



GOVERNANCE AND AUDIT COMMITTEE

MINUTES OF THE MEETING HELD VIA MICROSOFT TEAMS ON TUESDAY 25TH JANUARY 2022 AT 2.00 P.M.

PRESENT:

Councillor M.E. Sargent – Chair
Mr N. Yates (Lay Member) – Vice-Chair

Councillors:

M.A. Adams, Mrs E.M. Aldworth, C.P. Mann, B. Miles, and J. Ridgewell.

Cabinet Member: Councillor Mrs E. Stenner (Performance, Economy and Enterprise)

Together with:

R. Edmunds (Corporate Director of Education and Corporate Services), S. Harris (Head of Financial Services & S151 Officer), D. Gronow (Acting Internal Audit Manager), R. Kyte (Head of Regeneration and Planning), A. Dallimore (Regeneration Services Manager), S. Richards (Head of Education Planning and Strategy), A. Southcombe (Finance Manager), J. Pearce (Business Improvement Officer), H. Williams (Senior Audit Assistant), R. Barrett (Committee Services Officer), M. Harris (Committee Services Support Officer)

M. Jones (Audit Wales), B. Roberts (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 Councillors J. Bevan, D.T. Hardacre, Mrs T. Parry, G. Simmonds, J. Simmonds and Mrs J. Stone.

2. DECLARATIONS OF INTEREST

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

3. MINUTES – 12TH OCTOBER 2021

It was moved and seconded that the minutes of the Governance and Audit Committee held on 12th October 2021 be approved as a correct record, and by way of Microsoft Forms and

verbal confirmation (and in noting there were 7 for, 0 against and 0 abstentions) this was unanimously agreed.

RESOLVED that the minutes of the meeting held on 12th October 2021 (minute nos. 1-10) be approved as a correct record.

4. GOVERNANCE AND AUDIT COMMITTEE FORWARD WORK PROGRAMME

Mr Steve Harris (Head of Financial Services & S151 Officer) presented the Governance and Audit Forward Work Programme for the period March 2022 to April 2022.

Members noted the details of reports scheduled for the forthcoming meetings and Officers sought approval for an additional report (the Audit Wales 2022 Audit Plan) to be added to the Forward Work Programme for the meeting scheduled for 16th March 2022.

It was moved and seconded that subject to the inclusion of the aforementioned report, the Forward Work Programme be approved. By way of Microsoft Forms and verbal confirmation (and in noting there were 7 for, 0 against and 0 abstentions) this was unanimously agreed.

RESOLVED that subject to the inclusion of the Audit Wales 2022 Audit Plan report for the meeting on 16th March 2022, the Forward Work Programme as appended to the meeting papers be approved.

REPORTS OF OFFICERS

Consideration was given to the following reports.

5. AUDIT WALES WORK PROGRAMME AND TIMETABLE – CAERPHILLY COUNTY BOROUGH COUNCIL

Mr Mark Jones (Audit Wales) presented the report, which gave an update on the Financial Audit work and Performance Audit work being carried out by Audit Wales in respect of Council activities and the 2021-22 Programme as set out in Audit Wales' Audit Plan.

Members noted the Financial Audit Work on the 2020-21 grants and returns, with certification on all six items now completed as of 20th January 2022. There have been no significant qualifications of any of those six grants and these have been a very positive set of audits which reflects very well on the Council and its Officers. Members also noted that the audit of Blackwood Arts Centre's 2020-21 accounts have been completed and are due to be considered by Cabinet ahead of certification by the Auditor General for Wales at the end of the week. In addition, Audit Wales are due to begin their planning on the audit of the Council's 2021-22 statement of accounts in February 2022.

Ms Bethan Roberts (Audit Wales) was welcomed to her first meeting of the Committee, and gave an overview of the Performance Audit Work being carried out by Audit Wales. It was noted that work on the Annual Audit Summary has been completed and was on the agenda for later in the meeting. Audit Wales are currently working on the Springing Forward project, which is a thematic piece of work looking at how effectively councils are strengthening their ability to transform, adapt and maintain the delivery of services, and are also in the process of finalizing the project brief for the Local risk-based project to be carried out. The Committee also noted the Improvement reporting audit of Caerphilly

Council's Assessment of Performance for 2020-21 which was included on the meeting agenda, together with details of the local government national studies planned / in progress, information on Audit Wales national reports and other outputs published from 1st April 2021, and forthcoming Good Practice exchange events and publications.

In response to a Member's query on the local risk-based project work, it was confirmed that Homelessness is currently one of the options being considered and that an update will be provided on progress made on this project work at the next meeting of the Committee. The Member asked if this work was still on track to be completed by 2022. Ms Jones explained that Audit Wales would be re-examining this timeframe and working with Officers to ensure that this work is properly scheduled and takes into consideration any potential impact on the forward work programme.

Clarification was sought regarding the ongoing engagement around Recovery Planning and Ms Jones explained that the Assurance and Risk Assessment project is an ongoing piece of work during the year involving the examination of Council meetings, meetings with officers and a selection of document reviews to gather Assurance. It was also clarified that this Recovery Planning specifically relates to recovery planning in relation to the Covid-19 pandemic.

The Corporate Director for Education and Corporate Services also provided clarification around the description of Recovery Planning in the Audit Wales document, with it noted that although the recovery work is complete, the Council continues to work with Audit Wales and other regulators in terms of any specific risks that have emerged throughout the course of the year. The Council will also be meeting with all their regulators at a workshop in March 2022 where the regulators will advise the Council what they have established over the last 12 months in terms of the Council's position. The regulators will highlight any areas of concern and opportunities for improvement, which will inform the Audit Wales Work Programme moving forward. Ms Roberts also confirmed that a clearer overview of Recovery Planning work could be provided in future documents for ease of reference.

Following consideration of the report, the Governance and Audit Committee noted its contents.

6. CAERPHILLY COUNTY BOROUGH COUNCIL – ANNUAL AUDIT SUMMARY 2021

Mr Mark Jones (Audit Wales) outlined the findings of the Annual Audit Summary 2021, which showed the work completed by Audit Wales since the last Annual Audit Summary, which was issued in January 2021.

Members were referred to the first section of the report, which detailed key facts about the Council, along with the duties that Audit Wales are required to complete as part of their Auditor General duties. The report outlined the various reviews that had been undertaken and the planned work for 2022-23. The document also provides links to the underlying reports containing the findings from Audit Wales. It was noted that although this is a summary document in nature, it is an important document which Audit Wales produce for local authorities, national parks, the fire and rescue service and police, and is placed on the Audit Wales website and the Council's website for public viewing.

The Committee discussed the report and one Member commented on the useful nature of the document, particularly in relation to the section on financial sustainability. Questions were also received around the Council's projected population increase and whether the change in pensionable age should be reflected in these figures, the Council's position in relation to other authorities regarding the 8.1% decrease in the number of children across

the population, and whether the Council's position in relation to the number of deprived areas had improved or worsened. Mr Jones and Ms Roberts confirmed that they would log these queries as an action point, and examine data from Statistics Wales and consult with relevant colleagues to see if this information is publicly available, and share the responses with Members following the meeting. Mr Steve Harris also confirmed that the Council's Policy Unit may be able to access this data and assist in providing the answers to the Members' queries.

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

7. AUDIT WALES REPORT – REGENERATING TOWN CENTRES IN WALES.

Mrs Rhian Kyte (Head of Regeneration and Planning) presented the report which informed Members of the Audit Wales report "Regenerating Town Centres in Wales" and its recommendations, together with details of the self-evaluation tool that has been undertaken in respect of Caerphilly County Borough Council's approach to town centre regeneration.

Members were advised that the Auditor General carried out a review of how Local Authorities are managing and regenerating their town centres between October 2020 and May 2021. A range of methodology was used, including document reviews, interviews with Regeneration and Planning Officers, data analysis, surveys and webinars. The report found that overall, Welsh Government and Local Authorities have responded well to support town centre businesses during COVID-19. It recognises that town centre regeneration is a national priority and is reflected in Welsh Government's "town centre first" approach.

The report contained six recommendations from Audit Wales which were outlined in Section 5.9 of the Officer's report. Five of the recommendations are predominantly aimed at Welsh Government and the way in which they work with Local Authorities on town centre regeneration initiatives, and Members were asked to note the Council's response to these recommendations set out at Section 5.10 of the report. Under recommendation six, each Local Authority is advised to undertake a self-assessment of their current approach to town centre regeneration. A copy of Caerphilly CBC's assessment was appended to the Officer's report for Members to consider and comment on its contents.

A Member referred to Section 5.8 of the report which made reference to the decisions and ambitious leadership that is required in addressing the many challenges around town centres, and he asked how these are being taken forward. Mrs Kyte explained that since Covid, there has been a re-emphasis between WG and local government collectively refocusing ambitions and efforts on town centre regeneration. The Council has chosen to operate an in-house town centre management model and regeneration management model, and through Covid the importance of that role has been realised, together with a need to bolster internal resources to enable the Council to further progress town centre regeneration. It was acknowledged that although progress has been made, there is still a long way to go and therefore partnership working is key to this success. The Council has also reconsidered its approach to town centre management and through 2022 a new model of operating will be piloted to see if this can prove more successful in town centre regeneration delivery. It was also noted that the Council's draft budget proposals for 2022/23 include budgetary growth for two new town centre support officer roles.

In response to a query around the value and usefulness of the free wi-fi scheme, Mrs Kyte explained that this will become operational in town centres in Spring 2022, with the hardware already in place, and will provide valuable information around dwell times, footfall and the way people are operating in and around the town. This will enable the Council to

review current footfall arrangements, as the data gathered from wi-fi use will provide a better quality of information which can be used for regeneration analysis moving forward. Members were also advised that the free wi-fi will be particularly useful for the business community and will help to enable their business models using digital platforms and the computer apps available.

A Member asked about the plans and aims for town centres moving forward and what the Council is hoping to achieve. Mrs Kyte explained that there needs to be a focus on what businesses and communities would like to see across their town centres, and collectively town centres need to be vibrant places where businesses want to locate. It was emphasised that the nature of town centres has moved from a retail focus to multi-service provision across the daytime and night-time economy, and so work needs to be carried out to establish a clear vision and role for each town as they all perform different functions. For example, Ystrad Mynach is a key service sector town comprising the college, Council Headquarters, police, hospital and lots of small individual retailers, and so has a different feel and role to other town centres such as Blackwood and Caerphilly.

In response to further queries, Mrs Kyte outlined the need to consider the requirements of stakeholders, such as visitors, residents and businesses, in taking forward town centre regeneration. There needs to be leadership and drive in establishing these visions and focus and so the Council will help drive policy and aspirations in the community and lead on the work with Members and wider stakeholders. Reports will be presented to the relevant Committees and the evolution of Place Plans will involve a number of stakeholder events and other interventions to drive these plans forward. Officers also provided clarification on the new town centre officer roles and explained that these were being put forward to build up the much-depleted resources across the town centre management team. As part of their role, they will have a key part in liaising and engaging with businesses and building on the new format of town centre management groups and Place Plans to drive the key messages forward across the wider business community.

A Member asked what measures would be put in place to define success across the town centres regeneration strategy. Mrs Kyte explained that this includes action plans for regeneration strategies and monitoring of targets, together with annual monitoring of footfall data and occupancy rates to establish the vibrancy of town centres. Funding can also be acquired to drive forward economic growth in town centres, and outputs have to be stipulated in funding submissions which are then monitored and evaluated at the end of the project implementation period. The Member also referred to satisfaction surveys and their role in defining levels of success. Officers confirmed that the Council undertake regular satisfaction surveys, including a survey every three years on shopper attitudes to ascertain and measure how residents and stakeholders feel about the town centres they are accessing, and furthermore to establish the reasons why people are not choosing to visit their local town and shopping in alternative towns instead, so that the Council can look to bridge the gap around any elements that are missing. It was also emphasised that the new town centre management model will create more immediate feedback from businesses in terms of satisfaction levels.

A Member referred to the WG "town centre first" model that is already in existence in Caerphilly and the limited number of retail amenities available to its residents, and expressed a need to encourage footfall within the area and make better use of its local retail parks. Mrs Kyte confirmed that this is a valid point which is under discussion with the LDP Focus Group and forms part of the LDP work that is being carried out around the future of town centres, and arranged to discuss this further with the Member following the meeting.

Having considered the report and commented upon the self-evaluation tool as detailed in the report, the Governance and Audit Committee noted the contents of the report.

8. REVISED RISK MANAGEMENT STRATEGY 2022

Mrs Sue Richards (Head of Education Planning and Strategy) presented the report, which outlined the revised Risk Management Strategy 2022, and sought the Committee's endorsement of the new Strategy, prior to its presentation to Cabinet for approval.

Members were advised that the Risk Management Strategy was formalised in 2013 and last updated in 2017, and since that time, there have been a range of changes, including the implementation of new legislation, the new Transformation programme, the pandemic, which required new ways of working to support the community, creating a 'strategic recovery framework' and implementing a revised Performance Management Framework. As risk management is part of day-to-day management, it was felt timely and important to update the Risk Management Strategy 2022 accordingly, to ensure it remains current and fit for purpose. There are a number of areas that need to be updated and refreshed and these were set out in Section 5 of the report and Appendix B of the revised Strategy appended to the report. It was noted that the Strategy is accompanied by guidance which will also be updated in line with the Strategy once the changes are approved by Cabinet.

A Member referred to the Risk Management Structure on page 11 of the Strategy and referred to an overlap across the Governance and Audit Committee and Scrutiny Committees in satisfying themselves that robust processes and procedures exist and are applied for the management of operational risks. He asked whether there was potential for key information to slip between the gaps as a result of the same areas being examined across multiple Committees. Mrs Richards explained that this is a generalisation within the Strategy, as the overall Corporate Risk Register Update will be brought to the March 2022 meeting of the Governance and Audit Committee, and the Scrutiny Committees will look at particular risks for individual service areas under their remit. It was emphasised that risk management is the responsibility of everyone within the Council but that the Corporate Risk Register Update will provide the Committee with more context around the Strategy and the impact on the Register itself.

Queries were received around Directorate-level risk management registers and whether these are included in the Corporate Risk Register Update. Officers outlined the processes involved and explained that it would be the relevant Scrutiny Committee, and not the Governance and Audit Committee, who would see the Directorate-led level of details. However, the most significant risks are fed into the Corporate Risk Register which is routinely reviewed by the Corporate Management Team as part of the Corporate Performance Assessment process, and it is those risks that are reported to the Governance and Audit Committee, and are subsequently reported to Cabinet. However, Members were advised that if there was a particular Directorate where the Governance and Audit Committee wanted to examine that level of risk management, then they could request this information and call it in for their consideration moving forward. It was also noted that Directorate Risks are fed into the Directorate Performance Assessments reported to each Scrutiny Committee.

In response to a query on how awareness of the Risk Management Strategy will be raised across the Authority, Officers explained that the framework will be relaunched and communicated across management network sessions to ensure that everyone is aware of the changes, to reiterate the importance of the Strategy and emphasise that risk management is the responsibility of everyone across the Authority. A query was also received around the strengthening of lateral risk assessments (relating to the cause of risk in one directorate which impact on another directorate). Officers confirmed that the Directorate Performance Assessments are reviewed by CMT to understand the risks that

cut across other directorates, and this process has been strengthened by the new Performance Framework and is being modified over time.

Having considered and noted the report and provided input on the Strategy, it was moved and seconded that the recommendation in the report be approved. By way of Microsoft Forms and verbal confirmation (and in noting there were 6 for, 0 against and 0 abstentions) this was unanimously agreed.

RESOLVED that the Revised Risk Assessment Management Strategy 2022 be endorsed.

9. INTERNAL AUDIT SERVICES ANNUAL AUDIT PLAN 2021/22 – UPDATE ON PROGRESS

Mrs Deborah Gronow (Acting Internal Audit Manager) presented the report, which provided an overview of the work undertaken by Internal Audit Services in the first six months of 2021/22.

Members were referred to the detailed narrative in the report which identified work carried out by Internal Audit Services, in addition to the audits performed across the Authority in the period to 30th September 2022 and appended to the report for information. The Committee noted the impact of the Covid-19 pandemic on the work of Internal Audit Services and this work has also been impacted by staff retirements /resignations over the same period. However, a minor restructuring has been carried out to realign resources and tasks and good progress is being made to backfill these posts, and therefore the resource capacity going forward will be greatly enhanced.

Questions were invited from the Committee and a Member highlighted that some of the audits included at Appendix 1 had commenced some time ago (in 2019). Mrs Gronow explained that the school IT audit programme for 2019/20 had been coming to an end but then the pandemic interrupted and delayed the completion of these particular audits. This was compounded by IT equipment disruption across schools as a result of blended learning, together with the introduction of new EdTech IT equipment into schools. The Audit Team have taken into account the recommendations that were raised in the individual audits and are now working with the EdTech team with regards to improvements that need to be made. The EdTech team have now also undertaken IT equipment audits and the Council is working with them to begin preparations on the second phase of this audit work which will be carried out as part of the Audit Plan for 2022/23.

In response to a Member's query about the Corporate Safeguarding self-evaluation on the list of completed audits, Mrs Gronow explained that this commenced in February 2021 but there had been some teething issues with the new MK Insights system but this work had now been allocated to a new member of staff and would be taken forward in due course for each Directorate. Questionnaires have been sent out with a return date of 6th February 2022 which will inform the work of the Safeguarding Team and then the Audit Team will repeat this exercise for the other Directorates.

It was noted that all the opinions and recommendations from the audits have been fed into the MK system and that any audits with at least one high-risk finding will be included in the Recommendation Tracking report being brought to the next meeting of the Committee. It is hoped that now the Council has been able to carry out a full un-interrupted year of audits, this data will now assist in identifying any themes and high-risk areas and help develop the Council's Audit Plan on a more risk-based approach.

A query was received regarding staffing workload, particularly in relation to the IT pressures arising from providing remote working support across the Council, and those staff redeployed to different directorates during the pandemic. The Member sought assurances that staffing levels throughout the Authority are not having a negative impact on staff wellbeing. Mr Harris explained that all economic sectors are facing significant challenges as a result of the pandemic and that recruitment is being thoroughly examined by the Corporate Management Team and Cabinet, who are looking at ways to fill vacancies and attract new people to the organisation. The Member expressed concerns around staff exhaustion and the potential impact on their quality of work and their health. Mr Harris emphasised that the wellbeing of staff is of paramount importance, and support is available to staff through the Care First service and through their managers, who have a responsibility to ensure the wellbeing of their staff through regular 1-1 sessions, Teams meetings and regular engagement with staff.

The Member asked if any directorates experiencing issues due to a lack of staffing capacity would be fed into the Risk Register. Mr Harris emphasised that the recruitment challenges across the Authority do represent a risk, but steps being taken, including the move to agile working to accommodate staff, should see progress and improvements around these challenges over the next few months. Another Member highlighted the proposed investment in the Apprenticeship Scheme which should help allay some of the recruitment challenges and relieve the pressures on staff. Mrs Gronow added that the Audit Team had recently appointed a new apprentice and had also been able to appoint another former apprentice to a permanent post within their team, which highlights the success of the scheme within the Authority.

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

10. AUDIT OF ACCOUNTS ADDENDUM REPORT

Members noted that the report was split into two parts, comprising the main Audit of Accounts Addendum report and exhibits in the public domain, followed by an exhibit document for consideration in exempt session.

Mr Mark Jones (Audit Wales) introduced the report, which was an addendum to the Audit of Accounts report that was presented to the Governance and Audit Committee on 12th October 2021. The report sets out the recommendations arising from the audit of the 2020-21 accounts and provides an update to Members on the progress made against the 2019-20 recommendations.

It was explained that for 2020-21, 11 recommendations had been made by Audit Wales which had been accepted by management, and the management responses with implementation dates were included in the report. For 2019-20, the previous auditor had identified 22 findings and recommendations, of which 20 were accepted by management. Of these, 15 recommendations had been actioned and implemented, 3 recommendations were progressing, and 2 recommendations had not progressed as intended. Overall, very good progress with these recommendations has been made.

Mr Jones was thanked for the update and a Member sought clarification around the finding that some related party declarations did not include all relationships, and asked if this was an area of concern. Mr Jones explained that related parties is an accounting standard across all public bodies and generates a large amount of public attention due to the level of materiality. Under the International Auditing Standards, Audit Wales are required to check for completeness and ascertain that accounts are materially true and fair. Audit Wales do strive to provide perspective in the findings by explaining that of the 10 councillors detailed

in the findings, 7 related to positions held on behalf of the Council, and therefore of less interest compared to a company director in the same position. However, this finding has been retained in the report as it is of paramount importance that Members disclose any such matters, even if they are in doubt around whether their position warrants a declaration. Mr Harris added that he was of the view that the non-disclosures were because of a lack of understanding over what needs to be disclosed. He confirmed that when guidance is sent out to Members for declarations for 2021/22, this will be made clearer to them so that Members understand it is better to declare if they have any doubt over whether a relationship is relevant to them, and so that this can be brought to the attention of Officers who can decide whether this has any impact on the Financial Statement.

In response to further queries, Mr Jones confirmed that this situation has arisen within other public bodies but reiterated that any issues are easily preventable through the course of proper and complete disclosure, and he also explained that Audit Wales examine Companies House records and data as a tool to ensure completeness when auditing Financial Statements of Accounts.

Mr Harris added that work is underway by the Council to address the recommendations made by Audit Wales in the Addendum Report, and highlighted that an update will be provided on progress as part of wider reporting on recommended proposals for improvement. It was noted that when Audit Wales present their Audit of Accounts for 2021-2022, this will include an update on the progress made against the recommendations for 2020-21. Mr Harris explained that the recommendations are welcomed as this provides an opportunity to work with Audit Wales to streamline the audit process and improve the quality of the accounts.

A Member raised a query regarding the recommendation and finding around the incorrect calculation of the remuneration ratio. Mr Jones explained that this is an accounting requirement that is set by CIFPA for public bodies to disclose the median difference in salary range and therefore Audit Wales are required to audit this disclosure. Mr Harris added that a Pay Policy Statement is reported to Council on an annual basis which provides more information on salary comparisons.

Following consideration of the report, the Committee noted the Audit of Accounts Addendum Reports and Exhibits.

PUBLIC INTEREST TEST – AUDIT OF ACCOUNTS ADDENDUM REPORT – EXEMPT EXHIBIT

Members then considered the public interest test certificate from the Proper Officer in relation to the exempt exhibit document, 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 (and in noting there were 6 for, 0 against and 0 abstentions) 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 paragraphs 14 and 18 of Part 4 of Schedule 12A of the Local Government Act 1972.

EXEMPT MATTER

Mr Jones gave an overview of the exempt exhibit and, together with Officers, responded to

Members' queries.

Following consideration of the item, the Committee noted the contents of the exempt exhibit.

11-14. 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) Regulation of Investigatory Powers Act 2000;
- (ii) Officer's Declaration of Gifts and Hospitality;
- (iii) Corporate Governance Review Panel (Minutes);
- (iv) Audit of Caerphilly County Borough Council's Assessment of 2020-21 Performance.

The Chair thanked Members and Officers for their attendance and contributions and the meeting closed at 4.00 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 16th March 2022.

CHAIR