



PWYLLGOR ARCHWILIO

2.00 PM - DYDD LLUN, 11 IONAWR 2021

O bell drwy Teams

RHAN 1

1. Datganiadau o fuddiannau
2. Cofnodion y Cyfarfod Blaenorol (*Tudalennau 5 - 12*)
3. Bil Llywodraeth Leol ac Etholiadau (Cymru) 2020 (*Tudalennau 13 - 16*)
4. Archwilio Cymru - Diweddariad Llafar
5. Llythyr Archwilio Cymru i Gyrff Archwiliedig (*Tudalennau 17 - 20*)
6. Adroddiad Blynyddol y Pwyllgor Archwilio 2019/2020 (*Tudalennau 21 - 22*)
7. Adroddiad Cynnydd Archwilio Mewnol (*Tudalennau 23 - 32*)
8. Monitro Rheoli'r Trysorlys 2020/2021 (*Tudalennau 33 - 40*)
9. Eitemau brys
Unrhyw eitemau brys yn ôl disgrisiwn y Cadeirydd yn unol ag Adran 100B(4)(b) Deddf Llywodraeth Leol 1972.
10. Mynediad i gyfarfodydd
Yn unol ag Adran 100A(4) a (5) o Ddeddf Llywodraeth Leol 1972, gwahardd y cyhoedd o'r eitemau busnes canlynol a oedd yn cynnwys datganiadau posib o wybodaeth eithriedig, fel a diffinnir ym Mharagraff 12 ac 15 Adran 4 Atodlen 12A y Ddeddf uchod.

RHAN 2

11. Archwiliad Graddfa Risg Uwch (*Tudalennau 41 - 46*)
12. Ymgais i gyflawni Twyll Sieciau (*Tudalennau 47 - 50*)

K.Jones
Prif Weithredwr

Canolfan Ddinesig
Port Talbot

Dydd Iau, 7 Ionawr 2021

Aelodaeth y Pwyllgor:

Cadeirydd: J.D.Morgan

Is-gadeirydd: L.M.Purcell

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

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

Mae'r dudalen hon yn fwriadol wag

AUDIT COMMITTEE

(Remotely Via Teams)

Members Present:

14 September 2020

Chairperson: Councillor J.D.Morgan

Vice Chairperson: Councillor L.M.Purcell

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

Officers In Attendance: H.Jenkins, K.Jones, H.Jones, A.O'Donnell,
C.Furlow-Harris, D.Mulligan, N.Headon and
T.Davies

Representing the Wales Audit Office: G.Gillett and K.Harvard

Voting Lay Member: J.Jenkins

1. **DECLARATION 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, Item 11 of the Agenda.

2. **MINUTES OF PREVIOUS MEETING**

Members questioned the Minutes of the previous meeting page 6 bullet point 2, the minutes should read would funding be tracked. Members requested a further explanation.

The Director of Finance and Corporate Services explained that Welsh Government originally made available £188m towards the Hardship Fund to reimburse Councils' for additional costs and loss of income, on the 17 August it announced an additional sum of £264m which would take us through to the end of March 2021. The Welsh

Government maintained a record of how that was allocated to different areas within the Hardship Fund, the council was required to identify which areas of the fund they were making claims against for reimbursement. Audit Wales would be reviewing the accounts and claims that have been made during the year.

It was highlighted that the Internal Audit Section would be carrying out work in relation to various expenditure, income and payments that the council had made during the first five months of this year.

Officers went onto explain that a substantial amount of money had been given to help businesses with grants from the Welsh Government of £10k and £25k. Over £28m to some 2,500 businesses had already been paid out and there were some further ones that would be made.

Internal and external audit would be reviewing and ensuring there would be appropriate governance arrangements in place. Information had been submitted to the National Fraud Initiative who carried out work at the end of July early August 2020 on payments made to businesses.

Various information was coming back to the Finance Section to double check potential issues around the payments, therefore there were many forms of governance checks and balances that would be undertaken during the second half of 2020.

RESOLVED: That the minutes of the meeting held on 9 June, 2020, be approved.

3. **ANNUAL GOVERNANCE STATEMENT REPORT 2019-2020**

The Committee received an update of the Council's Annual Governance Statement 2019-2020 and Addendum, as detailed in the circulated report.

It was noted that the Addendum report explained what controls had changed, and also priorities for improvement that needed to be worked on in the foreseeable future.

It was highlighted that the report showed updated requirements in terms of providing further training for Members of the Audit Committee.

RESOLVED: That the report and addendum be noted.

4. **AUDIT WALES STATEMENT OF ACCOUNTS 2019-2020**

Members received an update from Audit Wales on the Statement of Accounts for 2019-2020 for Neath Port Talbot County Borough Council, as detailed in the circulated report.

Audit Wales thanked officers for their support in providing audit evidence in challenging and difficult circumstances.

Audit Wales drew Members attention to Note 35 of the accounts which described the impact of COVID-19 on the valuation of Pension Scheme Assets as at 31 March 2020.

It was noted that during the audit, two misstatements had been identified in the statement of accounts and these had been discussed with management, but management had chosen not to adjust.

Audit Wales officers highlighted the uncertainty arising from the valuation of Pension Scheme Property Assets and that an additional narrative disclosure had been added to the accounts. Members were also informed that in relation to the McCloud Judgement an additional narrative disclosure was made because the draft financial statements were prepared before the government published on 16 July 2020 its consultation to the Judgement. This consultation proposed remedy and response on age discrimination in public sector pension schemes. The external auditor confirmed with the pension actuary, that they had taken the Judgement into account and had made provisions for a proposed remedy in valuing pension liability.

In respect of the Asset Valuation process, there were some improvements that would be made going forward.

Members thanked Audit Wales and their team for all their good work.

RESOLVED: That the report be noted.

5. **STATEMENT OF ACCOUNTS 2019-2020**

Members received an overview of the Statement of Accounts 2019-2020, following the completion of the external audit.

Officers highlighted that the draft Statement of Accounts was presented to Audit Committee during June 2020 and there had been some changes to the accounts since that date.

Officers went on to explain that Local Authorities were originally required to complete and submit a set of accounts to audit by the 15 June, with a requirement to gain Audit Committee approval. Due to the impact of Covid-19 these dates had been subsequently amended. It was necessary to amend the final sign off date for the accounts to 15 September 2020, this was still in line with legislation.

It was explained that a new valuation by the Pension Actuary came into effect from 1 April 2020 for the next 3 years, this had taken into account what had been anticipated to be the major impacts of the McCloud Judgement, and as a result Auditors were satisfied.

In terms of the Property Asset Valuations, mentioned by Audit Wales under the previous agenda item, these were based on independent valuations for the City and County of Swansea Local Government Pension Scheme. These valuations were carried out annually, and if required, adjustments would be actioned through the pension accounts, which would then be reflected in the Council's Statement of Accounts. The Auditors had highlighted that as a result of valuation reductions they could have an impact on the overall viability and sustainability of the Pension Scheme. The Director of Finance and Corporate Services stated that there was no concern at the present time, and this would be addressed as part of next year's audit of the Pension Fund accounts.

Members questioned whether the former Director of Environment and Regeneration was a paid Director of Neath Port Talbot Waste Management Company? Officers confirmed that the former Director was, but that the current Director of Environment and Regeneration was not a paid Director of Neath Port Talbot Waste Management Company nor Neath Port Talbot Recycling Limited. It was highlighted that the service provider up until 30 September 2019 was Neath Port Talbot Recycling Limited, but since 1 October 2019 all staff and functions had been transferred and operating directly by the council. Members were also informed that Neath Port Talbot Recycling

Limited would be going into liquidation during the next calendar year and that Members would need to consider a way forward in relation to the Waste Management Company.

It was noted that the acronyms listed under the Grant Income Section were not covered in the glossary. Officers agreed to expand on these in the final version of the accounts.

Members thanked Audit Wales and officers for the work put in to preparing the accounts and for enabling closure.

- RESOLVED:**
1. That the report be noted.
 2. That approval be granted for the Director of Finance and Corporate Services to amend acronyms in the Statements of the final published version of the accounts;
 3. That the Letter of Representation, included as Addendum 1 of the circulated report, be approved;
 4. That the final 2019-2020 Statement of Accounts, as included in Addendum 2 of the circulated report, be approved;
 5. That the Chair of the Audit Committee be authorised to provide his electronic signature for the Letter of Representation and the Statement of Accounts.

6. **INTERNAL AUDIT ANNUAL REPORT 2019-2020**

Members were given an update on the Head of Internal Audit's (HIA) Annual Opinion on the systems of internal control operating within the Council during the financial year 2019/2020 and details of the Internal Audit achievement against the 2019/2020 Internal Audit plan approved by Audit.

It was noted that the HIA's opinion was that reasonable assurance could be given that there had been no major weaknesses noted in the relation to the internal control systems, governance arrangements and risk management processes operating within the council.

It was highlighted that 83% of planned audits were undertaken, which was an improvement on 80% from the previous year. It was confirmed that internal audit work had complied with all Public Sector Internal Audit Standards.

A discussion took place regarding School Data Protection Registration Audit. Officers explained that some schools audited throughout the year had been late in ensuring registration was up-to-date. This should be completed annually, but there were one or two that were late, therefore Audit completed an exercise with all of the schools to check for compliance. It was highlighted that there were no major issues, and that every school within the Authority was now compliant with their registration requirements. The recommendation made to all schools had been to put a diary date in their calendar to remind them to renew their registration annually.

With regards to the Procurement Audit which wasn't undertaken officers explained that at the beginning of the pandemic period this audit was in the planning stage, and during initial discussions with the Head of Legal Services the auditor was made aware that a new Procurement Manager had been appointed and the Contract Procedure Rules were in the process of being updated, therefore the audit was delayed in order to allow the new Procurement Manager to make changes they felt necessary and to allow the Contract Procedure Rules review to be completed. It was explained that by delaying the Audit there was no added risk to the Authority.

Members asked if that by delaying the Audit there had been added risk to the authority. Officers explained that there had been no major contracts procured during the pandemic but part of the work the Internal Audit Section would be undertaking between now and Christmas was an audit of the Urgency Actions undertaken during lockdown. Findings would be reported to the Audit Committee when completed.

A discussion took place regarding sufficient resources within the Audit Team. Officers explained that the Audit Plan for the quarter September to December 2020 prioritised work on fundamental systems for this year and was looking at processes which would have

changed as a result of remote working and homeworking. It was noted that the council would not deliver the original audit draft plan which would have been presented to members at the March committee meeting had it gone ahead due to the team's redeployment earlier in the year, but it would be re-prioritised to look at the areas of greater risk. The Audit Plan put forward was a risk based plan therefore the audits undertaken would be the audits considered to be a higher risk, some audits deemed not to be high risk would not be undertaken. The Audit Plan was put together based on risk and in conjunction with discussion with Heads of Service and Corporate Directors.

RESOLVED: That the report be noted.

7. INTERNAL AUDIT UPDATE 2020-2021

Members received an overview of the Internal Audit work undertaken since the last Audit Committee of December 2019, as detailed in the circulated report.

Officers explained that during the pandemic audit officers had been involved in assisting staff establish appropriate internal controls etc. as the council moved into different ways of working. During this time the Internal Audit Manager provided support in terms of the Safe and Well Services, and managed the implementation of the Test Trace & Protect Service (TTP) to which some of the Audit Team were re-deployed for a number of months, two members of staff remained providing audit advice to staff and undertaking audits. It was noted that all members of staff were now back in the Audit Team as from 1 September, 2020.

RESOLVED: That the report be noted.

8. TREASURY MANAGEMENT MONITORING 2020-2021 - QUARTER 1

Members received an overview of the Treasury Management action and information reported to Cabinet on 30 July 2020, as detailed in the circulated report.

RESOLVED: That the report be noted.

9. **INTERNAL AUDIT PLAN FOR THE PERIOD 1 SEPTEMBER 20 – 31 DECEMBER 2020**

Members were asked to approve the Internal Audit Plan for the period 1 September 2020 – 31 December 2020, as detailed in the circulated report.

It was noted that at this time the plan would be quarterly in order to concentrate on higher risk areas and to allow for the changing environment we find ourselves in due to the pandemic.

RESOLVED: That the Internal Audit Plan for the period 1 September 2020 – 31 December 2020, be approved.

10. **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 item 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.

11. **HIGHER RISK RATINGS**

Members received an update on special investigation audits undertaken since the Audit Committee meeting held in December 2019 which had a risk rating of 3, 4 or 5 applied, together with special investigations currently in progress, as detailed in the private circulated report.

A discussion took place in regard to the Disclosure and Barring Service (DBS) checks, officers agreed to update members at the next committee.

RESOLVED: That the report be noted.

CHAIRPERSON

Tudalen12

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

Audit Committee

11th January 2021

Report of the Head of Legal Services – Mr C Griffiths and Head of Finance – Mr H Jones

Matter for Information

Wards Affected: All

Local Authority Elections Wales Bill 2020

Purpose of Report

- 1 To provide members of the Neath Port Talbot County Borough Council (“the Council’s”) Audit Committee with an update on the Local Government and Elections (Wales) Bill 2020 and how it will impact on the Council.

Executive Summary

- 2 The Local Government and Elections (Wales) Bill was approved by the Senedd on the 18th November 2020. It now goes through the legislative process where Royal Assent is provided to implement its provisions. The provisions make a number of key changes to local government process and procedure.

Background

- 3 The Local Government and Elections (Wales) Bill 2020 was approved by the Senedd on the 18th November 2020. It now goes through the legislative process where Royal Assent is provided to implement its provisions.
- 4 The Bill includes provisions for:
 - (a) Reforming electoral arrangements for local government, including:
 - extending the voting franchise to 16 and 17 year olds and foreign citizens legally resident in Wales,
 - changes to voter registration, and
 - enabling a principal council to choose between the ‘first past the post’ or the ‘single transferable vote’ voting systems;
 - (b) A general power of competence for principal councils and eligible community councils;

- (c) Reforming public participation in local democracy;
- (d) The leadership of principal councils, including to encourage greater diversity amongst executive members and establishing a statutory position of chief executive;
- (e) The development of a framework and powers to facilitate more consistent and coherent regional working mechanisms;
- (f) A new system for performance and governance based on self-assessment and peer review, including the consolidation of the Welsh Ministers' support and intervention powers;
- (g) Powers to facilitate voluntary mergers of principal councils and restructuring a principal area;
- (h) Local government finance including non-domestic rating and council tax
- (i) Miscellaneous provisions relating to:
 - information sharing between regulators,
 - abolition of community polls,
 - fire and rescue authorities,
 - the Local Democracy and Boundary Commission for Wales, and
 - Public Service Boards.

5 Changes however are proposed in respect of the role of Audit Committees and the purpose of this report is to highlight the key provisions to members of the Audit Committee.

6 Once Royal Assent is granted, on a date to be determined by Welsh Government, the Council will be required to have a Governance and Audit Committee as opposed to an Audit Committee.

7 The operation of the Governance and Audit Committee will be different to the current Audit Committee, namely:

- (a) One third of the members must be lay persons – that being a person is not a member or officer of the Council, a spouse of a member or officer of the Council or a person who has not any time in the period of twelve months before appointment been an officer or member; and
- (b) the chair of the Governance and Audit Committee must be a lay person;

though further Regulations will be prepared to provide more guidance on the appointment process of lay members.

8 The role of the Governance and Audit Committee will be to:

- (a) review and scrutinise the Council's financial affairs, including approval of the Annual Statement of Accounts;
- (b) make reports and recommendations in relation to the Council's financial affairs;

- (c) review and assess the risk management, internal control and corporate governance arrangements of the Council
 - (d) make reports and recommendations to the Council on the adequacy and effectiveness of those arrangements;
 - (e) oversee the Council's internal and external audit arrangements, including internal and external audit work plans, receive, review and make reports on audit work and performance; and
 - (f) review the financial statement prepared by the Council
9. Amendments will be required to be made to the Constitution of Neath Port Talbot County Borough Council to incorporate these changes (including incorporation of these terms of reference) and a report will be brought to Council in due course to approve the same.

Financial Impact

- 10 None

Integrated Impact Assessment

- 11 As this report is for information only there is no requirement for an integrated impact assessment

Workforce Impact

- 12 The workforce impacts as a result of the requirements of the Local Government and Elections (Wales) Bill 2020 are currently being considered by officers and will be subject to a report to members where appropriate.

Legal Impact

- 13 Requirement must be had at all times with the requirements of the new Local Government and Elections (Wales) Bill 2020

Risk Management

- 18 None.

Consultation

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

Recommendation(s)

- 20 It is recommended that note the content of this report and the current implications to the Audit Committee as a result of the Local Government and Elections (Wales) Bill 2020.

Appendices

21 None

List of Background Papers

22 None.

Officer Contact

23 Craig Griffiths, Head of Legal Services
Tel: 01639 763767 or email: c.griffiths2@npt.gov.uk

Huw Jones, Head of Finance
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To: Chief Executives
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Via email

Reference: AC/219/caf

Date issued: 2 November 2020

Dear Colleague

Request for support on data analytics

I am writing to ask for your support as we modernise our work, with the aim of securing benefits for Audit Wales and also for the bodies we audit.

In our increasingly digital world, data is becoming a hugely important enabler for us, as it is for every organisation. As such, we have bold ambitions to transform the way we use data.

Our Data Analytics team has begun to make real progress, including:

- Publishing interactive data tools as a new type of product from our audits. These data tools add value to our work by making better use of the data we have collected and by generating more insightful analysis for exploration by the public, politicians, press and public bodies.
- Creating bespoke apps to automate aspects of our work. These apps have considerable potential to streamline our work, creating efficiencies for Audit Wales but also for the bodies we audit, mainly through eliminating the repetitive and time-consuming work associated with data collection and transfer.
- The team has a specific remit to collaborate with other public bodies. We have held numerous 'show and tell' sessions with other bodies, to talk about our new approaches and share our learning so far. We have also shared training materials that we have used to upskill our data analytics team. Please contact the team at data.analytics@audit.wales if you want to know more.

I am delighted with what we have achieved so far but we can do so much more, as set out in the Appendix to this letter.

The next critical step for us is to secure routine data downloads from the principle financial systems of the bodies we audit. This is why I am writing to you. Historically, our data requests have been ad hoc, and dependent on the area of testing being undertaken by the auditor. This can be onerous for your officers, and inefficient for my audit teams. Instead, we are now looking to routinely request data downloads, and here are the specific details of what I am asking for:

- Initially we will request a full download of your general ledger data for 2019-20 financial year for comparative purposes. We will then request downloads of your general ledger data for the 2020-21 financial year at interim and final audit stage. In future years, we may request this data on a quarterly or even monthly basis. We will also move on to requesting data from other key financial systems such as payroll and fixed assets.
- I would be grateful if you could convey your in-principle support to your Directors of Finance and Heads of IT, whom we are likely to speak with directly about accessing your organisation's data.
- We have invested in a Data Analytics Storage Solution based on Amazon Web Services' workspaces, which will underpin all of our future work on data analytics. This safe and secure environment will allow us to store and work with large datasets as well as sensitive data. We will work with you to determine the best way to transfer your data to us, which may be through the use of Objective Connect (an online transfer portal) or possibly via a specialist third party (that can directly link to your financial system).

In the medium term, we hope this new approach will save everyone time and effort by virtually eliminating the current data request process, which is sometimes protracted and repetitive. But more than that, these routine data downloads are a major steppingstone towards a higher-quality audit approach, based on a significantly larger evidence base, and which produces greater assurance and insight for organisations like yours.

I am hugely excited about the future for data analytics at Audit Wales so I would be more than happy to talk to you directly about this should you want to. Thank you in advance for your support and please don't hesitate to get in touch if you have any questions or concerns.

Yours sincerely

ADRIAN CROMPTON
Auditor General for Wales

Appendix: Details of our future vision for data analytics

Our Long-Term Vision for data analytics sets out a deliberately ambitious plan for the future, including:

- Streams of live data from public bodies allowing us to analyse performance and risks in real time.
- Use of machine learning and artificial intelligence to automatically cleanse data and flag high-risk issues for further consideration by auditors.
- Automatic linking and matching of data to detect fraud and anomalies.
- A move towards predictive analytics, to help us be more forward-looking in our commentary and recommendations.

Achieving this vision will be difficult and will take time but it is essential that we push ourselves.

A key change commitment within my Annual Plan 2020-21 is to improve how we “source, acquire and analyse data”. We are determined that this will lead to further improvements in the quality and efficiency of our work, and allow us to provide earlier, more insightful analysis to organisations like yours.

One of our most important projects is called Analytics Assisted Audit. This seeks to place data at the centre of our accounts work. There are four stages which underpin this project:

- **Data ingestion.** This is the most difficult stage. We need to be able to efficiently and securely transfer/ingest data from public bodies. However, public bodies have different systems. For example, Welsh public bodies use over 15 different financial ledger systems, excluding those used in support for HR, payroll, assets, schools, primary care, social care, etc.
- **Processing.** Once we have the data, we need to process it into a format that it can be easily read by our applications whilst ensuring its integrity. This will enable us to reproduce the trial balance from the source data, reconcile it to the accounts and automate analytical review. Auditors will have access to data at their fingertips, enabling them to drill down to transaction level data.
- **Testing.** We have developed applications to carry out key audit tests, freeing up our auditors to evaluate the outcomes and evidence their judgement. Examples include risk assessing transactions, selecting audit samples, linking to external data sources to independently verify transactions and balances (e.g. Land Registry, Companies House).
- **Visualisation.** Visualising the results of the data analysis will pave the way for more effective, interactive reporting of our audit work which we can share with our audited bodies.

The data downloads we will request from your financial systems will primarily be used within our Analytics Assisted Audit approach. We hope this approach will lead to more efficient audits, that have a more comprehensive evidence base, allowing us to create new insights and additional value to the bodies we audit.

Neath Port Talbot County Borough Council

Audit Committee – Annual Report 2019-2020

Introduction

This report summarises the work undertaken by the Audit Committee of Neath Port Talbot County Borough Council throughout the 2019-2020 Civic Year.

Membership

The members of the Audit Committee were: Councillors Dr D.Morgan, L. Purcell, J.Miller, R.W.Wood, O.S.Davies, A.N.Woolcock, A.J.Richards, H.C.Clark, S.Renkes, R.Mizen, R.Taylor, S.Freeguard and Mrs J Jenkins (Voting Lay Member)

The Committee Chair was Cllr. Dr. Del Morgan, and the Vice Chair was Cllr. Linet Purcell.

Work Programme

The Committee's forward work programme is agreed by members on a rolling basis, although this Committee's work is often driven by statutory requirements or by the dynamic necessities of particular circumstances as they arise.

The Committee met four times formally during the year with the final meeting scheduled for March 2020 cancelled due to the outbreak of the Coronavirus Pandemic.

Specific Duties and Tasks Undertaken by the Committee

The Committee received and approved the Council's Statement of Accounts for 2018/19 which included consideration of the Wales Audit Office's ISA 260 report. As part of this process the Committee also approved the Annual Governance Statement.

The Committee approved the Council's Internal Audit Plan for the year. Members discussed the various audits being proposed and queried the rationale for some and also the relative risk ratings. Officers provided an overview in relation to the process of compiling the plan and how the risk ratings were derived.

The Committee on a quarterly basis monitored Internal Audit performance against the plan. The Audit Manager responded to all questions asked by Members and provided further information at future meetings where appropriate. The final progress report for the year was not received by the Committee due to the cancellation of the March meeting.

The Committee monitored External Audit Performance and received update reports from Wales Audit Office. The Committee also received training in the system of Audit

Wales Performance Reviews, and this has now become a regular substantive agenda item for the Committee.

The Committee approved a revised Internal Audit Charter.

The Committee received regular details of all investigations relating to theft, fraud and malpractice. This included seeking specific assurances from one school within the County Borough regarding DBS issues; and receiving feedback confirming all issues were fully resolved.

The Committee received Treasury Management Progress Reports in order to fulfill their obligations in relation to the Scrutiny of Treasury Management activity.

(Cllr. Dr. Del Morgan, Chair)

(January 2021)



Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

11th January 2021

Report of the Head of Finance – Huw Jones

Matter for Information

Wards Affected:

All Wards

Internal Audit Update Report

1. Purpose of the Report

The purpose of this report is to provide details of the internal audit work undertaken since the last Audit Committee in September 2020.

2. Executive Summary

As Members are aware the vast majority of the team were redeployed to support Test, Trace & Protect (TTP) during the early part of this financial year and returned to their audit roles on 1st September. The plan which Members approved in September was based on a full staffing complement until 31st December 2020. However due to the rapid rise in positive Covid 19 cases with the County Borough half of the team were redeployed back to support TTP during October and November and one member of the team remains within TTP 2 days

per week. Despite the reduced capacity a total of 11 audit reports were issued and 2 grants certified. Appendix 1 of this report provides details of the reports issued and appendix 2 shows progress against the audit plan for quarter 3.

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, an update is given below outlining internal audit work undertaken since the December 2019 committee meeting.

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

4. Audit Work Undertaken

The team continued to provide advice to a number of sections throughout the Authority, this advice primarily related to the need to adapt working practices and redesign controls to accommodate the new working environment we find ourselves in. Support was also provided in relation to the internal controls operating in the proposed new combined HR/Payroll system and the proposed new Sundry Debtor. Six special investigations are also in progress.

Details of the audit reports issued, grants certified and the Post Audit Reviews carried out are detailed below.

Reports Issued

Pupil Deprivation Grant
Education Improvement Grant
DBS Sample Checks
NFI Duplicate Creditor Records
Travel & Subsistence
Urgency Actions
Purchasing Cards
Margam Orangery
Vision Impaired West Glamorgan
2 Private Items

Grants Certified (no requirement for an audit report)

Enable Grant in the sum of £187,000.
Housing Support Grant in the sum of £4,977,933.18

Post Audit Reviews Undertaken

Margam Park Gift Shop – no issues
Charlotte's Pantry (Margam Park) – no issues
Financial Assessments – due to the pandemic not all recommendations have been implemented a further Post Audit Review will be undertaken before the end of the financial year.

5. Audit Plan Quarter 4

Due to the redeployment of staff back to TTP the main focus in quarter 4 will be completing the audit plan agreed at the September meeting together with undertaking work in schools i.e. an audit of DBS, school meals income, payment of invoices and use of procurement cards. Work will also be undertaken in relation to the use of agency workers during the pandemic and procurement.

Advice will continue to be given when requested and assistance provided to the teams charged with implementing the new HR/Payroll and Sundry Debtor systems.

6. Staffing

The vacant Fraud Officer post has been filled and the successful applicant joined the team on 4th January 2021. Following a period of training a review of the initial NFI matches will be undertaken in the final quarter.

7. Financial Impacts

No implications

8. Integrated Impact Assessment

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

9. Valleys Communities Impacts

No implications

10. Workforce Impacts

No implications

11. Legal Impacts

No implications

12. Risk Management Impacts

The work of Internal Audit is key in relation to ensuring compliance with internal controls. This work forms part of the Council's overall risk management arrangements.

13. Consultation

There is no requirement for external consultation on this item

14. Appendices

Appendix 1 – Audit Reports Issued
Appendix 2 – Audit Plan Monitoring

15. List of Background Papers:

None

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Appendix 1 – Published Reports

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Report Ref	Report Subject & Responsible Head of Service	Report Conclusion	Risk Category
R14	Pupil Development Grant Head of Participation	The grant had been received and distributed in accordance with the grant conditions and good controls were found to be operating.	1
R15	Education Improvement Grant Head of Participation	The grant had been received and distributed in accordance with the grant conditions and good controls were found to be operating.	1
R16	DBS Sample Check	It was pleasing to note that despite staff working from home as a result of the pandemic and the added challenges that brings, the DBS requirements of the Safe Recruitment Policy were adhered to in all of the 40 cases sampled.	1
R17	NFI Duplicate Creditor Records Head of Finance	No fraud was identified however a number of duplicate records were found in the system. Recommendations have been made which when implemented will help mitigate the risk of duplicate records being created.	2
R18	Private Item		
R19	Officer Declarations Chief Executive	Testing identified a number of instances where declarations were made late however this is understandable given that the financial year end coincided with the start of home working and the Authority's focus changing to prioritise its response to the pandemic. Recommendations which when implemented will enhance the guidance issued to staff and aid staff to complete fully the required declarations.	2
R20	Urgency Actions Chief Executive	During the period when Council meetings were suspended the urgency action protocol was utilised which ensured that there was scrutiny in place and decisions taken were lawful. All Urgency Actions tested conformed with the Urgency Action Protocol.	1

Appendix 1 – Published Reports

Report Ref	Report Subject & Responsible Head of Service	Report Conclusion	Risk Category
		Further action was also taken to ensure lawful decision making in the event that the Urgency Action Protocol could not be utilised.	
R21	Private Item		
R22	Purchasing Cards All Corporate Directors	Over all good controls were found to be in place, during the initial lockdown and working from home period, within all directorates. Issues identified included the lack of appropriate VAT receipts, miscoding in relation to VAT and non-compliance with timescales in relation to authorisation of purchases. Recommendations have been made to address the issues identified.	2
R23	Margam Orangery Head of Transformation	Good controls were found to be operating in the areas tested. The audit had to be curtailed due to the pandemic and the repurposing of the venue as a vaccination centre.	1
R24	Vision Impaired West Glamorgan	The financial statements of VIWG have been independently reviewed and examined and were found to be accurate when compared to supporting documentation.	1

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

Appendix 1 – Published Reports

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 as at 15th December 2020
(Quarter 3 plan agreed at September meeting)

Audit Plan Item	Risk Rating	Quarter 3	Quarter 4
Creditor Payments	H	Audit in progress	
Procurement Card Use	H	Audit complete and report issued	
Treasury Management Transactions	M	Audit in progress	
Council Tax	M	Audit in progress	
Housing Benefit	M	Will commence in quarter 4	
Payroll	M	Audit in progress	
Non Domestic Rates	M	Will commence in quarter 4	
Sundry Debtors	M	Audit in progress	
DBS – New Starters	H	Audit complete and report issued	
Free School Meals Covid 19 Grant	H	Audit in progress	
Agency Actions	M	Audit complete and report issued	
IT Equipment Home Working	M	Audit in progress	
NFI Data Submission	M	All data sets uploaded	
Declarations of Interest	M	Audit complete and report issued	
Travel & Subsistence	M	Audit complete and report issued	
Covid 19 Business Grants	H	Audit in progress	
Special Investigations	H	3 completed and 6 in progress	
Advice & Guidance	N/A	Advice provided as and when required	

Appendix 2 – Audit Plan Monitoring as at 15th December 2020
(Quarter 3 plan agreed at September meeting)

New HR/Payroll Systems	H	Advice being provided on an ongoing basis around the internal system controls	
19/20 Post Audit Reviews and completion of audits	N/A	Where possible these have been completed	
Bank Administration	N/A	Ongoing	
Servicing Audit Committee	N/A	Ongoing	
Vision Impaired West Glam	N/A	Audit complete and report issued	
FOI requests	N/A	All requests have been answered	
Staff association lottery	N/A	Ongoing	



NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

REPORT OF THE HEAD OF FINANCE – HUW JONES

11th JANUARY 2021

Matter for Information

Wards Affected - All

TREASURY MANAGEMENT MONITORING 2020/21

Purpose of Report

1. This report sets out treasury management action and information for the third quarter of 2020/21. The report is for information and will also be considered by Cabinet at their meeting of 13th January 2021.

Rates of Interest

2. The global outbreak of coronavirus has forced the UK Government to take drastic steps to stem the economic impact and this resulted in the Bank of England reducing the bank base rate.
3. During a special meeting of the Bank of England's Monetary Policy Committee on 10th March 2020, the Bank of England cut the rate from 0.75% to 0.25%, effective from 11th March, with a further reduction to 0.10% following shortly after on 19th March. The bank warned that the pandemic will result in a "sharp and large" economic shock.

The following table details the changes in bank rate:

Effective Date	Bank Rate
8th January 2009	1.50%
5th February 2009	1.00%
5th March 2009	0.50%
4th August 2016	0.25%
2nd November 2017	0.50%
2 nd August 2018	0.75%
11 th March 2020	0.25%
19 th March 2020	0.10%

4. The following table provides examples of external borrowing costs as provided by the Public Works Loans Board as at 4th January 2021:

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 07Oct20	Current 04Jan21	Previous 07Oct20	Current 04Jan21	Previous 07Oct20	Current 04Jan21
	%	%	%	%	%	%
5-5.5 years	1.75	0.88	1.75	0.88	1.81	0.95
10-10.5 years	1.81	0.95	1.81	0.95	2.15	1.24
20-20.5 years	2.15	1.24	2.16	1.25	2.64	1.70
35-35.5 years	2.57	1.63	2.60	1.65	2.64	1.70
49.5-50 years	2.79	1.75	2.79	1.75	2.53	1.56

General Fund Treasury Management Budget

5. The following table sets out details of the treasury management budget for 2020/21 along with outturn figures for 2019/20. The budget consists of a gross budget for debt charges i.e. repayment of debt principal and interest, and interest returns on investment income.

2019/20 Outturn £'000		2020/21 Original Budget £'000
19,925	Principal and Interest charges	19,720
	Investment Income	
(497)	- Total	(400)
147	- less allocated to other funds	130
(350)	Subtotal Income	(270)
(301)	Contribution from General Reserves	(170)
	Contribution to General Reserves	
	Contribution to/(from) treasury management reserve	
19,274	Net General Fund	19,280

NB: Other funds include Trust Funds, Social Services Funds, Schools Reserves, Bonds etc.

Borrowing

- There has been no new loan agreements entered into since the last quarterly report.

Investments

- The following are a list of investments as at 31st December 2020:

<u>Counterparty</u>	<u>Value (£)</u>	<u>Investment type</u>	<u>Investment start</u>	<u>Investment maturity</u>	<u>Interest rate</u>
Lloyds Bank	£10,000,000	95 Day Call Account	27 th August 2020	25 th	0.20%
Birmingham City Council	£5,000,000	Fixed	30 th November 2020	28 th May 2021	0.21%

<u>Counterparty</u>	<u>Value (£)</u>	<u>Investment type</u>	<u>Investment start</u>	<u>Investment maturity</u>	<u>Interest rate</u>
Glasgow City Council	£10,000,000	Fixed	24 th September 2020	24 th June 2021	0.30%
Santander	£19,200,000	Call Account	N/A	N/A	0.10%

8. Please note – the Council’s investment criteria (TMP2 - appendix 1) allows for a maximum investment for an F1 rated counterparty to be £15m. Santander are currently an F1 rated counterparty – however, the policy also allows for this to be temporarily exceeded in exceptional circumstances. Member should note that during the COVID pandemic, this balance has been exceeded. The maximum amount placed with Santander was £117m on 9 June 2020 and the current balance invested as at 4th January 2021 (i.e. at time of writing this report) is £26.8m.

Investment Income

9. In line with the Council’s Investment Strategy, the 2020/21 original budget target for investment income is £400k, income for the financial year to date totals £153k. Due to the very low interest rates at present with base rate at 0.1%, it is highly unlikely that the investment income target will be met. Any unachieved income will be met from the treasury management equalisation reserve at year end, subject to the Council’s overall financial position.
10. Members should note that the majority of investments are classified as ‘specified’ i.e. up to 12 months and are currently deposited with Local Authorities and Santander Bank.
11. The Council policy will allow investments up to a maximum of £25m for periods of more than 1 year and up to 5 years, and this will be considered when decisions on investing surplus funds are made. The Council has no such investments.

Financial Impact

12. All relevant financial information is provided in the body of the report.

Integrated Impact Assessment

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

Valleys Communities Impacts

14. No implications

Workforce Impacts

15. There are no workforce impacts arising from this report.

Legal Impacts

16. There are no legal impacts arising from this report.

Risk Management

17. There are no new risk management issues arising from this report. Borrowing and investment decisions are made in line with the Council's Treasury Management Policy. The Council has appointed Link Asset Services to provide support and advice in relation to this policy.

Consultation

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

Recommendation

19. It is recommended that Audit Committee Members note the contents of this report.

Appendices

20. None

List of Background Papers

21. PWLB Notice Number 001/21

Officer Contact

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Specified Investments

	Minimum 'High' Credit Criteria	Funds Managed	Max Amount	Max Duration
Term deposits				
Term deposits - Debt Management Office	N/A	In-house	Unlimited	1 year
Term deposits – local, police and fire authorities	N/A	In-house	£10m	1 year
Term deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F1+, F1	In-house	£20m	1 year
Term deposits – UK banks/Building Societies	Fitch short-term rating F1+	In-house	£20m	1 year
Term deposits – UK banks/Building Societies	Fitch short-term rating F1	In-house	£15m	6 months or 185 days
Callable deposits				
Callable deposits – Debt Management Agency deposit facility	N/A	In-house	Unlimited	
Callable deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F1+, F1	In-house	£20m	
Callable deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F2	In-house	£10m	
Callable deposits - UK banks/Building Societies	Fitch short-term rating F1+ or F1	In-house	£15m *	
Term deposits – non UK banks	Fitch short-term rating F1+	In-house	£5m	6 months or 185 days

* Where necessary this limit may be temporarily exceeded with the Authority's bankers only.

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