



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

Minutes of the hybrid meeting of the Governance and Audit Committee held on Monday, 18 July 2022 at 5.00 pm

### **County Borough Councillors:**

#### **Chair in attendance – Mr C Jones**

Councillor Geraint Hopkins (Committee Member)  
Councillor Mustapha Maohoub (Committee Member)  
Councillor Sharon Rees (Committee Member)  
Councillor Barry Stephens (Committee Member)  
Councillor Loretta Ann Tomkinson (Committee Member)

#### **Officers in attendance**

Mr P Griffiths, Service Director, Finance & Improvement Services  
Mr P Nicholls, Service Director, Legal Services  
Ms L Cumpston, Group Audit Manager  
Mr M Thomas, Head of Regional Audit Service  
Ms S Jane-Byrne, Audit Wales  
Mr C Rees, Audit Wales

#### **Lay Member:**

Mr M Jehu

### **1 WELCOME AND APOLOGIES**

The Service Director, Legal Services welcomed attendees to the first Governance and Audit Committee meeting for the Municipal Year 2022/23.

Apologies of absence were received from Lay Member J Roszkowski.

### **2 DECLARATION OF INTEREST**

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

### **3 MINUTES**

It was **RESOLVED** to approve the minutes of the 23<sup>rd</sup> March 2022 as an accurate reflection of the meeting.

#### **4 APPOINTMENT OF CHAIR**

The Service Director, Legal Services reminded Members of the requirements of the Local Government and Election (Wales) Act 2021, where Members were required to elect a Lay Member as the Chair for the Governance and Audit Committee.

The Service Director, Legal Services sought nominations for the position. It was **RESOLVED** that Mr C Jones be elected as Chairman of the Governance and Audit Committee for the Municipal Year 2022/23.

#### **5 APPOINTMENT OF VICE-CHAIR**

The Chair sought nominations for the position of Vice-Chair for the Governance and Audit Committee for the Municipal Year 2022/23. It was **RESOLVED** to elect County Borough Councillor M Maohoub as Vice-Chair.

#### **6 AUDIT WALES - 2022 AUDIT PLAN - RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

The Audit Wales Lead provided Members with a brief overview of the Audit Plan 2022 for Rhondda Cynon Taf Council. The document aimed to set out Audit Wales responsibilities and the requirements of the Auditor General for Wales for 2022.

Members were informed of the 2 main responsibilities of Audit Wales within the plan which covered auditing the Council's financial statements annually and providing an opinion on their "truth and fairness".

The Audit Wales Lead continued by informing Members of the main audit risks which have been identified in relation to the financial statements. These included, management override and Members were informed that the risk of management override of controls is present in all entities and due to the unpredictable way in which such override could occur, this is viewed as a significant risk. The other risks identified were Covid funding, Asset valuations, Borrowings, City deal, Group Accounts and Related parties. Members were informed that these areas will be identified by Audit Wales as risks across a number of Welsh Local Authorities as part of the external audit of 2021/22 statement of accounts.

Specifically in relation to Group Accounts, the Audit Lead advised that there is a requirement for the Council to prepare Group Accounts for 2021/22 due to the construction of a Materials Recycling Facility by Cynon Valley Waste Disposal Company, for which the Council is the controlling party, and the resultant increase in the value of the property, plant and equipment held by the Company.

The Audit Lead advised Members that the risks identified will be the key focus for Audit Wales in addition to the work undertaken year on year.

The Audit Manager directed Members to Paragraph 15 of the report which

provided an overview of the Performance Audit and the duties of Audit Wales in relation to the Audit Plan 2022. Members were informed of Audit Wales' approach in relation to the Well-being of Future Generations (Wales) Act 2015. It was confirmed that Audit Wales are integrating their consideration of the extent to which Councils act in accordance with sustainable development principles within all of the audit work undertaken and noted that the 2022/23 programme includes work that focusses on the setting of well-being objectives.

The Audit Manager directed Members to Exhibit 2 of the report; the table summarised the performance audit programme for 2022/23. Members were informed of the Assurance and Risk Assessment process work which is undertaken at all 22 Councils and will aid Audit Wales in undertaking risk assessments across a range of core arrangements, services and duties, and will inform the work areas that should be focused on.

The Audit Manager continued by informing Members of the key areas within the Performance Audit Programme for 2022/23. These included the Assurance and Risk Assessment work that will focus on the Council's financial position, capital programme management and a thematic review of governance. The Performance Audit Programme also included a thematic review of unscheduled care; Audit Wales intend to undertake a cross-sector review focussing on the flow of patients out of hospital and the review will consider how the Council is working with its partners to address the risks associated with the provision of social care to support hospital discharge. The Audit Manager added that the Performance Audit Programme also includes a thematic review of digital work and a bespoke local project focusing on the Council's performance dashboard.

The Audit Manager directed Members to paragraph 30 of the report which covered the audit fee. It was advised that the audit fee for Rhondda Cynon Taf Council has increased this year by 3.7%, as set out exhibit 3 of the report.

Lastly the Audit Manager directed Members to exhibit 5 of the report which set out the audit timetable for the work which will be undertaken by Audit Wales. It was advised that further updates will be provided to Members regarding the progress of the performance work programme during the year.

Mr M Jehu requested further details on the timescales for the thematic review of unscheduled care. The Audit Manager advised that a project brief will be released to the Local Authority that will provide the scope and detail on the timescales later in the year.

A Member supported Mr Jehu's enquiry and noted the importance for the Committee to receive the project brief in light of the current workforce challenges within the Health and Social Care sector.

A Member enquired around the fee increase and whether this would impact on future costs. The Audit Manager advised that the fees are an estimate based on a number of assumptions and will be updated, as appropriate, to reflect actual costs at year-end.

Mr M Jehu enquired around any legal implications on the Council if well-being objectives are not achieved in a timely manner. The Audit Manager advised that the Council already has well-being objectives and processes are in place to report and scrutinise progress.

Following discussion, the Governance and Audit Committee **RESOLVED** to note the content of the report.

## **7 AUDIT WALES - 2022 AUDIT PLAN - RHONDDA CYNON TAF PENSION FUND**

The Audit Lead presented the report to Members that outlined the financial audit risks identified by Audit Wales for the audit of the Pension Fund Accounts.

The Audit Lead fed back that two main risks have been identified, these being management override and the Wales Pension Partnership (WPP). It was advised that the WPP is evolving and Audit Wales works with Auditors of the Joint Governance Committee to obtain the required assurances over the valuation of the funds transferred from the Rhondda Cynon Taf Pension Fund into the WPP.

The Audit Lead directed Members to exhibit 2 of the report which set out the estimated audit fee for 2022, this increasing by 3.8% compared to the actual fee for 2021.

The Audit Lead continued by advising Members that no specific risks for the Pension Fund had been identified linked to the Rhondda Cynon Taf Council Statement of Accounts. The Audit Lead completed the overview by referring Members to Exhibit 4 that set out the audit timetable.

The Governance and Audit Committee **RESOLVED** to note the content of the report.

## **8 HEAD OF INTERNAL AUDIT ANNUAL REPORT 2021/22**

The Head of Regional Internal Audit Service presented the report to Members. The report set out the Head of Internal Audit's annual opinion on the Council's control environment in relation to governance, risk management and internal control, and to inform the Governance and Audit Committee of the work and performance of Internal Audit for the financial year 2021/22.

In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit is required to develop a risk-based annual audit plan which considers the Council's risk management framework. Within the Standards there is also a requirement for the Head of Audit to review and adjust the plan, as necessary, in response to the changes in the Council's business, risks, operations, programmes, systems, controls and resources. The Head of Internal Audit must ensure that Internal Audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

The Head of Regional Internal Audit Service informed Members of the approved draft Internal Audit plan for 2021/22 which was presented to the Governance and Audit Committee on the 12<sup>th</sup> July 2021. The approved plan was flexible in order to respond to changing circumstances and events that may occur during the year as a result of the pandemic and remote working.

The Head of Regional Internal Audit Service directed Members to Appendix A of the report which summarised the reviews undertaken during 2021/22, the recommendations made, and any control issues identified. It was noted that a total of 42 reviews were completed with an audit opinion, 1 audit assignment was undertaken on a consultancy basis, and a further 10 pieces of work have been completed where no audit opinion was required; in total 148 recommendations have been made. Members were informed that a detailed breakdown is included in Annex 1 of the report.

The Head of Regional Internal Audit Service directed Members to Annex 2 of the report that set out the final position against the 2021/22 approved plan and illustrated that many planned audit reviews had been undertaken during the year despite the continuing impact of the Covid-19 pandemic on services. Members were reassured that where planned work has not been undertaken, assurance has been gained where possible from other sources such as previous work and coverage in other audits. Members were advised that some planned reviews were not undertaken during the year due to requests from services that were under intense pressure; these will be considered in the 2022/23 planning process and 14 audits from the draft 2022/23 internal audit plan are already in progress and will be completed during 2022/23.

The Head of Regional Internal Audit Service continued by advising Members that based on the testing of the effectiveness of the internal control environment, 25 reviews (60%) received a 'substantial assurance' audit opinion, 14 reviews (33%) a 'reasonable assurance' audit opinion and 3 reviews (7%) a 'limited assurance' audit opinion. Members were informed that whilst there is a slightly higher number of limited assurance audit opinions compared to the previous year there does not appear to be any indication of any particular reasons or connection from these reviews or wider underlying concerns.

The Head of Regional Internal Audit Service concluded by informing Members that based on the results of the internal audit reviews completed during 2021/22, the recommendations made and consideration of other sources of assurance, the opinion drawn of the effectiveness of the Council's framework of governance, risk management and internal control for 2021/22 is 'reasonable assurance'.

The Chair thanked the Head of Regional Internal Audit Service for the detailed report; he then referred to Members for any questions.

A Member requested reassurance that there is no risk involved relating to fostering and adoption payments and that the service is operating effectively.

The Audit Manager advised that when this area was examined, the need for formal agreements to be reviewed on a regular basis was recommended, recognising the challenges that could be prevalent where collaborative arrangements are in place. The Audit Manager reassured Members that Management had agreed to implement all recommendations made following the audit and it was advised that a follow up audit review will be undertaken in 2022/23 and feedback will be reported to Members in due course. The Audit Manager added that Management have provided assurance that a number of recommendations were implemented at the time of the review and the remaining recommendations will be followed up to provide assurance that the required controls are in place and there are no risks of payments not being made.

Mr M Jehu raised a query in relation to the controls made relating to Park Lane

Special School and Ty Gwyn Pupil Referral Unit. Mr M Jehu reminded Members of the recommendations made and high priority areas identified in relation to both establishments. The Member requested reassurance that the high priority areas identified will be subject to high priority timescales and will be monitored.

The Audit Manager advised that in respect of Park Lane Special School, the audit is currently in progress and no draft report has been issued as the field work is still on-going. In respect of Ty Gwyn Pupil Referral Unit, the audit will be undertaken in September. The Audit Manager added that in respect of the follow up review relating to Adoption Support and Foster Carer Payments, it would be necessary to look at the implementation dates prior to any follow up review being undertaken to ensure progress can be measured.

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

- Note the content of the report.
- Consider the Annual Internal Audit Report for the financial year 2021/22 including the Head of Internal Audit's Annual Opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control.

## **9 COUNCIL ANNUAL GOVERNANCE STATEMENT 2021/22**

The Service Director, Finance and Improvement Services presented the report to Members that set out the Council's draft Annual Governance Statement (AGS) for the 2021/22 financial year.

The Service Director, Finance and Improvement Services directed Members to paragraph 4 of the report; it was advised that the report was produced in line with the Accounts and Audit (Wales) Regulation 2018 which requires an authority to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review within any published statement of accounts.

Members were directed to section 5 of the report which introduced the Council's draft AGS for 2021/22, with the document being included at Appendix 1. The Service Director informed Members that the AGS had been compiled in accordance with the 'Delivering Good Governance in Local Government: Framework (2016)', as set out in the Accounts and Audit (Wales) Regulations 2018, and also in line with the CIPFA Bulletin 06.

The Service Director, Finance and Improvement Services continued by informing Members that the compilation of the draft AGS has entailed reviewing the activities in place around the Council's main governance arrangements as set out in the Local Code of Corporate Governance and associated key processes; engagement with senior officers across services in respect of these arrangements; and taking account of the findings from a range of existing reports including external regulatory reports. The Service Director added that the review has also had regard to the impact of the coronavirus pandemic and cost-of-living crisis on the Council's governance arrangements.

The Service Director, Finance and Improvement Services went on to advise Members that recommendations made within the 2020/21 AGS have been

implemented and a position statement was set out at Appendix A of the report.

Members were directed to paragraphs 5.17.4 to 5.17.8 that provided an overview of the work undertaken by Internal Audit and External Audit (Audit Wales) during 2021/22, noting that the outcomes from this work have been used as sources of assurance as part of reviewing the Council's governance arrangements.

The Service Director, Finance and Improvement Services advised Members that based on the review undertaken, it has identified 7 proposals for improvement which aim to further improve the governance arrangements in place within the Council, these being set out at Section 6 of the AGS. The Service Director confirmed that the proposals for improvement have been reviewed and agreed by the Council's Senior Leadership Team (SLT) and that a progress update will be reported to the Governance and Audit Committee during the year.

Following the Service Director's overview, the Chair proposed for an additional paragraph to be incorporated within the AGS confirming the adequacy of the arrangements in place based on the review undertaken. Committee Members supported this update and instructed the Service Director, Finance and Improvement Services to reflect this narrative within the AGS.

Following discussion, the Governance and Audit Committee **RESOLVED**:

- For the Service Director, Finance and Improvement Services to include further narrative within the AGS confirming the adequacy of the arrangements in place, based on the review undertaken.
- To critically review the Annual Governance Statement (Appendix 1), suggest any material amendments and recommend its certification by the Leader of the Council and the Chief Executive for inclusion within the Council's 2021/22 certified draft Statement of Accounts.
- In the event that reports from relevant External Inspectors be provided to the Council before the Statement of Accounts are approved, authorise the Director of Finance and Digital Services to include reference within the Annual Governance Statement.

## **10 INTERNAL AUDIT CHARTER 2022/23**

The Audit Manager presented the Regional Internal Audit Service Charter for 2022/23 Report to Members.

The Internal Audit Charter is a formal document that defines the purpose, authority, and responsibility of Internal Audit activities. The Internal Audit Charter establishes Internal Audit's position within the organisation; it authorises access to records, personnel, and physical properties relevant to the performance of engagements and defines the scope of internal audit activities.

The Audit Manager advised that the Internal Audit Charter defines the responsibilities of the Regional Internal Audit Shared Service across Bridgend, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan Councils. It was confirmed that the Charter was fully reviewed and amended for 2020/21 in order to have a consistent Charter for the four Councils and to ensure it is consistent

with the objectives of the Regional Shared Service.

Members were informed that the Head of Internal Audit is responsible for reviewing the Charter and presenting it to each Council's Governance and Audit Committee annually for review and approval in line with the Public Sector Internal Audit Standards which are applicable to all UK Public Bodies (PSIAS).

The Audit Manager advised that the Regional Internal Audit Service is committed to meeting the standards laid down by the Public Sector Internal Audit Standards Framework and any significant deviations from the Standards will be reported to the Governance and Audit Committee.

It was advised that the Charter is split into four sections:

- Purpose, Authority and Responsibility;
- Independence and Objectivity;
- Proficiency and Due Professional Care; and
- Quality Assurance and Improvement Programme.

The Audit Manager advised that when reviewing the Charter for 2022/23, it was identified that no changes were necessary other than a change of designation of 'Managing Director' to 'Chief Executive' at the Vale of Glamorgan Council.

The Governance and Audit Committee **RESOLVED** to:

- Consider and approve the Regional Internal Audit Charter for 2022/23 as attached as Appendix A to the report.

## 11 INTERNAL AUDIT ANNUAL PLAN 2022/23

The Audit Manager presented to the Governance and Audit Committee the Annual Internal Audit Strategy and Risk Based Internal Audit Plan for 2022/23.

In line with the Public Sector Internal Audit Standards (PSIAS) the Head of Internal Audit must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisations goals.

The Audit Manager advised Members that to develop the risk-based plan, the Head of Internal Audit consulted with senior management in order to obtain an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes. The Head of Internal Audit must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems and controls.

It was noted that in order to produce the Internal Audit Plan the following information is taken into account:

- Corporate Risk Register/Strategic Risk Register;
- Corporate Plan;
- Key Financial Systems;
- Grant Claims that require Internal Audit certification;
- Follow-up reviews;
- Audit reviews that are carried forward from the previous audit plan;



- Feedback from questionnaires issued to Service Directors;
- Recommendations from External Inspectors / Regulators; and
- Results of discussions with the Senior Leadership Team, including the Chief Executive, Section 151 officer and other senior officers as necessary.

The Audit Manager advised that the Internal Audit Plan has also taken into account any new risks which the Council may face as a result of remote working and the Covid-19 pandemic.

Members were directed to Appendix A of the report which detailed the Draft Internal Audit Strategy document for 2022/23. The document demonstrates how the internal audit service will be delivered and developed in accordance with the Terms of Reference. Members were also directed to Appendix B which detailed the draft Internal Audit Risk Based Plan 2022/23 which has been formulated in accordance with the standards.

To conclude, the Audit Manager advised that the proposed plan presented will aim to offer sufficient coverage in order to provide an opinion at the end of 2022/23.

A Member commented on the value of the Audit Scope being included alongside each assignment as it provides useful information. The Chair also commented on the inherent flexibility within the plan which will be useful to manage any changes during the year.

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

- Consider and approve the draft Annual Internal Audit Strategy (Appendix A) and the Risk-Based Internal Audit Plan for 2022/23 (Appendix B).

**This meeting closed at 6.07 pm**

**C Jones  
Chairman.**