



**RHONDDA CYNON TAF COUNCIL
GOVERNANCE AND AUDIT COMMITTEE**

Minutes of the virtual meeting of the Governance and Audit Committee held on Tuesday, 14 February 2023 at 5.00 pm.

This meeting was recorded, details of which can be accessed [here](#)

County Borough Councillors – The following Councillors were present:

Mr C Jones (Chair)

Councillor G Hopkins Councillor M Maohoub
Councillor S Rees Councillor B Stephens
Councillor L A Tomkinson Mr M Jehu

Officers in attendance

Mr P Griffiths, Service Director – Finance & Improvement Services
Mr A Wilkins, Director of Legal Services and Democratic Services
Ms L Cumpston, Group Audit Manager
Mr M Thomas – The Head of the Regional Internal Audit Service
Ms S Davies – Service Director, Finance Services

Apologies for absence

Councillor P Evans Mr J Roszkowski

27 Welcome

The Chair welcomed attendees to the meeting of the Governance and Audit Committee.

28 Declaration of Interest

In accordance with the Council's Code of Conduct, there were no declarations made pertaining to the agenda.

29 Minutes

It was **RESOLVED** to approve the minutes of the meeting held on 7th December 2022 as an accurate reflection.

30 Matters Arising

Agenda Item No.5 (Council Progress Update - Implementation of Recommendations reported by Audit Wales): The Service Director, Finance and Improvement Services referenced Members' request for further information in

respect of the Council's Direct Payments and how it compared to other Local Authorities across Wales. The Service Director confirmed that the latest comparative figures, relating to the 2021/22 financial year, had been circulated to the Committee on the 13th February 2023.

Agenda Item No.8 (Progress against the Internal Audit Risk Based Plan 2022/23): The Head of the Regional Internal Audit Service referred to Members' comments in relation to highlighting the progress of reports with a coloured/traffic light system for Committee Members to identify areas of focus. Officers had taken comments on board and advised that a colour coding system had since been applied and would be explained during the discussion of the item at this meeting.

31 2022/2023 Mid Year Treasury Management Stewardship Report

The Service Director - Finance Services provided Members with the opportunity to scrutinise the Treasury Management activities for the first six months of the 2022/23 financial year, the report for which was presented to Council at its meeting held on the 23rd November 2022 and was reproduced at Appendix 1 for the Committee's consideration.

The Service Director began the overview of the report by stating the definition of Treasury Management, which was: *"The management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

The Service Director drew Members' attention to Section 5 of the report which detailed the economic background over the period. The Service Director noted that paragraph 5.5 highlighted the Bank Rate increases up to November 2022 and added that there had since been a further two increases, 0.5% in December 2022 that increased the Bank Rate to 3.5% and 0.5% in February 2023 that increased the Bank Rate to 4%.

Referring to Section 5.6 of the Report, the Service Director explained that most of the Council's borrowing was from the PWLB (Public Works Loans Board) and that long-term borrowing rates were influenced by gilt yields which were expected to fluctuate only by small margins.

In respect of Section 6 of the Report, which detailed that the Council had not taken any short or long-term borrowing from the markets or from PWLB for the first half of the financial year, the Service Director confirmed that this was also the position to date.

The Service Director continued and stated that Sections 8, 9 and 10 of the Report demonstrated the Council's compliance with Prudential and Treasury Management indicators that had been approved by full Council in March 2022, as required by the Treasury Management Code of Practice and Prudential Code.

As part of the low-risk strategy, the Service Director explained that the Council only invests surplus cash with other public bodies or the government's own facility, the Debt management office. Members were referred to Section 12.4 of the Report, which highlighted that the return for the first six months of the year was slightly lower than the benchmark return.

Members were informed that interest rates for investments had increased from the half year point and, as such, investment income had improved. In response, a Member requested clarity on how the increase in interest rates would affect the Council's prudential borrowing. The Service Director advised that the majority of the Council's debt was fixed-rate and, as such, the rise in interest rates in the short-term would have no impact. The officer explained that the forecast for the PWLB rate was to remain fairly flat, which meant that although the rate the Council has on investment income would fluctuate with the base rate, its borrowing, determined by gilt yields and PWLB rates, would be impacted less. The Member also sought clarity on whether any future borrowing and investment would be affected in that regard. The Service Director explained that should the Council need to borrow, officers would consider the rate and maturity profile at that time, and noted that the current strategy was to borrow short-term, as and when funds are needed, avoiding unnecessary cost and reducing credit risk.

Lay Member, Mr M Jehu noted the financial complexities of the previous few years and questioned whether there were any specific changes in circumstances or lessons learned during the year for the Committee to be aware of. The Service Director noted that the base rate had increased significantly during the past few months, but assured Members that regardless of the environment, the three priorities of Security, Liquidity and Yield remained the focus and underlying approach which the Council adheres to.

The Lay Member sought assurance that all of the Council's investment, financial management and liaising with outside bodies was based on an ethical standard and the Service Director confirmed that all work was in line with the Treasury Management Strategy and Capital Strategy approved by Council in March 2022.

A Member referenced the rise in energy costs and the shortfall in funding being made available by UK Government to meet these increased costs, and questioned how likely it was that the Council would need to borrow in the near future for this purpose. The Service Director advised that borrowing undertaken by the Local Authority was for capital purposes only, with the requirement for increases in day-to-day energy costs to be funded from the Council's revenue resources.

The Governance and Audit Committee **RESOLVED:**

1. To scrutinise and comment on the information provided; and
2. To consider whether they wish to receive further detail on any matters contained in the report.

32 Progress against the Internal Audit Risk Based Plan 2022/23

The Audit Manager presented the report to provide the Governance and Audit Committee with a position statement on progress made against the audit work included and approved within the Internal Audit Risk Based Plan 2022/23. The Audit Manager noted that the Internal Audit Risk Based Plan for 2022/23 was submitted to the Governance and Audit Committee for consideration and approved on the 18th July 2022. The Plan outlined the audit assignments to be carried out in order to provide adequate coverage to enable an overall opinion at the end of 2022/23.

The Audit Manager directed Members to Appendix A of the report, this detailing the status of each planned review, the audit opinion (where the audit is complete

or has reached final report stage) and the number of recommendations made to improve the internal control, governance and risk management environment.

As of 27th January 2023, 24 audit assignments had been completed, including 20 audits where a final report and audit opinion had been issued. The remaining 4 completed assignments related to work where no audit opinion is provided, for example Annual Governance Statement (AGS), Annual Opinion Report (Head of Internal Audit) and Internal Audit Planning 2022/23. This is because the audit work carried out in respect of these items was planned but the nature of the work does not lead to testing and the formation of an audit opinion. It was explained that a further 4 draft reports had been issued, 1 audit assignment was awaiting management review, 7 audit assignments in progress and a further 6 assignments that were at the scoping stage.

The Audit Manager drew Members' attention to Section 4.6 of the report, which summarised the audit opinions given to the 20 audit assignments completed to final report stage to date, which was based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control, governance and risk management arrangements. The Audit Manager confirmed that there have been no audit assignments completed across the 2022/23 planned areas to date where an audit opinion of limited assurance or no assurance has been placed on the current systems of internal control, governance and risk management.

The Audit Manager drew Members' attention to Appendix A of the report, which detailed a total of 37 recommendations to improve the internal control, governance and risk management arrangements across the 2022/23 audit plan areas and assured the Committee that while performance to date was lower than anticipated, it could be partly attributed to long term sickness, some audits taking longer than planned and vacancies in the wider service which, although now filled, had impacted on the delivery of the audit plan to date.

As mentioned by the Head of the Regional Internal Audit Service in Matters Arising, the Audit Manager confirmed that Appendix A had been updated with a colour coding system to indicate which audits had been completed during 2022/23, those which are anticipated to be completed by the end of 2022/23 and those which will not receive an Internal Audit review during the year; however these audits will be scheduled for discussion with Management as part of the Internal Audit planning process for 2023/24. This has been actioned following a request received at the last Governance and Audit Committee meeting held on 7th December 2022.

Prior to concluding the presentation, the Head of the Regional Internal Audit Service took the opportunity to inform Members that going forward, the service looked to be in the strongest position it had been in for many years due to most of the vacancies now being filled but acknowledged that some time would need to be allowed for appropriate training.

The Chair thanked the Officer for the report and noted the pressures which had resulted in performance to date being lower than anticipated but was assured by the Officer's view that performance would be on par with that of the previous year. The Chair was pleased to note that there had been no audit assignments completed across the 2022/23 planned areas to date where an audit opinion of limited assurance or no assurance has been placed on the current systems of internal control, governance and risk management.

Members took the opportunity to thank officers for implementing the colour coding system and were pleased to note that the initiative would be considered by other Local Authorities that are part of the regional service going forward.

Following discussions, the Governance and Audit Committee **RESOLVED** to:

1. Note the content of the report and the progress made against the Internal Audit Risk Based Plan 2022/23.

33 Strategic Risk Register Update

The Service Director - Finance and Improvement Services provided the Governance and Audit Committee with an overview of its role in respect of Risk Management, as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) publication '*Audit Committees – Practical Guidance for Local Authorities and Police 2018 Edition*' (from hereon noted as the CIPFA publication), and in line with the Terms of Reference for the Committee.

Members were referred to Section 4 of the report, which detailed the Committee's statement of purpose and the relevant extracts from the Committee's Terms of Reference.

The Service Director went on to draw Members attention to Section 5 of the report, which set out the role of audit committees in relation to risk management as per the CIPFA publication and also detailed the arrangements in place within the Council to meet these requirements.

Members were then directed to the latest Strategic Risk Register for the Committee's consideration of the arrangements in place, as set out at Appendix 1 of the report. The Service Director informed the Committee that Strategic Risk Register updates are included in the Council's quarterly Performance Reports presented to Cabinet and thereafter scrutinised by the Overview and Scrutiny Committee.

The Chair thanked the Service Director for the report and recognised the important role of the Governance and Audit Committee in considering the adequacy of arrangements in place and also understanding the strategic risks facing the Council and the actions in place to mitigate them, as far as possible.

A Member supported the comments of the Chair and spoke of the importance of having the Terms of Reference of the Committee and its duties and obligations in one place, and emphasised the important role of the Governance and Audit Committee in holding officers to account. In terms of accountability, the Service Director noted that a draft Governance and Audit Committee Annual Report will be presented to the March 2023 meeting that will set out the Committee's work during the year and, subject to approval, will be presented to full Council. The Service Director added that the publication of an annual report supports the Governance and Audit Committee being accountable for the work it undertakes on an annual basis.

Lay Member, Mr M Jehu sought assurance that should any significant changes occur through the year in respect of the Council's strategic risks, officers would endeavour to report them to the Governance and Audit Committee. The Service Director provided assurance to the Lay Member and explained that the Strategic

Risk Register is in the public domain and is scrutinised by the Council's Overview and Scrutiny Committee. The Service Director added that where key changes / updates are incorporated into the Strategic Risk Register, these will be reported to the Governance and Audit Committee.

The Governance and Audit Committee **RESOLVED:**

1. To consider the arrangements in place for Governance and Audit Committee to discharge its role in respect of Risk Management; and
2. To determine whether further information or action is required to provide the Committee with the necessary assurance for this area, including updates on specific strategic risks.

34 Learning And Development Plan

The Service Director - Finance and Improvement Services provided the Governance and Audit Committee with a proposed programme for learning and development to support the delivery of its Terms of Reference.

Members were reminded of the training needs analysis that was completed in November 2022 and the results reported back to the 7th December 2022 Governance and Audit Committee. The key learning and development themes that emerged from the training needs analysis were:

- Arrangements for handling complaints;
- Fraud and corruption;
- The Council's financial statements;
- Risk Management; and
- Governance (including Contract and Financial Procedure Rules).

In response to the above-mentioned themes which had emerged from the training needs analysis, the Service Director drew Members' attention to a draft Learning and Development Plan, which was set out at Appendix 1.

In terms of the approach, the Service Director proposed the following:

- The programme will be coordinated by Council officers;
- A learning and development item will be reported to the Governance and Audit Committee on at least a quarterly basis and other Members invited as appropriate;
- The updates provide an overview of the area, ensure opportunity for questions and answers and also opportunity for Members to request further information and / or more specific updates; and
- Learning and development requirements will be kept under continuous review as part of on-going engagement with Committee Members and the learning and development plan updated accordingly. These requirements will also be reviewed as part of the Personal Development Reviews undertaken by the Head of Democratic Services, before the conclusion of the municipal year.

The Service Director advised that, subject to the Governance and Audit Committee's consideration of the draft Learning and Development Plan, officers would put in place necessary arrangements for delivery, commencing from March 2023.

The Chair thanked the Service Director for the update and reiterated the importance of flexibility and also the importance of the learning and development

item complimenting the other items on the agenda.

Members **RESOLVED:**

1. To review and approve the draft Learning and Development Plan for the Governance and Audit Committee.

This meeting closed at 5.45 pm

**Mr C Jones
Chair.**