

AUDIT COMMITTEE

(Remotely Via Teams)

Members Present:

14 September 2020

Chairperson: Councillor J.D.Morgan

Vice Chairperson: Councillor L.M.Purcell

Councillors: H.C.Clarke, O.S.Davies, R.Mizen, S.Renkes,
A.J.Richards, R.W.Wood and A.N.Woolcock

Officers In Attendance: H.Jenkins, K.Jones, H.Jones, A.O'Donnell,
C.Furlow-Harris, D.Mulligan, N.Headon and
T.Davies

Representing the Wales Audit Office: G.Gillett and K.Harvard

Voting Lay Member: J.Jenkins

1. **DECLARATION OF INTEREST**

The following Member made a declaration of interest at the commencement of the meeting:-

Councillor H.C.Clarke Re: Private Report of the Head of
Finance, Item 11 of the Agenda.

2. **MINUTES OF PREVIOUS MEETING**

Members questioned the Minutes of the previous meeting page 6 bullet point 2, the minutes should read would funding be tracked. Members requested a further explanation.

The Director of Finance and Corporate Services explained that Welsh Government originally made available £188m towards the Hardship Fund to reimburse Councils' for additional costs and loss of income, on the 17 August it announced an additional sum of £264m which would take us through to the end of March 2021. The Welsh

Government maintained a record of how that was allocated to different areas within the Hardship Fund, the council was required to identify which areas of the fund they were making claims against for reimbursement. Audit Wales would be reviewing the accounts and claims that have been made during the year.

It was highlighted that the Internal Audit Section would be carrying out work in relation to various expenditure, income and payments that the council had made during the first five months of this year.

Officers went onto explain that a substantial amount of money had been given to help businesses with grants from the Welsh Government of £10k and £25k. Over £28m to some 2,500 businesses had already been paid out and there were some further ones that would be made.

Internal and external audit would be reviewing and ensuring there would be appropriate governance arrangements in place. Information had been submitted to the National Fraud Initiative who carried out work at the end of July early August 2020 on payments made to businesses.

Various information was coming back to the Finance Section to double check potential issues around the payments, therefore there were many forms of governance checks and balances that would be undertaken during the second half of 2020.

RESOLVED: That the minutes of the meeting held on 9 June, 2020, be approved.

3. **ANNUAL GOVERNANCE STATEMENT REPORT 2019-2020**

The Committee received an update of the Council's Annual Governance Statement 2019-2020 and Addendum, as detailed in the circulated report.

It was noted that the Addendum report explained what controls had changed, and also priorities for improvement that needed to be worked on in the foreseeable future.

It was highlighted that the report showed updated requirements in terms of providing further training for Members of the Audit Committee.

RESOLVED: That the report and addendum be noted.

4. **AUDIT WALES STATEMENT OF ACCOUNTS 2019-2020**

Members received an update from Audit Wales on the Statement of Accounts for 2019-2020 for Neath Port Talbot County Borough Council, as detailed in the circulated report.

Audit Wales thanked officers for their support in providing audit evidence in challenging and difficult circumstances.

Audit Wales drew Members attention to Note 35 of the accounts which described the impact of COVID-19 on the valuation of Pension Scheme Assets as at 31 March 2020.

It was noted that during the audit, two misstatements had been identified in the statement of accounts and these had been discussed with management, but management had chosen not to adjust.

Audit Wales officers highlighted the uncertainty arising from the valuation of Pension Scheme Property Assets and that an additional narrative disclosure had been added to the accounts. Members were also informed that in relation to the McCloud Judgement an additional narrative disclosure was made because the draft financial statements were prepared before the government published on 16 July 2020 its consultation to the Judgement. This consultation proposed remedy and response on age discrimination in public sector pension schemes. The external auditor confirmed with the pension actuary, that they had taken the Judgement into account and had made provisions for a proposed remedy in valuing pension liability.

In respect of the Asset Valuation process, there were some improvements that would be made going forward.

Members thanked Audit Wales and their team for all their good work.

RESOLVED: That the report be noted.

5. **STATEMENT OF ACCOUNTS 2019-2020**

Members received an overview of the Statement of Accounts 2019-2020, following the completion of the external audit.

Officers highlighted that the draft Statement of Accounts was presented to Audit Committee during June 2020 and there had been some changes to the accounts since that date.

Officers went on to explain that Local Authorities were originally required to complete and submit a set of accounts to audit by the 15 June, with a requirement to gain Audit Committee approval. Due to the impact of Covid-19 these dates had been subsequently amended. It was necessary to amend the final sign off date for the accounts to 15 September 2020, this was still in line with legislation.

It was explained that a new valuation by the Pension Actuary came into effect from 1 April 2020 for the next 3 years, this had taken into account what had been anticipated to be the major impacts of the McCloud Judgement, and as a result Auditors were satisfied.

In terms of the Property Asset Valuations, mentioned by Audit Wales under the previous agenda item, these were based on independent valuations for the City and County of Swansea Local Government Pension Scheme. These valuations were carried out annually, and if required, adjustments would be actioned through the pension accounts, which would then be reflected in the Council's Statement of Accounts. The Auditors had highlighted that as a result of valuation reductions they could have an impact on the overall viability and sustainability of the Pension Scheme. The Director of Finance and Corporate Services stated that there was no concern at the present time, and this would be addressed as part of next year's audit of the Pension Fund accounts.

Members questioned whether the former Director of Environment and Regeneration was a paid Director of Neath Port Talbot Waste Management Company? Officers confirmed that the former Director was, but that the current Director of Environment and Regeneration was not a paid Director of Neath Port Talbot Waste Management Company nor Neath Port Talbot Recycling Limited. It was highlighted that the service provider up until 30 September 2019 was Neath Port Talbot Recycling Limited, but since 1 October 2019 all staff and functions had been transferred and operating directly by the council. Members were also informed that Neath Port Talbot Recycling

Limited would be going into liquidation during the next calendar year and that Members would need to consider a way forward in relation to the Waste Management Company.

It was noted that the acronyms listed under the Grant Income Section were not covered in the glossary. Officers agreed to expand on these in the final version of the accounts.

Members thanked Audit Wales and officers for the work put in to preparing the accounts and for enabling closure.

- RESOLVED:**
1. That the report be noted.
 2. That approval be granted for the Director of Finance and Corporate Services to amend acronyms in the Statements of the final published version of the accounts;
 3. That the Letter of Representation, included as Addendum 1 of the circulated report, be approved;
 4. That the final 2019-2020 Statement of Accounts, as included in Addendum 2 of the circulated report, be approved;
 5. That the Chair of the Audit Committee be authorised to provide his electronic signature for the Letter of Representation and the Statement of Accounts.

6. **INTERNAL AUDIT ANNUAL REPORT 2019-2020**

Members were given an update on the Head of Internal Audit's (HIA) Annual Opinion on the systems of internal control operating within the Council during the financial year 2019/2020 and details of the Internal Audit achievement against the 2019/2020 Internal Audit plan approved by Audit.

It was noted that the HIA's opinion was that reasonable assurance could be given that there had been no major weaknesses noted in the relation to the internal control systems, governance arrangements and risk management processes operating within the council.

It was highlighted that 83% of planned audits were undertaken, which was an improvement on 80% from the previous year. It was confirmed that internal audit work had complied with all Public Sector Internal Audit Standards.

A discussion took place regarding School Data Protection Registration Audit. Officers explained that some schools audited throughout the year had been late in ensuring registration was up-to-date. This should be completed annually, but there were one or two that were late, therefore Audit completed an exercise with all of the schools to check for compliance. It was highlighted that there were no major issues, and that every school within the Authority was now compliant with their registration requirements. The recommendation made to all schools had been to put a diary date in their calendar to remind them to renew their registration annually.

With regards to the Procurement Audit which wasn't undertaken officers explained that at the beginning of the pandemic period this audit was in the planning stage, and during initial discussions with the Head of Legal Services the auditor was made aware that a new Procurement Manager had been appointed and the Contract Procedure Rules were in the process of being updated, therefore the audit was delayed in order to allow the new Procurement Manager to make changes they felt necessary and to allow the Contract Procedure Rules review to be completed. It was explained that by delaying the Audit there was no added risk to the Authority.

Members asked if that by delaying the Audit there had been added risk to the authority. Officers explained that there had been no major contracts procured during the pandemic but part of the work the Internal Audit Section would be undertaking between now and Christmas was an audit of the Urgency Actions undertaken during lockdown. Findings would be reported to the Audit Committee when completed.

A discussion took place regarding sufficient resources within the Audit Team. Officers explained that the Audit Plan for the quarter September to December 2020 prioritised work on fundamental systems for this year and was looking at processes which would have

changed as a result of remote working and homeworking. It was noted that the council would not deliver the original audit draft plan which would have been presented to members at the March committee meeting had it gone ahead due to the team's redeployment earlier in the year, but it would be re-prioritised to look at the areas of greater risk. The Audit Plan put forward was a risk based plan therefore the audits undertaken would be the audits considered to be a higher risk, some audits deemed not to be high risk would not be undertaken. The Audit Plan was put together based on risk and in conjunction with discussion with Heads of Service and Corporate Directors.

RESOLVED: That the report be noted.

7. **INTERNAL AUDIT UPDATE 2020-2021**

Members received an overview of the Internal Audit work undertaken since the last Audit Committee of December 2019, as detailed in the circulated report.

Officers explained that during the pandemic audit officers had been involved in assisting staff establish appropriate internal controls etc. as the council moved into different ways of working. During this time the Internal Audit Manager provided support in terms of the Safe and Well Services, and managed the implementation of the Test Trace & Protect Service (TTP) to which some of the Audit Team were re-deployed for a number of months, two members of staff remained providing audit advice to staff and undertaking audits. It was noted that all members of staff were now back in the Audit Team as from 1 September, 2020.

RESOLVED: That the report be noted.

8. **TREASURY MANAGEMENT MONITORING 2020-2021 - QUARTER 1**

Members received an overview of the Treasury Management action and information reported to Cabinet on 30 July 2020, as detailed in the circulated report.

RESOLVED: That the report be noted.

9. **INTERNAL AUDIT PLAN FOR THE PERIOD 1 SEPTEMBER 20 – 31 DECEMBER 2020**

Members were asked to approve the Internal Audit Plan for the period 1 September 2020 – 31 December 2020, as detailed in the circulated report.

It was noted that at this time the plan would be quarterly in order to concentrate on higher risk areas and to allow for the changing environment we find ourselves in due to the pandemic.

RESOLVED: That the Internal Audit Plan for the period 1 September 2020 – 31 December 2020, be approved.

10. **ACCESS TO MEETINGS**

RESOLVED: that pursuant to Section 100A(4) and (5) of the Local Government Act 1972, the public be excluded for the following item of business which involved the likely disclosure of exempt information as defined in Paragraphs 12, 13 and 14 of Part 4 of Schedule 12A to the above Act.

11. **HIGHER RISK RATINGS**

Members received an update on special investigation audits undertaken since the Audit Committee meeting held in December 2019 which had a risk rating of 3, 4 or 5 applied, together with special investigations currently in progress, as detailed in the private circulated report.

A discussion took place in regard to the Disclosure and Barring Service (DBS) checks, officers agreed to update members at the next committee.

RESOLVED: That the report be noted.

CHAIRPERSON