



## **GOVERNANCE AND AUDIT COMMITTEE**

### **MINUTES OF THE MEETING HELD VIA MICROSOFT TEAMS ON TUESDAY 20TH APRIL 2021 AT 2.00 P.M.**

#### **PRESENT:**

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

#### **Councillors:**

M. Adams, E. Aldworth, C. Cuss J. Gale, C. Mann, B. Miles, T. Parry, G. Simmonds,  
J. Simmonds

#### **Together with:**

R. Edmunds (Corporate Director of Education and Corporate Services), R. Tranter (Head of Legal Services & Monitoring Officer), L. Lane (Head of Democratic Services and Deputy Monitoring Officer), D. Gronow (Acting Internal Audit Manager), L. Lucas (Head of Customer and Digital Services), J. Jones (Information Governance Manager and Data Protection Officer), S. Richards (Head of Education Planning and Strategy), R. Roberts (Business Improvement Manager), A. Southcombe (Finance Manager - Corporate Finance), R. Kedward (Senior Audit Assistant), A. John (Trainee Auditor), R. Barrett (Committee Services Officer), J. Lloyd (Committee Services Officer)

G. Jones (Audit Wales), M. Jones (Audit Wales)

### **RECORDING AND VOTING ARRANGEMENTS**

The Chair reminded those present that the meeting was being recorded and would be made available to view following the meeting via the Council's website, except for discussions involving confidential or exempt items - [Click Here to View](#). Members were advised that voting on decisions would take place via Microsoft Forms.

#### **1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from J. Bevan and D. Hardacre, together with S. Harris (Head of Financial Services & S151 Officer).

#### **2. DECLARATIONS OF INTEREST**

L. Lane (Head of Democratic Services and Deputy Monitoring Officer) declared a personal interest as her relative is employed by Audit Wales and occasionally attends the Governance and Audit Committee, but he was not in attendance at this meeting.

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

### **3-4. MINUTES – 26TH JANUARY 2021 AND 19TH MARCH 2021**

It was moved and seconded that the minutes of the Audit Committee held on 26th January 2021 and Special Audit Committee held on 19th March 2021 be approved as a correct record, and by way of Microsoft Forms and verbal confirmation this was unanimously agreed.

RESOLVED that the minutes of the meetings held on 26th January 2021 and 19th March 2021 be approved as a correct record.

### **5. GOVERNANCE AND AUDIT COMMITTEE FORWARD WORK PROGRAMME**

The Chair referred to the large number of items on the agenda for the meeting and proposed that in view of previous Committee discussions on limiting the number of items for each meeting, that Item 9 (Update on Tracking of Agreed Audit Report Recommendations) and Item 10 (CCBC Response to 'Raising our Game - Tackling Fraud in Wales') be deferred to the next meeting on 8<sup>th</sup> June 2021.

The Committee were supportive of the proposal but sought reassurance that deferring the items would not delay the work detailed in the reports. Deb Gronow (Acting Internal Audit Manager) confirmed that the work referenced in the reports would proceed in the meantime and Officers would be able to report on this work more fully at the next meeting. One Member suggested that it would be helpful to receive notice of any potential deferments to avoid preparing questions in advance.

Mr Mark Jones (Audit Wales) added that in regards to Item 9 (Update on Tracking of Agreed Audit Report Recommendations) it should be noted that the recommendations input into the tracker should cover both external and internal audit, and Mrs Gronow confirmed she would look into how this can be addressed.

It was moved and seconded that Agenda Items 9 and 10 be deferred to the next meeting of the Governance and Audit Committee and by a show of hands up was unanimously agreed.

RESOLVED that Agenda Item 9 (Update on Tracking of Agreed Audit Report Recommendations) and Agenda Item 10 (CCBC Response to 'Raising our Game - Tackling Fraud in Wales') be deferred to the next meeting of the Governance and Audit Committee on 8th June 2021.

In view of the two items deferred to the June meeting, the Chair proposed that two other items scheduled for that meeting be rescheduled to an additional meeting in July 2021, namely "Corporate Risk Register Updates" and "Regulator Recommendation and Proposal Register". The Chair confirmed she had consulted with the report author beforehand who foresaw no issue in moving these particular items to July.

The Committee were in agreement with the suggested changes and it was moved and seconded that the two aforementioned reports be rescheduled to an additional meeting and that subject to these changes, the Forward Work Programme be noted. By way of Microsoft Forms and verbal confirmation this was unanimously agreed.

RESOLVED that the "Corporate Risk Register Updates" and "Regulator Recommendation and Proposal Register" reports be rescheduled to an additional meeting in July 2021, and that subject to these changes, the forward work programme be noted.

## REPORTS OF OFFICERS

Consideration was given to the following reports.

### 6. UPDATE FROM AUDIT WALES

Mr G. Jones and Mr M. Jones (Audit Wales) presented an update on the Financial Audit work and Performance Audit work being carried out by Audit Wales in respect of Council activities.

Members were referred to the audit of the Council's 2019-20 Grants and Returns, with it noted that a report on this matter was included in the agenda pack which reflected a positive outcome for the Council, together with the audit of the 2020-21 Statement of Accounts which is currently being undertaken by Audit Wales.

The Committee were also referred to the Corporate Governance Review which examines the Council's governance arrangements to support the delivery of its Transformation Agenda. A report on this matter will be presented to the next meeting of the Governance and Audit Committee. In regards to the other areas of performance audit work, it was explained that Audit Wales recently met with the Corporate Management Team and Cabinet together with Care Inspectorate Wales and Estyn to present assurance and risk assessment, and are now looking to develop proposals for risk-based work that may come through in the Audit programme for 2021-22I. It is anticipated that Audit Wales may be in a position to present an update on this area of work at the next meeting of the Committee.

Work is also continuing on Recovery Planning, with it intended to bring a report to Committee in Summer 2021, and work is also continuing on the Covid-19 learning project. Reference was also made to a number of national reports prepared by Audit Wales, including Test, Track and Protect, Procurement and supply of PPE during the COVID-19 pandemic, and Providing Free School Meals During Lockdown (which references to the approach undertaken by Caerphilly). Further reports of this nature will be developed in due course.

The Chair thanked Mr Jones for his report and Members questions were welcomed.

A Member referred to financial sustainability and the £500m allocated by WG to local authorities through the Economic Resilience Fund, and asked if the financial outlook for councils is expected to improve moving forward. Mr G. Jones explained that Audit Wales will be producing a Financial Sustainability Assessment report for the next meeting of the Committee to reflect the local position. Mr M. Jones added that WG have recently extended their financial support to the end of September 2021, but that the future position is uncertain as this will depend to some extent on the funding it receives from UK Government. Therefore the Council have a reasonable amount of financial certainty up to September 2021, but there are lots of challenges ahead which are shared by all local authorities across the UK.

A Member asked if Audit Wales have the remit to examine commercialisation strategies across local authorities (such as the development of shopping centres). Mr G. Jones highlighted that Team Caerphilly's Transformation Agenda includes commercialisation plans for which there will be full Member updates, and that Audit Wales worked with the Council at the outset of its transformation journey to produce a report and subsequent updates which set out a series of checklists and other matters that the Council may wish to consider in managing risks relating to commercialisation as well as the benefits that may be realised.

The Corporate Director for Education and Corporate Services also highlighted that the Council are aware of their strengths and the areas requiring development and are in the process of securing commercial training to enable relevant Officers to operate in a more commercial way.

Following consideration of the report, the Committee noted its contents.

## 7. 2021 AUDIT PLAN - CAERPHILLY COUNTY BOROUGH COUNCIL

Consideration was given to the report which detailed the 2021 Audit Plan for Caerphilly County Borough Council and sets out the planned work by Audit Wales during 2021 to discharge their statutory duties as the Council's external auditor and to fulfil their obligations under the Code of Audit Practice.

Members' attention was drawn to Exhibit 1 of the Audit Plan which summarises the key financial audit risks identified at the planning stage of the audit and is of particular importance because it identifies key risks associated with the 2020-21 financial statements and potential risks of material misstatement. This section contains references to last year's findings, together with a number of recommendations and reported issues which Audit Wales felt would be beneficial to flag for this year's accounts. It was highlighted that Audit Wales have been in regular contact with key Officers regarding the recommendations and the evidence of progress made is encouraging. Exhibit 1 also identifies issues and around Covid-19, including the ways in which Covid-19 funding and expenditure may be accounted for in the financial statements this year, and also references the potential for City Deal expenditure to be a material area of consolidation in the accounts.

In regards to Exhibit 2, Audit Wales highlighted the need for early engagement in relation to accounting arrangements should the Council determine to establish a Corporate Joint Committee (CJC). Exhibit 4 sets out the details of the grant certification work to be undertaken by Audit Wales with a combined value of £100m for the 6 grants. Members were also asked to note the fee estimate for 2021 for Audit Wales services as set out in Exhibit 5, which is expected to be £373.7k and is lower than last year's figure of £399.7k.

Members were advised that in regards to the performance audit programme, Audit Wales are striving to be more flexible in how they respond to their audits and the work they are doing, and their update reports will reflect how the programme set out will be turned into deliverables. Audit Wales will discuss with the Council the ongoing work in terms of the Well-being of Future Generations Act and will also audit the Council's discharge of duty to publish an assessment of performance. The main bulk of Audit Wales' work will be made up of Assurance and Risk Assessment which will look at 5 key areas (financial position, self-assessment arrangements, recovery planning, implications of the Local Government and Elections (Wales) Act, and carbon reduction plans). Audit Wales will also deliver a piece of work Across all local authorities, called "Springing Forward" which will look at the building blocks for a sustainable future and how councils are effectively strengthening their ability to transform, adapt and maintain the delivery of services moving through the pandemic.

Clarification was sought on the recurring error in the calculation of earned income against the Housing Benefit Subsidy at Exhibit 4 and whether this could have a serious effect on people relying on housing benefit. Audit Wales explained that this related to the previous year's audit and that the information report contained in the agenda (Certification of Grants and Returns 2019-20) identifies this as a small adjustment of £434, so any impact would be minimal.

A Member asked how Audit Wales plan and cope for an anticipated drop in income as a result of the reduced estimated fee for financial audit account work compared to the previous financial year. It was explained that the fee estimate is provided under Public Audit Wales Act 2013, and that the 19/20 accounts included several factors which resulted in greater costs to the Council. The estimate for this element of the fee this year is £235k with good engagement and responsiveness from last year. It was further explained that as the audit last year was carried out by Grant Thornton, Audit Wales were not in a position to answer this question.

Following consideration of the report, the Committee noted its contents.

## **8. INTERNAL AUDIT SERVICES: ANNUAL AUDIT PLAN 2021/22.**

Consideration was given to the report which sought Governance and Audit Committee approval for the Internal Audit Services Annual Audit Plan for the financial year 2021/22. Deb Gronow (Acting Internal Audit Manager) gave an overview of the report, which provided details of the resources and planned work programme for Internal Audit Services for 2021/22. Members were asked to note that in relation to the programme of work, there is uncertainty around access to establishments as a result of Covid-19 restrictions, and so Audit Services have had to change their approach to certain areas of work. There are also some staffing issues arising from a number of retirements, and Audit Services are currently working to recruit and backfill these vacancies. As a result, the work planned is based on the approach that high-risk financial systems, corporate risks such as safeguarding, fraud and IT will be prioritised in the first instance. Control Risk Self-Assessments will be further developed and rolled out for schools and other establishments and work will be conducted remotely (rather than face to face) for the time being.

Reference was also made to the implementation of the audit report recommendation tracker using the MK Insights system, which provides an integrated reporting tool and recommendation tracker and is now in use in all audits.

The Committee discussed the report and a Member enquired as to the total staff shortage in the Audit Team. Mrs Gronow confirmed that Audit have appointed an apprentice for a 4 year contract as an additional complement to the staffing, and there are 5 vacancies in total, including a member of staff temporarily seconded to the Track and Trace Service to June 2021.

A Member asked if an update on the staffing position and potential restructure could be provided at the June meeting. Officers confirmed that an update on the recruitment position could be shared at the June meeting and that the details of any restructure would be shared in due course. It was also confirmed that a further update on the Audit Plan could be arranged for the additional Committee meeting in July.

Following consideration of the report, it was moved and seconded that the Internal Audit Services Annual Audit Plan for 2021/22 be approved and by way of Microsoft Forms and verbal confirmation this was unanimously agreed.

RESOLVED that the Internal Audit Services Annual Audit Plan 2021/22 be approved.

## **9-10. UPDATE ON TRACKING OF AGREED AUDIT REPORT RECOMMENDATIONS AND CCBC RESPONSE TO 'RAISING OUR GAME - TACKLING FRAUD IN WALES'**

As per the agreement of the Committee earlier in the meeting, it was noted that these items had been deferred to the next meeting of the Governance and Audit Committee on 8th June 2021.

## **11. PUBLIC INTEREST TEST – EXEMPT ITEM**

Members considered the public interest test certificate from the Proper Officer and concluded that on balance the public interest in maintaining the exemption outweighed the public interest in disclosing the information. By way of Microsoft Forms and verbal confirmation this was unanimously agreed.

RESOLVED that in accordance with Section 100A(4) of the Local Government Act 1972 the public be excluded from the remainder of the meeting because of the likely disclosure to them of exempt information as identified in paragraph 18 of Part 4 of Schedule 12A of the Local Government Act 1972.

## **12. CYBER RESILIENCE IN THE PUBLIC SECTOR**

Mr G. Jones (Audit Wales) gave an overview of the report and, together with CCBC Officers, responded to Members' queries.

Following consideration of the item, the Committee noted the contents of the report.

## **13-15 INFORMATION ITEMS**

It was confirmed that none of the following items had been called forward for discussion at the meeting, and the Committee noted the contents of the reports :-

- (i) Certification of Grants and Returns 2019-20 - Caerphilly County Borough Council.
- (ii) Officer's Declarations of Gifts and Hospitality October to December 2020.
- (iii) Regulation of Investigatory Powers Act 2000.

The Chair thanked Members and Officers for their attendance and contributions and the meeting closed at 3.28 p.m.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 8th June 2021.

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CHAIR