



## GOVERNANCE AND AUDIT COMMITTEE

### MINUTES OF THE MEETING HELD IN PENALLTA HOUSE AND VIA MICROSOFT TEAMS ON TUESDAY 14<sup>TH</sup> JUNE 2022 AT 2.00 P.M.

PRESENT:

Councillors:

E.M Aldworth, A. Broughton-Pettit, M. Chacon-Dawson, P. Cook, Mrs T. Parry, J. Taylor and C. Wright.

Lay Members:

N. Yates, M. Rees, V. Pearson and J. Williams.

Together with:

D. Gronow (Acting Internal Audit Manager), S. Richards (Head of Education Planning and Strategy), R. Roberts (Business Improvement Manager), J. Pearce (Business Improvement Officer), A. Southcombe (Finance Manager – Corporate Finance), I. Evans (Procurement and Information Manager), W. Colyer (Senior Information Security Officer), J. Lloyd (Committee Services Officer), S. Hughes (Committee Services Officer) and M. Afzal (Committee Services Officer).

T. Buckle (Audit Wales), and R. Davies (Audit Wales).

#### RECORDING AND VOTING ARRANGEMENTS

The Chair reminded those present that the meeting would be live-streamed and a recording made available to view 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. TO APPOINT A CHAIR FOR THE ENSUING YEAR

It was moved and seconded that Lay Member N. Yates be appointed as Chair and by way of Microsoft Forms and verbal confirmation, this was agreed by the majority present.

RESOLVED that Lay Member N. Yates be appointed as Chair of the Governance and Audit Committee for the ensuing year.

## **2. TO APPOINT A VICE CHAIR FOR THE ENSUING YEAR**

It was moved and seconded that Councillor C. Wright be appointed as Vice Chair and by way of Microsoft Forms and verbal confirmation, this was agreed by the majority present.

RESOLVED that Councillor C. Wright be appointed as Vice Chair of the Governance and Audit Committee for the ensuing year.

## **3. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors M. Adams and Mrs E. Stenner (Cabinet Member), together with R. Edmunds (Corporate Director of Education and Corporate Services), S. Harris (Head of Financial Services and S151 Officer), L. Lane (Head of Democratic Services and Deputy Monitoring Officer), and L. Lucas (Head of Customer and Digital Services).

## **4. DECLARATIONS OF INTEREST**

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

## **5. MINUTES – 16<sup>TH</sup> MARCH 2022**

It was moved and seconded that the minutes of the Governance and Audit Committee held on 16<sup>th</sup> March 2022 be approved as a correct record, and by way of Microsoft Forms this was agreed by majority present.

RESOLVED that the minutes of the meeting held on 16<sup>th</sup> March 2022 (minute nos. 1-9) be approved as a correct record.

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

The Acting Internal Audit Manager presented the Governance and Audit Forward Work Programme for the period June 2022 to January 2023.

Members noted the details of reports scheduled for the forthcoming meetings.

A Member queried the lack of information on the Forward Work Programme, against the report titles. Members were advised that the FWP is continuously subject to change, depending on changing priorities throughout the year, and the nature of the reports would be completed for future meetings.

A Member sought clarification on the next Audit update and the reasons as to why it wasn't included in the Forward Work Programme until January 2023. Members were advised that the update could be brought forward, although another report update was included in the items for the October meeting.

A Member queried the number of Governance and Audit Committee meetings scheduled throughout the year and whether it had previously been agreed that there would be

additional meetings to cover the number of items on the Forward Work Programme. Members were advised that this had been discussed with Committee Services, however, due to the cancellation of some meetings during the election period, items that had accumulated, had been included in this meeting.

It was moved and seconded that the Forward Work Programme be approved. By way of Microsoft Forms and verbal confirmation this was unanimously agreed.

RESOLVED that the Forward Work Programme as appended to the meeting papers be approved.

## **REPORTS OF OFFICERS**

Consideration was given to the following reports.

### **7. AUDIT WALES WORK PROGRAMME AND TIMETABLE – CAERPHILLY COUNTY BOROUGH COUNCIL**

Mr Timothy Buckle (Audit Wales) presented the report, and informed Members that it is a legal requirement to produce the work programme and timetable once a year. Audit Wales produce a quarterly update which includes items for work undertaken across Wales and specifically Caerphilly.

A Member queried the brief update referred to in the minutes of the previous meeting, where this was included in the Audit Wales report, and whether the full information was now available. Members were advised that full information available at the time, was normally given from Audit Wales, however, Members were advised that this would be clarified with Audit Wales and any additional information required would be updated to Members following the meeting.

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

### **8. AUDIT WALES 2022 AUDIT PLAN – CAERPHILLY COUNTY BOROUGH COUNCIL**

Mr Timothy Buckle (Audit Wales) presented the report which sets out the planned Audit Wales work for Caerphilly in relation to financial and performance audit work. The financial audit work looks at accounts from 2021/22 and the performance audit work in relation to the duties of Audit Wales in relation to the Auditor General requirements. Members were advised that the audit plan includes details on the financial audit risks and sets out the planned work for the financial audit.

Mr Rhodri Davies (Audit Wales) advised Members in relation to the financial part of the audit report and referred Members to relevant parts of the report, in particular paragraph 8 which sets out the responsibilities of Audit Wales, together with an opinion of the accounts, the report, and the annual governance statement. Members were also advised on the concept of materiality and materiality levels. Members were informed that Audit Wales are also responsible for the independent examination of Blackwood Miners Institute and grants claims certification.

Members were also referred to financial audit risks, including management override risk, related party materiality level, and valuation of assets, which could cost more to replace this

year than in previous years due to covid and the cost of living, and also the materiality levels in relation to the Cardiff Capital Regional City Deal.

Members were informed about the Audit Wales team and the consistency of staff members going forward. Members were advised that the fees of Audit Wales have increased this year, for the first time in 8 years, with costs having been absorbed for the last 6 to 7 years. Members were referred to the fees scheme for further information.

Mr Timothy Buckle (Audit Wales) advised Members on the performance part of the audit plan and explained that local reports are provided for Caerphilly to ensure value for money and the proper use of resources. The report sets out work intended to be undertaken including the Councils' financial position and the setting of its well-being objectives, although it was noted this may be undertaken next year. Thematic work is intended in relation to health and social care and there is a further thematic review which is likely to be local government specific but will be determined after the results of a local consultation have been reviewed. Members were informed of a local project with Caerphilly on waste management and advised that liaison with Officers will be taking place over the next few months.

Members were informed of the fee increase for the performance audit, which was a 3.3% increase from last years' fee, and were referred to the link provided in the report, for further information if required.

A Member enquired about the likely return to onsite work since Covid. Members were advised that Audit Wales had been trialling the return to the office recently, where their teams go in twice a week and proposals are to attend the clients' site once a week dependant on health and safety and risk assessments.

A Member sought clarification on the external audit work and risk assessments and how Audit Wales intended to inform the new lay Members and keep them updated. Members were advised that the risk assessment report will be published on Audit Wales website and Members will be kept informed throughout the year, with more detail also being provided if necessary.

A Member enquired about the 3.7% increase in Audit Wales fees and the effect of Covid in the last few years. Members were advised that Audit Wales have absorbed the extra costs that have occurred. Covid has caused massive losses and remote working is not the most efficient way of undertaking audit work. The extra costs that have been previously absorbed by Audit Wales are not sustainable going forward.

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

## **9. ANNUAL INTERNAL AUDIT REPORT 2021/22**

The Acting Internal Audit Manager presented the report to Members, the purpose of which was to inform the Governance and Audit Committee of the Internal Audit Manager's overall opinion on the Authority's Internal Control Systems derived from the work undertaken by Internal Audit Services during the 2021/22 financial year.

Members were advised that the annual audit opinion should include an evaluation of 3 elements: governance arrangements, risk management and internal control. The audit opinion informs the annual governance review process and is incorporated into the Draft 2021/22 Annual Governance Statement which is included separately on the agenda.

Members were informed that all audits performed with the exception of most grant certifications and contract final accounts generate an overall opinion. A report was presented to the Audit Committee in 2018 which provided details of the methodology supporting how the audit opinions are generated. Grants and Contracts are usually approved by the issuing of a certification which indicates no issues of non-compliance were noted. This can be considered a positive opinion.

Members were also informed that all opinions are rated as 'effective', 'effective with opportunity to improve', 'in need of improvement' or 'inadequate and in need of immediate improvement'. These opinions then support the assurance that can be gained overall as those audits noted as 'effective' support full assurance. 'Effective with opportunity to improve' supports substantial assurance, 'in need of improvement' supports partial or limited assurance and 'inadequate and in need of immediate improvement' supports no assurance.

Members were advised that overall assurance in relation to the Council's system of internal controls can be gained by considering the range and number of audits and the report opinions generated.

Members were advised of the current staffing situation in Audit and the appointments for new staff had now been completed, will all vacancies, except one being filled. Existing staff members had been given opportunities for further training and qualifications.

Members were referred to the detailed figures in the report relating to pieces of work completed by Audit and the level of findings. These included a small amount of 'high risk' findings.

A Member referred to current staffing levels and the lack of audit work experience and queried how this affects the audit team and the future work planned. Members were advised that the newly appointed staff were highly experienced in finance backgrounds, and audit training would be provided where required.

A Member queried whether CCBC was providing the relevant level of opportunities to staff in order to further their CPD levels for future development. Members were advised that all staff were given opportunities, where possible, including attendance at training sessions and webinars and gaining account qualifications.

A Member referred to the inadequate audits shown in the appendices of the report and requested some clarification on how these would be dealt with, suggesting a possible action plan. Members were advised that an action plan is currently in place where there are risks, in particular, high-risk levels for schools, in relation to GDPR and the support that is given by the authority to assist in rectifying these matters.

A Member referred to the report and sought clarification on the 'no adverse opinion' term, noting that 14% 'in need of improvement' and 7% 'inadequate' was quite high overall. Members were advised that a large amount of the IT audit was in relation to schools and audit were seeking to improve the current processes in place. Members were advised that in relation to grants and contracts, this was a positive opinion as the audit check would have confirmed that the money had been spent in line with the terms and conditions.

A Member queried the full scope of the audit work completed and where these audits are carried out, noting that the majority of information provided, referred to audits completed on schools. Members were advised that other audit work included data matching on the national fraud initiative, finance systems, creditors, grants, housing benefits, council tax and payroll. Members were informed that the audit of social services establishments had

decreased due to covid restrictions for site visits and that WHQS contracts audits have recently been completed. Members requested that the format of the appendix details in the report, going forward, be amended to include more information on audit work in other directorates of the authority.

A Member sought clarification that the authority is supportive of the commitments of audit and the work required to carry these out. Members were advised that where some departments had gained more workload during the covid restrictions, these departments were now able to be more supportive in relation to the audit work required.

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

## **10. DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22**

The Head of Education Planning and Strategy presented the report and advised Members that the Draft Annual Governance Statement had been prepared by the Corporate Governance Review Panel and the Panel had considered responses from Heads of Service, Directors and key Officers in the process, which had been included as appropriate.

Members were informed that part of the process included the review of the previous years AGS (2020/21) by the Panel, to assess progress on addressing issues raised and these have been updated within the document. The Panel had also identified any issues for improvement that needed to be reported in the 2021/22 AGS.

Members were advised that the Draft AGS will be incorporated into the 2021/22 Draft Financial Statements which will be handed over to Audit Wales on 30<sup>th</sup> June 2022 for the external audit to be completed. The audited 2021/22 Financial Statements and External Auditors' report will be presented to the Governance and Audit Committee and Council in October 2022.

Members were referred to the recommendation in the report which was to consider the Draft Annual Governance Statement for 2021/22 and endorse the content subject to any changes agreed.

A Member sought clarification on the AGS and how the Opinion of Assurance is formed. Members were advised that the Governance Panel circulates questionnaires to all directorates, and the responses are then referred to each Director to consider the responses, which then go back to the Governance Panel. Clarification was also sought on the accuracy of the self-assessments by Directors and Members were advised that all responses are considered by the Panel, which includes the detailed questionnaires, consisting of approximately 30 in-depth questions.

It was moved and seconded that the Draft Annual Governance Statement for 2021/22 be endorsed subject to any changes agreed. By way of Microsoft Forms and verbal confirmation this was unanimously agreed.

**RESOLVED** that the Draft Annual Governance Statement for 2021/22 be approved subject to any changes agreed.

## **11. INTERNAL AUDIT SERVICES ANNUAL AUDIT PLAN 2022/23.**

The Acting Internal Audit Manager presented the report to Members and advised that the Governance and Audit Committee are responsible for ensuring that risk and internal controls are adequately managed and monitored, and the work planned by Internal Audit will achieve the required levels of assurance.

The report provided details of the resources available and planned work programme for Internal Audit Services for 2022/23. Members were given information on the available staffing resources for the 2022/23 financial year, which included a minor staffing restructure and the resultant backfilling of vacancies that has now been substantially completed. There are currently 7 staff in post with one vacancy that has arisen as a result of the Assistant Manager undertaking the role of Acting Internal Services Manager and one vacancy awaiting the new starter joining the team later in the month. In addition, an Audit Apprentice which was supernumerary was successfully appointed to a permanent position within the team during 2021/22.

Members were referred to a table within the report at 5.2, which showed a forecast for the available 'man days' for the year taking into account known staffing vacancies and an estimate for overheads or non-productive time. Members were advised that an allowance had been made for known overheads and unproductive time such as annual leave and bank holidays, study day release time and estimations made for other overheads such as sickness and leave of absence. In addition, time has also been allocated to mentoring and supervising newly appointed staff and developing their performance within the team.

Members were informed of the Internal Audit Managers allocation of time to cover tasks such as supporting the Governance Panel, developing the AGS and attending and reporting to the Governance and Audit Committee. In 2022/23 additional time also been allocated for the support, training and induction of the new Lay Members.

Members were referred to a table within the report at 5.5, which provided information on a number of recurring regular audits relating to annual self-assessments of schools and other locations. The Internal Audit Team is also looking to develop similar self-assessments with other establishments such as Leisure Centres and Social Services. This would enable low risk routine operational processes to be assessed more regularly and would also allow audit resources to be concentrated on higher risk areas. Members were advised that there are a large number of these establishments that are overdue for routine audit due to COVID-19, and some catch up work is required.

Members were informed of a new anti-fraud strategy and cyber security strategy that has been drafted and included on the meeting agenda. Financial and cyber fraud are considered to be significant risk issues and in order to embed these strategies effectively within the organisation, resources will need to be allocated to the task.

Members were referred to a table within the report at 5.21, which provided a detailed list to Members, of the work forecast scheduled for audit.

A Member referred to the term 'man days' used within the report and suggested that 'staff days' or 'person days' be used as an alternative going forward.

It was moved and seconded that the Governance and Audit Committee approve the Internal Audit Services Annual Audit Plan for the 2022/23 financial year. By way of Microsoft Forms and verbal confirmation this was unanimously agreed.

RESOLVED that the Internal Audit Services Annual Audit Plan for 2022/23 be approved.

**12. INTERNAL AUDIT SERVICES: ANTI-FRAUD STRATEGY.**

The Acting Internal Audit Manager presented the report to Members, the purpose of which was to inform the Governance and Audit Committee of the corporate commitment to high standards in the prevention and detection of fraud and the actions that will be taken to underpin it through the adoption of an anti-fraud strategy.

Members were informed that the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Managing the Risk of Fraud and Corruption tasks leaders of public sector organisations with the responsibility to embed effective standards for countering the risk of fraud and corruption in their organisations.

Members were required to ensure there is a clear commitment from the Governance and Audit Committee that those tasked with governance, establish a solid foundation of anti-fraud culture within the Council to embed a culture of effective financial stewardship and to ensure that the Council has an up-to-date and relevant fit-for-purpose strategy.

A Member queried the outcome of the actions of the strategy and sought clarification as to whether it would be clear from the action plan, when and who would implement the actions from this strategy. Members were advised that this would be undertaken and were referred to paragraph 5.7 of the strategy.

A Member queried whether reviews would be reviewed in the future. Members were advised that re-reviews do take place and would be included in the action plan going forward.

It was moved and seconded that having considered the Anti-Fraud Strategy, the Governance and Audit Committee endorsed the Corporate Anti-Fraud Strategy, and to note that an action plan will be presented to the next meeting of the Committee. By way of Microsoft Forms and verbal confirmation this was unanimously agreed.

RESOLVED that the Corporate Anti-Fraud Strategy be considered and endorsed, noting that an action plan will be presented to the next meeting of the Committee.

**13. PUBLIC INTEREST TEST.**

The Head of Legal Services and Monitoring Officer advised Members that the Public Interest Test for the Draft Cyber Security Strategy was no longer required for this item, as originally advised. Members were advised that it had now been determined that this agenda item did not require to be exempt from the press and public.

**14. DRAFT CYBER SECURITY STRATEGY.**

The Procurement and Information Manager presented the report to Members, the purpose of which was to provide Members with a verbal update on the Draft Cyber Security Strategy to be implemented within the Council during 2022/23.

Members were advised that the Governance and Audit Committee are responsible for



ensuring that strategies and policies relating to risk and control are adequately managed and monitored, in order to gain assurance of the adequacy of risk management and internal controls frameworks within the Council. The Strategy is supported by an implementation plan and critical success factors.

Members were advised that the strategy was designed to be followed by everyone working within the Council and has been produced in response to the increasing threat from cyber criminals and a number of successful and high-profile cyber-attacks on public and private organisations.

Members were advised that the purpose of the Strategy was to give reassurance to residents and other stakeholders of the Councils' commitment in delivering robust information security measures to protect resident and stakeholder data from misuse and cyber threats. To safeguard their privacy through increasingly secure and modern information governance and data sharing arrangements, both internally and with our partners.

Members were advised that they were requested to consider the draft Strategy in order for the Committee to gain the required assurance to fulfil its role and to note the report and the verbal Strategy update.

A Member queried whether CCBC employed a digital auditor within the audit team. Members were advised that there is not a specific IT auditor within the audit team, but IT security is based within the IT department. Members were introduced to the Senior Information Security Officer who advised Members that he worked outside of digital services, in order to have a more independent view of the Councils' IT and security policies. Members were also advised of a recent vacancy within the department for an Information Security Manager and also the possibility of an apprenticeship position going forward.

A Member sought clarification on cyber-crime and fraud and queried whether there were arrangements for the integration of risks for these areas. Members were advised that there are risk registers at different levels within the authority and that cyber security is on the high-level risk register and mitigating actions. Members were also advised that further clarification on this matter will be evident when the risk registers are produced for the next meeting in October.

A Member queried the exempt item which was no longer deemed to be exempt. The Procurement and Information Manager explained to Members that when the action plan is produced this will include information which is likely to be deemed exempt. The action plan was not included at this stage; therefore, the Public Interest Test was no longer deemed necessary as originally thought.

It was moved and seconded that the Governance and Audit Committee considered the Draft Cyber Security Strategy in order for the Committee to gain the required assurance to fulfil its role and to note the report and verbal Strategy update. By way of Microsoft Forms and verbal confirmation this was unanimously agreed.

RESOLVED that the Draft Cyber Security Strategy be considered, and the report and verbal Strategy update be noted.

## **15-19. 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 October to December 2021;
- (iii) Corporate Governance Review Panel Minutes (12<sup>th</sup> January 2022);
- (iv)** Corporate Governance Review Panel Minutes (16<sup>th</sup> February 2022);
- (v) Corporate Governance Review Panel Minutes (21<sup>st</sup> March 2022).

The Chair thanked Members and Officers for their attendance and contributions and the meeting closed at 4.28 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 11<sup>th</sup> October 2022.

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CHAIR