

# GOVERNANCE AND AUDIT COMMITTEE

(MULTI-LOCATION MEETING – COUNCIL CHAMBER, PORT  
TALBOT AND MICROSOFT TEAMS)

**Members Present:**

**27 September 2022**

**Chairperson:** J.Jenkins

**Vice Chairperson:** A.Bagley

**Councillors:** A.R.Aubrey, O.S.Davies, W.Carpenter,  
A.J.Richards, P.D.Richards, P.Rogers and  
M.Spooner

**Officers In Attendance:** C.Griffiths, H.Jones, A.O'Donnell, C.Furrow-  
Harris and C.Plowman

**Representing Audit Wales:** G.Gillett, A.Worthy and N.Jenkins

**Voting Lay Member:** M.Owen and H.Griffiths

**Observers:** Councillor R.Mizen

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1. **APPOINTMENT OF CHAIRPERSON**

**RESOLVED:** That Lay Member, Joanna  
Jenkins, be appointed  
Chairperson of the Committee

2. **APPOINTMENT OF VICE CHAIRPERSON**

**RESOLVED:** That Lay Member, Andrew  
Bagley, be appointed Vice  
Chairperson of the Committee

3. **CHAIRPERSONS ANNOUNCEMENTS**

The Chairperson welcomed everyone to the meeting.

4. **DECLARATIONS OF INTERESTS**

The following Declaration of Interest was receiving during the discussion of the relevant agenda item:

Cllr Marcia Spooner

Re Agenda Item 11 – Internal Audit Update Report, as she is a School Governor at Rhos Primary School which was mentioned within the content of the report.

5. **AUDIT WALES - FINAL ASSURANCE AND RISK ASSESSMENT PROGRESS UPDATE LETTER**

The Committee was provided with a progress update from Audit Wales on the Council's arrangements for responding to the requirements of the Local Government and Elections (Wales) Act 2021. It was explained that the work was undertaken earlier this year, and the findings from that piece of work was included as an appendix to the circulated report.

It was explained that the Local Government and Elections (Wales) Act 2021 had brought significant change in terms of the governance and performance requirements. Members were informed that the Council had been making good progress over the last year, especially given that the Council was still responding to the pandemic.

Officers highlighted the following points in regards to progress:

- All services had developed their own service recovery plans, setting out their priorities for the coming year; there were over 80 service recovery plans in place.
- Progress was being made in developing the Council's first corporate self-assessment; this was a new requirement under the Act. It was added that Members will have sight of this in a future meeting, as it was the role of the Governance and Audit Committee to review the Council's draft self-assessment.
- Progress was being made in developing the Council's Participation Strategy.

Audit Wales clarified that they had carried out this commentary work across all of the Councils in Wales, as part of their ongoing assurance and risk assessment; they were pleased to hear the updates from Officers, and would be checking in with Councils to

understand how they were moving forward with this work over the next year.

In regards to the Participation Strategy, Audit Wales noted that given the interest other Councils had shown in learning from good practice from other Councils, they would be taking this interest back to Audit Wales to see how and whether this learning could be facilitated.

**RESOLVED:** That the report be noted.

6. **AUDIT WALES - AUDIT PLAN 2022-2023**

Audit Wales presented their Audit Plan which included the details of the work in which they intended to undertake during 2022-23; in order to discharge their statutory responsibilities, inform the Council when the work will be undertaken, how much it will cost and who will undertake the work.

The responsibilities and financial statements were set out in paragraph eight of the circulated Plan. The following was highlighted from the Audit Wales Plan for Neath Port Talbot Council:

- Audit Wales were required to give an opinion on the truth and fairness of the Council's financial statements; and to assess whether the narrative report and annual governance statement, prepared in line with guidance, were consistent with the accounts and Audit Wales' knowledge of the Council.
- When auditing the accounts, Audit Wales adopted a concept of materiality when carrying out their works; they looked at misstatements that might result in the reader of the accounts being misled.
- Audit Wales reported the level of what they judged to be misstatements, to be material to the Council, in their financial statements. This was noted to be around £5.5million.
- The audit approach was based upon Audit Wales' assessment of the risks of material misstatement; at the planning stage of the audit, they had identified three risks which were summarised in Exhibit One in the circulated Plan. It was mentioned that this element also set out the work Audit Wales planned to do to address those risks.

A discussion took place in relation to the performance audit work that had been undertaken; the detail of this work could be found on page 21 of the circulated report. It was explained that performance audit was based around the five ways of working along with the three E's, Economy, Efficiency and Effectiveness; Audit Wales had a duty to base their work around these key areas.

The Committee was informed that during the pandemic, Audit Wales adopted a flexible approach across their performance audits with Councils across Wales; they ensured they were consulting with Councils, as they do every year, as well as informing their work going forward.

It was noted that Audit Wales held annual workshops with Councils in order to discuss initial thoughts in terms of the risks identified, and what Councils were currently working on in terms of those risks; following this, Audit Wales compiled a programme of audit work, which covered local, regional and national elements. It was mentioned that the Plan set out those three levels of work for Neath Port Talbot Council, with particular emphasis on the local performance work, details of which could be found in Exhibit Two of the circulated Plan.

Audit Wales highlighted the performance audit program for Neath Port Talbot for 2022-2023. The first noted element in the table was assurance and risk assessment; the identified areas for the Council to focus on were listed as financial position, capital programme management, governance, use of performance information with a focus on service user feedback and outcomes, and setting of well-being objectives.

It was confirmed that Audit Wales had started their thematic review of unscheduled care; the project brief had been made available, and the Audit Wales team across health and local government were working on this.

Members were made aware that it had been agreed for another thematic review to be undertaken across all Councils in Wales for 2022-23; last year (2021-22) the review was based around workforce management and asset management, and this year it had been confirmed that the review would be based around digital work. It was stated that the review will focus on gathering information on how Councils had learnt and been innovative throughout the pandemic; all Councils had to readjust what they were planning on doing before the pandemic, and the pandemic might have been a catalyst to make

improvements to the way Councils work. It was noted that digital services became a solution for the future for public services, therefore it was an important theme to consider.

The Councils local project was noted to have been agreed; Audit Wales will be looking at the effectiveness of scrutiny in Neath Port Talbot Council. Members were informed that Audit Wales would discuss this further in the new year, to determine how the work was being progressed; there were also opportunities for Audit Wales to inform the Council of best practices and learning from other Councils.

To conclude the report, it was highlighted that the estimated audit fee for 2022 was shown in Exhibit Three of the circulated Plan; Exhibit Four set out the main members of the audit team, and the proposed timetable in Exhibit Five detailed the timeframe for when the Council could expect Audit Wales to complete and report on the work.

**RESOLVED:** That the report be noted.

## 7. **AUDIT WALES - WORK PROGRAMME AND TIMETABLE**

Members were informed of the work undertaken by Audit Wales up to the 30th June 2022.

It was explained that Audit Wales had been sharing their work programme and timetable updates with the Council on a quarterly basis; the document was a summary of the work that external regulators and inspectorates had undertaken. It was noted that the Work Programme and Timetable updates include website links to the relevant reports in order for the Committee to easily find and read information regarding finalised pieces of work.

Audit Wales highlighted that the work for 2021/2022 was nearly completed, and they were progressing with the 2022/2023 programme; the document also detailed the national studies that were planned or in progress, as well as those that had been published.

**RESOLVED:** That the report be noted.

## 8. **STATEMENT OF ACCOUNTS**

The Committee was provided with an update with regard to the Council's Statement of Accounts for 2021/2022.

The Councils Chief Finance Officer stated that the audit was substantially complete, however Audit Wales were unable to sign off at present due to an ongoing national issue in relation to accounting for infrastructure assets; on the basis that the issue would be resolved shortly, Officers were hoping to bring the final version of the accounts back to the Committee in November, along with an accompanying ordered report to sign off the accounts.

**RESOLVED:** That the report be noted.

## 9. **INTERNAL AUDIT - ANNUAL REPORT 2021-2022**

Officers presented the Head of Internal Audit's Annual Opinion on the internal controls, governance and risk management arrangements operating within the Council during the financial year 2021/22.

The main headline of the report was noted to be the work undertaken by internal audit and external regulators; following this work, Officers were in a position to provide reasonable assurance that there were no significant weaknesses in the overall control environment operating across the Council. However, it was noted that the current risk management policy was not fully adhered to during the previous financial year. Members were assured that risks were managed in the usual way, and that the issues were around the reporting and updating of the risks; there was currently work ongoing to revise the policy, which will be taken to the appropriate Committees in due course.

Officers stressed that in giving the annual opinion, at no time can they provide absolute assurance; every system that operated within the authority could not be tested every year, therefore Officers could only provide reasonable assurance to the Committee based on the work undertaken.

Reference was made to Appendix One contained within the circulated report, which provided details of the achievement against the internal audit plan; as stated in the body of the report, a considerable number of days were lost last year due to sickness within the team. It was noted that a revised plan was brought to a previous meeting of the Committee, which removed some of the lower risk areas, which allowed Officers to concentrate on the higher risk areas.

It was mentioned that Appendix 2 of the circulated report provided details of the Internal Audit Team's ongoing quality assurance and improvement plan.

Members asked for further information in regards to the risk management policy not being fully adhered to. Officers explained that the policy was due to be reviewed on a 3 year basis, with the review date set for 2021; that review was delayed slightly, however there was now good progress being made on the review. It was noted that there were delays in the reporting of the risks and updated position to the appropriate Committee; Officers weren't able to adhere to the reporting frequency due to a number of reasons including a change in administration and a delay in meetings taking place. Members were informed that the Council had strengthened the personnel dealing with the risk management policy, which should equate to a significant improvement going forward.

Reference was made to the CRM (Customer Relationship Management) system solution that had previously been discussed in the Governance and Audit Committee training session. It was asked if progress had been made in implementing the digital solution. Officers highlighted that work had been undertaken to move the strategic risk register onto a Microsoft Excel based solution; it was ready to be implemented, following discussions in the Corporate Directors Group and a future meeting of the Governance and Audit Committee.

Following on from the above, it was queried if some elements of the CRM system would be digital, as well as those which were on Microsoft Excel. It was explained that the operational risks, which were held on accountable manager level, were included on the CRM system; the strategic risks were being maintained on an Excel spreadsheet for the time being.

The circulated report detailed that a total of 42 formal audit reports were issued, and only one audit resulted in a limited assurance rating. It was asked if this meant that 41 reports were positive. Officers confirmed that the 41 reports would have either had a substantial assurance or a reasonable assurance rating.

A question was asked in relation to quality assurance, and details relating to the last time a quality assurance assessment was carried out on the team. It was confirmed that 2018 was the last time a quality assurance was carried out on the team; they were due to be externally assessed again early in the new calendar year. The Committee was informed that it would be carried out by way of peer review, with the other participating Authorities in Wales; Neath Port Talbot Council would be required to carry out a review on Caerphilly

County Borough Council, and colleagues in Conwy Council will be carrying out the review on Neath Port Talbot Council.

In addition to the above, Officers clarified that the Council followed the public sector internal audit standards, and their external assessment template, when an external review was being carried out. It was noted that each Council was responsible for filling out a self-assessment to determine if the Council complied, partially complied or did not comply; this assessment would then be reviewed by the Council carrying out the external review, and they will ask for documentary evidence to support the assertions that were made in the self-assessment.

Members were informed that previously, the Council undertaking the review held conversations with a range of people in order to feed into the review; including the Chairperson and Vice Chairperson of the Committee, the Section 151 Officer and External Auditors. It was confirmed that a formal report will be written and brought to the Governance and Audit Committee, once the review was complete.

**RESOLVED:** That the report be noted.

10. **INTERNAL AUDIT - STRATEGY AND RISK BASED PLAN FOR 2022-2023**

Details of the Draft Internal Audit Strategy and Risk Based Plan for the period 1st April 2022 to 31st March 2023 and the current Internal Charter, were presented to the Committee.

Officers highlighted that the Draft Internal Audit Strategy, contained within Appendix One of the circulated report, provided details of the following:

- A definition and purpose of internal audit
- The current staffing structure
- The legal requirements
- How the Plan was developed
- Details of the available resources
- How the Plan will be delivered

The Draft Internal Audit Plan, contained within Appendix Two of the circulated report, was discussed. It was stated that the Committee would usually be asked to consider approving the Plan earlier on in the financial year; however, due to the recent Local Government Election and the changes within the Authority, this was the first



meeting of the Committee. It was noted that whilst the plan was presented to the Committee in draft form and required approval, Officers have had to make a start on the some of the items contained within it.

Reference was made to the risk rating column contained within the Plan; the risk rating was produced by a formula, taking the following variables in account:

- The size of the activity being audited based on the annual income, expenditure or the size of the budget, the number of employees involved, the potential impact on the Authority of something going wrong within that service, the frequency of transactions, or interactions with service users
- The controls within that service operating, including the impact of management and staff, third party sensitivity (if there was a failure within that service, will it impact elsewhere within the Authority or externally), the standards of internal control and the likelihood of something going wrong
- The detection of any issues including constraints of the effectiveness of the audit, the duration of the audit work and the last time an audit was undertaken, and the effectiveness of any other assurance providers or previous orders

It was noted that the relevant information was entered into a spreadsheet; the formula would then produce a figure based on the information received. The figures and their risk ratings were stated as follows:

- High risk – 50+
- Medium risk – 21 to 49
- Low risk – up to 20

Officers highlighted the range of risk ratings detailed in the current Plan; which included adequate coverage across all of the Council's business areas. Members were informed that the Plan was put together with reference to the Council's risk register, discussions with each of the Corporate Senior Management Teams, the experience from Officers who work within the Audit Teams, and anything that came through on any other regulatory reports.

The Committee was provided with a brief overview of the Internal Audit Charter, contained within Appendix Three of the circulated report. It was stated that the purpose of the Charter was to inform

what internal audit is, what internal audit does and what clients can expect from internal audit; it was a requirement of the public sector internal audit standards to have a Charter, to review that Charter and for it to be agreed by Members.

**RESOLVED:**

1. That the draft Internal Audit Strategy, as set out in Appendix 1 of the circulated report, be approved
2. That the draft Internal Audit Plan, as detailed in Appendix 2 of the circulated report, be approved
3. That the updated Internal Audit Charter, as detailed in Appendix 3, be approved

**11. INTERNAL AUDIT - UPDATE REPORT**

Officers presented the Internal Audit Update Report which contained details of the work undertaken since the last Governance & Audit Committee meeting; this was a quarterly report which informed Members of the current position and what had been completed since the last meeting, including details of the audits that had been undertaken and their assurance ratings.

One of the main points highlighted was in relation to staffing issues; since the last Committee, the Team had been impacted again by a very high level of sickness, with two staff on long term sickness. However, it was mentioned that the sickness was being managed in line with the Council's policies and procedures.

Another staffing matter raised was the long standing issue with regards to Assistant Auditor posts. It was noted that these posts were traditionally very difficult to recruit to, even when someone was recruited, they invariably left after a year or so to work in accounts or elsewhere within the Council; this was part of a wider issue across recruitment in Audit Teams in various Councils. Due to this issue, Officers explained that they undertook a review of the staffing structure; it was agreed to delete the Assistant Auditor post and replace it with an Auditor Post. It was confirmed that this had been

completed, and the vacancy was currently being advertised on the Councils vacancy bulletin, with the closing date of 6th of October 2022.

Members were informed one member of staff had recently completed parts one and two of their professional qualification, and another member of staff had completed part one and was due to sit part 2 of the examination in early October.

The Committee passed on their thanks to the two members of staff for undertaking their professional qualification examinations.

A discussion took place in relation to the impact on resource due to staff illness, particularly in terms of the delivery of the Internal Audit Plan. Officers explained that focus was on completing the high risk areas, and the high risk areas that weren't undertaken were brought forward into the current year; conversations then took place with the Senior Management Teams to determine if the areas that weren't covered, still needed to be covered, or if the Team needed to be directing their resource to other areas.

Officers stated that Appendix One of the circulated report provided details of the published reports, and the assurance ratings applied at the end of the audit. It was noted that the assurance rating was received by way of a calculation; taking into account the number of recommendations made within the report, the likelihood that a failure to action the recommendations within six months could lead to a significant system failure, and the impact of a significant system failure. It was confirmed that this information was then entered into a spreadsheet, a formula would be applied, and one of the following categories would be applied to the report:

- Category One, Substantial Assurance - testing found good controls to be operating and generally required only minor recommendations.
- Category Two, Reasonable Assurance - testing found some control which needed enhancing, and which would be achieved by implementing the agreed recommendations.
- Category Three, Limited Assurance - testing revealed a number of areas where the enhancement was required, and in those cases the Head of Service for that area would be required to provide a written response advising of what actions had been taken to address the issues raised.

- Category Four, no assurance can be given - testing revealed areas of significant concern, and the Head of Service and/or Accountable Manager will attend the next meeting of the Committee to provide Members with an update on actions taken, and also to answer any questions that Members may have.

The following questions were raised in line with Appendix One of the circulated report:

- R40 - Crynallt Primary School – The circulated report stated that it was found that a DBS disclosure was not in place for two current governors at the school; Members asked why the DBS were not in place. It was explained that the governors were new, and the DBS process had been started, however not yet completed at the time of the audit.
- R1 - Bryncoch Church in Wales Primary School – The circulated report stated that a minor enhancement was required in relation to Unofficial Funds; Members raised that there had been issues in the past with monitoring the Unofficial Funds, and asked for further information on this. Officers confirmed that they would find out the details of the issue and provide an explanation via email to the Committee as to what the issue was.
- R2 - Coedffranc Primary School – The circulated report stated that good controls were found to be in place in relation to all areas tested, other than Purchasing/Procurement Card; Members asked for the reasoning behind this. Officers confirmed that they would find out the details of the issue and provide an explanation via email to the Committee as to what the issue was.

Officers made reference to Appendix Three of the circulated report, which consisted of a response letter from the Chief Digital Officer, and another from the Head of Planning and Public Protection; both of whom were responsible for the areas which received limited assurance. It was noted that the letters provided Members with information relating to what they had done since receiving their audit report. It was clarified that for all audits that were undertaken, a follow up post audit review was completed anywhere between one month and six months after the audit, in order to check for compliance with the agreed recommendations.

**RESOLVED:**

That the report be noted.

12. **URGENT ITEMS**

There were no urgent items received.

13. **FORWARD WORK PROGRAMME**

It was confirmed that a special meeting of the Governance and Audit Committee would be arranged for 25 November 2022, in order for Members to consider time sensitive reports.

The Forward Work Programme for the Governance and Audit Committee was noted.

14. **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 items 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.

15. **INTERNAL AUDIT - SPECIAL INVESTIGATIONS**

Officers provided an update on all special investigations reports issued since the last meeting; including details of all current special investigations.

The Committee asked to be informed of the progress and conclusions of the special investigations that were discussed.

**RESOLVED:** That the report be noted.

**CHAIRPERSON**

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