,

and support the selection of audit activities for the 2020/21 operational audit plan.

No. 11

BUILDING DECOMMISSIONING PROCESS

Consideration was given to report of the Corporate Director Regeneration & Community Services.

Prior to consideration of the report a Member sought clarification as to why the report had been removed from exempt information status, in light of the previous reports being considered under exempt information.

The Data Protection & Governance Officer explained that there was no removal of exemption for this particular report, as exemption was not applied in the first instance. He said the report outlined the building decommissioning process moving forward, rather than specific issues of the BRC which was the case with previous reports.

In response the Member asked whether a further report could be expected in relation to the BRC, as a number of issues had been raised by Members at the special meeting of the Audit Committee in March 2020.

Another Member agreed, and said she understood that the Managing Director would be submitting a further response on the concerns raised by Members.

A brief discussion ensued when a Member pointed out that at the meeting held in March 2020 a wide discussion took place regarding the decommissioning of the BRC, Members felt that the issues were so significant that they requested a further report on the issues raised. However, he appreciated that the Managing Director had been dealing with other priorities in response to the Covid pandemic.

In response the Managing Director explained that an independent investigation was undertaken by the Internal Audit Team of the decommissioning of the BRC, which was the subject of the original report considered by the Committee. This report outlined the follow-up action taken in response to the original report, i.e. 'The Managing Director has tasked the Corporate Director Regeneration and Community Services to undertake a full review

of the arrangements for the management of disposals’.

The Managing Director recalled that at the meeting in March 2020 Members sought assurance that lessons have been learned, and that management processes were in place to ensure that there would be no repeat of the issues identified at the BRC. This report detailed the arrangements in place, and needed to be considered by the Audit Committee as it was the outcome of the original investigation, and was requested by the Committee. However, she understood that Members felt there were other questions to be answered, and the Managing Director undertook to discuss the issues the Audit & Risk Manager to ensure that all points raised by Members have been covered.

The Member felt that this report lacked further reassurance for Members, in light of the fact that the previous events took place without Members’ knowledge. Members wanted sufficient proof that those lessons have been learned. He welcomed the Managing Director having further discussions with the Audit & Risk Manager and suggested that further discussions be held with political group leaders as a further level of reassurance for Members.

The Managing Director said she was happy to have further discussions with political group leaders if further reassurance was needed.

In response the Member said he was pleased that the Managing Director would be taking that action, and he accepted the report with the condition that further discussions would take place.

The Corporate Director Regeneration & Community Services presented the report which updated Members on the implementation of the actions identified in the previous report around the decommissioning of the BRC. He said the decommissioning process had 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 and was now embedded into working practice, whereby the Corporate Landlord would implement the actions in conjunction with the service area vacating a premises.

In addition, a protocol (attached at Appendix 2) was developed using the lessons learned from previous reports for the disposal of

schools, which included the actions set out previously. The recent disposal of Queen Street and Bryngwyn Schools used the revised practice, and following completion the Officer Group met to review how the process had worked to ensure any further lessons are learned and embedded into the disposal process. The use of the developed process for disposals demonstrated that the Council had learned from previous experiences and the weaknesses identified in the BRC Decommissioning report, and was now using an effective process.

A Member referred to the table on the appendix to the report and asked whether the asbestos register should be included

In response the Corporate Director explained that this would be picked up by the Corporate Landlord separately following completion of the decommissioning process. The actions outlined in the report was focussed on ensuring that any building or space was correctly emptied of any materials or activity prior to it being transferred to the Corporate Landlord. The asbestos register would apply if the building was to be demolished.

In response to a question raised by a Member, the Corporate Director confirmed that the Corporate Landlord would not accept transfer of a building until completion of the checklist, and service areas now understood their requirements prior to vacating a building.

A Member proposed that Option 1 be supported, with the addendum that the Managing Director hold further discussions with the Corporate Director Regeneration & Community Services and relevant Officers; and report back to political group leaders as a further level of assurance for Members.

The proposal was seconded.

A Member proposed that Option 1 be supported, with the addendum that the Managing Director hold further discussions with the Corporate Director Regeneration & Community Services and relevant Officers; and report back to political group leaders as a further level of assurance for Members.

The proposal was seconded.

RESOLVED, subject to the foregoing, that the report be accepted

and the Audit Committee:

Take assurance that improvements in the decommissioning processes have been made and compliance was being monitored (Option 1); and

The Managing Director hold further discussions with the Audit & Risk Manager; and report back to political group leaders as a further level of assurance for Members.

No. 12

INVESTIGATION INTO PUBLICATION OF EXEMPT INFORMATION

Having regard to the views expressed by the Proper Officer regarding the public interest test, that on balance the public interest in maintaining the exemption outweighed the public interest in disclosing the information and that the report should be exempt.

RESOLVED that the public be excluded whilst this item of business is transacted as it is likely there would be a disclosure of exempt information as defined in Paragraphs 14 & 15 Schedule 12A of the Local Government Act, 1972 (as amended).

Consideration was given to report of the Managing Director.

The Managing Director presented the report which provided Members with the outcome of the investigation into the unauthorised publication of an Exempt report.

A discussion ensued, and it was

RESOLVED that the report which contained information relating to the financial/business affairs of persons other than the Authority; and information relating to any consultations/ negotiations or contemplated consultations/negotiations in connection with any labour relations matters arising between the Authority and employees/office-holders under the Authority be accepted and the information and recommendations contained therein be approved.