



## AUDIT COMMITTEE

### MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, TREDOMEN, YSTRAD MYNACH ON TUESDAY 23RD APRIL 2019 AT 2.00 PM

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#### PRESENT:

Councillor M.E. Sargent – Chair  
N. Yates – Vice Chair

#### Councillors:

Mrs E. Aldworth, D.T. Davies, C. Elsbury, A. Gair, Ms J. Gale, D. Hardacre, Mrs B. Miles, G. Simmonds and J. Simmonds.

#### Together with:

S. Harris (Interim Head of Business Improvement Services), R. Harris (Internal Audit Manager), D. Gronow (Principal Auditor), A. Southcombe (Finance Manager - Corporate Finance) and A. Dredge (Committee Services Officer).

G. Jones (Wales Audit Office).

#### 1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors J. Bevan, Mrs T. Parry and R. Edmunds (Corporate Director for Education and Corporate Services).

#### 2. DECLARATIONS OF INTEREST

There were no declarations of interest received at the commencement or during the course of the meeting.

#### 3. MINUTES – 29TH JANUARY 2019

RESOLVED that the minutes of the Audit Committee held on the 29th January 2019 (Minute No's 1 – 11) be approved as a correct record and signed by the Chair.

#### REPORTS OF OFFICERS

Consideration was given to the following reports.

#### 4. AUDIT COMMITTEE FORWARD WORK PROGRAMME

The Interim Head of Business Improvement Services presented the report which outlined the Draft Forward Work Programme from April to October 2019. Members were asked to consider the work programme and to make any amendments or propose any additional items to be included in future meetings. It was explained that the provisional Special Audit Committee meeting scheduled for the 17th December 2019 will be held only if there are a number of reports requiring consideration at that time.

Following consideration and discussion, it was moved and seconded that the recommendations in the report be approved. By a show of hands this was unanimously agreed.

RESOLVED that the Forward Work Programme appended to the report be approved.

## **5. 2019 AUDIT PLAN - CAERPHILLY COUNTY BOROUGH COUNCIL**

Mr G. Jones (Wales Audit Office (WAO)) presented the 2019 Audit Plan and explained that colleagues from Grant Thornton who would usually present the financial aspect of the Plan were unavailable to attend the meeting.

The Committee noted the objectives of the Audit Plan and the duties of the Auditor General in respect of his duties under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), Wellbeing of Future Generations (Wales) Act 2015, the Local Government Act 1999, and the Code of Audit Practice. The purpose of the Audit was to examine and certify whether the financial statements are "true and fair", assess whether proper arrangements for securing economy, efficiency and effectiveness in the use of resources have been made; Audit and assess whether Caerphilly County Borough Council (CCBC) have discharged duties and met requirements of the Measure; and undertake studies in order to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.

The Audit Committee noted the extensive work that would be undertaken during the Audit in order to determine any areas of material misstatements, the fees associated with the task, as well as the findings following the Audit and the certificate that would be issued following its satisfactory completion.

Members noted that it is likely that the anticipated Local Government Wales Bill will propose that the Local Government (Wales) Measure 2009 no longer applies to councils in order to minimise work that focuses on the process of improvement planning. In the Audit Plan for 2018, it was explained that in previous years reliance had been placed on work under the Measure to help discharge the duty under the Public Audit (Wales) Act 2004. This was in order to satisfy that councils have made proper arrangements to secure economy, efficiency and effectiveness (value for money) in the use of resources. It is likely that in future years the focus of local performance audit programmes will continue to be more clearly aligned to discharging the Public Audit (Wales) Act 2004 duty.

In 2018-19, an examination was undertaken of the extent to which the Council is acting in accordance with the sustainable development principle in taking steps to meet the wellbeing objectives. A further examination will be undertaken during 2019-20. The WAO also undertakes a programme of local government studies. This work is included within the WAO estimates for funding from the Welsh Consolidated Fund and not local fees. These studies primarily lead to a national report augmented by good practice and shared learning outputs rather than by local reports. Local findings, where relevant, will be captured in improvement assessment work and reported in annual improvement reports depending on the timing and the focus of conclusions.

The Committee discussed the audit fee, the team involved and the timetable for the programme. A Member referenced the Sustainable Development Principle and it was explained that Councils must show how they will secure resources for the future thereby ensuring safeguarding for future generations. Clarification was sought in respect of the Valuation of Pension Fund Net Liability and a Member referred to documents previously distributed received from the Greater Gwent Pension fund (Torfaen) that explained the Actuarial Valuation Report at that time. Officers confirmed that copies would be distributed following the Committee for information. In addition, Members were advised that a large transformation programme/strategy is due to be undertaken by the Council in terms of the future and the resilience of the Council in moving forward. The report will be presented to the

Policy and Resources Scrutiny Committee on the 28th May 2019 and then Cabinet on the 12th June 2019.

The Chair thanked Mr Jones for attending the meeting and presenting the report and the Audit Committee noted its contents.

## **6. ANNUAL INTERNAL AUDIT REPORT 2018/19**

The Internal Audit Manager and Principal Auditor presented the report which informed Members of the overall opinion on the Authority's Internal Control Systems derived from the work undertaken by Internal Audit Services during the 2018/19 financial year. The Head of Internal Audit provides an annual report to support the Annual Governance Statement. This audit opinion will inform the annual governance review process and be incorporated into the Annual Governance Statement which will be reviewed by the Audit Committee at its meeting in June 2019. Both the Council's Financial Regulations and the Internal Audit Charter set out the reporting requirements for Internal Audit Services and the Public Sector Internal Audit Standards (PSIAS) introduced in 2013 have also reinforced the links with corporate governance and the assurance framework.

Members were referred to appendix 1 and 2 (attached to the report) that set out the audit opinions related to the audits undertaken and upon which the overall audit opinion is based. Reference was made to the tables set out on page 39 where the opinion in respect of one particular establishment was inadequate/unsatisfactory. Officers referred to the Audit Committee held in October 2018 where a report was presented and agreed on the rationale behind the rankings in respect of how opinion levels had been set and how they are allocated. Furthermore, details regarding this process will become clearer at future meetings of the Audit Committee with service managers responsible for areas that have received audit reports with less than a satisfactory opinion attending meetings to discuss the position.

Following consideration and discussion, it was moved and seconded that the recommendation in the report be approved. By a show of hands this was unanimously agreed.

RESOLVED that the opinion expressed by the Internal Audit manager, be noted.

## **7. INTERNAL AUDIT SERVICES: AUDIT CHARTER**

The Internal Audit Manager and Principal Auditor presented the report which sought Audit Committee approval for the updated Internal Audit Charter. The existing Audit Charter was in need of updating as a result of agreed recommendations arising from both the internal and external assessments undertaken in line with the requirements of the Public Sector Internal Audit Standards (PSIAS). The Audit Committee has previously agreed an action plan to address the agreed recommendations and the updating of the Audit Charter is a key element in the completion of the actions identified. Officers explained that additional wording has been incorporated into the existing document to more accurately reflect the requirements set out within the Audit Standards. The new Audit Charter and the previous version showing the proposed changes were appended to the report.

Following consideration and discussion, it was moved and seconded that the recommendation in the report be approved. By a show of hands this was unanimously agreed.

RESOLVED that the amended Charter be endorsed.

## **8. INTERNAL AUDIT SERVICES: ANNUAL AUDIT PLAN 2019/20**

The Internal Audit Manager and Principal Auditor presented the report which sought Audit Committee approval for the Internal Audit Services Annual Audit Plan for the financial year 2019/20. The report provides details of the planned work programme for Internal Audit

Services for 2019/20. The Plan (appended to the report) is broadly similar to previous years and reflects the ongoing development of the Plan in terms of coverage and risk identification.

The Officers advised that the resources on which the Plan is based have increased slightly on previous years due mainly to the appointment of an audit trainee. Members noted that following a recommendation by the Council's External Auditor, the Plan now shows planned activity on a quarterly basis. This will allow for better control and monitoring of the Plan during the year. A mid-year report highlighting progress against the Plan along with details of any specific issues arising will be presented at the October meeting.

Members discussed the Plan and the resources available with particular reference to the overheads and available working days per quarter. Officers explained how for planning purposes the audit resource can be analysed in several different ways and that paragraph 2.14 shows a breakdown of planned Directorate coverage and planned types of audit. Officers also explained that the plan may also be flexed and audits reprioritised as Service Managers/Directors become aware of new operational risks or other issues which may arise during the year. The Committee were assured that priority will always be given to high risk areas whether known or emerging, as has been the case in previous years.

Responding to a Member question Officers outlined how the audit universe evolved and continues to evolve and how it facilitates the compilation of the audit plan. Members attention was drawn to Annex A, the Audit Plan, which, it was explained, is an extract from the audit universe of those areas under consideration for audit coverage during the coming 12 months.

A Member queried if more staff will be employed due to the procurement of the new Audit Management, Planning and Reporting system. In response, Officers advised that no additional staff will be employed and the system will be implemented and staff will be trained at the earliest opportunity. The system has the ability to evaluate staff resources by holding data on working patterns and their commitments that affect availability. The 'go live' date for the implementation is anticipated to be the 10th June 2019.

Following consideration and discussion, it was moved and seconded that the recommendation in the report be approved. By a show of hands this was unanimously agreed.

RESOLVED that the Internal Audit Services Annual Audit Plan for the 2019/20 financial year be approved.

## **9. INTERNAL AUDIT REPORTS - "IN NEED OF IMPROVEMENT"**

The Principal Auditor and Finance Manager (Corporate Finance) presented the report which sought to inform the Audit Committee of the work undertaken, risks identified, agreed actions and any associated impact on the Authority's Annual Governance Statement Process. Following the October 2018 Audit Committee meeting and the ISA 260 report from the External Auditors Grant Thornton in July 2018, it was agreed that additional information would be provided to the Audit Committee in respect of the audit assignments undertaken.

It was explained that this process allows Members to assess whether the recommendations made by Internal Audit and agreed management responses are reasonable and support an improvement in internal control processes. It will ensure that the Audit Committee discharges its responsibilities in respect of reviewing and forming an opinion on the overall control environment in place across the Council, which underpins the Annual Governance Statement process at the end of the financial year. The new system has been in place since October 2018 and has been applied to audits completed and where reports have been agreed and issued to management between January 2019 and March 2019.

Members were referred to the 'Final' Internal Audit Report - Treasury Management 2018/19 that was appended to the report. The report sets out details of the Audit review of Treasury Management within Corporate Finance, that was undertaken during November 2018.

A Member sought clarification in respect of Privacy Notices referred to in paragraph 7.1.2 in the report as no specific privacy notice for Treasury Management was found published on the Council's website. Finance staff were not aware of any being drawn up to inform data subjects/service users what happens with their personal data retained by the Treasury Management team and how it is going to be used. Officers assured Members that the Group Accountant (Corporate Finance) and/or the Finance Manager will continue to liaise with the Assistant Information Officer and progress as necessary in order to ensure compliance regarding privacy notices is achieved.

Following consideration and discussion, it was moved and seconded that the recommendation in the report be approved. By a show of hands this was unanimously agreed.

RESOLVED that the contents of the Internal Audit report be noted, and management comments and actions in respect of issues raised are accepted and will effect improvement in the systems of internal control.

## **10 – 13. INFORMATION ITEMS**

The Committee received and noted the following information items:-

- (i) WAO - WHQS Service User and Follow up Report.
- (ii) Regulation of Investigatory Powers Act 2000.
- (iii) Officers Declarations of Gifts and Hospitality - October to December 2018.
- (iv) Minutes of the Corporate Governance Panel - 11th January 2019.

The meeting closed at 3.20 pm.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 11th June 2019, they were signed by the Chair.

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CHAIR