

T: 01495 355001

E: committee.services@blaenau-gwent.gov.uk



Our Ref./Ein Cyf.
Your Ref./Eich Cyf.
Contact:/Cysylltwch â:

THIS IS A MEETING WHICH THE PUBLIC ARE ENTITLED TO ATTEND

22nd July 2022

Dear Sir/Madam

GOVERNANCE & AUDIT COMMITTEE

A meeting of the Governance & Audit Committee will be held in Hybrid Meeting - can be attended via Microsoft Teams or at the General Offices, Ebbw Vale on Wednesday, 27th July, 2022 at 2.00 pm.

Yours faithfully

Damien McCann
Interim Chief Executive

AGENDA

Pages

1. SIMULTANEOUS TRANSLATION

You are welcome to use Welsh at the meeting, a minimum notice period of 3 working days is required should you wish to do so. A simultaneous translation service will be provided if requested.

2. APOLOGIES

To receive.

3. **DECLARATIONS OF INTEREST AND DISPENSATIONS**
- To receive.
4. **TIME OF FUTURE MEETINGS**
- To consider.
5. **GOVERNANCE & AUDIT COMMITTEE** 5 - 8
- To receive the minutes of the Governance & Audit Committee held on 11th July, 2022.
- (Please note the minutes are submitted for points of accuracy only).
6. **GOVERNANCE AND AUDIT COMMITTEE FORWARD WORK PROGRAMME 2022-23** 9 - 14
- To consider the report of the Audit and Risk Manager.
7. **INTERNAL AUDIT CHARTER** 15 - 26
- To consider the report of the Audit and Risk Manager.
8. **INTERNAL AUDIT PROGRESS REPORT** 27 - 52
- To consider the report of the Professional Lead - Internal Audit.
9. **BLAENAU GWENT COUNTY BOROUGH COUNCIL - ANNUAL AUDIT SUMMARY** 53 - 62
- To consider report of the Head of Democratic Services, Governance & Partnerships.
10. **AUDIT WALES 2022 AUDIT PLAN FOR BLAENAU GWENT COUNTY BOROUGH COUNCIL** 63 - 80
- To consider the report of the Chief Officer Resources.

To: J. Absalom (Chair)
Councillor S. Behr (Vice-Chair)
Councillor J. Gardner
Councillor W. Hodgins
Councillor C. Smith

Councillor T. Smith
Councillor J. Wilkins
T. Edwards
M. Veale

All other Members (for information)
Interim Chief Executive
Chief Officers

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COUNTY BOROUGH OF BLAENAU GWENT

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

SUBJECT: **GOVERNANCE & AUDIT COMMITTEE**
- 11TH JULY, 2022

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

PRESENT: Ms Joanne Absalom (Chair)

Councillors S. Behr (Vice-Chair)

J. Gardner

W. Hodgins

C. Smith

T. Smith

Mr M. Veale

WITH: Chief Officer Resources

Audit & Risk Manager

Professional Lead – Internal Audit

Data Protection & Governance Officer

Head of Democratic Services, Governance & Partnerships

AND: Mike Jones) Audit Wales

Alice Rushby)

DECISIONS UNDER DELEGATED POWERS

| <u>ITEM</u> | <u>SUBJECT</u> | <u>ACTION</u> |
|--------------------|---|----------------------|
| No. 1 | <u>SIMULTANEOUS TRANSLATION</u> It was noted that no requests had been received for the simultaneous translation service. | |

| | | |
|--------------|---|--|
| No. 2 | <p><u>APOLOGIES</u></p> <p>Apologies for absence were received from Councillor J. Wilkins and Mr T. Edwards.</p> | |
| No. 3 | <p><u>DECLARATIONS OF INTEREST AND DISPENSATIONS</u></p> <p>Councillor Tommy Smith declared an interest in Item No. 9 – Annual Report of the Audit & Risk Manager 2021/22.</p> | |
| No. 4 | <p><u>APPOINTMENT OF CHAIR 2022/23</u></p> <p>Nominations were sought for the appointment of Chair of the Governance & Audit Committee for 2022/2023.</p> <p>A Member proposed that Ms Joanne Absalom be appointed to the role, and this proposal was seconded.</p> <p>RESOLVED that Ms Joanne Absalom be appointed Chair of the Governance & Audit Committee for 2022/2023.</p> | |
| No. 5 | <p><u>GOVERNANCE & AUDIT COMMITTEE</u></p> <p>The minutes of the Governance & Audit Committee held on 14th April, 2022 were submitted.</p> <p>RESOLVED that the minutes be accepted as a true record of proceedings.</p> | |
| No. 6 | <p><u>CODE OF GOVERNANCE</u></p> <p>Consideration was given to the report of the Chief Officer Resources.</p> <p>RESOLVED that the report be accepted and the Committee approve and adopt the revised Code of Governance (Option 1).</p> | |
| No. 7 | <p><u>INTERNAL AUDIT PLAN 2022-2027</u></p> <p>Consideration was given to the report of the Chief Officer Resources.</p> | |

| | | |
|--------------|---|--|
| | <p>RESOLVED that the report be accepted and the Committee note the basis for audit selection / prioritisation as described in section 2, and approve the audit plan attached at Appendix A, deeming it to provide sufficient coverage upon which the Audit and Risk Manager can provide an annual Audit opinion, enabling the Governance & Audit Committee to fulfil its assurance role. (Option 1).</p> | |
| No. 8 | <p><u>AUDIT PLAN OUTTURN 2021-22</u></p> <p>Consideration was given to the report of the Chief Officer Resources and the Audit & Risk Manager.</p> <p>RESOLVED that the report be accepted and the Governance & Audit Committee note the levels of audit coverage in each service area, the plan outturn for the financial year and the performance of the Internal Audit Service for the financial year 2021/22.</p> | |
| No. 9 | <p><u>ANNUAL REPORT OF THE AUDIT & RISK MANAGER 2021/22</u></p> <p>Consideration was given to the report of the Audit & Risk Manager.</p> <p>RESOLVED that the report be accepted and the annual opinion of the Audit & Risk Manager be noted as follows:-</p> <p>‘Based on the findings of the audit work undertaken during 2021/22, in my opinion, Blaenau Gwent County Borough Council’s system of internal control during the financial year 2021/22 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.’</p> | |

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Agenda Item 6

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: **Governance and Audit Committee**

Date of meeting: **27th July 2022**

Report Subject: **Governance and Audit Committee Forward Work Programme 2022-23**

Portfolio Holder: **Councillor Steve Thomas, Leader / Executive Member Corporate and Performance**

Report Submitted by: **Louise Rosser – Audit and 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) |
| | | | 27.07.22 | | | | | |

1. **Purpose of the Report**
 - 1.1 To present the Governance and Audit Committee Forward Work Programme for 202-23 (Appendix 1).
2. **Scope and Background**
 - 2.1 The appendix provides a list of topics expected to be considered by the Governance and Audit Committee during 2022-23.
 - 2.2 The Governance and Audit Forward Work Programme is aligned to the Scrutiny, Executive and Council Forward Work Programmes.
 - 2.3 The Work Programme is a fluid document and there is flexibility to allow for regular review.
3. **Options for Recommendation**
 - 3.1 **Option 1**
To agree the Forward Work Programme for the Governance and Audit Committee.
 - Option 2**
To suggest any amendments prior to agreeing the Forward Work Programme.

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Governance and Audit Forward Work Programme

| Topic | Purpose | Lead Officer |
|--|--|---------------|
| Meeting Date: 11th July 2022 | Deadline: 30th June 2022 | |
| Code of Governance | To present the revised Code of Governance for the Council. | Louise Rosser |
| Strategic Internal Audit Plan 2021-2026 | To provide Members with the strategic five-year Audit Plan for the period 2021-2026. | Louise Rosser |
| Internal Audit Outturn 2021/2022 | To present the Internal Audit Outturn for 2021/22 | Louise Rosser |
| Annual Report of the Audit and Risk Manager | To present the opinion of the Annual Opinion of the Audit & Risk Manager | Louise Rosser |

| | | |
|--|--|---------------|
| Special Meeting Date: 27th July 2022 | Deadline: 18th July 2022 | |
| Forward Work Programme 2022/23 | To agree the FWP for 2022/23 | Chair |
| Internal Audit Charter | To provide an updated copy of the Internal Audit Charter. | Louise Rosser |
| Audit Plan Progress Report (Qtr 1) | To update Members on the progress against the Internal Audit Plan. | Louise Rosser |
| BGCBC – Annual Audit Summary | To present the Audit Wales Annual Audit Summary. | Sarah King |
| Audit Wales 2022 Audit Plan for BGCBC | To present the Audit Wales 2022 Audit Plan. | Rhian Hayden |

| | | |
|---|--|---------------|
| Meeting Date: 21st September 2022 | Deadline: 19th September 2022 | |
| Certificate of Compliance 2022/23 | To present the Audit Wales Certificate of Compliance. | Sarah King |
| Corporate Risk Register / Risk Update | To update Members on the current corporate risk register | Louise Rosser |
| Draft Statement of Accounts 2021/22 | To present for consideration the 2021/22 Draft Statement of Accounts and to consider the Authority's financial standing as at 31 March 2022. | Rhian Hayden |
| Draft Annual Governance Statement | To present the draft Annual Governance Statement (AGS). | Louise Rosser |
| Quality Assurance and Improvement Programme | To present to Members the Quality Assurance and Improvement Programme for Internal Audit Services | Louise Rosser |

Governance and Audit Forward Work Programme

| Topic | Purpose | Lead Officer |
|--|---|--------------|
| Meeting Date: Special TBA | Deadline: | |
| Annual Self-Assessment of Council Performance 2021/22 To be published by 31 st October each year | To present the Annual Self-Assessment of Council performance. | Sarah King |

| Topic | Purpose | Lead Officer |
|--|---|---------------|
| Meeting Date: 16th November 2022 | Deadline: 7th November 2022 | |
| Audit Plan Progress Report (Qtr 2) | To update Members on the progress against the Internal Audit Plan. | Louise Rosser |
| RIPA Activity | To report on authorised RIPA activity as per the Council's policy. | Andrea Jones |
| External Quality Assessment | To report on the outcomes of the external quality assessment of Internal Audit | Louise Rosser |
| Annual Report of the Public Services Ombudsman for Wales 2020/21 | To inform Members of the Council's performance with regard to complaints to the Public Services Ombudsman for Wales. | Andrea Jones |
| Complaints Report (Qtr1 & Qtr2) | To present the bi-annual report on Complaints as required by the Ombudsman | Andrea Jones |
| Statement of Accounts 2021/22 | To present for approval the 2021/22 Statement of Accounts and to consider the Authority's financial standing as at 31 st March 2022. | Rhian Hayden |
| Audit of Financial Statements | To consider the report from the Council's External Auditors Wales Audit Office. | Rhian Hayden |
| Annual Governance Statement | To present the final Annual Governance Statement (AGS). | Louise Rosser |

| | | |
|---|--|---------------|
| Meeting Date: 11th January 2023 | Deadline: 23rd December 2022 | |
| Corporate Risk Register / Risk Update | To update Members on the current corporate risk register | Louise Rosser |

| | | |
|--|--|---------------|
| Meeting Date: 8th March 2023 | Deadline: 27th February 2023 | |
| Audit Plan Progress report (Qtr 3) | To update Members on the progress against the Internal Audit Plan. | Louise Rosser |

Governance and Audit Forward Work Programme

| Meeting Date: 17th April 2023 | Deadline: 17th April 2023 | |
|---|--|---------------|
| Code of Governance | To present the revised Code of Governance for the Council. | Louise Rosser |
| Internal Audit Outturn 2022/2023 | To present the Internal Audit Outturn for 2022/23 | Louise Rosser |

| Meeting Date: Dates to be arranged as necessary | Deadline: | |
|---|--|------------|
| Review of Governance and oversight arrangements of companies of which the Council has an interest | Following the audit Wales review of Silent Valley and subsequent recommendation, the following companies will be included within this report: Gwent Crematorium Gwent Archives EAS ALT | Sarah King |
| Audit Wales – Regenerating Town Centres | To present the Audit Wales report. | Ellie Fry |
| Audit Wales Reports | | Various |

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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: **Governance and Audit Committee**

Date of meeting: **27th July 2022**

Report Subject: **Internal Audit Charter**

Portfolio Holder: **Cllr Steve Thomas – Leader, Executive Member
Corporate Overview & Performance**

Report Submitted by: **Louise Rosser – Audit and Risk Manager**

| Reporting Pathway | | | | | | | | |
|-----------------------------|---------------------------|--------------------------|------------------------------|-------------------------------|--------------------|---------------------|---------|----------------------|
| Directorate Management Team | Corporate Leadership Team | Portfolio Holder / Chair | Governance & Audit Committee | Democratic Services Committee | Scrutiny Committee | Executive Committee | Council | Other (please state) |
| | 14/07/22 | | 27/07/22 | | | | | |

1. **Purpose of the Report**
 - 1.1 The purpose of this report is to present the Governance and Audit Committee with the Internal Audit Charter for 2022/23 (Appendix A) for consideration and agreement.
2. **Scope and Background**
 - 2.1 The Public Sector Internal Audit Standards (PSIAS) require the Authority to have an Internal Audit Charter that sets out the service's purpose, authority and responsibility.
 - 2.2 The Charter is to contain a number of elements to include:
 - The mandatory nature of the definitions of a number of terms;
 - The responsibilities and objectives of Internal Audit;
 - To require and enable the Audit and Risk Manager to deliver an annual opinion;
 - To explain how Internal Audit's resource requirements will be assessed;
 - To define the role of Internal Audit in any fraud related or consultancy work;
 - To explain the arrangements in place for avoiding conflicts of interest;
 - The organisational independence of Internal Audit;
 - The accountability, reporting lines and relationships between the Audit and Risk Manager and (i) those charged with Governance (ii) those to whom the Audit and Risk Manager may report;
 - Establishing Internal Audit's right of access to all records, assets, personnel and premises, including those of partner organisations, and explanations as it considers necessary to fulfil its responsibilities.
 - 2.3 The Charter must be periodically reviewed by both the Corporate Leadership Team (CLT) and the Governance and Audit Committee. This is undertaken on an annual basis.

3. **Options for Recommendation**

3.1 The Committee consider the attached Internal Audit Charter:

Option 1

Approve the Internal Audit Charter in line with good practice and the requirements of the Public Sector Internal Audit Standards (PSIAS).

Option 2

Suggest amendments to the Charter and then approve it

Option 3

Do not approve the revised Charter

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

4.1 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 (short and long term impact)***

There are no direct financial implications arising from production of the Internal Audit Charter.

5.2 ***Risk including Mitigating Actions***

Options 1 and 2 comply with the requirements of the PSIAS. Option 3, failure to review and approve the Internal Audit Charter would need to be reported in the Annual Report of the Audit and Risk Manager as a non-compliance with the PSIAS and, if deemed appropriate, included in the Annual Governance Statement. This could in turn result in increased activity by the external auditor and a resultant increase in audit fees.

5.3 ***Legal***

Provision of an adequate audit service contributes to the Section 151 Officer being able to fulfil her statutory duties under the Local Government Act (1972).

5.4 ***Human Resources***

There are no direct staffing implications arising from the revision of the Internal Audit Charter.

6. **Supporting Evidence**

6.1 ***Performance Information and Data***

The Internal Audit Charter is updated on an annual basis. The last revision was in July 2021.

- 6.2 ***Expected outcome for the public***
An effective Internal Audit Service and Governance & 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 controls.
- 6.3 ***Involvement (consultation, engagement, participation)***
The Governance & Audit Committee are consulted on the compilation of the Internal Audit Charter and its annual review.
- 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***
The provision of an effective Internal Audit Service, as set out in the Internal Audit Charter, demonstrates the Authority's intent to consider the adequacy of its control environment including the identification and prevention of fraud.
- 6.6 ***Collaboration / partnership working***
The work of Internal Audit includes placing reliance on audits led by other local authorities and cross departmental reviews.
- 6.7 ***Integration (across service areas)***
The work of Internal Audit aims to provide assurance on the whole of the Authority's control environment.
- 6.8 ***Decarbonisation and Reducing Carbon Emissions***
There are no direct implications arising from the production of the Internal Audit Charter.
7. **Monitoring Arrangements**
- 7.1 The Internal Audit Charter is reviewed on an annual basis.

Background Documents / Electronic Links

- Appendix A - Internal Audit Charter

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Blaenau Gwent County Borough Council



Internal Audit Charter 2022-23

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1. Introduction

- 1.1. The Internal Audit Charter defines the purpose, authority and principal responsibilities of Blaenau Gwent County Borough Council's Internal Audit Section. The Audit & Risk Manager is responsible for reviewing the Charter and presenting it to both Corporate Leadership Team and to the Governance & Audit Committee annually for review and approval.
- 1.2. The Charter complies with the Public Sector Internal Auditing Standards (PSIAS) and is organised into the sections as follows (with the relevant standards informing these sections shown alongside);

| Section: | PSIAS: |
|---|---|
| Purpose, authority and responsibilities | 1000 & 1010 |
| Independence and objectivity | 1100, 1110, 1111, 1120 & 1130 |
| Proficiency and due professional care | 1200, 1210, 1220, 1230 & 2030 |
| Quality assurance and improvement programme | 1300, 1310, 1311, 1312, 1320, 1321 & 1322 |

- 1.3. These standards refer to the following three terms and require that they are defined for the purpose of the Audit Charter. Listed below are the terms referred to along with the officer / body that undertakes the role on behalf of Blaenau Gwent.
- *Chief Audit Executive* – The Audit & Risk Manager
 - *The Board* – Governance & Audit Committee
 - *Senior Management* – Corporate Leadership Team

2. Purpose, Authority and Responsibility

2.1. Purpose (Definition of Internal Auditing)

- 2.1.1. The Public Sector Internal Auditing Standards define Internal Audit as follows:

“An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

2.2. Objectives

- 2.2.1 The objectives of the Internal Audit Service are:

- To assist the Chief Officer Resources in discharging her statutory duties under Section 151 of the Local Government Act 1972 and subsequent legislation.

- To provide the Council and its Departments with an adequate and effective system of Internal Audit of all accounting records and control systems.
- To assist the Council in achieving its aims in relation to Corporate Governance.
- To support the Council in its search for savings and achievement of Value for Money.
- To help the Council to achieve its service goals by minimising the risks of loss from error, fraud, waste or extravagance.
- To support the work of the Governance & Audit Committee.

2.2.2. These objectives will be delivered through maintaining a high quality Internal Audit function that meets the needs of the Council, supporting the Section 151 Officer and the Governance & Audit Committee in discharging their responsibilities and meeting the requirements of the PSIAS.

2.2.3. Internal Audit is a statutory function in the context of the Accounts and Audit Regulations (Wales) 2014, which states in respect of internal audit:

“A relevant body (i.e. the Council) must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.”

2.2.4. Section 151 of the Local Government Finance Act 1972 requires every local authority to designate an officer responsible for the proper administration of its financial affairs. In Blaenau Gwent Council this is the Chief Officer Resources.

2.3. Scope and Authority

2.3.1. The scope for Internal Audit is to review, appraise and report on the adequacy of the internal controls across the whole organisation’s control environment as a contribution to the proper, economic, efficient and effective use of resources. This includes delivering the objectives identified in section 2.2 of this charter by providing the Council and its departments with an adequate and effective system of Internal Audit of all accounting records and control systems.

2.3.2. In accordance with the Accounts and Audit Regulations (Wales) 2014, Internal Audit staff will have unrestricted access to all Council activities and records (including manual and computerised systems), personnel, cash, stores, other assets and premises. Internal Audit has the authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. This is provided for in the Authority’s Financial Procedure Rules.

2.3.3. All Officers within the council are required to give complete co-operation to Internal Audit for the expected fulfilment of the audit process. Internal Audit is located within the Corporate Services Department, reporting to the Chief Officer Resources and where necessary to the Chief Executive. The portfolio holder is the Executive Member Corporate Overview and Performance who is also the Leader of the Council.

3. Independence and Objectivity

- 3.1. To be effective, Internal Audit must be independent and be seen to be independent. To ensure this, Internal Audit will operate within a framework that allows:
- Unrestricted access to Senior Management, Head of Paid Service and the Chair of the Governance & Audit Committee
 - Reporting in its own name
 - Segregation from line operations
- 3.2. Every effort will be made to preserve objectivity by controlling the involvement of audit staff in non-audit duties in order to avoid potential conflicts of interest, specific exceptions are however acceptable in respect of ad hoc fraud investigations, encouragement and development of improved internal control systems, and participation in service improvement projects. Specifically, appropriate arrangements have been put in place for the line management of the Risk Management and Insurance Service. Audit output relating to this service area will not be directed by the Audit & Risk Manager. Reports will be signed off by the Chief Officer Resources.
- 3.3. Internal Audit will report on a regular and routine basis to the Governance & Audit Committee. Such reports will include both operational and strategic Audit Plans and progress against them, together with the Annual Report of the Audit & Risk Manager and summaries of significant audit findings, audit activity and developing issues during the year.
- 3.4. The ultimate management of Blaenau Gwent County Borough Council rests with the full Council however the Council via its Scheme of Delegation will designate responsibility to other committees and / or individuals. The Governance & Audit Committee has been designated as the body with responsibility 'of those charged with governance' and as such will receive a number of formal reports such as the Annual Statement of Accounts and the Annual Governance Statement. Where necessary, the Audit & Risk Manager may report directly to Council, but reports may be submitted as appropriate to the Executive, the Governance & Audit Committee, a Scrutiny Committee, or the Corporate Leadership Team.

4. Internal Audit Standards

- 4.1. There is a statutory requirement for Internal Audit to work in accordance with defined audit practices. These are set out in the PSIAS which the Chartered Institute of Public Finance and Accountancy (CIPFA) have developed in collaboration with the Chartered Institute of Internal Auditors (CIIA). These standards have been in force since the 1st April 2013, and were refreshed in April 2017 to incorporate the Mission of Internal Audit and Core Principles for the Professional Practice of Internal Auditing.
- 4.2. Blaenau Gwent's Internal Audit staff will;
- Comply with relevant auditing standards;

- Comply with and promote compliance throughout the Council with all the applicable rules and policies.
 - Be expected at all times to adopt a professional, reliable, independent and innovative approach to their work.
 - It is essential that Internal Audit staff are, and are seen to be impartial. All Internal Audit Staff are required to complete an annual declaration of interest, in line with their professional ethics. The Audit & Risk Manager is responsible for ensuring that audit staff are not assigned to operational areas or investigations that could compromise their independence.
- 4.3. Internal Audit has adopted (as a minimum) the Chartered Institute of Internal Auditors (CIIA's) Code of Ethics. Where staff have attained membership with other professional bodies such as: CIPFA, ACCA, etc. those officers must also comply with their own relevant bodies ethical requirements.
- 4.4. Each member of the Internal Audit Section receives a copy of the Code of Ethics and signs up to an annual declaration to confirm that they will work in compliance with the Code of Ethics as well as the Councils standards and policies such as the Code of Conduct. Where potential areas of conflict may arise during the year, the auditor will also be required to disclose this. It is critical that all Auditors maintain high standards of integrity, independence, objectivity, confidentiality and competence.

5. Proficiency and Due Professional Care

- 5.1. Directors, Heads of Services, Chief Officers and Managers are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their service.
- 5.2. The Audit & Risk Manager is required to manage the provision of a complete Internal Audit Service which will include reviewing the systems of internal control operating throughout the council, and will adopt a combination of system based, risk based and regularity audit.
- 5.3. In discharge of the duty, the Audit & Risk Manager will:
- Prepare an annual strategic risk based audit plan for formal ratification by the Governance & Audit Committee.
 - The Annual Audit Plan will be flexible and may be revised to reflect changing services and risk assessments.

6. Resources and Proficiency

- 6.1. The staffing structure of the Internal Audit Section will combine professional experience and specialisms, with a mix of qualified and technician posts to reflect the varied functions of the section. The Internal Audit Service is regularly reviewed to ensure it remains fit for purpose and continues to align to both professional practices and the Authority's priorities.

- 6.2. Staff resources will be kept under review by the Audit & Risk Manager and the Chief Officer Resources in line with the requirements of the current workload.
- 6.3. The Internal Audit Section will devise and support a training plan to promote the development of experience and/or professional competence for all levels of staff in accordance with the business requirements of the section.
- 6.4. The Audit & Risk Manager must hold a professional qualification (Consultative Committee of Accountancy Bodies (CCAB) or equivalent) and be suitably experienced. The Audit & Risk Manager is a Fellow of the Association of Chartered Certified Accountants (FCCA).
- 6.5. Each job role within the Internal Audit Service will detail the prerequisite skills and competencies required for that role, outlining the professional proficiency and responsibilities of individual auditors.
- 6.6. Auditors are also required to maintain a record of their continual professional development (CPD) in line with both the PSIAS and their professional bodies.

7. Due Professional Care

- 7.1. Internal Auditors must exercise due professional care by considering the:
 - Extent of work needed to achieve the assignment objectives;
 - Relative complexity, materiality or significance of matters to which assurance procedures are applied;
 - Adequacy and effectiveness of governance, risk management and control processes;
 - Probability of significant errors, fraud, or non-compliance; and
 - Cost of assurance in relation to potential benefits.

8. Quality Assurance and Improvement Programme

- 8.1. To enable the Audit & Risk Manager to assess the Internal Audit Service with regard to the conformance with PSIAS and to aid in the annual assessment of the Internal Audit Service's efficiency and effectiveness and identify opportunities for improvement, a Quality Assurance and Improvement Programme must be developed.
- 8.2. The Quality Assurance and Improvement Programme will include both internal and external assessments in accordance with the Public Sector Internal Audit Standards.
- 8.3. Where there are instances of non-conformance to the Public Sector Internal Audit Standards this will be reported to the Governance & Audit Committee and if required detailed within the Annual Governance Statement.

8.4. Internal Assessment

- 8.4.1. All Auditors have access to up to date business processes, working instructions, the Internal Audit Charter, Council policies, the PSIAS, journals, publications and other relevant articles. Where Auditors are members of bodies such as CIPFA, ACCA and CIIA, further guidance is available.
- 8.4.2. To maintain quality, audits are allocated to staff with appropriate skills, competence and experience. All levels of staff are supervised; audits are monitored for progress, assessed for quality and to allow for coaching, mentoring and training.
- 8.4.3. Targets are set for individual Auditors, (such as the completion of an allocated audit within a set number of days). Audit targets and performance indicators are reported to the Governance & Audit Committee in line with the committee cycle.
- 8.4.4. In addition, progress made against the audit plan and any emerging issues (i.e. fraud or governance risks) are reported regularly to the Governance & Audit Committee.
- 8.4.5. Ongoing assessments of Auditors are carried out through regular one to one meetings, feedback from clients via quality control interviews and during the annual performance appraisal.

8.5. External Assessment

- 8.5.1 In compliance with the PSIAS, external assessments will be carried out at least once every five years, by a qualified, independent assessor or assessment team from outside the organisation.
- 8.5.2 An External Quality Assessment was undertaken during 2016/17 as a self-assessment with peer review in conjunction with a number of other Welsh local authorities. The assessment found the Internal Audit Service to conform to the PSIAS. An External Quality Assessment is scheduled for 2022/23 and is currently in progress.

Agenda Item 8

Executive Committee and Council only

Date signed off by the Monitoring Officer:

Date signed off by the Section 151 Officer:

Committee: **Governance & Audit Committee**

Date of meeting: **27th July 2022**

Report Subject: **Internal Audit Progress Report**

Portfolio Holder: **Cllr Steve Thomas – Leader / Executive Member for Corporate and Performance**

Report Submitted by: **Andrea Owen Professional Lead - Internal Audit**

| Reporting Pathway | | | | | | | | |
|-----------------------------|---------------------------|--------------------------|------------------------------|-------------------------------|--------------------|---------------------|---------|----------------------|
| Directorate Management Team | Corporate Leadership Team | Portfolio Holder / Chair | Governance & Audit Committee | Democratic Services Committee | Scrutiny Committee | Executive Committee | Council | Other (please state) |
| Virtual | Virtual | | 27.07.22 | | | | | |

1. Purpose of the Report

The purpose of this report is to update the Governance & Audit Committee on the progress against the Internal Audit Plan for the period 1st April 2022 to 30th June 2022.

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 The Internal Audit Plan has been compiled based upon Risk Assessments whereby each potential audit area is scored using a risk matrix. The scoring matrix uses a set of criteria relating to the audit risks, the Authority's objectives and the views of Senior Managers.

2.3 The audit work allocated to staff for the period April to June 2022 is based on the outcomes of the Risk Assessment exercise. This approach allows more flexibility in the audit plan and can accommodate an individual auditor's experience and Skill set when allocating audits.

3. Options for Recommendation

3.1 The Governance & Audit Committee consider the report and findings within the attached Appendices, notes the progress on activities for the period 1st April 2022 to 30th June 2022, providing appropriate challenge where relevant.

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 an ambitious and innovated council delivering quality services we know matter to our communities, 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 Governance & 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 (short and long term impact)

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

Provision of an adequate audit service, demonstrated in part through the production of a suitable audit plan, 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 currently has a complement of six full time posts. This includes an Apprentice post via the Aspire Scheme administered by the Authority enabling a young person to develop a professional skill set, gain experience and attain the AAT qualification.

The section's sickness for the period 1st April 2022 to 30th June 2022 is an average of 0 days per person (excluding Covid 19 related sickness) against a Corporate target of 8 days per person.

6. **Supporting Evidence**

6.1 Performance Information and Data

Activities during the period 1st April to 30th June 2022 including the audits concluded from the financial year 2021/22 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, the Internal Audit reports are presented at Appendix B.

- 6.1.1 Performance data for the Section for the period to 30th June 2022 is presented at Appendix C. The grading's issued during the period and percentage coverage for each department is shown at Appendix D and E.

6.2 Expected outcome for the public

An effective Internal Audit Service and Governance & 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 controls.

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 Decarbonisation and Reducing Carbon Emissions.

No impact for this report.

6.9

Integrated Impact Assessment

No impact assessment is required for this report.

7. Monitoring Arrangements

- 7.1 Internal Audit Summary reports are presented to the Governance & Audit Committee as part of the progress report. Where audit assignments have been graded as Limited Assurance or No Assurance, the Internal Audit Report will be provided as appendices for Members' consideration.
- 7.2 Performance data for the Section is periodically presented to members as part of the ongoing progress reports.
- 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 Governance & 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 2022 to June 2022.
- Appendix B1-3 - Internal Audit Reports (Appendix B3 Exempt Item).
- Appendix C - Performance Indicators 2022/23.
- Appendix D - Grading's issued for the period April to June 2022.
- Appendix E - Percentage coverage for each department.

| Directorate | Service Area | Audit Area | Audit Scope | Grading | Progress / Comments |
|-------------------------------------|--|---|---|----------------------|---|
| Commercial | Customer Services | Isolation Payments (2021/22) | To determine the effectiveness of the internal controls operating in respect of the processes undertaken for Isolation Payments as part of the Covid pandemic response. | Not Applicable | A review commenced in January 2022. Draft report being prepared. |
| Education | Education Transformation | Brynbach Primary - Savings club (2021/22) | Review of the savings club following the school fund audit. | Limited Assurance | Final report issued in January 2022. 3 weaknesses were identified of which all 3 were classified as high risk. The Manager has agreed an appropriate action to mitigate the weaknesses identified. The Internal Audit report can be seen at Appendix B |
| | | Youth Support Grant | Internal Audit review to assess compliance with the grant terms and conditions including signing the Grant Certificate for Welsh Government. | Full Assurance | Audit certificate and audit report issued in May 2022. No weaknesses identified. |
| | | School systems - ICT | To determine the effectiveness of the internal controls operating in respect of the ICT system passwords in schools, as identified as part of the Control Risk Self Assessment process. | Not Applicable | A review commenced in March 2022. Audit report being prepared. |
| General | General Audit Areas | Contract Audit - <£75k | To determine the effectiveness of the internal controls operating in respect of Contract Compliance for a sample of Contracts valued at less than £75,000. | Not Applicable | A review commenced in April 2022. Audit testing ongoing. |
| | | Contract Compliance (2021/22) | To determine the effectiveness of the internal controls operating in respect of Contract Compliance for a sample of Contracts awarded. | Not Applicable | A review commenced in February 2022. Audit testing ongoing. |
| | | Thematic audit Recruitment and Retention (2021/22) | 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 | Final Audit reports issued in May 2022. The responsible Managers have agreed appropriate actions to mitigate the weaknesses identified. |
| Governance and Partnerships | Partnership and Policy | CCTV | To determine the effectiveness of the internal controls operating in respect of CCTV in particular compliance with relevant Legislation and Code of Practice. | Not Applicable | Draft report issued in June 2022. A meeting has been arranged to agree an action plan. |
| | | Declaration of Interest Audit (2021/22) | Internal Review to ensure compliance with the Code of Conduct in respect of the Register of Business Interest | Limited Assurance | Final report issued in June 2022. 4 weaknesses were identified of which all were classified as high risk. The Manager has agreed an appropriate action to mitigate the weaknesses identified. The Internal Audit report can be seen at Appendix B |
| | | Safeguarding | To determine the effectiveness of the internal controls operating in respect of Safeguarding with specific regard to the response made to the recommendations of Audit Wales. | Not Applicable | A review commenced in October 2021. Draft report being reviewed. |
| | Organisational Development | Payroll Overtime | To determine the effectiveness of the internal controls operating in respect of the overtime process in the Payroll Section. | Reasonable Assurance | Final report issued in May 2022. 3 weaknesses were identified of which 1 was classified as high risk, 1 was medium risk and 1 was low risk The Manager has agreed an appropriate action to mitigate the weaknesses identified. |
| | | Notification of Terminations | To determine the effectiveness of the internal controls operating in respect of the Notification process in respect of Terminations. | Limited Assurance | Final report issued in June 2022. 7 weaknesses were identified of which 5 were classified as high risk, and 2 were medium risk. The Manager has agreed an appropriate action to mitigate the weaknesses identified. The Internal Audit report can be seen at Appendix B |
| Legal and Corporate Compliance | Corporate Services & Registration | Registrars Service Review | To undertake a service review of the Registrars systems and operations with a review to streamline processes and provide efficiencies for the Authority. | Not Applicable | A review commenced in May 2022. Audit planning ongoing. |
| Regeneration and Community Services | Community Services - Public Protection | Enable Grant | Internal Audit review to assess compliance with the grant terms and conditions including signing the Grant Certificate for Welsh Government. | Not Applicable | A review commenced in May 2022. Audit testing ongoing. |
| | | Temporary Accommodation (Housing Options) | To determine the effectiveness of the internal controls operating within Housing Options and Temporary Accommodation. | Not Applicable | A review commenced in June 2022. Audit testing ongoing. |
| | | Home to School Transport (2021/22) | To determine the effectiveness of the internal controls operating in respect of the Home to School Transport. | Not Applicable | A review commenced in July 2021. Audit testing is ongoing. |
| | | Trading Standards Covid Enforcement | To determine the effectiveness of the internal controls operating in respect of the processes undertaken as part of the Covid pandemic and Trading Standards enforcement. | Not Applicable | A review commenced in April 2022. Audit testing is ongoing. |
| | Regeneration - Development Control | Building Control & Dangerous Structures (2021/22) | To determine the effectiveness of the internal controls operating in respect of the Building Control Process. | Not Applicable | A review commenced in July 2021. Draft reports being reviewed. |
| | Regeneration - Thriving Communities | Economic Resilience Fund - Support to Businesses (2021/22) | To determine the effectiveness of the internal controls operating in respect of the processes undertaken for administering the Economic Resilience Fund grants as part of the Covid pandemic response. | Not Applicable | A review commenced in March 2022. Draft report being reviewed. |
| Resources | Financial Services | Regional Consortia School Improvement Grant | Internal Audit review to assess compliance with the grant terms and conditions including signing the Grant Certificate for Welsh Government. | Not Applicable | A review commenced in June 2022. Audit testing ongoing. |
| | | Pupil Development Grant | Internal Audit review to assess compliance with the grant terms and conditions including signing the Grant Certificate for Welsh Government. | Not Applicable | A review commenced in June 2022. Audit testing ongoing. |
| | Adult Services - Development & Commissioning | Supporting People Regional Development Co-ordinator (RDC) Grant | Internal Audit review to assess compliance with the grant terms and conditions including signing the Grant Certificate for Welsh Government. | Not Applicable | A review commenced in June 2022. Audit testing ongoing. |
| | | Supporting People/ Housing Support Grant | Internal Audit review to assess compliance with the grant terms and conditions including signing the Grant Certificate for Welsh Government. | Not Applicable | A review commenced in May 2022. Audit report being prepared. |

| | | | | | |
|-----------------|------------------------------------|---------------------------------|--|----------------------|--|
| Social Services | Adult Services - Provider Services | Augusta House (2021/22) | Internal Audit Establishment review to determine the effectiveness of the internal controls operating in Augusta House . | Reasonable Assurance | Final report issued in April 2022. 8 weaknesses were identified of which 4 were classified as high risk and 4 medium risk. The Manager has agreed an appropriate action to mitigate the weaknesses identified. |
| | | Social Services Overtime Review | To undertake a review of the administration process in respect of Social Services Homecare overtime payments and consolidated timesheets submitted to Payroll. | Not Applicable | A review commenced in November 2021. Audit report being prepared. |

INTERNAL AUDIT REPORT**SYSTEMS AUDIT – EXIT INTERVIEWS FOR VOLUNTARY RESIGNATIONS****1. INTRODUCTION/OBJECTIVES**

- 1.1. The objective of the audit was to evaluate the systems in operation with a view to providing assurance to the Authority over the adequacy of the internal control environment in respect of Exit Interviews for Voluntary Resignations in line with the Audit Plan for 2021/22.
- 1.2. This report includes an Audit Opinion and a Risk Rating Category, further details of which are contained in Appendix A.

2. SCOPE OF THE AUDIT

- 2.1. The scope of the audit was to determine the effectiveness of the internal controls for Exit Interviews within the Authority, to ensure the following: -
 - That the Authority complies with its Recruitment Code in its operations,
 - That Exit Interviews are undertaken where possible with leavers of the Authority, with results of the responses acted upon.
- 2.2. The audit involved confirming the current system with relevant staff and ‘walk through tests’ conducted on a sample of records across the Authority.

3. BACKGROUND

- 3.1. There are no legal requirements on the Authority relating to Exit Interviews. The Authority has a Recruitment Code guiding the Officers and Managers of the Authority. This Policy is normally held on the Intranet of the Council, but the document is currently under review and is therefore not available on this platform currently.
- 3.2. The Recruitment Code stipulates that: ‘on receipt of the resignation letter the Organisational Development (OD) Division will send the employee a leaver’s questionnaire for completion with the opportunity to attend an exit interview, which will be conducted by an Organisational Development Division representative prior to termination’.
- 3.3. A copy of the completed leaver’s questionnaire is supplied to the appropriate Corporate Director and Line Manager, in order to aid discussions on future employee retention and help to identify any particular departmental or job-related issues.
- 3.4. The Section maintains a Performance Indicator to monitor voluntary and involuntary leavers. This is an internal indicator for OD management. The Indicator has been completed up to, and including, Quarter 3 of 2021/2022.

4. AUDIT FINDINGS AND WEAKNESSES

- 4.1. A Report was obtained from the iTrent system of all voluntary leavers from 1st April 2020 to 25th January 2022. The Report identified Two Hundred and sixty-four employees who had left the Authority during this two-year period. Of these voluntary leavers, eleven had responded with a completed questionnaire which is a 4% response rate.
- 4.2. The letter template issued to leavers was obtained with the content reviewed at the time of audit. It was identified that there are no stipulated response timescales contained within the letter issued which could discourage leavers from submitting a questionnaire.
- 4.3. From the sample of leavers questionnaires, it was identified that in one instance, an Exit Interview had been undertaken with basic notes retained of the meeting and no subsequent actions recorded. It was determined at the time of audit that notes of Exit Interviews would be captured on the questionnaires only.
- 4.4. From the sample of leavers, the audit was unable to establish any further actions undertaken by the OD Section relating to any comments made as part of any of the questionnaire's completed. Although this would only occur if a response was received. The lack of actions being able to be evidenced based on either a positive or negative response from leavers, indicates the Authority is not using any comments received for any purpose.
- 4.5. The Section maintains a Performance Indicator to monitor all labour turnover as reported per the OD Business Plan. However, it was identified during the audit that no trend analysis is undertaken. This could be potentially useful information to consider compiling, if combined for example, with team size on a year by year basis.
- 4.6. A copy of the completed leaver's questionnaire is supplied to the appropriate Corporate Director and Line Manager, in order to aid discussions on future employee retention and help to identify any particular departmental or job-related issues. From the sample selected, it was identified that in one instance, the Department had not received the employee's questionnaire response.

5. **RISKS AND AGREED ACTIONS**

| <u>Ref</u> | <u>Summary of Findings</u> | <u>Risk</u> | <u>Agreed Action</u> | <u>Client Management Comments</u> | <u>Person Responsible and Target Date</u> |
|------------|--|--|---|--|---|
| 4.1. | Response rates to the Exit Interview questionnaires are low and the Authority needs to be more proactive in their approach of engaging staff to complete them. | <u>High:</u> The Authority captures no information from staff members who have left. | The Recruitment Policy is currently under review. | In line with our current policy we issue exit questionnaires and provide an option to attend an exit interview to all those staff who voluntarily resign from the Council. The Recruitment Policy is currently under review and the approach to exit interviews will be considered. | Senior HR Business Partner |
| 4.1. | All leavers should be issued with a leavers questionnaire and a letter offering them an Exit Interview. | <u>High:</u> The Authority captures no information from staff members who have left. The Authority cannot react to any potential weaknesses within departments. | Consideration will be given to whether current practice can be extended wider to all those that voluntarily leave the organisation. | In line with Council policy and best practice exit information is gathered from those that voluntary resign. Consideration will be given to whether current practice can be extended wider to all those that voluntarily leave the organisation. This process will not apply in the case where the Authority terminates employment. | Senior HR Business Partner |

| <u>Ref</u> | <u>Summary of Findings</u> | <u>Risk</u> | <u>Agreed Action</u> | <u>Client Management Comments</u> | <u>Person Responsible and Target Date</u> |
|------------|--|--|---|---|---|
| 4.2. | There are no stipulated response timescales contained within the letter issued requesting a response. | <u>Medium:</u> The return rate of questionnaires be adversely affected if no timescales are set. | A return date will be added to the letter. | <p>A return date will be added to the letter. However not sure this will have a positive impact on return rates.</p> <p>This could dissuade responders if they have inadvertently missed the deadline and in some cases the individual may wish to submit after termination.</p> <p>Therefore, suggest that whilst a date is added that there is some flexibility in the wording to allow late submissions. Given that this is a voluntary process.</p> | Senior HR Business Partner |
| 4.3. | The Section should consider retaining notes on any Exit Interviews undertaken. In addition, the Section should create a standard template to record notes. | <u>High:</u> Any issues identified cannot be evidenced or any corrective action taken. | The current format will be reviewed and consideration given to a standard format for recording. | <p>Where an exit interview meeting is requested following completion of the questionnaire the advice is that a notes of the meeting would be retained and kept on individual personal files.</p> <p>The current format will be reviewed and consideration given to a standard format for recording.</p> | Senior HR Business Partner |

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| 4.4. | Further actions undertaken by the OD Section relating to any comments made as part of the questionnaire's completed should be recorded and acted upon. | <u>High:</u> Any issues identified cannot be evidenced or any corrective action taken. | This will be considered as part of the review of the questionnaire. | This will be considered as part of the review of the questionnaire. Actions relating to the completed questionnaire may require a directorate response. | Senior HR Business Partner |
| 4.5. | No trend analysis of leavers is undertaken that could be potentially useful. | <u>Medium:</u> The Authority may not be aware of specific areas of concern where staff are leaving frequently. | Consideration will be given to how this data can be incorporated into the annual corporate and directorate workforce profiles. | Consideration will be given to how this data can be incorporated into the annual corporate and directorate workforce profiles which will feed into the Councils workforce planning processes. | Senior HR Business Partner |
| 4.6 | A Departmental Manager did not receive a copy of the Leavers completed questionnaire. | <u>High:</u> Managers may not be aware of reasons staff leave. | This was an oversight. | This was an oversight and in line with Council Policy Managers will be supplied with a copy of the completed leavers questionnaire. | Senior HR Business Partner |

6. CONCLUSIONS

- 6.1. The audit report is 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.

7. INTERNAL CONTROL STANDARD GRADING

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| 7.1. In accordance with the standard gradings set out in Appendix A, the systems examined indicate that internal controls for the Exit Interview process within the Authority needs to be reviewed. A number of control weaknesses have been identified relating to response rates. Therefore, the grading is assessed as ' <u>Limited Assurance</u> '. |
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INTERNAL AUDIT REPORT**DECLARATION OF INTEREST****1. INTRODUCTION/OBJECTIVES**

- 1.1. The objective of the audit was to evaluate the procedures in place with a view to providing assurance to the Authority over the adequacy of the internal control environment and ensure compliance with the staff Code of Conduct with regards to completing the Declarations of Interest form in line with the Audit Plan for 2021/22.
- 1.2. The audit was undertaken to complement the wider Thematic audit review into the staff starter processes.
- 1.3. This report includes an audit opinion and a risk rating category, further details of which are contained in Appendix A.

2. SCOPE OF THE AUDIT

- 2.1. To undertake a review of the procedures in place in relation to the Declaration of Interest form and to ensure it is meeting the above objectives.

3. BACKGROUND

- 3.1 To ensure compliance with the Council's Officer Code of Conduct it is necessary for all employees to complete the Declaration of Interest Form and declare if they have an interest or potential interest.
- 3.2 Conflicts of interest may occur if a decision of the Council could affect you directly, or indirectly via close friends and relatives, either positively or negatively.
- 3.3 If a relationship may give rise to a real or perceived conflict of interest, trust issue or breach of confidentiality you must declare it to your line manager or other appropriate person, in confidence, as soon as you can.

4. AUDIT FINDINGS**4.1. Declaration of Interest**

- 4.1.1. During the audit, a sample of 80 employees from all Directorates within the Authority were examined and the following findings were identified:
 - Of the 80 sampled, 30 employees' (37.5%) failed to respond confirming that a Declaration of Interest form has been completed to declare if they have an interest or potential interest.
 - Of the 50 employees that did respond, 27 (54%) requested a Declaration of Interest form to be issued during the audit indicating they did not have a valid form. In addition, 4 employees (8%) confirmed that they did not have a valid form in place at the time at the time of audit.

- 4.1.2. It was noted during the audit that the current form available within the officer Code of Conduct does not provide instruction for staff to declare 'No' interest and the policy does not confirm the frequency of completion. It is advised that the policy/form is amended and strengthened to ensure staff write 'None' if there is no interest to declare and the form is signed and dated on an annual basis as a minimum or where there has been a change in circumstances.
- 4.1.3. Management should consider updating the policy to reflect the above changes and provide instruction and guidance for a responsible officer to review and maintain the completed Declaration of Interest forms submitted by all employees in future.

5. RISKS AND AGREED ACTIONS

| Ref | Summary of findings | Risk | Agreed Action | Client Management Comments | Person Responsible and Target Date |
|--------|---|--|---|----------------------------|---|
| 4.1.1. | Of the 80 employees sampled, 30 employees' (37.5%) failed to respond confirming that a Declaration of Interest form has been completed. | <p>High: Not able to obtain assurance that Declaration of Interest have been completed correctly in accordance with Council requirements.</p> <p>Declarations of Interest may not have been completed in instances where they should have been formally recorded.</p> | Relevant information will be disseminated to all DMTs for departments to implement actions where appropriate. | | Departmental Management Team – 6 Months |
| 4.1.1. | Of the 50 employees that did respond, 27 (54%) requested a Declaration of Interest form to be issued during the audit indicating they did not have a valid form. Along with 4 employees (8%) confirmed that they did not have a valid form in place at the time at the time of audit. | <p>High: Not able to obtain assurance that Declaration of Interest have been completed correctly in accordance with Council requirements.</p> <p>Declarations of Interest may not have been completed in instances</p> | Relevant information will be disseminated to all DMTs for departments to implement actions where appropriate. | | Departmental Management Team – 6 Months |

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| | | where they should have been formally recorded. | | | |
| 4.1.2. | It was noted during the audit that the current form available within the staff Code of Conduct does not provide instruction for staff to declare 'No' interest and the policy does not confirm the frequency of completion. It is advised that the policy/form is amended and strengthened to ensure staff write 'None' if there is no interest to declare and the form is signed and dated on an annual basis as a minimum or where there has been a change in circumstances. | <p>High: Declaration of Interests may not have been completed in instances where they should have been formally recorded.</p> <p>May be a lack of formal evidence that each employee has considered whether they require to make a declaration.</p> <p>Declarations may be out of date / not current.</p> | Organisational Development will review the policy and make appropriate amendments. | | Head of Organisational Development – 6 Months |
| 4.1.3. | Management should consider updating the policy to reflect the above changes and provide instruction and guidance for a responsible officer to review and maintain the completed Declaration of Interest forms submitted by all employees in future. | <p>High: There may be a lack of consistency across the Council in how forms are completed and stored.</p> | Organisational Development will review the policy and make appropriate amendments. | | Head of Organisational Development – 6 Months. |

6. CONCLUSIONS

- 6.1. This audit report is compiled from the results of 80 employees examined and consequently the only points made are whereby 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.

7. INTERNAL CONTROL STANDARD GRADING

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| <p>7.1. In accordance with the standard grading set out in Appendix A, the systems examined indicate that internal controls across the Authority and the policy in respect of the Declaration of Interest needs to be reviewed and strengthened. Weaknesses have been identified that require actions to be implemented. The grading is therefore assessed as <u>'Limited Assurance'</u>.</p> |
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INTERNAL AUDIT PROGRESS REPORT – APPENDIX B3 – EXEMPT INFORMATION

Exempt information as defined in Paragraph 12, Schedule 12A of the Local Government Act, 1972 (as amended) – information relating to a particular individual

(Appendix B3 circulated under separate cover to Members)

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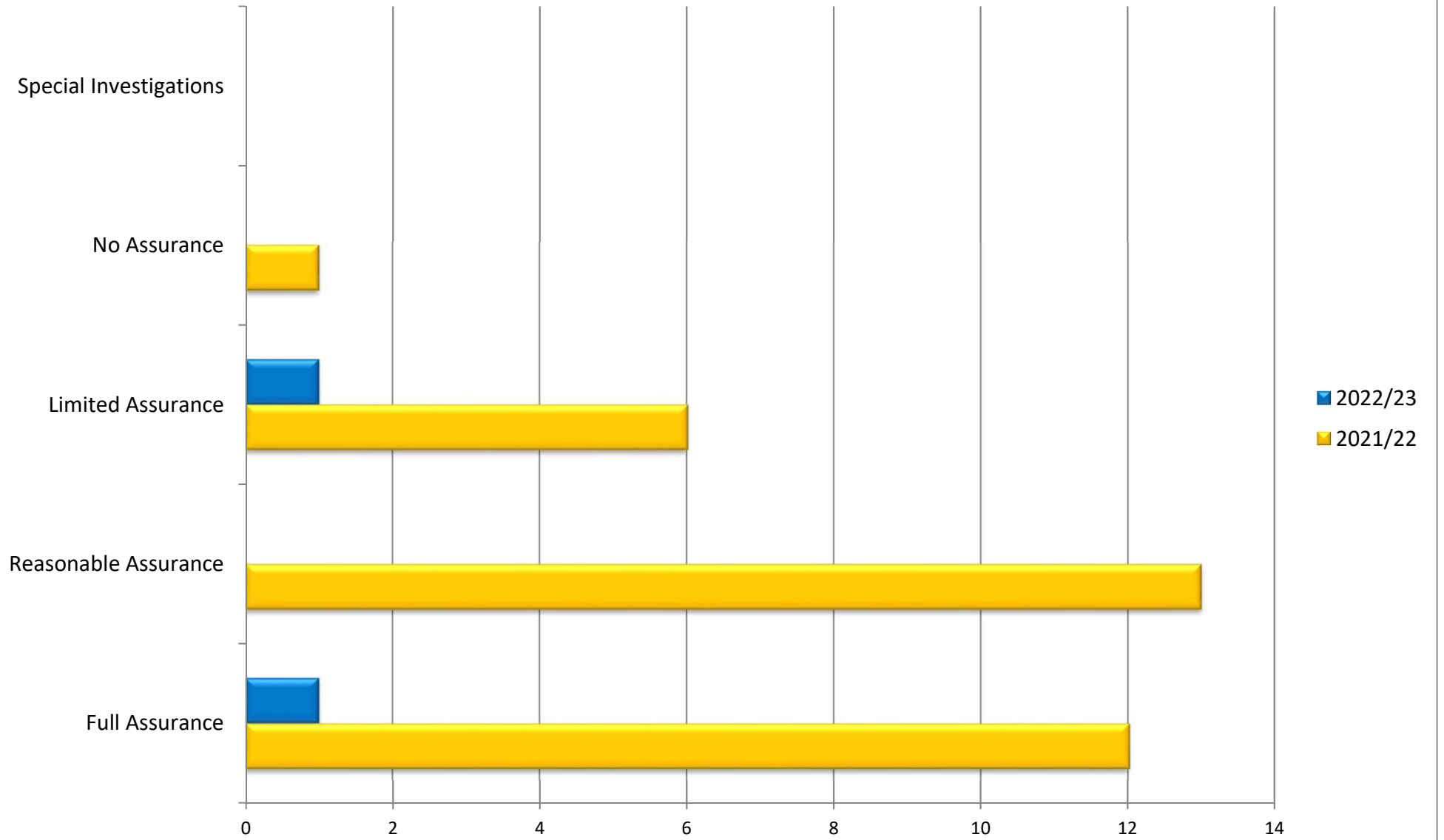
INTERNAL AUDIT SECTION

PERFORMANCE INDICATORS 2022/23

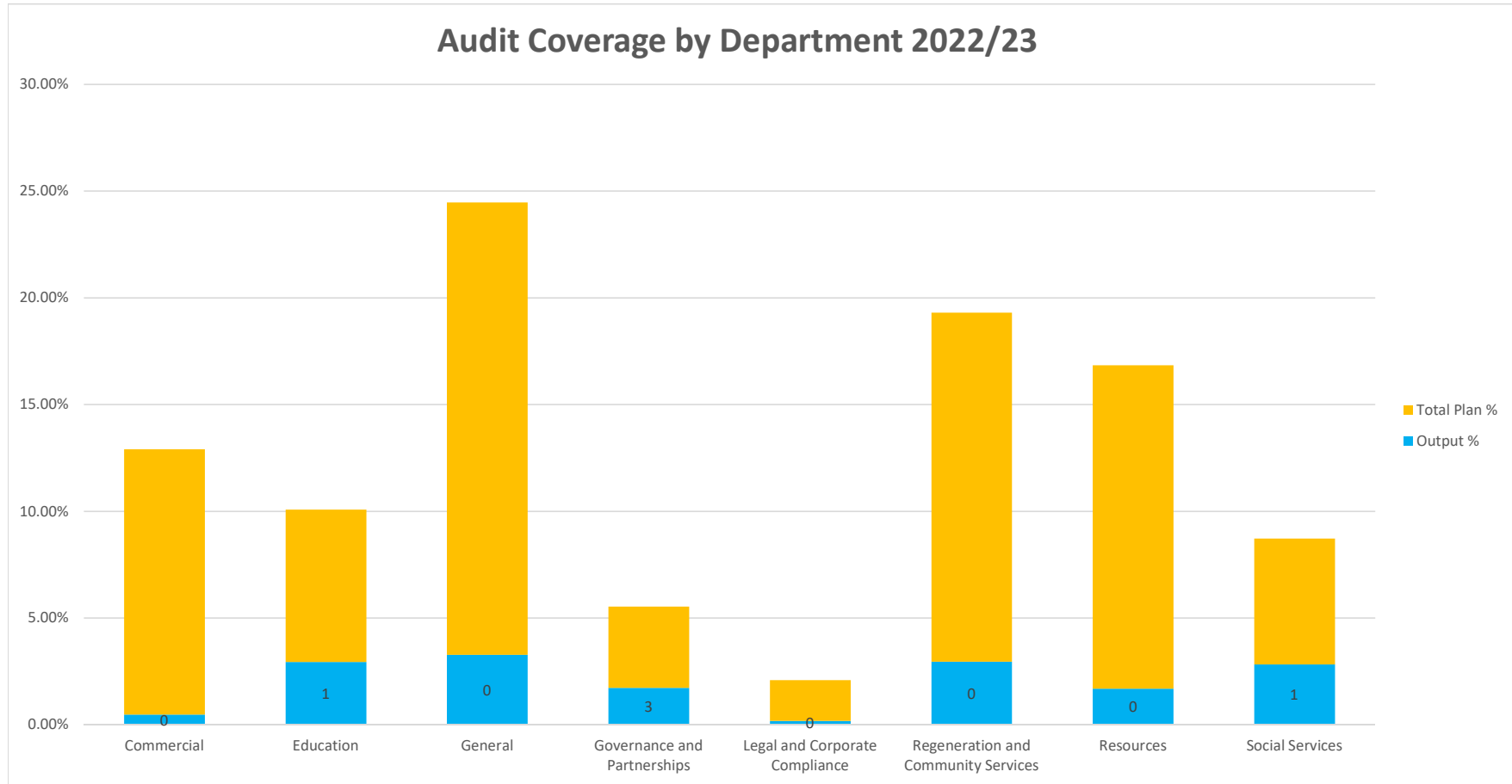
| | Performance Indicator | 2020/21 Target | 2020/21 Actual | 2021/22 Target | 2021/22 Actual | 2022/23 Target | 2022/23 Actual | RAG Rating |
|----------|---|----------------|----------------|----------------|----------------|----------------|----------------|------------|
| Local PI | Audit Plan Completion % | N/A | N/A | 70% | 70.74% | 73% 18.25% | 16.12% | Amber |
| Local PI | % of Agreed Actions for Weaknesses Identified | 90% | 99% | 90% | 100% | 90% | 100% | Green |
| Local PI | % of Agreed Actions completed after 6 months | 80% | 91% | 80% | 90% | 80% | 100% | Green |
| Local PI | % of Audit Clients at least "satisfied" with the service | 95% | 100% | 95% | 100% | 95% | 100% | Green |
| Local PI | Average number of days taken to issue Final Reports | 5 days | 2.42 days | 5 days | 5.17 days | 5 days | 2.17 days | Green |
| Local PI | % of Audits completed within time allocated | 75% | 87% | 75% | 90% | 75% | 83% | Green |
| Local PI | % of Performance Reviews undertaken within previous 12 months | 100% | 100% | 100% | 100% | 100% | 100% | Green |
| Local PI | Average number of sick days per person (cumulative average) | 6 days | 6.67 days | 8 days | 0.83 days | 8 days | 0 days | Green |

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Audit Gradings 2021/22 & 2022/23



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| Department | Total Department % | Output % | Completed Audit Areas |
|-------------------------------------|--------------------|----------|-----------------------|
| Commercial | 12.92% | 0.49% | 0 |
| Education | 10.09% | 2.95% | 1 |
| General | 24.48% | 3.29% | 0 |
| Governance and Partnerships | 5.54% | 1.73% | 3 |
| Legal and Corporate Compliance | 2.09% | 0.18% | 0 |
| Regeneration and Community Services | 19.31% | 2.96% | 0 |
| Resources | 16.85% | 1.69% | 0 |
| Social Services | 8.73% | 2.83% | 1 |
| Total | 100.00% | 16.12% | 5 |

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Committee: **Governance and Audit Committee**

Date of meeting: **27th July 2022**

Report Subject: **Audit Wales – Blaenau Gwent County Borough Council Annual Audit Summary 2021**

Portfolio Holder: **Cllr S. Thomas, Leader / Executive Member Corporate and Performance**

Report Submitted by: **Sarah King, Head of Democratic Services, Governance & Partnerships**

| Reporting Pathway | | | | | | | | |
|-----------------------------|---------------------------|--------------------------|-----------------|-------------------------------|--------------------|---------------------|---------|----------------------|
| Directorate Management Team | Corporate Leadership Team | Portfolio Holder / Chair | Audit Committee | Democratic Services Committee | Scrutiny Committee | Executive Committee | Council | Other (please state) |
| | | | 27.07.22 | | | | | |

- Purpose of the Report**
 The purpose of the report is to present the Audit Wales - Blaenau Gwent County Borough Council Annual Audit Summary 2021 (attached at Appendix 1).
- Scope and Background**
 The report published in January 2022 shows the work completed since the last Annual Audit Summary, which was issued in April 2021 and outlines the work taken forward during 2021-22.
- Recommendation**
 It is recommended that that Audit Committee note the Annual Audit Summary published in January 2022.

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Blaenau Gwent County Borough Council

Annual Audit Summary 2021

This is our audit summary for Blaenau Gwent County Borough Council. It shows the work completed since the last Annual Audit Summary, which was issued in April 2021. Our audit summary forms part of the Auditor General for Wales' duties.



More information about these duties can be found on our [website](#).

About the Council

Some of the services the Council provides



Key facts

The Council is made up of 42 councillors who represent the following political parties:

- Independent 25
- Labour 12
- Minority Independent 4
- Save Us Now 1

The Council spent £146.1 million on providing services¹ during 2020-21, the second-lowest spending of the 22 unitary councils in Wales.

¹ We define spending on services as the cost of services charged to the general fund from the Expenditure Funding Analysis, less any Housing Revenue Account cost of services, plus precepts, levies and debt interest.

Key facts

As at 31 March 2021, the Council had £28.3 million of useable financial reserves². This is equivalent to 19.4% of the Council's annual spending on services, the eighth-lowest percentage of the 22 unitary councils in Wales³.

Blaenau Gwent County Borough has 6 (13%) of its 47 areas deemed the most deprived 10% of areas in Wales, this is the sixth highest of the 22 unitary councils in Wales⁴.

Blaenau Gwent's population is projected to decrease by 0.7% between 2020 and 2040 from 69,615 to 69,157, including a 9.9% decrease in the number of children, a 6.1% decrease in the number of the working-age population and a 24.2% increase in the number of people aged 65 and over⁵.

The Auditor General's duties

We completed work during 2020-21 to meet the following duties

- **Continuous improvement**

The Council also had to put in place arrangements to make continuous improvements, including related plans and reports, and the Auditor General had to assess whether the Council met these requirements during 2020-21.

- **Audit of Accounts**

Each year the Auditor General audits the Council's financial statements to make sure that public money is being properly accounted for.

- **Value for money**

The Auditor General examines whether the Council has put in place arrangements to get value for money for the resources it uses, and he has to be satisfied that it has done this.

- **Sustainable development principle**

Public bodies need to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

² We define useable financial reserves as reserves useable for revenue costs, where the purpose is not protected by law. This is the total of the general fund, earmarked reserves and schools' balances. It excludes Housing Revenue Account reserves, capital receipts and capital grants unapplied.

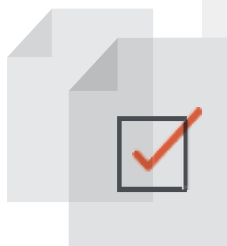
³ Source: 2020-21 Statement of Accounts

⁴ An area in this context is defined as a 'Lower Super Output Area'. Source: Stats Wales

⁵ Source: Stats Wales



We continue to recognise the huge strain on public services and to work in a way that seeks to reduce the impact on public bodies' response to COVID-19, while still meeting our statutory duties.



To meet the Auditor General's duties we complete specific projects, but we also rely on other audit work, and the work of regulators such as Care Inspectorate Wales and Estyn (the education inspectorate). We take the findings of our audit work into account when assessing whether the Council has put in place arrangements to secure value for money. Our findings and conclusions are summarised below.

What we found

Audit of Blaenau Gwent County Borough Council's 2020-21 Accounts

Each year we audit the Council's financial statements.

For 2020-21:

- the Auditor General gave an unqualified true and fair opinion on the Council's financial statements on 8 November 2021, 22 days ahead of the statutory deadline.
- the Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. They were also consistent with the financial statements prepared by the Council and with our knowledge of the Council.
- the quality of the draft statements presented for audit was good. In previous years we have reported some concerns in this area, and we are pleased to report we have seen significant improvements for 2020-21.
- a small number of changes were made to the Council's financial statements arising from our audit work, which were reported to the Governance and Audit Committee in our Audit of Financial Statements Report in November 2021.
- in addition to the Auditor General's responsibilities for auditing the Council's financial statements, he also has responsibility for the certification of a number of grant claims and returns. Our work has not identified any significant issues to date.
- the Auditor General did not issue the certificate confirming that the audit of accounts for 2020-21 has been completed, as there is ongoing work in relation to concerns raised in correspondence in respect of Silent Valley Waste Services Ltd.

Our work in response to the COVID-19 pandemic

In response to the COVID-19 pandemic, we changed the approach and focus of our performance audit work in local government and other bodies. Below is a summary of some of the work we have undertaken in response to the pandemic across a number of sectors, much of which is of relevance to local government.

We undertook a project to support public sector efforts by sharing learning through the pandemic. The project aims to help prompt some thinking, and practise exchange. [Further information is available on our website.](#)

In March 2021, we published a [national report](#) setting out an overview of progress to date on Test, Trace, Protect in Wales. In December 2020, we also published some [observations](#) of the Auditor General on the procurement and supply of PPE during the COVID-19 pandemic, followed by a [report](#) in April 2021. In June 2021, we also published our [report](#) on the rollout of the COVID-19 vaccination programme in Wales.

Continuous improvement

The Auditor General certified that the Council had met its remaining Local Government (Wales) Measure 2009 duties for the financial year 2020-21, as saved by an order made under the Local Government and Elections (Wales) Act 2021.

As part of our examination of councils' performance assessments covering the 2020-21 financial year, we noted a reduced reference to comparative performance information although we recognise that the pandemic led to the suspension of some national data collection. The ability to compare data and performance with other organisations will continue to be an important element of arrangements to secure value for money and will be a challenge for councils to consider, particularly as they continue to implement the requirements relating to self-assessment set out in the Local Government and Elections Act (Wales) 2021.

Financial sustainability

During 2020-21, we examined the financial sustainability of each council in Wales. In Blaenau Gwent County Borough Council, we concluded that the Council has improved financial planning, and better-than-expected Welsh Government settlements mean the Council is better placed to maintain its financial sustainability over the short term, but challenges remain to fully close budget gaps over the medium term. The [full report](#) was published in September 2021.

We also published two national summary reports: the [first report](#) in October 2020 and the [second report](#) in September 2021.

Data-driven decision making

This review considers the way the Council is using data to inform its COVID-19 response and recovery, as well as looking at its wider vision and arrangements for using data to inform its decision making. We identified several strengths, including the way the Council used data to inform its response to the pandemic and to support its recovery planning. We also highlighted some areas for consideration, such as developing a delivery plan to help implement the Council's vision for using data effectively and better understand the resources needed.

Review of people, performance and financial resilience in Community Services

This review examines the resilience of the Council's Community Services directorate, focusing on financial, people and performance management. It also considers how the Council has responded to our 2017 review of waste services. The review found that there are opportunities for the Community Services Directorate to build resilience by sharing the learning and good practice demonstrable in specific service areas to further develop its arrangements to manage performance and strengthen strategic financial and workforce planning. The [full report](#) was published in October 2021.

Other inspectorates

We also took into account Assurance Check findings undertaken by Care Inspectorate Wales (CIW) and Estyn reports as well as any subsequent actions taken by the Council in response. In March 2021, CIW and Healthcare Inspectorate Wales published their joint National review of the use of Deprivation of Liberty Safeguards (DoLS) in Wales. They identified a number of key findings and recommendations in their [full report](#). In November 2021, CIW also published its [national overview report of assurance checks in Wales](#) and [Let me flourish](#), a national review of early help, care and support and transition for disabled children in Wales.

Estyn did not undertake an inspection of Local Government Education Services in Blaenau Gwent during 2020-21.

Local government studies

As well as local work at each council, each year we also carry out studies across the local government sector to make recommendations for improving value for money. Since the last annual improvement report, we have published the following reports:

Discretionary services (April 2021)

Financial pressures have led to councils reducing spending and cutting services, but the pandemic has shown local government services are essential to keeping people safe and healthy. We focussed on how councils define services, the systems and processes they have used to review services and how robust these are. Demand for some essential services is continuing to increase and councils are not confident that they can continue to deliver these services in the face of this rising and complex demand. Councils need to take the opportunity to refresh, reevaluate and reset what they do and to learn from the pandemic to build a better future. Our [report](#) was published in April 2021.

Regenerating town centres in Wales (September 2021)

Between 1950 and 1980, local authorities prioritised regeneration of town centres creating new and greater retail space. However, past policy choices, changing consumer expectations and technological advances are now adversely affecting many Welsh town centres. And the pandemic has created challenges for local government and central government, with one in seven shops on Welsh high streets now empty, despite the Welsh Government investing and leveraging in £892.6 million in the last seven years. Local authorities do not have the capacity to

respond to this situation and are not always using the powers they have to help regenerate towns. To deliver the best local outcomes, policies and joint working need to be aligned and integrated, and resources prioritised on town centres. Our [report](#) was published in September 2021.

Planned work for 2021-22

We also looked at the key challenges and opportunities facing the Council. These could have an effect on the Council's ability to meet its legal obligations in relation to the sustainable development principle and the use of its resources.

The most significant risk and issue facing councils and the wider public sector during 2021-22 continues to be the COVID-19 pandemic. We have shaped our work to provide assurance and challenge in a way which helps to support the Council through this period. Our planned work for 2021-22 includes:

- Assurance and risk assessment including a focus on:
 - The Local Government and Elections Act (Wales) 2021
 - Recovery planning
 - Carbon reduction plans
 - Self-assessment arrangements
 - Financial position
- Springing Forward – as the world moves forward, learning from the pandemic, this review looks at how effectively councils are strengthening their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities.
- Improvement reporting audit – audit of discharge of duty to publish an assessment of performance.
- Local risk-based project – Follow-up review of corporate safeguarding arrangements. This review will follow up on our 2019 report and assess the Council's progress in addressing the outstanding recommendations and proposals for improvement in relation to corporate safeguarding.

The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the Senedd.

The Auditor General audits local government bodies in Wales, including unitary authorities, police, fire and rescue authorities, national parks, and community councils. He also conducts local government value for money studies, assesses compliance with the remaining requirements of the Local Government (Wales) Measure 2009 and may undertake special inspections under the Local Government and Elections (Wales) Act 2021.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Senedd Commission, and National Health Service bodies in Wales.

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities with their own legal functions, as described above. Audit Wales is not a legal entity.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document is also available in Welsh.

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Agenda Item 10

Executive Committee and Council only

Date signed off by the Monitoring Officer:

Date signed off by the Section 151 Officer:

Committee: **Governance & Audit Committee**

Date of meeting: **11 July 2022**

Report Subject: **Audit Wales 2022 Audit Plan for Blaenau Gwent
County Borough Council**

Portfolio Holder: **Cllr, Steve Thomas – Leader of the Council &
Executive Member Corporate Overview & Performance**

Report Submitted by: **Chief Officer Resources**

| Reporting Pathway | | | | | | | | |
|-----------------------------|---------------------------|--------------------------|------------------------------|-------------------------------|--------------------|---------------------|---------|----------------------|
| Directorate Management Team | Corporate Leadership Team | Portfolio Holder / Chair | Governance & Audit Committee | Democratic Services Committee | Scrutiny Committee | Executive Committee | Council | Other (please state) |
| | | | 11/07/22 | | | | | |

1. Purpose of the Report

To consider the work planned for 2022 by the Auditor General for Wales to discharge his statutory responsibilities as the Council's external auditor and fulfil his obligations under the Code of Audit Practice.

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2022 Audit Plan – Blaenau Gwent County Borough Council

Audit year: 2021-22

Date issued: June 2022

Document reference: 3032A2022

This document has been prepared as part of work performed in accordance with statutory functions.

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities each with their own legal functions as described above. Audit Wales is not a legal entity and itself does not have any functions.

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In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales, Audit Wales and, where applicable, the auditor acting on behalf of the Auditor General are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to Audit Wales at infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

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2022 Audit Plan

About this document

- 1 This document sets out the work I plan to undertake during 2022 to discharge my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

My duties

- 2 I complete work each year to meet the following duties.

Audit of financial statements

- 3 Each year I audit Blaenau Gwent County Borough Council (the Council)'s financial statements to make sure that public money is being properly accounted for.

Value for money

- 4 The Council has to put in place arrangements to get value for money for the resources it uses, and I have to be satisfied that it has done this.

Sustainable development principle

- 5 The Council needs to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

Impact of COVID-19

- 6 The COVID-19 pandemic has had an unprecedented impact on the United Kingdom and the work of public sector organisations.
- 7 While Wales is currently at Coronavirus Alert Level 0, Audit Wales will continue to monitor the position and will discuss the implications of any changes in the position with your officers.

Audit of financial statements

- 8 It is my responsibility to issue a certificate and report on the financial statements. This includes:
 - an opinion on the on the 'truth and fairness' of the Council's financial statements for the financial year ended 31 March 2022; and
 - an assessment as to whether the Council's Narrative Report and Annual Governance Statement is prepared in line with the CIPFA Code and relevant guidance and is consistent with the financial statements and with my knowledge of the Council.
- 9 In addition to my responsibilities for auditing the Council's financial statements, I also have responsibility for:
 - certifying a return to the Welsh Government which provides information about the Council to support preparation of Whole of Government Accounts;
 - responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary); and
 - the certification of a number of grant claims and returns as agreed with the funding bodies.
- 10 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Governance and Audit Committee prior to completion of the audit.
- 11 Any misstatements below a trivial level (set at 5% of materiality) I judge as not requiring consideration by those charged with governance and therefore will not report them.
- 12 I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#), along with further information about my work.

Audit of financial statements risks

- 13 The following table sets out the significant risks I have identified for the audit of the Council.

Exhibit 1: financial statement audit risks

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

| Audit risk | Proposed audit response |
|---|---|
| Significant risks | |
| Management Override The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33]. | We will: <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business. |
| Asset valuations Accounting for Property, Plant and Equipment and Intangible Assets continues to be one of the most challenging areas of the accounts and gives rise to most of our audit findings. In light of the COVID restrictions that were in place throughout 2021-22 and uncertainties over market values for assets since the start of the pandemic, there is a risk that the carrying value of assets reported in the accounts may be materially different to the current value of assets as at 31 March 2022. In particular, this may be the case where assets have been valued on a rolling basis and not as at the financial year-end. | We will review the Council's asset valuation programme to establish when individual groups of assets were valued and seek to confirm that valuations carried out earlier than as at 31 March 2022 are not materially different to the current value of assets as at the year-end. |

| Audit risk | Proposed audit response |
|---|---|
| <p>Historic Cost Depreciation Adjustment</p> <p>Whilst undertaking the audit of the 2019-20 and 2020-21 financial statements, we identified that the historic cost of assets was held incorrectly within the fixed asset register for a number of assets. This led to the calculation of the historic cost depreciation adjustment between the Capital Adjustment Account and the Revaluation Reserve being incorrect. In both years, officers were able to demonstrate that the adjustment was not materially misstated, however, if the corrections to the values are not made within the fixed asset register for 2021-22, there is a risk that the adjustment will be materially inaccurate.</p> | <p>Management intended to correct the historic costs of the affected assets within the year. We will review this exercise to understand if the corrective action has been undertaken.</p> |
| <p>Fixed Asset Register</p> <p>The Council intend to put in place a new fixed asset register during the year. There is a risk that data is not accurately transferred to the new system leading to material misstatements of asset values and associated accounting calculations.</p> | <p>We will review the data held within the new system to ensure the transfer has been completed accurately.</p> |
| <p>Other audit risks</p> | |
| <p>The COVID-19 pandemic will have a significant impact on the risks of material misstatement and the shape and approach to my audit. The Welsh Government has made available various funding streams to the authority. In some cases, these monies provide financial support to the authority itself. In other cases, the funds have been administered by the authority, making payments to third parties on behalf of the Welsh Government. Payments have been made available through a number of different</p> | <p>We will review the funding streams received from the Welsh Government and confirm the appropriate accounting treatment with the authority.</p> |

| Audit risk | Proposed audit response |
|--|-------------------------|
| <p>schemes over the course of 2021-22 and the amounts involved are material to the accounts.</p> <p>Examples of audit risks include:</p> <ul style="list-style-type: none"> • Incorrect accounting treatment for COVID-19 funding ie principal or agency arrangements • Fraud/error risks • Potential year-end valuation uncertainty • Estimation of accrued annual leave provisions | |

Performance audit

- 14 In addition to my Audit of Financial Statements I also carry out a programme of performance audit work to discharge my duties as Auditor General as set out in **paragraphs 4 and 5** in relation to value for money and sustainable development.
- 15 In response to the pandemic, I adopted a flexible approach to my performance audit work both in terms of topic coverage and methodology. This enabled me to respond to the fast-moving external environment and provide more real-time feedback in a range of formats.
- 16 For 2022-23, I intend to continue this approach to help enable my work to be responsive and timely, and where possible to share learning more quickly. As part of this approach, I anticipate that a significant proportion of my local performance audit programme will continue to be delivered through the Assurance and Risk Assessment Project, that will be ongoing throughout the year.
- 17 Given the high degree of commonality in the risks facing councils, I also intend to deliver a number of thematic projects examining risks common to all councils.
- 18 During 2020-21, I consulted public bodies and other stakeholders on how I will approach my duties in respect of the Well-being of Future Generations (Wales) Act 2015 from 2020-2025.
- 19 In March 2021, I wrote to the public bodies designated under the Act setting out my intentions, which include a). carrying out specific examinations of how public bodies have set their well-being objectives and b). integrating my sustainable development principle examinations of steps to meet well-being objectives with my national and local audit programmes.
- 20 My auditors are liaising with the Council to agree the most appropriate time to examine the setting of well-being objectives.

- 21 The examination of steps to meet well-being objectives will be conducted as part of work set out in this audit plan and successive audit plans, leading up to my statutory report under the Act in 2025.
- 22 For 2022-23 my performance audit work at the Council is set out below.

Exhibit 2: performance audit programme 2022-23

This table summarises the performance audit programme for 2022-23.

| Performance audit programme | Brief description |
|------------------------------------|--|
| Assurance and Risk Assessment | <p>Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources and acting in accordance with the sustainable development principle</p> <p>The project is likely to focus in particular on:</p> <ul style="list-style-type: none"> • Financial position • Capital programme management • Use of performance information – with a focus on service user feedback and outcomes • Setting of well-being objectives |
| Thematic review – unscheduled care | <p>We intend to undertake a cross-sector review focusing on the flow of patients out of hospital. This review will consider how the Council is working with its partners to address the risks associated with the provision of social care to support hospital discharge, as well as prevent hospital admission. The work will also consider what steps are being taken to provide medium to longer-term solutions.</p> |
| Thematic review – to be confirmed | <p>Details of this thematic work to be confirmed following the consultation referred to in paragraph 23 below.</p> |

| Performance audit programme | Brief description |
|-----------------------------|---|
| Local audit work | To be confirmed following discussions with the Council early in the 2022-23 financial year. |

- 23 In March 2022, I published a [consultation](#) inviting views to inform our future audit work programme for 2022-23 and beyond. In particular, it considers topics that may be taken forward through our national value for money examinations and studies and/or through local audit work across multiple NHS, central government and local government bodies. As we develop and deliver our future work programme, we will be putting into practice key themes in our new five-year strategy, namely:
- the delivery of a strategic, dynamic, and high-quality audit programme; supported by
 - a targeted and impactful approach to communicating and influencing.
- 24 The possible areas of focus for future audit work that we set out in the consultation were framed in the context of three key themes from our [Picture of Public Services](#) analysis in autumn 2021, namely: a changing world; the ongoing pandemic; and transforming service delivery. We also invited views on possible areas for follow-up work.
- 25 We will provide updates on the performance audit programme through our regular updates to the Governance and Audit Committee.

Certification of grant claims and returns

- 26 I have also been requested to undertake certification work on the Council's grant claims, which I anticipate will include Housing Benefits, Section 34/194 NHS (Wales) Act 2006 Money Transfer, Teachers' Pensions, NDR, and Social Care Wales Workforce Development Programme (SCWDP).

Statutory audit functions

- 27 In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
 - Section 31 Right to make objections at audit.
- 28 As this work is reactive, I have made no allowance in the fee table below. If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee, audit team and timetable

- 29 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with a timescale to be agreed taking into account the impact of COVID-19, to the quality expected and have been subject to a robust quality assurance review;
 - information provided to support the financial statements is in accordance with the agreed audit deliverables document;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
 - all appropriate officials will be available during the audit; and
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me.
- 30 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee

- 31 As set out in our Fee Scheme 2022-23, our fee rates for 2022-23 have increased by 3.7% as a result of the need to continually invest in audit quality and in response to increasing cost pressures.
- 32 The estimated fee for 2022 is set out in **Exhibit 3**. This represents a 3.4% increase compared to your actual 2021 fee.

Exhibit 3: audit fee

This table sets out the proposed audit fee for 2022, by area of audit work, alongside the actual audit fee for last year.

| Audit area | Proposed fee (£) ¹ | Actual fee last year (£) |
|---------------------------------------|-------------------------------|--------------------------|
| Audit of accounts ² | 198,184 | 191,489 |
| Performance audit work ³ | 108,136 | 104,700 |
| Total fee | 306,320 | 296,189 |
| Grant certification work ⁴ | 40,000 – 50,000 | 46,134 |

34 Planning will be ongoing, and changes to my programme of audit work, and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Council.

35 Further information can be found in my [Fee Scheme 2022-23](#).

Audit team

36 The main members of my team, together with their contact details, are summarised in **Exhibit 4**.

Exhibit 4: my audit team

This table lists the members of the local audit team and their contact details.

| Name | Role | Contact number | E-mail address |
|-----------------|---------------------------------|----------------|--|
| Richard Harries | Engagement Director | 02920320640 | richard.harries@audit.wales |
| Mike Jones | Audit Manager (Financial Audit) | 02920320649 | mike.jones@audit.wales |

¹ Notes: The fees shown in this document are exclusive of VAT, which is not charged to you.

² Payable November 2021 to October 2022.

³ Payable April 2022 to March 2023.

⁴ Payable as work is undertaken.

| Name | Role | Contact number | E-mail address |
|----------------|--------------------------------------|----------------|--|
| Alice Rushby | Audit Lead (Financial Audit) | 02920829353 | alice.rushby@audit.wales |
| Colin Davies | Audit Manager (Performance Audit) | 02920320666 | colin.davies@audit.wales |
| Charlotte Owen | Audit Lead (Performance Audit) | 02920829331 | charlotte.owen@audit.wales |

37 We can confirm that team members are all independent of you and your officers.

Timetable

38 The key milestones for the work set out in this plan are shown in **Exhibit 5**.

39 The Public Audit (Wales) Act 2004 provides electors with the right to ask questions and to make objections to the Authority's accounts to the Auditor General. The rights to ask questions and make objections at audit are linked to electors' rights to inspect the accounts that are also set out in the 2004 Act.

Exhibit 5: audit timetable

| Planned output | Work undertaken | Report finalised |
|--|----------------------|------------------|
| 2022 Audit Plan | March – April 2022 | June 2022 |
| Audit of Financial statements work: <ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on Financial Statements | July to October 2022 | October 2022 |

| Planned output | Work undertaken | Report finalised |
|---|---|------------------|
| Performance audit work | Timescales for individual projects will be discussed with the Council and detailed within the specific project briefings produced for each piece of work. | |
| Grants certification work <ul style="list-style-type: none"> • Housing Benefit • Non-Domestic Rates • Section 34/194 NHS (Wales) Act 2006 Money Transfers • Teachers' pensions return • Social Care Wales Workforce Development Programme (SCWDP) | October – January 2023 | January 2023 |
| Annual Audit Summary | January 2023 | January 2023 |



Audit Wales
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

We welcome correspondence and
telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a
galwadau ffôn yn Gymraeg a Saesneg.