



PWYLLGOR ARCHWILIO

2.00 PM - DYDD MERCHER, 18 MAWRTH 2020

YSTAFELLOEDD PWYLLGOR 1/2 - CANOLFAN DDINESIG PORT TALBOT

RHAID GOSOD POB FFÔN SYMUDOL AR Y MODD DISTAW AR GYFER PARHAD Y CYFARFOD

RHAN 1

1. Datganiadau o Fudd
2. Cofnodion y Cyfarfod Blaenorol (*Tudalennau 5 - 8*)
3. Y Diweddaraf am y Pwyllgor Archwilio - Cyngor Castell-nedd Port Talbot (*Tudalennau 9 - 20*)
4. Cynllun Archwiliad 2020 - Cyngor Castell-nedd Port Talbot (*Tudalennau 21 - 30*)
5. Adroddiad cynnydd yr archwiliad mewnol i 28 Chwefror 2020 (*Tudalennau 31 - 44*)
6. Protocol ar Gyfer Oresenoldeb Swyddogion (*Tudalennau 45 - 48*)
7. Cynllun archwilio mewnol ar gyfer y cyfnod 1 Ebrill 2020 hyd 31 Mawrth 2021 (*Tudalennau 49 - 64*)
8. Polisiau Cadw Cyfrifon 2019/2020 (*Tudalennau 65 - 80*)
9. Hyfforddiant Rôl Pwyllgor Archwilio - Adroddiadau Perfformiad SAC (Diweddariad Llafar)
10. Eitemau brys
Unrhyw eitemau brys yn ôl disgrisiwn y Cadeirydd yn unol ag

Adran 100B(4)(b) Deddf Llywodraeth Leol 1972.

11. Mynediad i gyfarfodydd
Yn unol ag Adran 100A(4) a (5) Deddf Llywodraeth Leol 1972,
gwaherddir y cyhoedd o'r eitemau busnes canlynol sy'n debygol o
ddatgelu gwybodaeth eithriedig fel a nodwyd ym Mharagraff 12 ac
15 Adran 4 Atodlen 12A y Ddeddf uchod.

RHAN 2

12. Archwiliadau lle defnyddiwyd Graddfa Risg 3, 4 neu 5 a manylion yr
Ymchwiliadau Arbennig (*Tudalennau 81 - 86*)

S.Phillips
Prif Weithredwr

Canolfan Ddinesig
Port Talbot

Dydd Sadwrn, 14 Mawrth 2020

Aelodaeth y Pwyllgor:

Cadeirydd: J.D.Morgan

Is-gadeirydd: L.M.Purcell

Aelodau: Councillors S.apDafydd, S.E.Freeguard, J.Miller,
R.W.Wood, O.S.Davies, A.N.Woolcock,
A.J.Richards, H.C.Clarke, S.Renkes a/ac
R.Mizen

**Mae pleidleisio
aelod lleyg:** J.Jenkins

Mae'r dudalen hon yn fwriadol wag

AUDIT COMMITTEE

(Neath Civic Centre A/B)

Members Present:

4 December 2019

Chairperson: Councillor J.D.Morgan

Vice Chairperson: Councillor L.M.Purcell

Councillors: H.C.Clarke, O.S.Davies, J.Miller, S.Renkes,
R.W.Wood and A.N.Woolcock

Officers In Attendance H.Jones, A.O'Donnell and N.Headon

Representing the Wales Audit Office: G.Gillett

Voting Lay Member: J.Jenkins

1. DECLARATIONS OF INTEREST

The following Member made a declaration of interest at the commencement of the meeting:-

Councillor H.C.Clarke Re: Private Report of the Head of Finance as she had a prejudicial interest and withdrew from the meeting during discussion and voting thereon.

2. MINUTES OF PREVIOUS MEETING

RESOLVED: That the Minutes of the meeting held on 25 September 2019, be approved.

3. **AUDIT COMMITTEE UPDATE - NEATH PORT TALBOT COUNTY BOROUGH COUNCIL**

Members received an update from the Wales Audit Office on their current and planned work programme.

The Chair thanked the Wales Audit Officers for their help throughout the year.

RESOLVED: That the report be noted.

4. **INTERNAL AUDIT PROGRESS REPORT TO 15 NOVEMBER 2019**

The Committee received the Internal Audit Progress Report to 15 November 2019, as detailed in the circulated report.

It was noted that the Assistant Auditor Post had been filled with effect from 6 January 2020. The Fraud Officer post remained vacant, Members were supportive of the post being advertised externally during early 2020.

Discussions took place around Unofficial Funds at schools, it was noted that the term was historical and this was not authority money. Officers explained that all Governors should be aware that an Unofficial Fund exists and it is each governing body's responsibility to ensure that these monies are spent appropriately and the funds managed professionally. It was emphasised that a report on findings and recommendations would be issued to all Headteachers and Chairs of Governors and that existing guidance would be updated to provide more comprehensive guidance for the operation of these funds.

The reason for the deletion of the Members Driving Declarations audits was clarified i.e. that as Members are not classed as employees they are not required to comply with the Authority's Driving at work Policy.

Clarification was provided to members regarding the audit of Professional Abuse Strategy Meetings to be undertaken in the new year.

RESOLVED: That the report be noted.

5. **TREASURY MANAGEMENT MONITORING 2019/2020**

The Committee received the Treasury Management Monitoring 2019/2020 information as detailed in the circulated report.

RESOLVED: That the report be noted.

6. **ACCESS TO MEETINGS**

RESOLVED: that pursuant to Section 100A(4) and (5) of the Local Government Act 1972, the public be excluded for the following items of business which involved the likely disclosure of exempt information as defined in Paragraphs 12, 13 and 14 of Part 4 of Schedule 12A to the above Act.

7. **AUDITS WHERE RISK RATING OF 3, 4 OR 5 WAS APPLIED AND DETAILS OF SPECIAL INVESTIGATIONS**

(Councillor H.C.Clark re-affirmed her interest at this point and withdrew from the meeting)

Members received an update on special investigation audits undertaken in the last quarter, together with special investigations currently in progress.

Officers highlighted that they would be happy to forward copies of these reports in full to members if they requested them prior to the meeting.

A discussion took place around representatives attending committee, it was agreed that the Head of Finance would bring a protocol, for agreement, to the next meeting.

RESOLVED: That the report be noted.

CHAIRPERSON

Tudalen7

Mae'r dudalen hon yn fwriadol wag



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Audit Committee Update – Neath Port Talbot Council

Audit year: 2020

Date issued: March 2020

Document reference: APS032020

Tudalen 9

Eitem yr Agenda 3

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

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 and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at info.officer@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.

Contents

Progress update

About this document	4
Audit plan	4
Financial audit update	5
Performance audit update	6
WAO national studies	8

T
u
d
a
i
e
n
1
1

Audit committee update

About this document

- 1 This document provides the Audit Committee of Neath Port Talbot Council (the Council) with an update on current and planned Wales Audit Office work. It covers financial and performance audit work together with information on the Auditor General's programme of local government related studies.

Audit plan

Details of the finalisation of our audit plans for 2019 and 2020 are set out in [Exhibit 1](#).

[Exhibit 1: audit plan.](#)

Area of work	Status
Audit Plan 2019	Presented to Audit Committee March 2019
Audit Plan 2020	To be presented to Audit Committee March 2020

Financial audit update

- 3 Our financial audit work included in our 2019 audit plan is complete. The status of our financial audit work included in our 2020 audit plan is set out in [Exhibit 2](#)

Exhibit 2: financial audit update

Planned output	Scope	Status
Financial Statements 2019-20	Audit of the Council's 2019-20 financial statements.	Opinion planned to be issued July 2020.
Margam Crematorium Joint Committee Annual Return 2019-20	Audit of the Committees 2019-20 Annual Return	Opinion planned to be issued July 2020.
Welsh Church Act Trust Fund 2019-20	Independent examination of the Trust Fund 2019-20 financial statements	Opinion planned to be issued October 2020
Certification of Grants 2019-20	Certification of grants and returns 2019-20	Planned for November 2020
Annual Audit Letter	Letter summarising our 2019-20 audit work.	Planned for December 2020

Performance audit update

- 4 The progress of the performance audit work included in our 2018 and 2019 audit plans which is still in progress and progress against the planned performance outputs and milestones set out in our 2020 audit plan are summarised in [Exhibit 3](#).

Exhibit 3: performance audit update

Topic	Scope	Status	Timescale
Performance audit work - 2018 audit plan			
Review of Corporate Arrangements for Safeguarding	Review of the effectiveness of corporate safeguarding arrangements, building on the study previously undertaken by the Auditor General in this area.	Complete.	Draft report issued to Council. Final report to be issued March 2020.
Performance audit work - 2019 audit plan			
Well-being of Future Generations an examination: 'We will deliver strategic regeneration programmes'	Examination of the extent to which the Council has acted in accordance with the sustainable development principle when taking steps to meet its well-being objectives.	Fieldwork complete. Draft report issued November 2019	Waiting for the Council's action plan to include in final report.
Assurance and Risk Assessment	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.	Complete	Fed back to CDG – February 2020

Topic	Scope	Status	Timescale
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges.	Fieldwork complete. Draft report issued February 2020	Waiting for Council response to the draft report.
Local Performance Audit Project	Review of the Council's corporate performance management system.	Fieldwork stage	Draft report due June 2020.
Performance audit work - 2020 audit plan			
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examination	A project common to all local councils that will focus on the theme of 'prevention'	Not started	To be confirmed
Assurance and Risk Assessment	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.	Not started	Feedback to CDG – January 2021
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges building on work undertaken during 2019-20.	Not started	To be confirmed
Local Performance Audit Project	Review of workforce planning.	Not started	To be confirmed
Improvement audit and assessment work including improvement planning and reporting audit	Audit of discharge of duty to publish an improvement plan, and to publish an assessment of performance.	Improvement Plan audit - not started	Certification – June 2020
		Assessment of Performance Audit – not started	Certification – November 2020

WAO national studies

- 5 The Audit Committee may also be interested in the WAO national studies programme that are related to local government. **Exhibit 4** provides information on our recently published national studies that have relevance to local authority organisations. These studies are typically funded by the National Assembly and are presented to the National Assembly's Public Accounts Committee to support its scrutiny of public expenditure.

Exhibit 4: local authority related national studies

Topic	Findings	Status
A465 Section 2 – Interim Findings	The Welsh Government is converting 40 kilometres of the existing A465 'Heads of the Valleys' road between Abergavenny and Hirwaun into a dual carriageway. Our report looked at the A465 Section 2, which is an 8km stretch of road between Gilwern and Brynmawr.	Published 20 February 2020 https://www.audit.wales/publication/a465-section-2-interim-findings
Financial management and governance – Community and town councils 2018-19	This report summarising issues identified by external auditors during their statutory audit of community councils in Wales. The audit process involves a review of the annual accounts and an examination of the council's financial management and governance arrangements that underpin securing value for money in councils' use of resources.	Published 5 February 2020 https://www.audit.wales/publication/financial-management-and-governance-community-and-town-councils-2018-19
Progress in implementing the Violence Against Women, Domestic Abuse and Sexual Violence Act	Victims and survivors of domestic abuse and sexual violence are often let down by an inconsistent, complex and fragmented system. We have examined how the new duties and responsibilities of the Violence against Women,	Published 21 November 2019 http://www.audit.wales/publication/progress-implementing-violence-against-women-domestic-abuse-and-sexual-violence-act

Topic	Findings	Status
	Domestic Abuse and Sexual Violence (Wales) Act are being rolled out and delivered.	
Review of Public Services Boards	We examined how Public Service Boards are operating; looking at their membership, terms of reference, frequency and focus of meetings, alignment with other partnerships, resources and scrutiny arrangements We concluded that Public Services Boards are unlikely to realise their potential unless they are given freedom to work more flexibly and think and act differently.	Published 8 Oct 2019 www.audit.wales/publication/review-public-services-boards

Exhibit 5 provides information on local government related studies currently underway.

Exhibit 5: local government related studies currently underway by the Wales Audit Office

Topic	Scope	Timescale
Review of PSBs (second stage) – rough sleeping	Following on from the review of PSBs (report published October 2019) this work is looking at partnership work around rough sleeping	Report to be published April 2020
Preventing fraud and corruption	Following a June 2019 overview report for the National Assembly's Public Accounts Committee, we are undertaking further work to consider in more detail the effectiveness of public bodies' arrangements. Fieldwork is being undertaken at all local government bodies.	Report to be published June 2020
Covering teacher's absence	We plan to follow-up on developments since our 2013 report, including in response to the 'Ministerial Supply Model Taskforce's	Report to be published June 2020

Topic	Scope	Timescale
	2017' report.	
The impact of austerity on LA discretionary services	This review will provide independent assurance that councils approaches to discretionary services are sustainable and that changes in provision or cessation of activity do not adversely impact future generations or those with protected characteristics.	Report to be published in 2020
Commercialisation in local authorities	This review will focus on producing good practice case studies and support materials to help authorities develop their approaches to commercialisation. It will also comment on long-term approaches to financial sustainability and how commercial activity supports organisations to deliver their wider wellbeing objectives and corporate priorities. Neath Port Talbot Council is one of the fieldwork sites.	Report to be published in 2020

Tudalen 18

Tudalen19

Wales Audit Office
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

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru

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



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

2020 Audit Plan – Neath Port Talbot Council

Date issued: March 2020

Document reference: 1791A2020-21

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

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or, where applicable, the auditor acting on behalf of the Auditor General, in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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, the Wales Audit Office 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 the Wales Audit Office 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.

Contents

2020 Audit Plan

Our duties	4
Audit of financial statements	4
Performance audit	6
Certification of grant claims and returns	7
Fee, audit team and timetable	7

2020 Audit Plan

Our duties

- 1 We complete work each year to meet the following duties.

Audit of financial statements

- 2 Each year we audit Neath Port Talbot Council (the Council)'s financial statements to make sure that public money is being properly accounted for.

Value for money

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

Continuous improvement

- 4 The Council also has to put in place arrangements to make continuous improvements and we also check if it has done this.

Sustainable development principle

- 5 Public bodies need to make sure that when making decisions they consider the impact they could have on people living in Wales now and in the future. We have to assess the extent to which they are doing this.

Audit of financial statements

- 6 It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their 'truth and fairness':
 - we plan to give an opinion on the Council's financial statements by 31 July 2020.
 - assess whether the Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. We also review whether they are consistent with the financial statements prepared by the Council and with our knowledge of the Council.
- 7 In addition to our responsibilities for auditing the Council's financial statements, we 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);
 - the audit of Margam Joint Crematorium Committee by 31 July 2020;

- the independent examination of the Welsh Church Act Trust Fund by 31 January 2021;
 - the certification of a number of grant claims and returns by various dates agreed with the funding bodies.
- 8 There have been no limitations imposed on me in planning the scope of this audit.
- 9 Further information about our work is provided in our Statement of Responsibilities, which is available on our website (www.audit.wales).

Financial Statement Audit Risks

- 10 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	
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].	<p>My audit team will:</p> <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; • evaluate the rationale for any significant transactions outside the normal course of business.
Other areas of audit attention	
<p>McCloud judgement</p> <p>In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015.</p> <p>In December 2018, the Court of Appeal ruled that the ‘transitional protection’ offered to some members of the judges’ and firefighters’ schemes, as part of the reforms, amounted to unlawful discrimination. On 15 July 2019 the Government announced that they accept that the judgment applies to all of the main public service pension schemes.</p>	<p>My audit team will review the provision made in relation to the McCloud judgement and monitor progress on the development of proposals for a remedy to be applied in the LG pension scheme.</p>

Audit risk	Proposed audit response
The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.	
The Council is aiming to produce the 2019-20 financial statements by 30 May 2020, which is two weeks before the statutory deadline of 15 June 2020. This timetable is demanding and the retirement of the Chief Accountant in April 2020 presents a risk to the production of high quality financial statements and supporting working papers. Management will need to ensure that appropriate alternative arrangements are in place for the preparation and oversight of the financial statements.	<p>My audit team will:</p> <ul style="list-style-type: none"> continue to work closely with the finance team to ensure potential accounts and audit issues are considered and resolved as early as possible; review closedown plans and assess whether arrangements are in place to produce robust financial statements within the prescribed timetable.

Performance audit

- 11 In addition to our Audit of Financial Statements we also carry out a programme of performance audit work to discharge the Auditor General's duties set out on [page 4](#) in relation to value for money, continuous improvement and sustainable development. For 2020-21 this work is set out below.

Exhibit 2: Performance Audit Programme 2020-21

This table summarises the performance audit programme for 2020-21

Performance audit programme	Brief description
Improvement audit and assessment work including improvement planning and reporting audit	Audit of discharge of duty to publish an improvement plan, and to publish an assessment of performance.
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examination	A project common to all local councils that will focus on the theme of 'prevention'.
Assurance and Risk Assessment	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.
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges building on work undertaken during 2019-20.
Local performance audit work	Review of workforce planning.

Certification of grant claims and returns

- 12 I have been requested to undertake certification work on the Council's grant claims and returns as set out in [Exhibit 3](#).

Exhibit 3: summary of grant claim certification work

This table summarises my 2019-20 programme of grant claim certification work

Name of scheme	Total/annual expenditure	Significant issues identified
Housing Benefit Subsidy	£48,771,000	Misclassification of expenditure between cells
NDR Non domestic rates return	£41,724,000	None
Teachers pensions return	£12,020,000	None

Fee, audit team and timetable

- 13 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with the agreed timescales, 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;
 - 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; and
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.
- 14 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee

- 15 Your estimated fee for 2020 is set out in [Exhibit 4](#). There have been some small changes to my fees rates for 2020 however my audit teams will continue to drive efficiency in their audits to ensure any resulting increases will not be passed to you. This represents a decrease compared to your actual 2019 fee.

Exhibit 4: audit fee

This table sets out the proposed audit fee for 2020, 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	175,398	175,698
Performance audit work ³	99,310	99,449
Grant certification work ⁴	26,000	47,600
Other financial audit work ⁵	2,800	2,800
Total fee	303,508	325,547

- 16 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.
- 17 Further information on my [fee scales and fee setting](#) can be found on our website.

Audit team

- 18 The main members of my team, together with their contact details, are summarised in [Exhibit 5](#).

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

² Payable November 2019 to October 2020.

³ Payable April 2020 to March 2021

⁴ Payable as work is undertaken, reduced number of claims in 2019-20

⁵ Margam Crematorium Joint Committee £1,500, Welsh Church Act Trust Fund £1,300

Exhibit 5: my audit team

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

Name	Role	Contact number	E-mail address
Derwyn Owen	Engagement Director	07909 882609	derwyn.owen@audit.wales
Huw Rees	Director with responsibility for performance audit work	07799 581886	huw.rees@audit.wales
Gillian Gillett	Audit Manager (Financial Audit)	07966 866242	gillian.gillett@audit.wales
Kate Havard	Audit Lead (Financial Audit)	07813 449396	kate.havard@audit.wales
Colin Davies	Audit Manager (Performance Audit)	07786 800258	colin.davies@audit.wales
Alison Lewis	Audit Lead (Performance Audit)	07773 193217	alison.lewis@audit.wales

Timetable

- 19 Financial accounts work will be undertaken over the period February to September 2020. The timing and exact scope of individual performance audit projects will be confirmed by the Audit Manager with responsibility for performance audit work in due course.
- 20 I can confirm that my team members are all independent of the Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Wales Audit Office
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

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru



Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

18th March 2020

Report of the Head of Finance – Huw Jones

Matter for Information

Wards Affected:

All Wards

Internal Audit Progress Report to 28th February 2020

1. Purpose of the Report

The purpose of this report is to provide details of the work undertaken for the current financial year compared to that included in the Internal Audit Plan and to highlight issues relevant to the performance of the section.

2. Executive Summary

Details of achievement against the 2019/20 Audit Plan are outlined in appendix 1. Appendix 2 gives a summary of all reports issued in this reporting period.

3. Background

One of the terms of reference of this Committee is to 'monitor internal (and) external audit performance'. In order to comply with this requirement to monitor the in-house service, a progress report is given below outlining internal audit work undertaken in the last quarter. This work is then set against the original Internal Audit Plan to show what progress has been achieved.

In addition, information is provided for members on the current position regarding staff vacancies and other staffing issues within the team.

4. Audit Assignments Completed

A total of 16 formal audit reports have been issued since 18th November 2019 in line with normal distribution guidelines. Attached as appendix 1 is a schedule of the reports together with a brief summary of the finding and the risk rating applied following the audit.

The following is a list of the reports issued;

- 5 Private Reports
- 3 Primary Schools
- Treasury Management
- Court Deputy Service
- Education Improvement Grant
- Pupil Deprivation Grant
- Charlotte's Pantry – Margam Park
- Gift Shop – Margam Park
- Vision Impaired West Glamorgan
- Schools Data Protection Registration

5. Post Audit Reviews Undertaken

The following Post Audit Reviews (PARS) have been undertaken

Audit	Date of PAR	Issues
Assistive Technology	28/11/2019 (2ndPAR)	Stock control remains a concern. Assistance will be provided at annual stocktake.
YGG Tyle'r Ynn	08/01/2020	No Issues
Youth Service	14/02/2020	No Issues
Cilffriw Primary School	25/02/2020	No Issues
Fleet Workshops	28/02/2020	No Issues

6. Progress against Plan

Appendix 2 gives detail of the work carried out to date against the 2019/20 Plan.

There are currently 3 special investigation in progress.

7. Staffing.

The vacant Fraud Officer Post is in the process of being filled. The section has suffered an increase in sickness absence which will have an impact on achieving the planned audits.

8. Financial Impacts

No implications

9. Integrated Impact Assessment

There is no requirement to undertake an Integrated Impact Assessment as this report is for monitoring/information purposes.

10. Valleys Communities Impacts

No implications

11. Workforce Impacts

No implications

12. Legal Impacts

No implications

13. Risk Management Impacts

No implications

14. Consultation

There is no requirement for external consultation on this item

15. Appendices

Appendix 1 – Published Reports

Appendix 2 – Audit Plan Monitoring 2019/20

16. List of Background Papers:

None

Officer Contact:

Huw Jones, Head of Finance

h.jones@npt.gov.uk

01639 763575

Anne-Marie O'Donnell, Audit Manager

am.odonnell@npt.gov.uk 01639 763628

Appendix 1 – Published Reports

Tudalen35

Report Ref	Report Subject & Responsible Head of Service	Report Conclusion	Risk Category
R21	Blaengwarch Primary School Head of Participation	Good controls were found to be in place and the school is complying in full with current DBS guidance.	1
R22	St. Joseph's Catholic Infant School Head of Participation	Generally good controls were found to be in place and the school is complying with current DBS guidance. Recommendations were made in relation to the school unofficial fund and compliance with IR35 legislation.	2
R23	Waunceirch Primary School Head of Participation	Generally good controls were found to be in place and the school is complying with current DBS guidance in respect of staff. Recommendations were made in relation to Governors' DBS and the school unofficial fund.	2
R24	St. Joseph's Catholic Junior School Head of Participation	Generally good controls were found to be in place and the school is complying with current DBS guidance. Recommendations were made in relation to school meal debt, coding of procurement card purchases and the school unofficial fund.	2
R25	Private Item		
R26	Central Primary School Head of Participation	Good controls were found to be in place and the school is complying in full with current DBS guidance.	1

Appendix 1 – Published Reports

Tudalen36

Report Ref	Report Subject & Responsible Head of Service	Report Conclusion	Risk Category
R27	Cwmafan Primary School Head of Participation	Good controls were found to be in place and the school is complying in full with current DBS guidance.	1
R28	Equipment Tracking Head of Engineering & Transport	Generally good controls were found to be in place and recommendations were made which will further enhance the existing controls.	2
R29	YGG Pontardawe Head of Participation	Generally good controls were found to be in place and the school is complying with current DBS guidance. Recommendations were made in relation to raising orders and the school unofficial fund.	2
R30	Concessionary Fares – First Cymru Head of Engineering & Transport	Good controls were found to be in place and no issues were identified.	1
R31	Complaints & Compliments All Chief Officers	Good controls were found to be in place for Complaints Officers' identifying, resolving and reporting of complaints. Recommendations were made in relation to training for complaints officers, risk assessments, enhancements to the	2

Appendix 1 – Published Reports

Report Ref	Report Subject & Responsible Head of Service	Report Conclusion	Risk Category
		Corporate Complaints and Compliments Policy and deploying the IT system used within Social Services to all complaints officers.	

Risk Categories

Category 1 – testing found good controls to be in place

Category 2 – testing found some controls that need enhancing which will be achieved by the implementation of the recommendations

Category 3 – testing revealed a number of areas where improvements in controls are required. A verbal update will be provided

Category 4 – testing revealed areas of concern, the Head of Service will provide a written response to the audit report for consideration by Members of Audit Committee

Category 5 – testing revealed areas of significant concern. The Head of Service and/or Service Manager will attend audit committee

Appendix 2 – Audit Plan Monitoring

<u>Audit Plan Item 2019-20</u>	<u>Risk Factor</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
<u>Education, Leisure and Lifelong Learning</u>					
<u>School Based Audits</u>					
20 Primary Schools	M	1 school audited	3 schools audited	7 schools audited	4 schools audited
3 Secondary Schools			1 school audited	1 Audit being undertaken.	1 report issued. Final school postponed due to unavailability of key staff within school
Tudalen	H				
<u>Other Education</u>					
Unofficial Funds (Primary)	H			Audit in progress	Report being finalised
Unofficial Funds (Secondary)	H			Audit in progress	Report being finalised
Education Grants			Grant audit finalised	2 Grants audited and draft reports issued.	2 reports issued. 2 certifications in progress.
	M	1 grant being audited			
<u>Leisure, Culture and Lifelong Learning</u>					
Margam Country Park & Orangery	M			Audit in progress	2 reports issued

Appendix 2 – Audit Plan Monitoring

<u>Audit Plan Item 2019-20</u>	<u>Risk Factor</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
<u>Finance and Corporate Services</u>					
Revenue Collection					
Council Tax	L				CRSA* issued
Council Tax Recovery	M				Audit complete draft report prepared
NNDR	L				CRSA Issued
Sundry Debtors	L				CRSA Issued
Cash Collection	H	Unannounced visits undertaken	Unannounced visits undertaken	Unannounced visits undertaken	
Benefits Administration					
Housing Benefits	L				CRSA Issued
Exchequer					
Payroll	L				CRSA Issued
Creditor Payments	L				CRSA Issued
Creditor (FIS Checks)	H	Regular monthly checks undertaken	Regular monthly checks undertaken	Regular monthly checks undertaken	Regular monthly checks undertaken
Off Payroll Payments (IR 35)	H		Advice given	Advice given to a number of service areas	Advice given to a number of service areas

Appendix 2 – Audit Plan Monitoring

<u>Audit Plan Item 2019-20</u>	<u>Risk Factor</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
Accountancy					
Treasury Management	M		Audit in planning stage	Audit in progress	Audit complete and report issued
VAT	M				Audit in progress
Other					
Financial Assessments	M	Audit in progress	Audit complete		
Court Deputy	M	Audit in progress		Draft Report issued	Audit complete report issued
Contingency	N/A	Mobile phone audit in progress		Third Sector Grant audit in planning stage.	Audit in progress.
Legal Services					
None					
<u>Chief Executive's</u>					
Members' Driver Declarations	M	Audit in progress	Audit ceased following legal advice	Replaced with Chief Executive Directorate Travel & Subsistence Claims to be undertaken in Q4	Audit in progress
<u>Social Services, Health and Housing</u>					

Appendix 2 – Audit Plan Monitoring

<u>Audit Plan Item 2019-20</u>	<u>Risk Factor</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
Housing General Fund:					
None					
Social Services					
Hillside Secure Unit	M			Audit in planning stage	Audit in progress
Grant Certification	M	1 grant being audited	2 grants audited		1 grant certified.
Safeguarding - Children & Adult Services					
Child Sexual Exploitation	H				Audit in progress
Professional Abuse Strategy Meetings	H				Audit in progress
Contingency	N/A			Warm Homes Fund to be Audited in Q4.	Audit in progress
<u>Environment</u>					
Stores/Equipment attendance at stock takes	H				Attendance at annual stocktake arranged
Stores processes	H			Audit in progress	Audit in progress
Equipment Tracking /Write Offs	M	Audit in progress	Draft report issued	Final report issued	

Appendix 2 – Audit Plan Monitoring

<u>Audit Plan Item 2019-20</u>	<u>Risk Factor</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
Winter Gritting Processes	M				Audit in planning stage
Town Centre Regeneration Programme	M				
Contingency	N/A				
<u>Cross Directorate</u>					
Special Investigations	N/A	3 in progress	5 in progress	4 in progress	3 in progress
Advice & Guidance Requests	N/A	Ongoing	Ongoing	Ongoing	Ongoing
Corporate Governance Arrangements	N/A				
Data Security	H				
Contract Audit	M		1 final account processed	2 final accounts processed	1 final account processed
Officer Declarations	M	Audit complete			
Risk Registers	M				Advice given
DBS Checks	H		1 Audit Completed	Audit in progress	Audit complete and report issued
Complaints Processes	M	Audit in progress	Audit in progress	Final report issued	
Procurement	H			Audit in planning stage	Audit postponed to next year
Money Laundering	M				Audit postponed to next year

Appendix 2 – Audit Plan Monitoring

<u>Audit Plan Item 2019-20</u>	<u>Risk Factor</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
Fraud	H	Work ongoing	Blue Badge Audit in progress	Blue Badge Audit still ongoing	Audit complete
GDPR	M			Audit in planning stage	Audit postponed to next year
<u>Other Commitments</u>					
Banking Administrator	N/A	Work ongoing	Work ongoing	Work ongoing	Work ongoing
Attendance at working parties	N/A	Work ongoing	Work ongoing	Work ongoing	Work ongoing
Servicing Audit Committee	N/A	Work ongoing	Work ongoing	Work ongoing	Work ongoing
Vision Impaired West Glamorgan	L				Audit complete and report issued
SVTRA	N/A		Audit in progress		Audit complete and report issued
FOT Requests	N/A	All requests have been replied to.	All requests have been replied to	All requests have been replied to	All requests have been replied to
Staff association/lottery	N/A	Year end accounts audited and Auditor's Statement provided.		Advice given when requested	Advice given when requested
National Fraud Initiative	N/A	Matches being reviewed	Matches being reviewed	Matches being reviewed	Matches being reviewed
* Control Risk Self Assessment					

Student 43

Appendix 2 – Audit Plan Monitoring

Tudalen44



NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

18th March 2020

Report of the Head of Finance – Huw Jones

Matter for Decision

Wards Affected:

All Wards

1. Purpose of the Report

The purpose of this report is to obtain members agreement to implement the protocol attached as Appendix 1 to this report.

2. Executive Summary

Implementation of the attached protocol will ensure that there is a clear agreed pathway to be used when members wish to invite an officer to attend committee.

3. Background

From time to time, due to the risk rating resulting from an audit, members will wish to invite an officer to a committee meeting to provide details of and answer their questions relating to the issues highlighted as a result of the audit. At present there is no agreed protocol in place to be used in these circumstances. The protocol

attached at Appendix 1 will provide clarity as to what is expected when invitations are extended to officers to attend committee.

4. Recommendation

It is recommended that members approve the protocol attached as Appendix 1.

5. Reason for proposed decision

To provide a framework to be utilised when members wish officers to attend committee meetings.

6. Financial Impacts

No implications

7. Integrated Impact Assessment

A first stage impact assessment has been undertaken to assist the Council in discharging its legislative duties (under the Equality Act 2010, the Welsh Language Standards (No.1) Regulations 2015, the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016.

The first stage assessment has indicated that a more in-depth assessment is not required.

8. Valleys Communities Impacts

No implications

9. Workforce Impacts

No implications

10. Legal Impacts

No implications

11. Risk Management Impacts

No implications

12. Consultation

There is no requirement for external consultation on this item

13. Appendices

Appendix 1 – Protocol

14. List of Background Papers:

None

Officer Contact:

Huw Jones, Head of Finance

h.jones@npt.gov.uk

01639 763575

Anne-Marie O'Donnell, Audit Manager

am.odonnell@npt.gov.uk

01639 763628

Protocol for inviting officers to attend Audit Committee.

As has been agreed previously when a service receives a risk rating of 4 or 5 Audit Committee Members may call the Service Manager and/or Head of Service to attend Audit Committee to answer members' questions.

In order to ensure that the meeting is productive the following actions will be taken:

1. Upon a risk rating of 4 or 5 being applied to a service a full copy of the report and any management responses will be forwarded to all Audit Committee Members. The report will be issued as soon as it has been agreed and formally issued in line with normal distribution guidelines.
2. The Chair and Vice Chair in consultation with other Committee Members will determine whether they wish the Service Manager and/ or Head of Service to attend the next Audit Committee Meeting. If attendance is required the Chair of Audit Committee will extend an invitation to those required to attend. In the case of Schools an invitation will be sent to the Headteacher and Chair of Governors.
3. The Audit Manager will ensure that there is a room available for use by those invited to attend until such times as members are ready to call them into the meeting.
4. Attendees at Audit Committee can only be dismissed from the meeting at the direction of either the Chair or Vice Chair.



NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

18th March 2020

Report of the Head of Finance – Huw Jones

Matter for Decision

**Wards Affected:
All Wards**

Internal Audit Plan for the Period 1st April 2020 to 31st March 2021

1. Purpose of Report

- 1.1 The purpose of this report is to seek members' approval of the attached Internal Audit Plan for 2020/21.

2. Internal Audit Plan 20/21

- 2.1 The Internal Audit Plan has been compiled from cumulative audit knowledge and experience, with reference to the Corporate Plan and Corporate Risks. The plan also includes audits which are subject to service level agreements and those which are carried out annually. In addition to the specific audits there are allowances put in place for such items as special investigations that arise during the year, contingencies and for advice and guidance. The plan has to be flexible in order to allow for unexpected items during the year that require audit input.

3. Recommendation

It is recommended that members approve the Internal Audit Plan as set out in Appendix 1.

4. Reason for Proposed Decision

To ensure compliance with the terms of reference of the Audit Committee.

6. Financial Impact

There is no financial impact associated with this report.

7. Integrated Impact Assessment

A first stage impact assessment has been undertaken to assist the Council in discharging its legislative duties (under the Equality Act 2010, the Welsh Language Standards (No.1) Regulations 2015, the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016.

The first stage assessment has indicated that a more in-depth assessment is not required.

8. Workforce Impacts

There are no workforce impacts associated with this report.

9. Legal Impacts

There are no legal impacts associated with this report.

10. Risk Management

The Audit Plan and the proposed audits contained therein form a fundamental part of the risk management processes used by the Council.

11. Consultation

There is no requirement under the Constitution for external consultation on this item.

12. Appendices

Appendix 1 – Internal Audit Plan for the period 1 April 2020 – 31st March 2021

Officer contact

Huw Jones – Head of Finance

Tel. 01639 763575 – email h.jones@npt.gov.uk

Anne-Marie O'Donnell – Audit Manager

Tel. 01639 763628 – email am.odonnell@npt.gov.uk

NEATH PORT TALBOT COUNTY BOROUGH
COUNCIL

Finance & Corporate Services Directorate

Internal Audit Service

INTERNAL AUDIT PLAN
FOR THE PERIOD
1 April 2020– 31 March 2021

Issue Date –

CONTENTS

Heading

Foreword to Plan

Section 1

Legislative requirements

Section 2

Calculation of available days

Section 3

Detailed Audit Plan in respect of 2020/21

**STRATEGIC AUDIT PLAN IN RESPECT OF THE PERIOD
1 APRIL 2020 to 31 March 2021**

1. INTRODUCTION

- 1.1 This plan outlines details of the Internal Audit Service involvement in Council services/functions for the period 1 April 2020 to 31 March 2021.
- 1.2 The plan has been prepared using the following assumptions and methodology.
- 1.3 The staffing complement for 2020/21 is 8.28 FTE.
- 1.4 An allowance has been made for special investigation type work i.e. fraud, theft, general malpractice issues in relation to employees and clients of Council services, along with requests for advice and guidance from service managers.
- 1.5 The risk factors noted against each audit heading are based on a formula that calculates the scores using 12 different variables.
- 1.6 The plan details the areas that are due to be audited during 2020/21. However, the audit plan is almost invariably subject to change as issues arise during the year. This flexibility is vital to ensure that new or increased risks are assessed and reported upon in order that assurance can be provided to Members. Any changes to the plan will be reported to Audit Committee throughout the year.

2. INTERNAL AUDIT SERVICE PERFORMANCE MONITORING

Updates in line with corporate guidelines will continue to be given to the Council's Audit Committee and where required to the relevant Scrutiny Committee. The section's work will also follow the requirements of the Public Sector Internal Audit Standards.

3. **AUDIT COMMITTEE**

Since this Committee was established as a 'stand-alone' entity in May 2002, numerous reports on a variety of topics have been submitted and this has assisted Members' awareness of their role i.e. effective compliance with the laid down Terms of Reference of the Committee.

The Committee undertakes its duties in line with the guidance given in the Public Sector Internal Audit Standards 2013 (updated 2017) which supersede The Code of Practice for Internal Audit in Local Government in the UK. Members were advised of this change at the March 2014 Audit Committee meeting.

4. **THE YEAR AHEAD**

As for every year to date, a number of challenges lie ahead:

- Provide an adequate level of audit coverage with reduced resources;
- Provide assurance to Members on the adequacy and effectiveness of internal controls on systems that have been affected by the budget reductions faced by the Authority;
- To further improve the assessment of risk in audit work;
- Continuing with the progress made to date in improving, and, enhancing the role of the Audit Committee;
- Continuing to work closely with service managers to improve the effectiveness of audit work, particularly with regard to the increasing emphasis on corporate governance issues and risk;
- Continuing to work closely with Wales Audit Office to maximise the effectiveness of audit work for the Authority.

In terms of ongoing requirements, there is a need to constantly monitor and review the progress being made in connection with the various assignments contained within the Audit Plan (aided by a computerised Audit Management System which has been developed in-house for our purposes). The 3 monthly progress reports will continue to be presented to Audit Committee. In addition, our External Auditor's report on the performance of Internal Audit in terms of compliance with the Public Sector

Appendix 1

Internal Audit Standards in line with their statutory responsibility in its entirety is submitted to the Audit Committee.

Finally, this Internal Audit Plan is submitted to the Audit Committee for approval at its meeting scheduled for 18th March 2020.

Huw Jones
Head of Finance

Anne-Marie O'Donnell
Audit Manager

SECTION 1

LEGISLATIVE REQUIREMENTS RELATING TO THE PROVISION OF THE INTERNAL AUDIT FUNCTION

- 1.1 This section deals with the legislative question and the manner in which compliance is effected by the Authority.
- 1.2 Section 151 of the Local Government Act 1972 requires that “every local authority shall make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs.”
- 1.3 The responsible financial officer in this Authority is the Director of Finance & Corporate Services, and one of the more important ways in which he exercises his statutory responsibility for financial administration is through the work of the Internal Audit Service.
- 1.4 The Accounts and Audit (Wales) Regulations 2014 state ... (1) A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control. (2) Any officer or member of that body must, if the body requires (a) make available such documents of the body which relate to its accounting and other records as appear to that body to be necessary for the purpose of audit; and (b) supply the body with such information and explanation as that body considers necessary for that purpose. (3) a larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit. (4) The findings of the review referred to in paragraph (3) must be considered, as part of the consideration of the system of internal control refers to in regulation 5 (3), by the committee or body referred to in that paragraph.
- 1.5 It is a requirement of the Public sector Internal Audit Standards that each Internal Audit service has an Audit Charter. The standards state “The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of ethics and Standards. The chief audit executive must

periodically review the internal audit charter and present it to senior management and the board for approval.” This committee approved the service’s revised charter at the committee meeting in June 2019.

- 1.6 These Accounts and Audit Regulations are supplemented by this Authority’s Financial Regulation No 3.4.5 and Financial Procedures Nos. 4.9.8 and 4.9.9 which state:

Financial Regulation 3.4.5 – Audit Requirements

This states that the Accounts and Audit Regulations require every local authority to maintain an adequate and effective internal audit.

Financial Procedure Nos. 4.9.8 & 4.9.9

4.9.8 Responsibilities of the Director of Finance & Corporate Services

To ensure that internal auditors have the authority to:

- Access Authority premises at reasonable times
- Access all assets, records, documents, correspondence and control systems
- Receive any information and explanation considered necessary concerning any matter under consideration
- Require any employee of the Authority to account for cash, stores or any other Authority asset under his or her control
- Access records belonging to third parties, such as contractors, when required
- Directly access the head of paid service, the executive and Audit Committee
- To ensure that effective procedures are in place to investigate promptly any fraud, irregularity or mal practice.

4.9.9 Responsibilities of Corporate Directors (Chief Officers)

- To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.

- To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- To consider and respond promptly to recommendations in audit reports
- To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- To notify the Director of Finance & Corporate Services immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources. Pending investigation and reporting, the Corporate Director should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

SECTION 2

INTERNAL AUDIT PLAN 2020/21 CALCULATION OF AVAILABLE DAYS

- 2.1 The total number of days included in the Plan is based on a total of 8.28 (FTE) staff.
- 2.2 A number of allowances have to be made to the total number of days available to allow for annual leave, public holidays, sickness, training etc. An estimate also has to be made for staff vacancies arising from the possibility of staff turnover occurring over the year.
- 2.3 These allowances result in a total number of 'available' days to the section of 1,700. From this is deducted a number of days to allow for the general supervision and management of the Section and other 'non-chargeable' items such as attendance at seminars, team meeting etc. The total number allocated to these overhead type areas is 210 days.
- 2.4 This leaves a total of 1,490 days available for planned work.

SECTION 3 – INTERNAL DRAFT AUDIT PLAN FOR 2020/21

Service Area	Days Allocated	Risk Factor
<u>Education Leisure & Lifelong Learning</u>		
School based audits		
Primary Schools	120	M
Secondary Schools	35	H
Other education		
Challenge Advisers Role & outcomes	20	H
Home to School Transport	20	H
Education other than at school	15	M
Pupil exclusions	10	M
Education Library Resource Service	10	M
Grants	20	H
Leisure		
Princess Royal Theatre	10	M
Leisure Services Contract	10	M
Margam Park Development	10	H

Total number of days = 280

Service Area	Days Allocated	Risk Factor
<u>Chief Executive's</u>		
Cyber Security	15	H
IT Audits	30	M
Integrated Impact Assessments	15	M

Total number of days = 60

Service Area	Days Allocated	Risk Factor
<u>Environment</u>		
Stores – stocktake assistance	5	H
Bus Service Operators Grant	5	M
Fuel Usage & Controls	20	H
Drainage	20	M
Pest Control	15	M
Regeneration	10	M
Business Support Loan & Grants	15	M
MREC (Materials Recovery & Energy Centre)	25	H
Final Accounts	5	H

Total number days = 120

Service Area	Days Allocated	Risk Factor
<u>Finance & Corporate Services</u>		
Revenue Collection		
Council Tax	5	L
NNDR	5	L
Sundry Debtors (inc. new system advice)	15	H
Benefit Administration		
Housing Benefits	5	L
Exchequer		
Payroll	5	L
Creditor Payments	5	L
Creditors (FIS) checks	20	H
Off payroll payments (IR 35)	10	H
Accountancy		
Treasury Management	15	M
Other		
3 rd Sector Grants	10	M
Capital Programme	15	H
Licencing	10	M

Total number of days = 120

Service Area	Days Allocated	Risk Factor
<u>Social Services, Health & Housing</u>		
<u>Social Services</u>		
Hillside Secure Unit	15	M
Grant certification	15	M
<u>Safeguarding:</u>		
Children's & Adult Services (areas to be agreed)	30	H
Monitoring of External Providers	20	M
Youth Offending Team	25	H
Fostering	20	H

Total number days = 125

Service Area	Days Allocated	Risk Factor
<u>Cross directorate</u>		
Special Investigations	210	N/A
Advice & Guidance requests	90	N/A
Officer Declarations	15	M
Compliance with Welsh Language Act	10	M
Procurement	35	H
Fraud (to include joint working With DWP & NFI)	210	H
Money Laundering (compliance with policy)	10	H
Grants	20	H
New HR/Payroll System	30	H
Non-school mini buses	10	M
Contingency	35	N/A
Sickness Absence Processes	25	M

Total number of days = 700

<u>Other Commitments</u>		
Banking Administrator	10	N/A
Attendance at working Parties	20	N/A
Servicing Audit Committee	20	N/A

Appendix 1

Vision Impaired West Glam	10	L
SWTRA	10	N/A
FOI Requests	5	N/A
Staff association/lottery	10	N/A

Total number of days = 85

Total number of days for 20/21 = 1490

H = High, M = Medium, L=Low

Mae'r dudalen hon yn fwriadol wag

Neath Port Talbot County Borough Council

Audit Committee

18th March 2020

Report of the Director of Finance and Corporate Services

Matter for Decision

Wards Affected – All wards

Accounting policies 2019/20

Purpose of the Report

The purpose of this report is to consider and approve the draft accounting policies for inclusion in the 2019/20 Statement of Accounts.

Background

The Council uses the Chartered Institute of Public Finance (CIPFA) Code of Practice on Local Authority Accounts to ensure it complies with accounting regulations and international financial reporting standards.

CIPFA published “Telling the Story” to encourage updates to the presentation of the accounts and the following non material notes were updated in the Council’s 2018/19 statement:

- Heritage assets – details in note reduced
- Trading operations – removed
- Agency services – houses to homes removed
- Termination benefits – integrated into exit packages note
- Contingent liabilities and assets - removed
- Trust funds – removed
- Jointly controlled assets – removed
- Landfill sites – removed.

These items still need to be reviewed each year, to ensure that they remain immaterial.

There have been no significant changes to the Code for 2019/20, however, CIPFA has introduced guidance on streamlining the closing process and actively encouraged a focus on presenting the accounting statements to improve their readability, whilst still complying with the regulations. This proposes that only significant policies are disclosed.

Draft accounting policies 2019/20

Neath Port Talbot Council's accounting policies have been rewritten to ensure the disclosures assist the accounts users to understand the transactions, other events and conditions that are reflected in the financial report. The proposed changes to the policies are included in Appendix 1 with Appendix 2 showing the draft updated policies.

In addition to the accounting policies, it is foreseen that other notes will be updated to reflect the streamlining process, as follows:

- Heritage assets – not material so note removed
- Inventories – not material so note removed
- Deferred Capital Receipts Reserve – small value table removed
- Annual Governance Statement – publish as a separate document.

Financial Impact

There are no financial impacts.

Integrated Impact Assessment

The first stage assessment, attached at Appendix 3, indicates that a more in-depth assessment is not required. The report focuses on presenting the accounting statements to improve their readability, whilst still complying with the regulations.

Valleys Communities Impacts

There are no implications in respect of this item.

Workforce impacts

There are no workforce implications in respect of this item.

Legal Impacts

There are no legal implications in respect of this item.

Risk Management

There are no risk management issues in respect of this item.

Consultation

There is no requirement under the Constitution for external consultation on this item.

Recommendation

It is recommended that Members approve the draft accounting policies for inclusion in the statement of accounts for 2019/20.

Reason for proposed decision

To approve the updates to the draft accounting policies in advance of the 2019/20 closure of accounts process.

Implementation of Decision

The decision is proposed for implementation after the three day call in period.

Appendices

Appendix 1	Proposed amendments to accounting policies
Appendix 2	Draft accounting policies 2019/20
Appendix 3	Impact assessment – first stage

Background Papers

CIPFA streamlining the accounts.

Statement of accounts

Officer Contact

Mrs Janet North, Chief Accountant, Technical and Exchequer

☎ 01639 763635

E-mail: j.north@npt.gov.uk

Proposed amendments to accounting policies

Proposed 19/20	Original note	Background
i	i	General principles – minor simplification of wording.
ii	ii	Accruals of expenditure and income – title changed to recognition of income and expenditure. Updated to include government grants.
iii	iv	Prior period adjustments, etc., – changed heading to remove estimates and errors. Reduced wording as we do not expect any in 2019/20.
iv	xv	Property, plant and equipment-presentation changed to summarise the position and make the treatment of assets easier to understand. Grouped all capital accounting notes.
v	v	Charges to revenue for non-current assets - removed intangible assets as there are none in Neath Port Talbot.
vi	vii	Financial instruments-reworded to reflect the position in Neath Port Talbot rather than include all the wording in the Code guidance.
vii	ix	Heritage assets-no changes.
viii	xiii	Leases – the Council is lessee for one finance lease and lessor for operating leases. Words amended to reflect these only.
ix	xvi	Service concessions-wording amended.
x	xix	Revenue expenditure funded from capital under statute-minor wording changes.
xi	iii	Cash and cash equivalents - wording simplified.
xii & xiii	vi	Employee benefits-wording simplified. Split into two notes, one for employee benefits, the other retirement benefits.
xiv	x	Interest in companies and other entities–no change.
xv	xi	Inventories-note updated and long term contract element removed as this is covered in “recognition of income and expenditure”.
xvi	xiv	Overhead and support costs – minor wording changes.
xvii	xvii	Provisions, contingent liabilities and contingent assets– summarised though same meaning.
xviii	xviii	Reserves – minor changes to wording.
xix	xx	Schools – lots of words removed, but no change to the message.
xx	xxi	VAT – words updated as we don’t need to tell the informed reader that HMRC deal with VAT.
n/a	viii	Government grants and contributions. No longer in a separate note as now included with “recognition of income and expenditure”. Business improvement districts removed as not Neath Port Talbot’s - we just collect the income and hand it over to the BID companies.
n/a	xii	Joint operations – removed as not a significant accounting policy.
n/a	xxii	Fair value measurement – much reduced description incorporated into the PPE note.

Draft accounting policies

i. General principles

The statement of accounts summarises the Council's financial transactions for 2019/20 and its position at 31st March 2020. The Council is required to prepare an annual statement of accounts by the Accounts and Audit (Wales) Regulations 2014 (as amended by The Accounts and Audit (Wales) (Amendment) Regulations 2018), in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS). The accounts are prepared on a going concern basis.

ii. Recognition of income and expenditure

Activity is accounted for in the year that it takes place, not when cash payments are made or received. In particular:

- revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.
- services received (including employees services) are recorded as expenditure when the services are received, rather than when payments are made.
- interest receivable on investments and payable on borrowing is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.
- Government grants and third party contributions are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and that grant monies and contributions will be received. Where conditions attached to grants and contributions remain outstanding, monies received to date are carried forward in the balance sheet as creditors (receipts in advance) until the conditions have been satisfied.
- where revenue and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts are not considered collectable, the balance is reduced by a provision for doubtful debts.

iii. Changes in accounting policies and prior period adjustments

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively, unless stated otherwise, by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

iv. Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Appendix 2

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis subject to a de-minimus limit of £10,000, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains, but does not add to an asset's potential to deliver future economic benefits or service potential, such as repairs and maintenance, is charged as an expense when it is incurred.

Assets are initially measured at cost, comprising of the purchase price and any costs attributable to bringing the asset to an operational condition. The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, that is estimated at highest and best use from a market participant's perspective. Where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are carried in the balance sheet using the following measurement basis:

Asset type	Measurement basis	Revaluation year	Depreciation basis (straight line unless not finite usable life)
Other operational land and buildings	Existing use value or depreciated replacement cost if no market based evidence.	Rolling programme across five years	Land n/a Buildings 3 to 40 years
Vehicles, Plant, Furniture and Equipment	Existing use value or depreciated historical cost if of low value or short life.	n/a	5 to 20 years
Infrastructure assets	Depreciated historical cost	n/a	40 years
Community assets	Depreciated historical cost	2019/20	5 to 40 years
Surplus assets	Fair value	2020/21	5 to 40 years
Assets under construction	Depreciated historical cost	n/a	n/a
Assets held for sale	Revalued immediately before reclassification	Every year	n/a
School assets	Depreciated replacement cost (modern equivalent asset)	2021/22	Land n/a Buildings usually 50 years, though varied for agreed closures
Service Concession	Existing use value or depreciated replacement cost if no market based evidence.	2022/23	Land n/a Buildings 3 to 40 years

Revaluations

The Council's internal valuers undertake this exercise in accordance with the professional standards of the Royal Institution of Chartered Surveyors. Assets included in the balance sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. The Council must balance the requirement to include asset values at their fair or current value each year end with the costs involved in providing valuations. To ensure the information is materially correct, the Council valuers undertake an annual review to identify any significant impairments or change in the usage of assets.

The revaluation reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

Impairment and downward revaluation

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired in value because of a change in service potential or significant and permanent changes to the market value.

- Where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the revaluation reserve, the carrying amount of the asset is written down against the relevant service lines in the comprehensive income and expenditure statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the comprehensive income and expenditure statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet is written off to the other operating expenditure line in the CIES against any receipts arising from the disposal as a gain or loss on disposal. If more than £10,000 is received at disposal, this is treated as a capital receipt and kept in a reserve that can only be used for capital purposes.

Componentisation

Where a single asset may have a number of different components, each having a different useful life, three factors are taken into account to determine whether a separate valuation of components is to be recognised in the accounts in order to provide an accurate figure for depreciation. These factors are:

- materiality with regards to the Council's financial statements. Componentisation will only be considered for individual non land assets that have a net book value of more than £2.5m or 0.5% of total net book value.
- significance of component. For individual assets meeting the above threshold, where services within a building, such as boilers, heating, lighting, ventilation, etc., are a material component of the cost of that asset, i.e. greater than 30%, then those services will be valued separately on a component basis.
- difference in rate or method of depreciation compared to the overall asset. Only those elements that normally depreciate at a significantly different rate from the

non-land element as a whole, or that require a different method of depreciation will be identified for componentisation.

Assets that do not meet the test above can be disregarded for componentisation on the basis that any adjustment to depreciation charges would not result in a material misstatements in the accounts.

v. **Charges to revenue for non-current assets**

Services are charged the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service.
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off.

vi. **Financial instruments**

These are recognised in the balance sheet when the Council becomes a party to the contractual provisions and are initially measured at fair value.

Financial liabilities are carried at their amortised cost. For most of the Council's borrowing, it means that the amount presented in the balance sheet is the outstanding principal repayable, plus accrued interest. Annual interest, which is the amount payable for the year according to the loan agreement, is charged to the financing and investment income and expenditure line within the comprehensive income and expenditure statement. The Council has spread the cost of historical premiums and discounts arising from debt rescheduling over the term of the replacement loan. The reconciliation of amounts charged to the comprehensive income and expenditure statement to the net charge required against the general fund balance is managed by a transfer to or from the financial instruments adjustment account in the movement in reserves statement.

Financial assets are classified to reflect the business model for holding the financial assets and their cash flow characteristics and are held at fair value.

The Council's investments at 31st March 2020 had a historic rate of default of 0.00#% and there is no impairment allowance included for these financial assets, as the risk is immaterial. The Council's debtors position, excluding council tax, is included within the financial assets statement. These debts have been reviewed and although there is no significant financing component, funds are set aside for any potential impairment based on a collective assessment of the value and age of the outstanding debt.

vii. **Heritage assets**

Heritage assets are defined as assets that have historical, artistic, scientific, technological, geographical or environmental qualities, which are held and maintained principally for their contribution to knowledge and culture.

The Council holds heritage assets on the balance sheet in relation to works of art. Assets are included when an insurance valuation has been undertaken and the valuation for the individual asset is £5,000 or more. In the absence of historic cost, the insurable sum is deemed as an appropriate and relevant method of valuation, with the last valuation undertaken by Sotheby's in 2003. These items are considered to have indeterminate lives and a high residual value, consequently the Council does not consider it appropriate to charge depreciation.

viii. **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

The Council holds one finance lease, as a lessee, for other land and buildings, which is recognised on the balance sheet. This is matched by a liability for the obligation to pay the lessor.

Where the Council grants an operating lease as a lessor for property or land, the asset is retained in the balance sheet and rental income is credited to the comprehensive income and expenditure statement.

ix. Service concessions

These are agreements for services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. The Council is deemed to control the services provided under the contract and as ownership of the assets will pass to them at the end of the contract period, the Council carries the assets on its balance sheet as part of property, plant and equipment.

Further details of service concession costs and liabilities can be found in note ##.

x. Revenue expenditure funded from capital under statute

Legislation requires defined items of revenue expenditure charged to services within the comprehensive income and expenditure statement to be treated as capital expenditure. This is transferred from the general fund balance via the movement in reserves statement to the capital adjustment account and is included in the capital expenditure and financing disclosure at note ##.

xi. Cash and cash equivalents

Cash includes cash in hand, overnight deposits and bank overdrafts. Cash equivalents can be quickly converted to known amounts of cash with low risk of change in value. Cash equivalents held as part of treasury management operations are included as short term investments.

xii. Employee Benefits

Short term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure on an accruals basis in the relevant service line in the comprehensive income and expenditure statement.

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the comprehensive income and expenditure statement.

xiii. Retirement Benefits

The Council participates in two formal pension schemes, the Local Government Pensions Scheme, which is administered by the City and County of Swansea Pension Fund and the Teachers' Pension Scheme, administered by the Teachers Pension

Agency. Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Council.

The nature of the teachers' scheme prevents the Council's individual share of the pension liability from being separately identified. The scheme is therefore accounted for as if it were a defined contribution scheme.

The Local Government Pension Scheme is accounted for as a defined benefits scheme as follows:

- i. The assets attributable to the Council are measured at fair value at the balance sheet date, after deducting accrued expenses. The attributable liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. Net pension assets are recognised only to the extent that the Council is able to recover a surplus, either through reduced contributions in the future or through refunds from the scheme. Unpaid contributions to the schemes are recorded as creditors due within one year.
- ii. For pension charges, the change in defined benefit asset or liability is analysed and charged to the comprehensive income and expenditure statement as follows:
 - Current service cost, past service cost and gains / losses on curtailments and settlements are included within Cost of Services;
 - Net interest on the net defined benefit liability is included within financing and investment income and expenditure; and
 - Actuarial gains / losses are incorporated within other comprehensive income and expenditure.

Further details for pensions can be found in note ##.

xiv. Interest in companies and other entities

The Council holds no material value interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and therefore there is no requirement to prepare group accounts. Transactions for the Council's companies are included within the Council's own single entity accounts.

xv. Inventories

Inventories are included in the balance sheet at average purchase price or latest purchase price, which is a departure from normal practice which values stock at the lower of cost or net realisable value. The effect of this departure is not material.

xvi. Overhead and support costs

The costs of overheads and support services are charged to services in accordance with the Council's arrangements for accountability and financial performance.

xvii. Provisions, contingent liabilities and contingent assets

Provisions are based on the Council's obligations arising from a past event, the probability that a transfer of economic benefit will take place and when a reliable estimate can be made of the value of the obligation. They are charged to the appropriate service revenue account in the year the obligation becomes known and are reviewed at each balance sheet date.

Contingent liabilities and assets are included where an event has taken place that gives a possible obligation or asset arising from past events, which will only

materialise if certain events not wholly within the control of the Council take place. They are not recognised in the balance sheet, but disclosed in a note to the accounts when material.

xviii. Reserves

Usable reserves are set aside for future policy purposes or contingencies.

Unusable reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits and do not represent usable resources for the Council.

xix. Schools

Schools assets, liabilities, reserves, transactions and cash flows are included in the Council's financial statements, which complies with the accounting Code.

xx. Value added tax (VAT)

VAT payable is excluded from spend except when it cannot be recovered from HMRC. VAT receivable is excluded from income.

Impact Assessment – First Stage

1. Details of the initiative

Initiative description and summary: Accounting policies 2019/20
Service Area: Technical Accounts
Directorate: Finance and Corporate Services

2. Does the initiative affect:

	Yes	No
Service users		✓
Staff		✓
Wider community	✓	
Internal administrative process only		✓

3. Does the initiative impact on people because of their:

	Yes	No	None/ Negligible	Don't Know	Impact H/M/L	Reasons for your decision (including evidence)/How might it impact?
Age		✓				There is no impact on this protected characteristic.
Disability		✓				There is no impact on this protected characteristic.
Gender Reassignment		✓				There is no impact on this protected characteristic.
Marriage/Civil Partnership		✓				There is no impact on this protected characteristic.
Pregnancy/Maternity		✓				There is no impact on this protected characteristic.
Race		✓				There is no impact on this protected characteristic.
Religion/Belief		✓				There is no impact on this protected characteristic.
Sex		✓				There is no impact on this protected characteristic.
Sexual orientation		✓				There is no impact on this protected characteristic.

Tudalen76

Impact Assessment – First Stage

4. Does the initiative impact on:

	Yes	No	None/ Negligible	Don't know	Impact H/M/L	Reasons for your decision (including evidence used) / How might it impact?
People's opportunities to use the Welsh language		✓				There is no impact
Treating the Welsh language no less favourably than English		✓				There is no impact

5. Does the initiative impact on biodiversity:

	Yes	No	None/ Negligible	Don't know	Impact H/M/L	Reasons for your decision (including evidence) / How might it impact?
To maintain and enhance biodiversity		✓				There is no impact
To promote the resilience of ecosystems, i.e. supporting protection of the wider environment, such as air quality, flood alleviation, etc.		✓				There is no impact

Tudalen 77

Impact Assessment – First Stage

6. Does the initiative embrace the sustainable development principle (5 ways of working):

	Yes	No	Details
Long term - how the initiative supports the long term well-being of people		✓	
Integration - how the initiative impacts upon our wellbeing objectives		✓	
Involvement - how people have been involved in developing the initiative		✓	
Collaboration - how we have worked with other services/organisations to find shared sustainable solutions		✓	
Prevention - how the initiative will prevent problems occurring or getting worse		✓	

Tudalen78

Impact Assessment – First Stage

7. Declaration - based on above assessment (tick as appropriate):

A full impact assessment (second stage) is not required	✓
Reasons for this conclusion	
This report is prepared to approve the streamlining of the closing process and actively encouraged a focus on presenting the accounting statements to improve their readability, whilst still complying with the regulations.	

A full impact assessment (second stage) is required	x
Reasons for this conclusion	

Tudalen79

	Name	Position	Date
Completed by	Janet North	Chief Accountant - Technical and Exchequer	13-Jan-2020
Signed off by	Huw Jones	Head of Finance	15-Jan-2020

Mae'r dudalen hon yn fwiadol wag

Document is Restricted

Mae'r dudalen hon yn fwriadol wag