

GOVERNANCE AND AUDIT COMMITTEE - THURSDAY, 28 JANUARY 2021

MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD IN REMOTELY VIA MICROSOFT TEAMS ON THURSDAY, 28 JANUARY 2021 AT 14:00

Present

Councillor LM Walters – Chairperson

CA Green
A Williams
TH Beedle

JE Lewis
AJ Williams
A Hussain

MJ Kearn
PA Davies

RM Granville
P Davies

Officers:

Simon Roberts	Senior Fraud Investigator
Deborah Exton	Interim Deputy Head of Finance
Mark Thomas	Head of Regional Audit Service
Samantha Clements	Wales Audit Office
Mark Galvin	Senior Democratic Services Officer - Committees
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
Frances Mantle	Finance Manager - Governance and Exchequer

Lay Member:

Mrs J Williams

222. DECLARATIONS OF INTEREST

None.

223. APPROVAL OF MINUTES

RESOLVED: That the Minutes of a meeting of the Audit Committee dated 12 November 2020, be approved as a true and accurate record.

224. GOVERNANCE AND AUDIT COMMITTEE ACTION RECORD

The Democratic Services Manager presented a report, the purpose of which, was to provide Members with an update on the Governance and Audit Committee Action Record.

The Action Record has been devised to assist Members in tracking the decisions made by the Committee, in the exercise of its functions.

In order to assist the Governance and Audit Committee in ensuring that decisions made by the Committee are actioned and implemented, the Action Record was attached at Appendix A to the report. The Action Record is presented to each meeting of the Committee for approval and for information.

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The Interim Chief Officer – Finance, Performance and Change advised Members that one of the actions shown in the Appendix was to bring an updated Fraud Strategy report to today's meeting. However, this was currently in its latter stages of draft format. This would therefore be submitted to the April meeting of Governance and Audit Committee. Consideration would also be given to arranging a training session for Committee Members on the same subject matter at some future point.

RESOLVED: That the Committee approved the Action Record, presented to Members for their information, subject to the above caveats.

225. AUDIT WALES GOVERNANCE AND AUDIT COMMITTEE REPORTS

The Interim Chief Officer – Finance, Performance and Change submitted a report, the purpose of which, was to submit to the Committee a number of updates and reports from Audit Wales (AW), including an update on the financial and performance audit work undertaken, and due to be undertaken, by Audit Wales, during 2020-21.

Members, by way of background, were reminded that Audit Wales undertakes a programme of work during the year to help the Auditor General discharge his duties under the Public Audit (Wales) Act 2004 (the 2004 Act) and the Local Government (Wales) Measure 2009. The Auditor General's functions include auditing accounts and undertaking local performance audit work at a broad range of public bodies, alongside conducting a programme of national value for money examinations and studies. The Auditor General also assesses the extent to which public bodies are complying with the sustainable development principle when setting and taking steps to meet their well-being objectives.

The Local Government (Wales) Measure 2009 included a general duty that requires Welsh improvement authorities to make arrangements to secure continuous improvement in the exercise of their functions. It required the Auditor General to carry out an annual Improvement Assessment to determine whether the Council is likely to comply with the requirements of Part 1 of the Measure.

Audit Wales had produced a number of reports for the Governance and Audit Committee to consider. These were shown in paragraph 4.1 of the report and attached at appendices to the report, as follows:-

- The Audit Wales Governance and Audit Committee Update (Appendix A);
- Annual Audit Summary (Appendix B);
- Financial Sustainability of Local Government as a Result of the Covid-19 Pandemic (Appendix C)

The Performance Audit Lead Officer, Audit Wales, referred Members to page 23 of the report and the audit of the Grants and Returns, which had been completed with just some minor works required in relation to this piece of work.

With regards to the Audit of the Statement of Accounts 2020/21, the planning work in respect of this had commenced and further information would therefore be detailed in the Audit Plan report, scheduled to be submitted to the Committee at its next meeting.

AW then advised that the Performance Audit Work Programme for 2019-20, had been the subject of previous discussion and would be completed today. The Performance Audit Work programme for 2020-21 was ongoing and an Annual Audit

summary would be concluded by November/December 2021 and not June/July, as stated in the report.

The Performance Audit Lead Officer, Audit Wales, advised that work on Assurance and Risk Assessments was near completion for 2020-21 and a meeting was going to be arranged with the Council's Corporate Management Board on 10 February next, outcomes from which would inform the risks highlighted from work undertaken throughout the year, including any input from the Council's inspectors such as Estyn and the CIW. Then arising from this, an Audit Plan would be produced, together with an agreed programme of work going forward.

In terms of the audit work on the Council's Recovery Plan, she advised that this was work that was in progress and also the next tranche of work on the Financial Sustainability of the Authority would commence after BCBC receives its Final Settlement from the WG. The Performance Audit Lead Officer, Audit Wales, added that work on both the Digital Review and the Covid-19 Learning Project was ongoing.

A Member asked with regard to the Financial Audit updates, when the Committee would receive final information on the work carried out in respect of Grants.

The Interim Chief Officer – Finance, Performance and Change, confirmed that grant claims had been completed and these would be signed off as such by BCBC, following which Audit Wales would complete an audit of these, with any outcomes then being shared in a report to be submitted to the Committee at its next meeting. There had been two such grant claims that had been qualified, she added, and gave some brief detail on those.

The Performance Audit Lead Officer, Audit Wales, then gave a resume of Appendix C to the report for Members, explaining that there was an ongoing programme of work on the Financial Sustainability of local authorities that had dated back to austerity some 11 or so years ago. This had therefore been a key risk for public bodies such as the Council for some considerable time, which had only been compounded further by the Covid-19 pandemic.

The Chairperson closed debate on this item, by stating that it would be helpful for future reports of this nature, if there could be included in the detail further information upon the reports 'findings and some added context.' She felt that this would allow the public together with anyone else reading reports of this nature, to have more of an understanding of them.

RESOLVED: That Committee noted the Audit Wales Governance and Audit Committee Reports at Appendices A, B and C to the report.

226. **TREASURY MANAGEMENT STRATEGY 2021-22**

The Interim Group Manager – Chief Accountant presented a report which included the draft Treasury Management Strategy for the above period, including its different components.

He explained, that to ensure effective scrutiny of treasury management in accordance with the Treasury Management Strategy (TMS), the Governance and Audit Committee has been nominated to be responsible for ensuring effective scrutiny of the TMS and

policies in accordance with the Treasury Policy Statement and Treasury Management Prudential Indicators.

The report advised that, the Council's treasury management activities were regulated by legislation, that provided powers to borrow and invest albeit within controlled limits. Such financial legislative requirements also included a requirement for the Council to approve a TMS before the start of each financial year, to set out the Council's and Chief Financial Officer's responsibilities, delegation, and reporting arrangements (Appendix A to the report referred).

The TMS 2021-22 at Appendix A confirms the Council's compliance with the CIPFA Code, which requires that formal and comprehensive objectives, policies and practices, strategies and reporting arrangements are in place for the effective management and control of treasury management activities, and that the effective management and control of risk are the prime objectives of these activities.

The TMS has been updated to reflect the current economic context, not least the holding of interest rates at 0.10% by the Bank of England, but also the challenges of the exit from the European Union and the impact of the coronavirus pandemic.

The maturity of long term debt has been included, and the forecast is that the Council may need to borrow over the next 2 years to support the Capital Programme. To date the Council has been able to use reserves to support its capital expenditure, known as internal borrowing. However this position is a short-term one and as reserves are used and balances reduced, it will be necessary to borrow. This will be closely monitored during the year as changes to the Capital Programme will influence this.

The Interim Group Manager – Chief Accountant advised that, the approved investment counterparties and limits (see Table 6 in the strategy) has been simplified and amended to take account of the latest advice from the Council's Treasury Advisors, Arlingclose. In addition there has been a change to the limits for Money Market Funds, which had been increased to £30 million at the mid-year review of the TMS, and approved by Council in November 2020, with the advice now being an unlimited limit. It is proposed that no more than £6 million would be invested in any single Fund, to minimise any potential impact of default risk to the Council.

The proposed limit to non-Treasury investments has been increased from £1 million to £2 million. This is to support proposed investment in a Special Purpose Vehicle that is to be established to deliver the proposed Bridgend Town Heat Network.

The TMS would be presented to Council in February 2021 for approval, the Group Manager – Chief Accountant concluded.

The Chairperson pointed out that the Table in the report's Appendix showing repayments was very clear in terms of these being understood, together when they were required to be made.

A Member recognised the financial strain the local authority was currently under, so she asked what were the key significant financial pressures it was facing as a result of the continuing downward trend in interest rates, in terms of lost income/borrowing.

The Interim Group Manager – Chief Accountant advised that though interest rates were very low ie at 0.1%, a rate that looked set to remain in the immediate future, the Council in terms of its borrowing had managed to secure mostly fixed term interest rates, therefore any reduction in the rate, would not affect these loans. Wherever possible, the

Authority looked to maximise interest return it was seeking to obtain, through the likes of Market Money Funds (to maximise any incoming interest).

The Chairperson referred to page 74 of the report and the section on new loan limits up to £2m in non-treasury investments. She considered that the loan for the proposed Special Purpose Vehicle (SPV) supporting Phase 1 of the Bridgend Town Heat Network Project, should be included as a Non-Treasury Investment, as though it may be a Council owned project, it involved a third-party loan. She was also unaware of how long the loan was for nor of the detail regarding the dividends.

The Interim Group Manager – Chief Accountant, advised that the loan for the SPV would be supported by a Financial Plan and would firstly need the approval of Council, for it to proceed. A report was planned for the February meeting of Council, prior to this being considered further. He added that the loan for this would be over a significant period, ie up to 40 years and it was anticipated at this stage, that the SPV would be wholly owned by the Council.

The Interim Group Manager – Chief Accountant advised that this was a valid point and that rather than the SPV being included as a Non-Treasury Investment, it should possibly be classed as a third-party stand-alone investment. He agreed therefore, to place this in a separate section of the Treasury Management Strategy, for clarification purposes.

RESOLVED: That the Committee:

- (1) Gave due consideration to the Treasury Management Strategy for 2021-22 at Appendix A to the report.
- (2) Agreed that it be forwarded to Council for approval in February 2021, subject to the minor amendment above.

227. CORPORATE RISK ASSESSMENT 2021-22

The Interim Chief Officer – Finance, Performance and Change presented a report, the purpose of which, was to provide the Governance and Audit Committee with an updated Corporate Risk Assessment 2021-22 and updated Corporate Risk Management Policy, and to provide an update also on Incident and Near Miss occurrences.

She reminded Members, that the Corporate Risk Assessment is considered and reviewed by the Corporate Management Board (CMB), Senior Management Team, and Governance and Audit Committee, as part of the Council's quarterly Corporate Performance Assessment framework, and is used to inform the Overview and Scrutiny Committees' Forward Work Programme and the budget process.

The Corporate Risk Assessment was attached at Appendix A to the report. It identified the main risks facing the Council, their link to the corporate well-being objectives under the Well-being of Future Generations (Wales) Act 2015, the likely impact of these risks on Council services and the wider County Borough and identified what is being done to manage the risks and who is responsible for the Council's response. The risk assessment was also aligned with the Medium Term Financial Strategy.

The Interim Chief Officer – Finance, Performance and Change, explained that as a result of the coronavirus pandemic, the Corporate Risk Assessment was being continuously reviewed to take into account any COVID-19 related risks which have occurred due to the pandemic, and identifies how the Council is responding to these risks, both corporately as a whole and on a Directorate by Directorate basis via the compilation of weekly SITREP reports.

Additional corporate governance measures had also been agreed to ensure that, where appropriate, risks can be escalated to CMB. The Council has established an operational 'Silver' group, made up predominantly of Heads of Service, to consider appropriate issues and make recommendations to CMB who, when necessary, meet separately as the strategic 'Gold' group to make COVID-19 related decisions, with any risks of some considerable concern, escalating on to matters to Cabinet/CMB.

The Council was currently experiencing immense pressure across the authority, in particular in Social Care ie through the provision of PPE equipment and the Test, Trace and Protect (TTP) service and were exploring ways to bolster resources to prioritise and support these critical functions. In addition the authority is working closely with the Health Board to manage the roll out of the COVID-19 vaccination programme. The Council had recently opened its first COVID-19 vaccination Centre focused on immunising frontline health and social care workers and this was operating successfully.

The Corporate Risk Management Policy timeline, included in Appendix B to the report, had been amended for 2021-22 and also been agreed by CMB.

The Insurance team maintains a log of near misses in line with the current Near Miss reporting procedure. A log of incidents reported during 2020, was attached as Appendix C to the report. There were two incidents reported, one green and one amber. There were no red incidents reported during the period,

A new E-Learning module was being developed to raise awareness of the issue and the Council's intranet page is being updated to allow for interactive submissions of incidents and near miss forms.

The Council's Insurance Officer had instigated regular contact with Heads of Service to make enquiries within their team of any incident and near misses that have occurred, to try to minimise the late notifications.

A Member felt that the health and wellbeing of Council staff during the Covid crisis was of paramount importance, particularly as they were trying to come to terms with long periods of lockdown away from the normal routine of life, including the office environment. She noted that some staff were being seconded to emergency related work, including supporting the Covid vaccine rollout. She hoped that the individuals concerned were being protected in terms of administering the vaccine to numerous individuals, by having the vaccine themselves prior to becoming involved in the support of this work.

The Interim Chief Officer – Finance, Performance and Change confirmed that staff supporting the vaccine rollout had volunteered to do this, rather than been requested to do it. In answer to a query and without being entirely sure, she felt that in all probability they would be vaccinated after they had received training for administering the vaccine before they became involved in this support work. In answer to a further question on the well-being of staff, she added that the Council's Intranet offered a number of avenues of support to those employees who were finding it difficult in lockdown and that staff were directed to these through Corporate Bridgenders emails. Training had also been provided for senior staff, in how to effectively manage staff remotely.

A Member felt it would be beneficial, in view of the hostile environment local authorities such as BCBC found themselves in on a daily basis, due to the adverse knock-on effects of the pandemic, if Audit Committee Members could have a summary for example on a quarterly basis, of how it was mitigating risks it encountered as part of its Risk Framework. This could highlight the ever constant and additional changing

pressures Covid was putting on the Authority, as well as the actions being taken to address these.

In terms of Risk 2 on the Action Plan attached to the report, and the difficulty the Council was facing with regards to delivering transformation/different ways of working proposals including the securing of agreed financial savings, she enquired why this risk level had reduced from 16 to 4 on both the likelihood and impact categories. She considered this to be quite a radical change, given that there is no adequate evidence to support this reduction in risk. Financial savings could also she felt be realised by other mechanisms, other than just from at the staffing levels of the organisation. There were separate factors other than the Human Resources element of the organisation by which to achieve savings.

The Finance Manager – Governance and Exchequer advised that this was a valid point and, therefore, she would review this risk and expand with any further information that may be available by which to make financial savings, over and above those that were purely staffing related.

The Chairperson referred to Risk 6 in the Action Plan which she considered now to be an historic risk, so she felt that this could now be removed from the Risk Register. In relation to Risks 14 and 15 on schools, she enquired if these were Covid related.

The Interim Chief Officer – Finance, Performance and Change, confirmed that she was of the impression that the first risk was wider than just being Covid related, while the second risk was probably more associated with the pandemic. She assured the Chairperson however, that she would seek further information on both of these outside of the meeting with the Corporate Director – Education and Family Support and in turn, update Members accordingly with any findings.

RESOLVED: That Committee:

- (1) Considered the updated Corporate Risk Assessment 2021-22 (Appendix A to the report) and the updated Corporate Risk Management Policy (Appendix B), including the timeline at Appendix 2 (within Appendix B)
- (2) Noted the incident and near miss occurrences reported in Appendix C to the report.

228. PROGRESS AGAINST THE INTERNAL AUDIT RISK BASED PLAN (1ST APRIL 2020 TO 31ST DECEMBER 2020)

The Audit Client Manager presented a report, that provided Members of the Committee 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 advised, that in accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit was responsible for developing a risk-based annual audit plan which takes into account the Council's risk management framework. Within the Standards there was also a requirement for the Head of Internal Audit to review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, controls and resources.

The Internal Audit Plan for 2020-21 was submitted to the Governance and Audit Committee for consideration and approval on 10 September 2020. The Plan outlined the assignments to be carried out which would provide sufficient coverage to provide an opinion at the end of 2020-21, whilst having regard to the unprecedented impact of the COVID pandemic.

The Audit Client Manager confirmed, that progress made against the plan for the period 1st April to 31 December 2020 was attached at Appendix A to the report. This 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. It should be noted that some reviews listed had no audit opinion, for example advice and guidance, Audit Committee and Corporate Management Board (CMB) reporting. This was because the audit work carried out in respect of these items though planned, the nature of the work did not lead to testing and the formation of an audit opinion.

Appendix A illustrated that as at 31 December 2020, 16 items of work had been completed, of which 12 audit reviews had resulted in an opinion being provided. A further 3 reviews had been completed and draft reports issued and these were awaiting feedback from Service Departments. A further 15 reviews were currently on-going with another 5 having been allocated to commence shortly.

She added, that based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control environment, an audit opinion of substantial assurance had been given to 1 completed review and an opinion of reasonable assurance to 10 completed reviews. The remaining completed audit review was given an audit opinion of limited assurance. This latter area had been the subject of debate at the last meeting of the Governance and Audit Committee, the Audit Client Manager reminded Members.

Appendix A also identified that a total of 16 medium (significant) recommendations had been made to improve the control environment of the areas reviewed. The implementation of these recommendations would be monitored to ensure that improvements are being made.

It was recognised that some service areas are currently under intense pressure and where possible, planned audit work does get re-arranged to accommodate any service requests. Appendix A also reflected that many of the planned audit reviews had now been allocated and it appeared that sufficient coverage will be completed by the year end to form an audit opinion.

The Audit Client Manager concluded her submission, by giving a resume of some of the key details contained in Appendix A, for the benefit of members.

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

229. **EFFECTIVENESS OF AUDIT COMMITTEE - SELF ASSESSMENT**

The Head of the Regional Internal Audit Service presented a report, the purpose of which, was to summarise for members of the Committee the findings of the Self-Assessment of Good Practice from the Chartered Institute of Public Finance & Accountancy (CIPFA) Audit Committees Practical Guidance 2018.

By way of background, he advised that Internal Audit has reviewed the effectiveness of this Governance and Audit Committee in line with the Self-Assessment of Good Practice included in CIPFA guidance. This provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement.

The completed checklist and its findings were attached at Appendix A to the report. The checklist indicates that the overall effectiveness of the Governance and Audit Committee is good with a few areas identified where improvements can be made. These were suggested in bullet point format in paragraph 4.2 of the report.

The Head of the Regional Audit Internal Service referred Members to Appendix B to the report, which contained recommendations for areas identified where certain improvements could be made. Appendix C then contained a Members skills and knowledge questionnaire for consideration and completion.

The questionnaire had been trialled with Members of the equivalent Committee in Rhondda Cynon Taf CBC just prior to the Christmas period, he added.

The Interim Chief Officer – Finance, Performance and Change, advised that Members when completing and returning the questionnaire may wish to do so anonymously if they preferred.

The Chairperson felt that all Members should complete the Skills and Knowledge questionnaire and she felt that a deadline for completion of this should be set as Friday 19 February, next.

For those Members of the Committee who also wanted to discuss training going forward, she added that she would be happy accommodating this in a virtual meeting that she would set-up with the assistance of Officers.

RESOLVED: That the Committee agreed:

- (1) That the Chairperson meets virtually with Officers and those Members interested, for any required training needs and requirements identified.
- (2) Further agreed that the skills self-assessment questionnaire be completed by all Members within a 3 week period, ie by 19 February 2021.

230. **INTERNAL AUDIT REPORT - EXTERNAL FUNDING**

The Head of the Regional Internal Audit Service presented a report, in order to share with Members of the Committee, a recently issued internal audit report which reviewed a sample of externally funded schemes in order to provide assurance in respect of the procurement and governance aspects of the schemes.

By way of background information, he advised that an internal audit review of External Funding was undertaken as part of the 2020/21 annual Internal Audit Plan. The objective of the review was to provide assurance that the Council's policies and procedures, as well as the funding terms and conditions, were being adhered to when managing external funding received by the Council.

The Chief Executive presented a report on the Arbed programme to Cabinet on 17th November 2020. Within that report reference was made to work being undertaken by Internal Audit, which aimed to provide assurance that the procurement and governance aspects of externally funded schemes were compliant with Council policies as well as any specific grant terms and conditions.

That report informed Cabinet that the completed audit report would be presented to the Governance and Audit Committee.

The completed internal audit report was attached at Appendix A to the report.

The Head of the Regional Internal Audit Service confirmed, that report identified the 10 schemes that were reviewed and the findings and recommendations made as a result of the audit. It was found that, from the sample selected and reviewed, the concerns arising from a previous externally funded scheme have not been replicated. Documentation was

available to support compliance with the Council's Contract Procedure Rules and the involvement of Corporate Procurement when engaging contractors. There was also evidence of supplier monitoring, reporting and governance across all the projects.

An audit opinion of reasonable assurance was given, that is that key controls exist but there may be some inconsistency in application. As a result only 4 minor, 'merits attention' recommendations were made, he concluded.

A Member asked if there were any plans longer term, to carry out any further work proposed in the form of reviews on externally funded projects.

The Head of the Regional Internal Audit Service advised that there would be further reviews, as part of planned audits in relation to procurement and specific projects/schemes.

The Chairperson asked if any of the reviews undertaken were on time limited or late funding of projects, as this may have been a factor in relation to the funding of the Arbed project.

The Head of the Regional Internal Audit Service advised that one of the ten schemes had been the subject of late funding, which was work in respect of the Active Travel Plan project at Pencoed, whereby the Council had applied for further funding to Welsh Government over and above that which had initially been invested in the project.

The detail of this was expanded upon by the Audit Client Manager for the benefit of Members.

The Interim Chief Officer – Finance, Performance and Change confirmed to Committee, that the local authority was increasingly receiving a number of hypothecated grants late in the financial year from Welsh Government to support certain projects, including those that were contained in the Capital Programme.

RESOLVED: That Members noted the report.

231. **UPDATED FORWARD WORK PROGRAMME 2020-21**

The Interim Deputy Head of Finance presented a report, the purpose of which, was to seek approval for the proposed Updated Forward Work Programme (FWP) for 2020-21.

The FWP items for the next meeting on 22 April 2021, were listed in paragraph 4.1 of the report.

The Interim Deputy Head of Finance explained that there would be two further items for the agenda for the above meeting, namely an Update from Audit Wales on the National Fraud Initiative as well as item on the Fraud Risk Assessment and Strategy.

As the report reflected, a proposed Forward Work Programme for the year 2021-22 would be presented to the Committee in April, outlining proposed reports to be included as agenda items on subsequent meetings convened within this period.

RESOLVED: That the Committee considered and approved the proposed updated Forward Work Programme for 2020-21, subject to the following additional items:

- a) Fraud Risk Assessment and Strategy report;
- b) Update from Audit Wales on the National Fraud Initiative.

232. URGENT ITEMS

None.