

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

Minutes of the meeting of the Audit Committee held on Thursday, 12th July 2018 at 5 p.m. at the County Borough Council Offices, The Pavilions, Clydach Vale.

PRESENT

County Borough Councillors

L. M. Adams	G. R. Davies
H. Boggis	K. Jones
G. Caple	M. Powell
A. Cox	E. Webster
J. Cullwick	R. Yeo

OFFICERS

Mr C. Lee – Group Director, Corporate & Frontline Services
Mr A. Wilkins – Head of Legal, Corporate & Democratic Services
Mr P. Griffiths – Service Director, Performance & Improvement
Mrs S. Davies – Head of Finance, Education and Financial Reporting
Ms L. Cumpston – Group Auditor

Mr R. Hull – Lay Member

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from County Borough Councillors M. Fidler Jones, D. Macey, M. Norris, S. Pickering, R. W. Smith and G. Thomas.

An apology was also received from the Wales Audit Office.

2. DECLARATIONS OF INTERESTS

In accordance with the Members' Code of Conduct the following County Borough Councillors declared a personal interest:-

1. County Borough Councillor G. Caple in relation to Agenda item 8 (Finalised Audit Assignments) – “Governor of School”.
2. County Borough Councillor H. Boggis in relation to Agenda item 5 (Draft Statements of Accounts) – “I am the current chair of Llwydcoed Crematorium Joint Committee”.

3. County Borough Councillor L. M. Adams in relation to Agenda item 7 (Internal Audit Performance) – “I am a School Governor of Tylorstown Primary School”.
4. County Borough Councillor G. R. Davies in relation to Agenda Item 8 (Finalised Audit Assignments) “I am secretary of Eglwys Bedyddwyr Blaen Y Cwm which was in receipt of grant”.

3. APPOINTMENT OF CHAIR OF THE AUDIT COMMITTEE FOR 2018-19

The Head of Legal, Corporate & Democratic Services reminded Members of the requirements of paragraph 9.4 the Local Government (Wales) Measure 2011 in relation to the appointment of the Chair of the Audit Committee. The Head of Legal, Corporate & Democratic Services confirmed that the Committee Members themselves decide upon the Chair and it can be a Councillor or a lay member, but cannot be a Councillor who belongs to a group with Members in the Executive. With this in mind, the Head of Legal, Corporate & Democratic Services sought nominations for this position.

RESOLVED – That Mr.R.Hull, lay member, be elected as Chairman of the Audit Committee for the Municipal Year 2018/19.

4. APPOINTMENT OF VICE-CHAIR OF THE AUDIT COMMITTEE FOR 2018-19

In accordance with Minute No. 50 (Audit Committee, 30th April 2018) when it was resolved to defer consideration of the appointment of the Vice Chair to the first appropriate meeting of the Audit Committee following the AGM, the matter was put to a vote. In view of the fact that the votes cast for the two Members nominated were equal and the Chair abstained from voting, the Head of Legal – Corporate and Democratic Services indicated the appointment would now likely be referred to full Council for consideration.

5. MINUTES

RESOLVED – to approve as an accurate record the minutes of the meeting of the Audit Committee held on the 30th April 2018, subject to it being confirmed that the query in respect of Elected Members submitting referrals on behalf of residents had been recorded under Minute No.55, Audit Committee April 2018, Fraud, Bribery and Corruption Annual Report 2017/18.

6. MATTERS ARISING

Minute No. 54 – Wales Audit Office Audit Plan 2018 for Rhondda Cynon Taf CBC and Rhondda Cynon Taf Pension Fund – The Committee received confirmation that the amendment to the severance costs, as reflected within the Council’s approved Statement of Accounts for 2016/17, related to a disclosure

note and had no financial impact on the Council's reserves for the previous financial year.

Minute No. 54 - Wales Audit Office report – It was confirmed that the dates for the GPX/Regional seminars would be circulated.

Minute No. 55 – Fraud, Bribery & Corruption Annual Report 2017/18 – Committee was advised that this area would be included on the forward work programme for 2018/19.

7. CHAIR'S ANNOUNCEMENT

The Chair announced that the Head of Internal Audit & Procurement Development Programmes was absent due to a family funeral.

8. DRAFT STATEMENT OF ACCOUNTS

In his report the Group Director, Corporate and Frontline Services provided Committee with the opportunity to consider the certified draft Statements of Accounts for the 2017/18 financial year in respect of the Council, the Central South Consortium Joint Education Service Joint Committee and the Annual Return for Llwydcoed Crematorium Joint Committee. He also advised that Committee would be updated with progress in respect of the requirement for earlier production and audit of the Statement of Accounts in accordance with the Accounts and Audit (Wales) (Amendment) Regulations 2018.

The Head of Finance, Education and Financial Reporting referred Committee to the relevant excerpt from the Local Government Measure 2011 outlining the role of Audit Committee in the approval process for the Council's Statement of Accounts. The Head of Finance, Education and Financial Reporting highlighted a number of recent reports that had been considered by Audit Committee, which demonstrated the Council's overall governance arrangements and systems of internal control were robust and fit for purpose during the 2017/18 financial year.

Members were referred to the CIPFA toolkit for local authority audit committees and were informed that the toolkit aims to provide assistance to enable Members to carry out their role effectively. The Head of Finance, Education and Financial Reporting provided Committee with feedback on the questions included within the CIPFA toolkit:

1. Pension liability – It was reported that the cost of the pension liability which impacts upon the reserves of the Council is Employers Contributions paid in year.

Insurance claims – As at the 31st March 2018 there were a number of insurance claims against the Council, each claim has a reserve value.

Fixed assets – Council property is valued (and re-valued every five years to ensure it is materially correct) based on a Valuer's estimates.

2. It was reported that there are no significant changes this year to the accounting standards which has been helpful in meeting the earlier deadlines.
3. It was reported that the draft financial statements satisfy all statutory and other regulatory disclosure requirements to which the Authority is subject. It was also reported that the draft financial statements are produced in accordance with the CIPFA Code of Practice on Local Authority Accounting and are compliant, and no significant concerns have been raised to date in respect of the external audit.

Members asked whether there appeared to be any hot spots throughout the County Borough relating to insurance claims and whether the Local Authority could take preventative action based on claims information. It was suggested that this information could be provided to Committee and referred to the relevant Scrutiny Committee for further review should it be considered appropriate.

The Chair advised Committee that a representative from the Wales Audit Office was unable to attend the meeting and as such had provided feedback to the Head of Finance, Education and Financial Reporting that, to date, no significant concerns relating to the audits of the draft Statements of Accounts had been identified.

It was **RESOLVED** –

- (1) To note the Council's certified draft Statement of Accounts for the financial year 2017/18 (Appendix 1);
- (2) To note the Central South Consortium Joint Education Service Joint Committee certified draft Statement of Accounts for the financial year 2017/18 (Appendix 2);
- (3) To note the Llwydcoed Crematorium Joint Committee certified Annual Return for the financial year 2017/18 (Appendix 3);
- (4) That there were no issues brought before the Committee during the year which would impact on the Accounts which need to be brought to the attention of Council in approving the Statement of Accounts and Annual Return;
- (5) Note the progress of the proposed plans for earlier production and audit of the Statement of Accounts in accordance with the requirements of the Accounts and Audit (Wales) (Amendment) Regulations 2018; and

- (6) That Committee receives further information in respect of insurance claims, hotspots and preventative action at the next meeting with a view to referring the item to the relevant scrutiny committee as appropriate.

9. REGIONAL INTERNAL AUDIT SHARED SERVICE

The Group Director, Corporate & Frontline Services introduced the Regional Internal Audit Shared Service (RIASS) report which had been considered and agreed by Cabinet on 21st June 2018.

The Group Director provided an overview of the report to enable Rhondda Cynon Taf Council's Internal Audit Service to become part of an existing RIASS. The Committee was advised that the Council had proactively engaged with Bridgend, Vale of Glamorgan and Merthyr Tydfil Councils as part of this work and the Group Director highlighted the benefits a shared service would bring such as improved service resilience, developing in-house specialist audit skills and developing a more commercial approach.

The Group Director explained that as part of the implementation arrangements, the current partnership agreement would be up dated to reflect the inclusion of new partners, who will sign up for a period of no less than three years, with the Vale of Glamorgan Council being the designated single employing authority.

The Group Director also explained that the Council would continue to approve and monitor the delivery of its internal audit function via this Committee and in accordance with its existing Terms of Reference.

The Group Director went on to indicate that all staff will be transferred to the new RIASS on current grades and terms and conditions, and there would be no requirement to consider compulsory redundancies. The Group Director added that as part of the transfer process, engagement with staff, Trade Unions and Human Resources would take place, in line with agreed arrangements.

The Group Director concluded the overview of the report by providing assurance to the Committee that it would receive up dates as the implementation process progresses during 2018/19.

A Member of the Committee commented on whether the roles of staff would change under the new arrangements and whether a review would be undertaken to identify any problems / risks. The Group Director fed back that the fundamental roles of staff members would remain unchanged and that there would be opportunities for staff, should they wish to be considered, to further develop their skills and expertise in areas not currently delivered by the Rhondda Cynon Taf Internal Audit Service, for example, in computer and contract auditing. The Group Director added that potential problems / risks will be managed through thorough implementation arrangements that will involve all staff.

A further query was raised in respect of how much influence Rhondda Cynon Taf has over the Vale of Glamorgan TUPE arrangements. The Group Director reported that TUPE is a legal arrangement that all organisations must comply with and Rhondda Cynon Taf Council will be working closely with the Vale of Glamorgan Council to ensure the implementation process is managed effectively.

Following consideration of the report it was **RESOLVED:-**

1. To acknowledge the information set out in the Cabinet report 'Regional Internal Audit Shared Service' (included as Appendix 1); and
2. To agree that the Audit Committee oversees the required implementation arrangements during 2018/19.

10. INTERNAL AUDIT PERFORMANCE

The Service Director, Performance & Improvement presented the Internal Audit Performance for 2018/19 providing performance information in respect of the Internal Audit Service between 1st April 2018 and 30th June 2018.

The Service Director confirmed that Appendix 2 to the report provides a summary of the status of all recommendations made by the Internal Audit Service, grouped under the relevant service of the Council. He reported that the Internal Audit Plan currently includes 79 individual audit assignments and, as at the 30th June 2018, 13% of the Plan had been completed to report stage.

The Committee was informed that as at 12th July 2018, there were no overdue / outstanding recommendations to report.

Following consideration of the report it was **RESOLVED** to note the information.

11. FINALISED AUDIT ASSIGNMENTS

The Service Director, Performance & Improvement presented the finalised audit assignments completed between 18th April and 30th June 2018 in respect of:-

- Ty Gwyn (Follow up);
- Gwauncelyn Primary School;
- Penpych Community Primary (Follow Up);
- Pontypridd High School (Follow Up);
- Porth Community School (Follow Up);
- Tylorstown Primary School;
- YG Rhydywaun;
- Ysgol Gyfun Garth Olwg (Follow Up);
- Welsh Church Act Fund;
- Single Point of Access;

- Taxation;
- Creditors IR35; and
- Performance Indicators.

The Committee considered the issue of school dinner money arrears and how the debt is collected within individual schools. It was agreed that the application process and take-up of free school meals (FSM's) was one that warranted further scrutiny by the relevant Scrutiny Committee, particularly in respect of how the free school meal entitlement is being reviewed with the introduction of Universal Credit.

The Committee also raised concern with regard to the recruitment and retention of School Governors across the County Borough. They queried whether the current model which prevents County Borough Councillors becoming governors to more than two governing bodies should be relaxed to allow more LEA Governor vacancies to be filled. Members also agreed that this topic should be revisited by the relevant Scrutiny Committee.

The Chair commented that the Committee may find it beneficial, when considering the finalised audit assignments, to have a rating assigned to each individual theme within the audit reviews rather than an overall conclusion for the whole audit. The Committee agreed that this would represent an improvement to the current arrangements.

It was further agreed that an overview of the support provided to schools would be brought before Audit Committee to allow Members the opportunity to form a view on the adequacy and relevance of this work.

Following consideration of the outcomes of the various assignments it was **RESOLVED:-**

1. To note the information contained within the report;
2. That the issue of Free School Meals is referred to the Children & Young People Scrutiny Committee;
3. That the matter of LEA Governor vacancies across the County Borough is referred to the Children & Young People Scrutiny Committee; and
4. That ratings are assigned to each individual theme within finalised audit assignments.

R.HULL

CHAIR

The meeting closed at 6.40 p.m.

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