

**GOVERNANCE AND AUDIT COMMITTEE - THURSDAY, 12 NOVEMBER 2020**

**MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD IN REMOTELY VIA SKYPE FOR BUSINESS ON THURSDAY, 12 NOVEMBER 2020 AT 14:00**

Present

Councillor LM Walters – Chairperson

CA Green	JE Lewis	MJ Kearn	B Sedgebeer
RM Granville	AJ Williams	PA Davies	P Davies
TH Beedle	A Hussain		

Apologies for Absence

A Williams

Officers:

Deborah Exton	Interim Deputy Head of Finance
Mark Thomas	Head of Regional Audit Service
Samantha Clements	Wales Audit Office
Mark Jones	Financial Audit Manager, Wales Audit Office
Andrew Rees	Democratic Services Manager
Gill Lewis	Interim Chief Officer – Finance, Performance and Change
Michael Pitman	Democratic Services Officer - Committees
Nigel Smith	Finance Manager
Eilish Thomas	Finance Manager - Financial Control & Closing
Martin Morgans	Head of Performance and Partnership Services
Simon Roberts	Senior Fraud Investigator
Joan Davies	Audit Client Manager

Lay Member:

Josephine Williams

209. ELECTION OF CHAIRPERSON

RESOLVED: That Cllr Lyn Walters was elected Chairperson of the Governance and Audit Committee for the ensuing year.

210. ELECTION OF VICE-CHAIRPERSON

RESOLVED: That Cllr Altaf Hussain was elected Vice-Chairperson of the Governance and Audit Committee for the ensuing year.

211. DECLARATIONS OF INTEREST

None

212. APPROVAL OF MINUTES

RESOLVED: that the minutes of the 10/09/2020 be approved as a true and accurate record

213. GOVERNANCE AND AUDIT COMMITTEE ACTION RECORD

The Democratic Services Manager presented the report to the committee which listed the up to date action record at appendix A.

The Head of the Regional Internal Audit Service stated that the first item on the Action Record, External Audit Annual Audit Plan 2017-18, related to the Cardiff Capital Region City Deal. He explained that since this item had been placed on the action record, they had obtained a number of annual governance statements which were highly detailed reports and recommendations had been made by the regional audit service relating to this. He asked that with the committee's approval, the item be removed from the action tracker. The Committee agreed with this recommendation.

**RESOLVED:** That the committee noted the report

214. **AUDIT WALES GOVERNANCE AND AUDIT COMMITTEE UPDATE**

The Finance Audit Manager presented a report which updated the committee on the financial and performance audit work undertaken, and due to be undertaken, by Audit Wales, during 2020-21.

He explained that the Audit of the Council's 2019-20 Grants and Returns had commenced and were going well.

The Finance Audit Manager explained that the Audit of the Council's 2020-21 statement of accounts had not yet started, but it was scheduled to start in December.

The Audit Wales Representative outlined the 2019-2020 performance Audit work and explained that the Annual Improvement Report (AIR) was underway and due to be presented to the Committee in January 2021.

The Audit Wales Representative outlined the 2020-21 Performance audit work and the recent updates. She explained that the Performance audit certification was issued on the 6<sup>th</sup> November 2020 and stated that the Council complied with the Local Government Measures Act and the performance report published before the 31<sup>st</sup> October 2020.

The Audit Wales Representative mentioned that the Assurance and risk assessment was currently underway and were due to meeting with CMB in early February in conjunction with Care Inspectorate Wales (CIW) and ESTYN.

The Audit Wales Representative explained that the Recovery Planning work was also underway. At this time, WAO had observed the Recovery Scrutiny Panel and CMB and the work was still ongoing.

The Audit Wales Representative explained that the Financial Sustainability work was in two phases, with Phase 1 having been completed and Phase 2 of the work being in the scoping stages. This stage would be completed over the remainder of the 2020-21 financial year.

The Audit Wales Representative explained that the project with a digital focus work was underway with a draft project brief being sent on the 22<sup>nd</sup> October 2022. She added that a response from the Chief Executive had been received and they were putting together a response with a view to finalise the brief. She concluded stating that the Covid 19 learning project was also ongoing.

**RESOLVED:** That the Committee noted the Audit Wales Governance and Audit Committee Update at Appendix A

215. **POSITION STATEMENT - 'RAISING OUR GAME - TACKLING FRAUD IN WALES' REPORT**

The Interim Chief Officer – Finance Performance and Change presented a report which submitted the position statement, for Bridgend County Borough Council in respect of the recommendations made by Audit Wales in their recent report 'Raising Our Game - Tackling Fraud in Wales'. The report also sets out the Council's plans moving forward.

She explained that the report gave members an indication of the activity from the Council in terms of tackling fraud while providing members with the opportunity to contribute to how the Council approached fraud risk.

The Interim Chief Officer – Finance Performance and Change explained the key domains from the Audit Wales Report. She added that the Council had constructed a position statement which mapped the current position within the authority against the recommendations made in the Audit Wales report. This was listed at Appendix A, and the Audit Wales Report listed at Appendix B.

The Interim Chief Officer – Finance Performance and Change explained that while the recommendations from Audit Wales were primarily for Welsh Government, they applied to ourselves as well, as a Council we were responsible for our own Counter Fraud activities.

She outlined the theme relating to Risk Management & Control Framework stating that all public bodies should undertake comprehensive fraud risk assessments, using appropriately skilled staff and considering national intelligence as well as organisation specific intelligence. She outlined BCBCs position on this as listed in R3 of appendix A.

The Interim Chief Officer – Finance Performance and Change advised that BCBC had policies, procedures and reporting mechanisms to prevent, detect and report on fraud, bribery and corruption. These included:-

- Fraud Strategy & Framework 2018/19 – 2020/21
- Whistleblowing Policy
- ICT Code of Conduct
- Anti-Fraud & Bribery Policy
- Disciplinary Policy
- An Anti-Tax Evasion Policy was also being drafted

The Interim Chief Officer – Finance Performance and Change advised that staff working across the Welsh public sector should receive fraud awareness training as appropriate to their role in order to increase organisational effectiveness in preventing, detecting and responding to fraud. She stated that BCBC had a number of developments following this which were listed in R6 of Appendix A.

The Interim Chief Officer – Finance Performance and Change explained that since Covid-19, fraud had been on the rise. She stated that all public bodies needed to build sufficient capacity to ensure that counter-fraud work was resourced effectively, so that investigations are undertaken professionally and in a manner that resulted in successful sanctions against the perpetrators and the recovery of losses. She added that BCBC currently employed one full time Senior Fraud Investigator. A new full time Fraud Officer post would be advertised this month. Internal Audit were also involved in investigating

and helping to prevent fraud including internal investigations and NFI. Further information regarding capacity and expertise were listed in R8-R10.

The Interim Chief Officer – Finance Performance and Change explained that all public bodies needed to develop and maintain dynamic and agile counter-fraud responses, which maximised the likelihood of a successful enforcement action and should explore and embrace opportunities to innovate with data analytics in order to strengthen both the prevention and detection of fraud.

The Interim Chief Officer – Finance Performance and Change stated that BCBC was seen to be a positive partner with regards to collaboration in fraud prevention and R13 of the report listed the position that BCBC was at.

The Interim Chief Officer – Finance Performance and Change explained that reporting and scrutiny was important and BCBC needed to collate information about losses and recoveries and share fraud intelligence with each other to establish a more accurate national picture, strengthen controls, and enhance monitoring and support targeted action. She stated that the Fraud Investigation Officers in BCBC recorded information in respect of Council Tax Reduction Scheme (CTRS) and housing benefit related cases and any system weaknesses identified during the investigation, were considered and remedied if necessary. Feedback was provided to relevant teams so they could further 'fraud proof' their systems. She added that that the Governance and Audit Committee also played a vital role in the reporting and scrutiny of systems in BCBC.

The Head of the Regional Internal Audit Service explained that the routine internal audits were important as a preventative measure to ensure that there were adequate systems in place for dealing with fraud. Preventative measures were always preferred over dealing with fraud after it had occurred.

He added that fraud was an ever changing issue to deal with and improving on risk assessments were an important aspect of fraud prevention.

A Member asked if a Member Development Training session could be set up in the future to have training on issues surrounding fraud and how to prevent it. The Interim Chief Finance Officer – Finance Performance and Change explained that it was something that had been looked into but there were no specifics on this as of yet.

The Interim Chief Finance Officer – Finance, Performance and Change added that there had been criticism towards the council in respect of the speed in which grants are paid out for different reasons, e.g., the non-domestic rates grants. She explained that while she understood the criticism, there was an overarching need to protect the Council's money and preventing potential fraud, so there needed to be a balance between this and rushing to pay out grants, which could present more issues.

The Lay Member thanked the Interim Chief Finance Officer – Finance, Performance and Change for the comprehensive report and echoed the members request for training, particularly for the Governance and Audit Committee. She added that with additional training, the committee could be a useful tool in helping develop the Council's risk assessment as each member has different background and experience to bring. The Head of the Regional Internal Audit Service stated that he would look into what training could be provided.

The Audit Wales Financial Audit Manager echoed these comments and stated that they would be happy to work with the Regional Internal Audit Service to investigate and set up training for Members and Officers.

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A Member mentioned that a Police Officer spoke at a Pre Council Briefing a year ago and gave information on the topic of fraud and found it really helpful. She asked if he could be contacted again for any future training.

The Fraud Investigator for BCBC explained that he had a meeting with SWP in early December to discuss with them the deliver of remote training in early 2021.

The Chairperson asked if the fraud risk assessment was going to be provided in stages or all at once as a finished product.

The Audit Client Manager explained that the fraud risk assessment process was still in its early days and they were looking at drawing information from other local authorities about best practice, so it would be in stages as opposed to all at once.

The Chairperson asked that if any developments were made before the next Committee, could these be shared with Members so that they could feed back any comments.

RESOLVED: That the Committee noted the position statement at Appendix A and the Audit Wales 'Raising Our Game - Tackling Fraud in Wales' report, attached at Appendix B.

### 216. PROGRESS AGAINST THE INTERNAL AUDIT RISK BASED PLAN (1ST APRIL 2020 TO 31ST OCTOBER 2020)

The Audit Client Manager presented a report which provided members with a position statement on progress being made against the audit work included and approved within the Internal Audit Risk Based Plan 2020-21.

She explained that Appendix A detailed the progress for 1<sup>st</sup> April 2020 to 31<sup>st</sup> October 2020 and detailed the status of each planned review, the audit opinion and the number of any high or medium recommendations made to improve the control environment.

The Audit Client Manager explained that 10 items of work had been completed of which 6 audit reviews have resulted in an opinion being provided. A further 2 reviews had been completed and draft reports issued; these are awaiting feedback from Service Departments and 13 audits were still ongoing. She added that a further 8 audits were due to commence shortly.

The Audit Client Manager explained that due to a small amount of money that was missing from the Supported Living cash tin, a review of the processes found regular checks and controls had not been fully adhered to. Since then, staff had been advised on process and a follow up review would be undertaken to ensure that the amended processes were in place and adhered to.

The Audit Client Manager advised that 2 significant recommendations had been made. 1 for Coychurch Crematorium, which stated that the personal staff needed to abide by BCBCs financial procedure rules as well as the Joint Committee delegations, and 1 for Mastergov system, which asked that extra security be placed in the system to not allow a user to access records for personal interests.

The Lay Member asked how the committee can detect which risks were high, medium and low. The Audit Client Manager explained that all the risks set out in Appendix A were high risks.

**RESOLVED:** That members of the Committee noted the contents of the report and the progress made against the 2020-21 Internal Audit Annual Risk Based Plan.

**217. REVIEW OF THE ANNUAL GOVERNANCE STATEMENT 2020-21**

The Interim Chief Officer Finance, Performance and Change reported on an update on the Action Plan that accompanied the final Annual Governance Statement (AGS), included in the Statement of Accounts 2019-20, and the significant issues arising as a result of a review of the AGS for 2020-21 for consideration.

The Interim Chief Officer, Finance, Performance and Change reported that good corporate governance requires active participation of Members and officers across the Council. Governance arrangements are reviewed on an annual basis and the findings used to update the Annual Governance Statement, which helps ensure continuous improvement of the Council's corporate governance culture. The AGS provides an overall assessment of the Council's corporate governance arrangements and an appraisal of the controls in place to manage the Council's key risks and identifies where improvements need to be made.

The Interim Chief Officer, Finance, Performance and Change reported that to begin the process for producing the Annual Governance Statement 2020-21, it was necessary to review the Action Plan that was linked to the AGS 2019-20 together with an update on progress against each significant governance issue.

The Interim Chief Officer, Finance, Performance and Change informed the Committee of the significant impact of Covid-19 in the way in which the Council operates across all of its services, which had seen the provision of free school meals for eligible children continuing, the introduction of TTP and planning for mass vaccination of citizens. The Council has established a cross-party Recovery Panel to inform, support and challenge the recovery exercise. Claims for the loss of income and increased costs had been submitted to the Welsh Government with the Council being successful in securing 70% of its claims. There had also been a downturn in council tax collection and an increase in applications made for council tax reduction. She informed the Committee of the changes in management in that there are 2 new Corporate Directors of Communities and Social Services and Wellbeing, while a replacement to her position had yet to be recruited to. She stated the authority faced a challenging financial position and at Quarter 2 the schools were projecting a deficit of £848K.

A member of the Committee conveyed the thanks of the local member for the work of the Shared Regulatory Service at Westward Community Centre.

**RESOLVED:** That the Committee:

- noted the final Annual Governance Statement 2019-20;
- considered the Annual Governance Statement 2020-21 Action Plan.

**218. TREASURY MANAGEMENT - HALF YEAR REPORT 2020-21**

The Group Manager – Chief Accountant presented a report updating the Committee on the mid-year review and half year outturn position for treasury management activities and treasury management indicators for 2020-21, highlighted compliance with the Council's policies and practices which had been reported to Cabinet and Council and provided an update on the proposed changes to the Treasury Management Strategy 2020-21 to be presented to Council for approval.

The Group Manager – Chief Accountant explained that the Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. He stated that the Council is required to approve a Treasury Management Strategy prior to the start of each financial year which sets out the Council's and Chief Financial Officer's responsibilities, delegation, and reporting arrangements. He informed the Committee that following a recent re-tender exercise for the Council's treasury management advisors, Arlingclose were the successful tenderer and will continue to be the Council's advisors for the next 4 years.

The Group Manager – Chief Accountant reported that the Council has complied with its legislative and regulatory requirements during the first half of 2020-21, with the TMS for 2020-21 reported to Council on 26 February 2020 and the Half Yearly Outturn being reported to Council on 18 November 2020. In addition, a quarterly monitoring report was presented to Cabinet in July 2020. He presented a summary of the treasury management activities for the first half of 2020-21 and informed the Committee that the Council had not taken long term borrowing since March 2012 and it was not expected there would be a requirement for any new long term borrowing in 2020-21. Favourable cash flows had provided surplus funds for investment and the balance on investments at 30 September 2020 was £64.29 million with an average interest rate of 0.24%.

The Group Manager - Chief Accountant informed the Committee that the Treasury Management Code requires the Council to set and report on a number of Treasury Management Indicators, which either summarise the expected activity or introduce limits upon the activity. He stated all local authorities are required to conduct a mid-year review of its treasury management policies, practices and activities and that the outcome of the review is that there are changes required to investment limits, namely, to increase the overall balance that can be invested into Money Market Funds (MMFs) from £20 million to £30 million, which will enable the Council to increase the number of MMF's available and thus assist the Council in investing positive cash balances into a much wider investment portfolio. In addition, an amendment to the investment limit for Registered Providers from £3 million to £5 million will provide a greater opportunity of being able to use this type of investment than is currently available. As the Council has had positive cash balances this will provide the Council with wider scope in making investments at a practical level whilst also providing greater diversity of funds invested. He outlined the proposed revised TMS and the proposed amendments, these amendments have been discussed with the Council's Treasury Management Advisors.

**RESOLVED:**

That the Committee:

- Noted the treasury management activities for 2020-21 for the period 1 April 2020 to 30 September 2020 and the projected Treasury Management Indicators for 2020-21.
- Recommended that the proposed changes to the Treasury Management Strategy 2020-21 be presented to Council for approval in November 2020.

**219. DISABLED FACILITIES GRANTS - PROGRESS REPORT AND POSITION STATEMENT**

The Interim Chief Officer – Finance, Performance and Change presented an update on actions taken to progress improvements to the Disabled Facilities Grant (DFG) service and provide information on the position to date in preparation for a decision on the best delivery model for Bridgend.

The Interim Chief Officer – Finance, Performance and Change reported that previous reports to the Committee have outlined the critical need to re-shape and improve the delivery of the DFG service within Bridgend. As the service has, for some time, failed to meet its performance indicator targets and, after consideration of factors raised by Members, Scrutiny, Internal Audit, and research with other local authorities, it has been concluded that a fundamental change in the delivery model is required to the service. She stated that the delivery times for DFGs, particularly for complex children's cases, is not consistent with a person-centred approach and the Council is in the bottom quartile for Wales in terms of delivery times.

The Interim Chief Officer – Finance, Performance and Change reported that research and analysis is being undertaken on a number of levels to progress the changes required to improve the DFG service delivery. This has involved a 'lean thinking' systems approach, learning from other local authorities such as Neath Port Talbot and Rhondda Cynon Taff, and internal discussions and analysis. She stated that the aim of this work is to determine the best model of service delivery for the Council. It has been recognised that improvements require a fundamental shift in all aspects of the current service and action has been taken in the following areas to date:

- The role of the agent
- Discretionary works
- Collaboration and support

The Interim Chief Officer – Finance, Performance and Change informed the Committee that further analysis is required to finalise future arrangements for Bridgend and determine the best service model to replace what is currently in place. Cabinet will receive a report outlining the next steps to achieve transition from the current model to any new model.

The Head of Partnership Services informed the Committee that the review will focus on placing the citizen at the centre of the service whether it was for minor or major adaptation works to enable them to remain in their home.

A member of the Committee referred to there being no financial implications in the report and asked for reflection in a future report of the financial scale of the grants and also the strategic contribution towards the achievement of the Council's objectives. The Head of Partnership Services informed the Committee that DGFs are up to the value of £36k and are means tested. He stated that there are a number of budgets used to support DFGs, including to support citizens leaving hospital to return home. He stated that the report to Committee will outline how those budgets are utilised to support those grants.

A member of the Committee stressed the need to work better with hospitals when citizens are discharged and the need to avoid duplication of work in assessing what adaptations are needed. There was also a need to monitor the standard of workmanship to ensure contractors are professional and qualified to carry out the work to avoid bad workmanship. The Interim Chief Officer Finance Performance and Change informed the Committee that there is a need to own the whole system and that all processes have been flowcharted, there was now a need to put money against each of those processes / work flows in order to fastrack and bring the whole process together. She commented that the process involving the engagement of agents has not worked effectively which has resulted in delays and spend against the grants. There had also been duplication and poor workmanship and there is a need to ensure that where an agent is engaged, the process works properly. She assured the Committee that the concerns are being taken on board.

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RESOLVED: That Committee noted the progress to date to improve the DFG service and the current position and a report on Disabled Facilities Grants be brought to the April meeting of the Committee.

220. UPDATED FORWARD WORK PROGRAMME 2020-21

The Interim Deputy Head of Finance sought approval for the proposed Updated Forward Work Programme for 2020-21 and highlighted the core functions of an effective Audit Committee. She reported that Council approved the renaming of the Audit Committee to the Governance and Audit Committee at its Annual General Meeting on 30 September 2020, and approved an amendment to its terms of reference to reflect that change

She highlighted the items scheduled to be presented at the Committee's next meeting on 12 November 2020 and requested the Committee endorse this schedule, confirm the list of people they would like to invite for each item (if appropriate), and indicate whether any additional information or research is required.

The Head of Regional Audit Service informed the Committee that members of the Committee would shortly receive a questionnaire for completion in relation to the training and development programme for the Committee.

RESOLVED: That Members considered and approved the proposed Forward Work Programme for 2020-21 and that reports on Fraud Risk Assessment, Financial Sustainability of Local Government as a Result of the COVID-19 Pandemic and the National Fraud Initiative be brought to the next meeting of the Committee and a report on Disabled Facilities Grants be brought to the April meeting of the Committee.

221. URGENT ITEMS

There were no urgent items.

The meeting closed at 15:48