

AUDIT COMMITTEE

Minutes of the remote meeting held on 24th September, 2020.

The Committee agenda is available [here](#).

Present: Councillors: G.D.D. Carroll, Mrs. P. Drake, Dr. I.J. Johnson, K.F. McCaffer, Mrs. J.M. Norman, L.O. Rowlands and M.R. Wilson.

Also present: Ms. Rachel Freitag, Mr. Steve Wyndham and Mr. Anthony Veale (Audit Wales).

74 ANNOUNCEMENT –

Prior to the commencement of the business of the Committee, the Democratic Services Officer read out the following statement:

“May I remind everyone present that the meeting will be recorded via the internet and a recording archived for future viewing.”

75 APPOINTMENT OF CHAIRMAN –

RESOLVED – T H A T Councillor G.D.D. Carroll be appointment to the position of Chairman for the Municipal Year.

76 APPOINTMENT OF VICE-CHAIRMAN –

RESOLVED – T H A T Councillor L.O. Rowlands be appointed to the position of Vice-Chairman for the Municipal Year.

77 APOLOGY FOR ABSENCE –

This was received from Mr. P. Lewis (Lay Member).

78 MINUTES –

RESOLVED – T H A T the minutes of the meeting held on 29th July, 2020 be approved as a correct record.

79 DECLARATIONS OF INTEREST –

No declarations were received.

80 AUDIT WALES – AUDIT ENQUIRIES TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT (MD) –

The Head of Finance / Section 151 Officer presented the report which informed the Committee of the information provided to Audit Wales as part of the Annual Audit of Accounts.

Members were advised that Audit Wales, in its audit of the Council's financial accounts for the year ending 31st March, 2020 was required to conduct the audit in accordance with the requirements set out in international standards of auditing (ISA).

As part of their requirements, Audit Wales had written to the Head of Finance seeking views on a number of governance areas impacting upon the audit of the accounts relevant to both management and those charged with governance.

The areas of governance where views were sought were identified in Annex A along with the Council's response which encompassed:

- Matters in relation to fraud – Appendix 1
- Matters in relation to laws and regulations – Appendix 2
- Matters in relation to related parties – Appendix 3.

Having considered the report, it was

RESOLVED – T H A T the contents of the report be noted.

Reason for decision

In order to make Audit Committee aware of the process and the arrangements in place.

81 EXTERNAL AUDIT PLAN 2020 (MD) –

Mr. S. Wyndham (Audit Wales) presented the report, the purpose of which was to present to Members the Council's External Audit Plan 2020 and the Shared Regulatory Services Plan 2020 which were produced annually by Audit Wales.

The Auditor General Wales was required to carry out an audit which discharged its statutory duties and fulfilled its obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009, the Local Government Act 1999 and the Code of Audit Practice.

The External Audit Plan 2020 outlined work to be undertaken in the Council during the period April 2020 to March 2021 by and on behalf of the Auditor General and also included information on how much the work would cost. This was attached at Appendix 1.

The impact of Covid-19 on Local Authorities' abilities to prepare the 2019/20 accounts and the impact on the audit work was recognised. Therefore, the Audit

Plan did not include any details in relation to completion of the audit work. An addendum covering the Annual Audit Plan 2020 – Impact of Covid-19 was at Appendix 2.

The 2020 Audit Plan for the Shared Regulatory Service Joint Committee was attached at Appendix 3.

A Committee Member queried why a number of schools were not within the Council's payroll and pension scheme. In reply, the Head of Finance stated that some of this was historic as some schools had chosen not to use some Council services. The Council's Human Resources Department did regularly speak with these schools about using the Council's services, but these schools had decided not to.

In respect of Audit risk relating to IFRS16 and leases, shown on page 8 of Appendix 1, the Committee was advised that there was a future requirement for all leases held by the Council to be recognised on the Balance Sheet. The implication of this was the need to undertake a large exercise to identify all leases and to determine if they met the necessary threshold.

A Committee Member stated that a key objective of the Wellbeing of Future Generations (Wales) Act was around prevention and the Member queried what this meant in terms of the External Audit Plan. In reply, Mr. A. Veale (Audit Wales) stated that Audit Wales had yet to conclude its work on which areas would be looked into. Further discussion would therefore be held with officers of the Vale Council.

With regard to more information regarding financial sustainability, Audit Wales agreed that the scope of this project would be forwarded to Members.

Subsequently, it was

RESOLVED – T H A T the External Audit Plan for 2020 and the Regulatory Services Joint Committee Plan 2020 be noted.

Reason for decision

To progress the External Audit work programme and to ensure that robust scrutiny of the External Audit Plan take place.

82 AUDIT OF THE 2019/20 FINANCIAL STATEMENTS – REPORTING TO THOSE CHARGED WITH GOVERNANCE (MD) –

The audit of the 2019/20 Statement of Accounts was in the final stage of completion.

The latest 2019/20 Statement of Accounts incorporating all agreed amendments was tabled for the Committee's consideration as supplementary information. This replaced Appendix A to the report.

Members noted that as a result of the impact of the Covid-19 pandemic the audit deadline had been changed from 15th September, 2020 to 30th November, 2020. It had been proposed that the audited Statement of Accounts be signed by the Auditor General on 8th October.

Members were advised that there were items of correspondence that remained outstanding which were not material to the accounts, however, once Audit Wales had concluded their review of these matters, the accounts would be required to be reapproved. At the time of providing his opinion, the Auditor General was unlikely to be able to certify the completion of the audit due to a number of issues raised by local government electors which remained outstanding. Whilst Audit Wales needed to review the matters further, they were satisfied that these matters did not have a material effect on the financial statements.

Following conclusion of the above issues, the 2019/20 financial statements would need to be reapproved by the Council. As soon as this was completed, the intention would be for Audit Wales to reissue their opinion on the 2019/20 financial statements coupled with a certificate to close the audit. Their recommendation was therefore included in the report that given the immaterial financial value relating to the issues raised in the correspondence, a delegation be made by Council to Audit Committee to allow Audit Committee to approve the accounts provided that the resolution of the electors' correspondence has no impact on the final accounts as considered at Council on 5th October, 2020.

The report of the Auditor General for Wales and the Final Letter of Representation were attached at Appendix B to the report.

A Committee Member queried the nature of the matters of objection that were to be reviewed by Audit Wales. In reply, Mr. Veale (Audit Wales) stated that there had been two objections from members of the public which related to highway matters. Mr. Veale stated that it was important for Audit Wales to properly clarify the nature of each objection before going into any further detail. It was therefore important to go through the process confidentially before matters were raised in public. Mr. Veale added that this was not "ideal", but it was important to keep the accounts open in order to consider the objections. He also confirmed that the objections would not have any material effect on the Statement of Accounts and Audit Wales would be able to issue an opinion.

A Committee Member commented that he found it difficult to understand the process and the purpose of the report when issues had not been fully resolved. The Member also stated that he could not understand the purpose of the meeting of Full Council on 5th October again if the issues were not resolved in a timely manner. In reply, the Head of Finance stated that the accounts did not have to be signed off right away, but it was felt that the accounts were complete apart from two issues which were not material and so the baseline figures would remain unchanged.

The Committee then voted on the two recommendations as outlined in the report which were:

(1) That the report of the Appointed Auditor on the audit of the Council's Financial Statements for 2019/20 be approved and the Financial Statements including the Annual Governance Statement and Final Letter of Representation be recommended for signature by those authorised.

(2) That a delegation is grant to Audit Committee to re-approve the accounts provided that the resolution to the elector's correspondence has no impact on the final accounts as considered at Council on 5th October 2020.

Both these recommendations, having been seconded and voted upon were passed by the Committee.

The Chairman noted a concern raised by one of the Members who felt uneasy to agree the accounts with a feeling that the process had not been fully completed. However, the consensus of the Audit Committee was that the accounts could be signed off which was based on advice provided by Audit Wales.

Subsequently it was

RESOLVED –

(1) T H A T the report of the Appointed Auditor on the audit of the Council's Financial Statements for 2019/20 be approved and the Financial Statements, including the Annual Governance Statement and the Final Letter of Representation be recommended for signature by those authorised.

(2) T H A T a delegation be granted to Audit Committee to re-approve the accounts provided that the resolution to the elector's correspondence has no impact on the final accounts as considered at Council on 5th October, 2020.

Reasons for decisions

(1) To ensure that the Members of the Audit Committee, as those charged with governance, have considered the results of the audit of the Council's Financial Statements for 2019/20.

(2) To ensure the accounts for 2019/20 are closed once Audit Wales has completed their review of the elector's correspondence.

83 AUDIT WALES – FINANCIAL SUSTAINABILITY ASSESSMENT – VALE OF GLAMORGAN COUNCIL (MD) –

Mr. A. Veale (Audit Wales) presented the report which advised Members of the results of the assessment by the Auditor General for Wales of the Council's financial sustainability.

The report and the attached appendix detailed the findings of a recent Audit Wales review into financial sustainability of the Vale of Glamorgan Council. The report

identified that the Council had a strong financial position, but aspects of its financial planning could be strengthened. This conclusion was reached by :

- the Council's medium-term financial could be more comprehensive;
- while the Council underspent its overall revenue budget, there were some growing overspends in certain service areas;
- the Council had not achieved its recent savings targets;
- the Council had a high level of useable reserves;
- the Council had a good track record in collecting its Council Tax; and
- the Council took a prudent approach to borrowing.

Audit Wales had identified a number of findings as set out within the report.

A Committee Member, in referring to the overall percentage of Council Tax revenue collected by the Council, queried that in terms of over collection and precept of Town and Community Councils and South Wales Police, would any shortfall be the responsibility of the Vale Council. In reply, the Head of Finance stated that both Town / Community Councils and South Wales Police would set their own precepts which would be allocated to them from the Vale Council. If the amount collected by the Vale Council went up or down, then any shortfall would be met by the Council.

Having considered the report, it was

RESOLVED –

- (1) T H A T the contents of the report and the Audit Wales report at Appendix A be noted.
- (2) T H A T the proposed approach to acting on the findings of the Audit Wales report be endorsed and for an update to be received as part of the regulatory report tracking arrangements.

Reasons for decisions

- (1) To apprise Members of the Auditor General's report findings in relation to the financial sustainability of the Council.
- (2) To ensure the findings are appropriately responded to and that Members receive an update in due course.

84 CORPORATE RISK REGISTER QUARTER 1 UPDATE (MD) –

The Head of Policy and Business Transformation presented the report which provided an update on the Quarter 1 position of Corporate Risks for April to June 2020 as contained within the Corporate Risk Register.

The Head of Policy and Business Transformation stated that there were 16 corporate risks on the Register, one of which was a new risk for the inclusion of CR16 – Covid-19 subject to Members' endorsement. In addition to engaging officers in the

development of the Covid-19 risk, Audit Wales were consulted in order to gain their input and opinion. Feedback from Audit Wales had therefore been considered and incorporated into the risk.

Members noted that six risks scored Medium / High, nine risks scored Medium and one risk scored Medium / Low. Although there had not been any significant movement in risk statuses during the first quarter of the year, the Covid-19 pandemic had a significant impact on all aspects of risks on the Register and in particular on the Council's progress in relation to mitigating actions. In acknowledgement of this, all risks on the Register had been reviewed and risk descriptions had been redefined where applicable to reflect the influence the pandemic has had on various aspects. Despite not seeing more impact on the risk scoring, it was anticipated that there would be some further movement in risk scores over the coming months as the impact and repercussions of Covid were fully realised.

A Committee Member stated that the report reflected the Quarter 1 position, and as we were now in that last week of Quarter 2, an update on the direction of travel would be appreciated. The Member also referred to the cross-cutting nature of the two key themes of Brexit and Covid-19 and he queried how these were scored. The Member also asked for further information regarding the implication on waste collection, information security and the 21st Century Schools Programme and specifically works at St. Baruc Primary School. In reply, the Head of Policy and Business Transformation stated that in terms to the timing between closing the Register and reporting it to the Committee this was a perennial issue, but he provided assurance that regarding the scoring and direction of travel, a "sense check" prior to publication was undertaken. This meant that they did not stick firmly to positions as at the end of the quarter and so the directions of travel were always reviewed late in order to reflect anything material.

In terms of information security, the risk was forecast to decrease as ICT had rolled out new software including Office 365. In terms of waste, the implementation of the Welsh Government blueprint had been delayed although plans for co-mingled collection in Barry was now scheduled for October. It had been recognised that the financial impact had been due to commodity prices and the price paid by the Council for waste recycling. With regard to the 21st Century Schools Programme, and specifically St. Baruc, the Committee agreed that information would be reported back to Members.

A Committee Member then asked several queries regarding cross-cutting themes of the Risk Register relating to Brexit and Covid-19 and asked for further information regarding the impact on personal protective equipment, welfare reform and the impact of the Additional Learning Needs Bill. In reply, the Head of Policy and Business Transformation stated that an update on Additional Learning Needs would be provided to the Audit Committee at its meeting in January. With regard to personal protective equipment, this was a good example of cross-cutting work by Council Directorates as supplies were initially a major issue, and so, the Council needed to fully understand the supply chain to ensure that it's stock of equipment was adequate. In addition, the Senior Leadership Team would shortly be considering an update report on the Council's preparedness before Brexit and this would look at all Directorates. With regard to welfare reform, the impact of Brexit

and Covid-19 were the main reasons for a high-risk score. The score was going up even before the roll out of Universal Credit, so the Council had identified how issues were interrelated.

Overall, the Committee praised the efforts of the Performance Team regarding the contents of the report and asked for its thanks to be passed. The Head of Policy and Business Transformation agreed to pass on the Committee's sentiments.

Having considered the report, it was

RESOLVED –

(1) T H A T the Quarter 1 position of Corporate Risks for the period April to June 2020 be noted.

(2) T H A T the report be referred to Cabinet for its consideration and endorsement.

Reasons for decisions

(1) To identify the Quarter 1 position of Corporate Risks across the Council and to highlight any emerging issues and actions to be taken as outlined in Annex A.

(2) To ensure Cabinet receive the Quarter 1 position on the Corporate Risk Register and endorses the recommendations contained within the report.

85 CORPORATE COMPLAINTS ANNUAL REPORT 2019/20 (MD) –

The Operational Manager for Customer Relations presented the report which allowed the Committee to consider Corporate Complaints received from customers and the Public Services Ombudsman for Wales' Annual Letter.

The Council adopted the Welsh Government's Model Corporate Concerns and Complaints Policy in July 2013. There was a two-stage process. Complaints at Stage 1 should be responded to within 10 working days. Stage 2 complaints should be responded to within 20 working days. Complainants were able to contact the Public Service Ombudsman for Wales (PSOW), if still unsatisfied.

All Corporate Complaints and Compliments were recorded on Oracle CRM and fed in to the Complaints and Compliments Dashboards. These excluded Social Services complaints which were resolved via a different procedure and were reported separately.

The Audit Committee had within its terms of reference to monitor the performance of Corporate Complaints and to make recommendations to Cabinet and / or Council as appropriate.

The purpose of the Policy was to ensure that complainants experienced a consistent and fair response. Recording and monitoring of complaints allowed the Council to:

- Gain insight into citizens' satisfaction with services provided;
- Understand how satisfied customers were with how the Council investigated complaints;
- Monitor responsiveness to statutory guidance and customer expectations regarding how quickly the Council completed complaints investigations;
- Identify potential for improving service by analysing what had been learned from complaints.

Analysis of complaints information for 2019/20 indicated that:

- Complainants were satisfied with how complaints were investigated;
- Underlying trend for complaint volumes were steady;
- Responsiveness in improving;
- Complaint handling was meeting the requirements of statutory bodies;
- An increased focus on learning from complaints was required.

During the year the PSOW received 30 complaints relating to the Council, significantly fewer than the 37 which was the expected average based on population size and unchanged from those received in 2018/19. Only one complaint was taken into consideration by the PSOW during the year although this had yet to be resolved at the date of the report.

The Annual Report detailed complaint performance for Directorates for 2019/20 and included performance trends since 2014/15.

A Committee Member stated that in terms of Covid-19 and the rollout of new waste collection arrangements, changes needed to be fully explained with emphasis on how the public could contact officers given that there would not be much face to face interaction. The Operational Manager stated that communication was vital, and it was important to recognise that at present almost 52,000 individuals had signed up to the Council's emails. The Council could do more to exploit this and a review of the Council's CRM System would be undertaken in order to better utilise data and to let customers know what was happening and how they contacted the Council.

Subsequently, it was

RESOLVED –

- (1) T H A T the contents of the report, Appendix A (Annual Complaints and Compliments Report) and Appendix B (Annual Letter from the Public Services Ombudsman for Wales) be noted.
- (2) T H A T Audit Committee continues to receive an annual update in relation to Corporate Complaints and Compliments.
- (3) T H A T the report and comments of the Audit Committee be referred to Cabinet for consideration and Cabinet endorses the report as the basis for response to the Public Services Ombudsman for Wales' Annual Letter (Appendix B).

Reasons for decisions

(1&2) To ensure effective monitoring of Corporate Complaints as an indicator of citizen satisfaction with services provided.

(3) In order that Cabinet can be apprised of the report and comments made by Audit Committee and reply to the Public Services Ombudsman for Wales' Annual Letter.

86 ANNUAL INTERNAL AUDIT PLAN 2020/21 (HRIAS) –

The Audit Client Manager presented the report which provided Members with the Annual Internal Audit Risk Based Plan for 2020/21.

In line with the Public Sector Internal Audit Standards, the Head of Internal Audit must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals. The Risk Based Audit Plan should cover the Council's overall control environment including risk, governance and internal controls as far as practicable.

The consideration of the Regional Internal Audit Service's Annual Risk Based Plan was one of the Audit Committee's key responsibilities.

As a result of the significant changes to the way the Council was operating due to the outbreak of the pandemic in March 2020, it had been necessary to re-evaluate the original draft Plan prepared prior to the outbreak, and to develop a revised Risk Based Plan for 2020-21 which took into account an updated assessment of risk as a result of Covid-19.

The proposed Annual Risk Based Plan for 2020/21 was attached at Appendix A to the report. It provided the Committee with an overview of the work to be undertaken and would offer sufficient coverage to be able to provide an opinion at the end of 2020-21 whilst having regard to the unprecedented impact caused by the pandemic.

The revised Plan was also more flexible than usual to be able to respond to changing circumstances and events that may occur such as a second wave/ outbreaks, ability to access staff and evidence or requests to respond to new issues that may emerge.

Internal Audit work would be undertaken remotely using video conferencing (e.g. Microsoft Teams / Skype) and digital solutions as a basis for meetings and sharing documents and data. There was a need to learn what worked and what did not work and also take account of pressures on particular services and individuals whilst conducting their work.

The Audit Committee would receive updates on how the Plan was being delivered and any changes that may be required as the year progressed.

A Committee Member stated that he would like to see greater emphasis on homelessness as an area of review. In reply, the Audit Client Manager stated that there was some flexibility in the Plan, and she was hopeful that this could be built into the Audit Plan as the year progressed.

Having considered the report, it was

RESOLVED – T H A T the proposed Internal Audit Annual Risk Based Plan for 2020/21 be approved.

Reason for decision

To keep the Audit Committee informed and to approve the proposed draft Annual Risk Based Plan for 2020/21.

87 REGIONAL INTERNAL AUDIT SHARED SERVICE CHARTER 2020/21 (HRIAS) –

The Head of the Regional Internal Audit Service presented the report which presented the Regional Internal Audit Shared Service (RIASS) Charter for 2020/21.

The RIASS Charter defined the purpose, authority and responsibilities of the RIASS across Bridgend, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan Councils.

This was the first time a consistent Charter for the four Councils had been proposed and was consistent with the objectives of the Regional Shared Service, that was, to eliminate duplication and apply best practice.

The Head of Internal Audit was responsible for reviewing the Charter and presenting it to each Council's Audit Committee annually for review and approval in line with the Public Sector Internal Audit Standards (PSIAS).

The roles of the Audit Committee in relation to internal audit were to:

- Oversee its independence, objectivity, performance and professionalism;
- Support the effectiveness of the internal audit process and;
- Promote the effective use of internal audit within the assurance framework

One of the key roles which demonstrated the Audit Committee's oversight was the approval of the Internal Audit Charter.

A Committee Member queried who was the Head of Paid Service and suggested that an explanation be added as a footnote. The Head of Regional Internal Audit Service stated that the Head of Paid Service for the Vale Glamorgan was the Managing Director.

In being asked to comment, Mr A. Veale (Audit Wales) stated that the charter looked similar to other charters he had seen in other parts of Wales and appeared largely complete, reflecting good practice.

The Head of the Regional Internal Audit Service added that the document was very comprehensive and based on what previously existed at the other Councils and drawn from best practice across the UK and was in full compliance with the Public Sector Internal Audit Standards.

Having considered the report, it was

RESOLVED – T H A T the Regional Internal Audit Shared Service Charter for 2020/21 attached at Appendix A to the report be approved.

Reason for decision

To keep the Audit Committee informed and to ensure compliance with the Public Sector Internal Audit Standards.