

GOVERNANCE AND AUDIT COMMITTEE - THURSDAY, 22 JULY 2021

MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD IN REMOTELY - VIA MICROSOFT TEAMS ON THURSDAY, 22 JULY 2021 AT 14:00

Present

Councillor LM Walters – Chairperson

JE Lewis
TH Beedle

MJ Kearn
A Hussain

RM Granville

AJ Williams

Apologies for Absence

CA Green, B Sedgbeer, PA Davies, P Davies and E Venables

Officers:

Simon Roberts	Senior Fraud Investigator
Deborah Exton	Interim Deputy Head of Finance
Samantha Clements	Audit Wales
Mark Galvin	Senior Democratic Services Officer - Committees
Gill Lewis	Interim Chief Officer – Finance, Performance and Change
Michael Pitman	Democratic Services Officer - Committees
Nigel Smith	Finance Manager
Jason Blewitt	Audit Wales
Martin Morgans	Head of Performance and Partnership Services

Lay Member:

Mrs J Williams

258. DECLARATIONS OF INTEREST

None

259. APPROVAL OF MINUTES

RESOLVED:

That the minutes of the 18 June 2021 be approved as a true and accurate record.

260. GOVERNANCE AND AUDIT COMMITTEE ACTION RECORD

The Democratic Services Manager presented a report which updated the Committee on the Action Record, which was devised as a way of tracking the decisions made by the Committee in the exercise of its functions.

He advised that the Action Record was presented to each meeting of the Governance and Audit Committee and was attached at Appendix A to the covering report. He outlined the actions listed in the Appendix with the progress to date on each of these.

The Chairperson asked about the financial sustainability report from Audit Wales, which was due to be brought to the July meeting, and asked if there was an update on this. The Audit Wales Representative stated that officer comments had been received on this and AW were in the process of dealing with these. She explained that the local report

and the national report were likely to both be brought to the September meeting. The Chairperson asked if the action record could be updated to reflect this.

RESOLVED: That the Committee noted the report.

261. **AUDIT WALES GOVERNANCE AND AUDIT COMMITTEE REPORTS**

The Audit Wales Representative presented a report which updated the committee on the financial and performance audit work undertaken, and due to be undertaken, by Audit Wales.

The Audit Wales Representative explained that much of the financial audit work listed had now been completed and would be discussed on the agenda at this meeting. He added that the work carried out on the Audit of the 2020-21 Returns for Coychurch Crematorium Joint Committee had also been completed and would be taken to that committee in September. He added that the Audit of the Council's 2020-21 Grants and Returns would be carried out in October through to December of this year.

The Audit Wales Representative explained that for the period of 2021-22, the Well-being of Future Generations Act work was still ongoing, but that consultation had taken place with local authorities and the consensus was that Audit Wales should integrate this work with the standard audit work.

The Audit Wales Representative explained that the Assurance and Risk Assessment work was a project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council of putting in place proper arrangements to secure value for money in the use of resources. This work was ongoing throughout the year.

She outlined the Springing Forward – Examining the Building Blocks for a Sustainable Future item and explained that it was a thematic review which looked at all authorities in Wales and how they were strengthening their ability to transform, adapt and maintain the delivery of services. She added that they were currently scoping the work and it was planned for Autumn 2021 onwards, with a survey being issued to officers and Members in September to identify the key themes to focus on.

The Audit Wales Representative outlined the review relating to the Cwm Taf Morgannwg health partnership following the Council's transition to the partnership in 2019. The scope was still due to be discussed with the Council and a group discussion was scheduled for 17th August 2021 to establish this. The work on this was due to start in the Autumn of 2021.

The Audit Wales Representative explained that this Audit Wales work report was now a quarterly report but would also highlight the work with ESTYN and Care Inspectorate Wales (CIW)

The Audit Wales Representative also outlined the digital strategy review that was undertaken in 2018. Since then, the Council adopted a Digital Strategy 2020-2024. She presented the key areas that the Council could improve on and the means of delivering this. This was listed at Exhibit 1 of the report.

The Interim Chief Officer – Finance, Performance and Change believed the findings from the review by Audit Wales were fair and there were a number of areas of improvement and, particularly since the pandemic, there were changes in the way BCBC worked and it was important to take those into consideration and learn from them when moving forward with the Digital Strategy. She added that the programme board was set

up which provided comments about resources and risks etc and BCBC had taken these on board. A regular review of the risk register was one aspect that came from this which had been fed through CMB and CCMB which in due course could be looked at by the Scrutiny committees.

The Lay Member asked for clarity on the point that a Scrutiny committee would review the progress in due course - what realistic time frame could be expected for progress to be made. The Interim Chief Officer – Finance, Performance and Change stated that it was difficult to provide a clear time frame as this was the start of a long process and journey in terms of changing accommodation, working practices and cultural issues. She added that the board met monthly so there would be regular updates and to provide time frames would mean setting time frames for individual projects so that there was a clear indication of what should be expected.

The Lay Member asked about the financial implications and the budget required for the strategy. The Interim Chief Officer – Finance, Performance and Change explained that all of the projects involved in the strategy will have a full business case. She explained that one of the issues in local authorities including BCBC is the benefits realisation and what the projects were able to achieve once completed. She stated that this was one of the main areas of focus for the programme board in trying to free up resources and redirecting that capacity into other areas that may be struggling, with the aim of providing job enrichment and better utilisation as opposed to directly focusing on cash savings.

The Interim Deputy Head of Finance expanded on the budget requirements and explained that some money was available from previous ICT projects, revenue as well as capital funding, which was highlighted in the capital programme. Further funding had been made available using earmarked reserves which would help to fast track a number of the projects and any further business cases that came to the board would be evaluated and draw from funds if necessary.

The Lay Member asked about what cultural issues were expected. The Interim Chief Officer – Finance, Performance and Change explained that many staff had carried out their role in the same way for a long time but there were inefficiencies which is what needed to be worked on and sometimes people need persuasion to understand that a new method is actually more beneficial.

The Chairperson asked if an update report could be brought to committee in the new year which focused on the risks that were being experienced from the project, including the steps needed to be taken to implement the strategy.

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

262. **STATEMENT OF ACCOUNTS 2020-21**

The Interim Group Manager – Chief Accountant presented a report of the audited Statement of Accounts for 2020-21, which was now due to be certified by our external auditors, Audit Wales, and the associated Letter of Representation of the Council.

He advised that the amended audited Statement of Accounts 2020-21 was attached at Appendix A. The detail of all the amendments were contained within the Auditor's Audit of Accounts Report at Appendix B. A Final Letter of Representation from the Council was required by the Appointed Auditor to complete the process and enable the accounts to be approved which was located at Appendix C.

The Interim Group Manager – Chief Accountant explained that the unaudited Statement of Accounts 2020-21 was signed by the responsible financial officer on 11 June 2021 and presented to the Governance and Audit Committee on 18 June 2021 for noting. During the intervening period the external audit has taken place, resulting in a number of amendments being made to the financial statements, the key points were listed at 3.2 and 3.3 of the report with the full detail provided in Appendix B.

He added that subject to the Committee's approval of the statement of accounts and letter of representation, it was anticipated that the auditor general would sign the audited accounts and following this, we would publish the final audited accounts in line with the statutory deadline of the 31 July 2021.

The Audit Wales – Audit Manager explained that the pressures of Covid-19 had proven to be difficult but to finalise the statement of accounts by July was an achievement. He thanked the finance team for their hard work in achieving such a task.

The Audit Wales – Audit Manager stated that assurances were not guaranteed but they worked to a level of materiality which aimed to identify and correct misstatements that might otherwise cause a user of the accounts into being misled. Audit Wales set the level at £4.8 million for this year's audit. He added that the audit work had now been completed and Audit Wales intended to issue an unqualified audit opinion on this year's accounts once the Letter of Representation had been provided based on that set out in Appendix 1.

The Audit Wales – Audit Manager highlighted the issues arising from the audit as indicated in points 11 to 14.

The Chairperson echoed the thanks from the Audit Manager but also thanked Audit Wales for their hard work particularly the past year with the pressures of the pandemic.

RESOLVED: That the Committee:

- approved the audited Statement of Accounts 2020-21 as amended (Appendix A);
- noted the appointed auditors Audit of Accounts Report (Appendix B);
- noted and agreed the Final Letter of Representation to Audit Wales (Appendix C).

263. PORHCRAWL HARBOUR RETURN 2020-21 ANNUAL AUDIT LETTER

The Interim Group Manager – Chief Accountant presented a report the purpose of which was to submit the Appointed Auditor's Annual Audit Letter 2020-21 for Porthcawl Harbour, attached as Appendix A, for noting.

The Interim Group Manager – Chief Accountant explained that the Annual Audit Letter 2020-21 attached at appendix A for Porthcawl Harbour confirmed that the Appointed Auditor intended to issue an unqualified audit certificate, confirming that it presented a true and fair view of the Harbour's financial position and transactions.

The letter also confirmed that the Appointed Auditor was satisfied that there were no misstatements found in the Annual Return and no other matters affecting their audit opinion. It was anticipated that the Appointed Auditor will formally certify that the audit of the accounts has been completed, on 23 July 2021.

RESOLVED: That the Committee:

- Noted the Annual Audit Letter 2020-21 at Appendix A.

264. **ANNUAL TREASURY MANAGEMENT OUTTURN REPORT 2020-21**

The Interim Chief Officer – Finance, Performance and Change presented a report which updated the Governance and Audit Committee on the outturn position for treasury management activities for 2020-21, the Treasury Management Indicators for 2020-21, and highlighted compliance with the Council's policies and practices.

She advised that during the 2020-21 financial year, Governance and Audit Committee received the Annual Treasury Management Outturn Report 2019-20 in September 2020, the Half Year Treasury Management Report 2020-21 in November 2020 and the TMS 2021-22 in January 2021. She outlined a number of changes that were made since then which were presented to the committee at the previous meeting.

The Interim Chief Officer – Finance, Performance and Change outlined the economic changes that occurred during the 2020-21 period including the Covid-19 Pandemic and Brexit transition period. Since the outbreak of the Covid-19 pandemic, the UK and Welsh Government have announced a wide range of financial support schemes to try and mitigate the impact on the economy, businesses and individuals. These were listed at section 4.1.5 of the report. She added that a summary of the treasury management activities for 2020-21 was attached at Appendix A to the report.

To highlight some key areas, she advised that there was no long-term borrowing taken out during 2020-21 and no debt rescheduling. Favourable cash flows have provided surplus funds for investment and the balance on investments at 31 March 2021 was £51.55 million, with an average interest rate of 0.21%. Further information was at 4.2.2 of the report.

The Interim Chief Officer – Finance, Performance and Change outlined the total external borrowing which was just under £97 million with an average interest rate of 4.7%. Further information was at 4.23 and 4.24 of the report.

RESOLVED: That the Committee:

- Noted the annual treasury management activities and Treasury Management Indicators for 2020-21.

265. **CORPORATE RISK REGISTER**

The Interim Chief Officer – Finance, Performance and Change presented a report which provided the Governance and Audit Committee with an update on the changes to the Corporate Risk Assessment, in accordance with the Council's risk management timeline contained in the Council's Risk Management Policy.

She advised that the Council was required to develop effective risk management processes, including an assessment of corporate risks and the Governance and Audit Committee's Terms of Reference required the Committee to review, scrutinise and issue reports and recommendations on the appropriateness of the Council's risk management, internal control and corporate governance arrangements. Further background was at section 3.

The Interim Chief Officer – Finance, Performance and Change stated that the recent audit of risk management services was undertaken by SWAP Internal Audit Services on

behalf of the Council's Regional Internal Audit Service (RIAS). Whilst the audit opinion provided 'reasonable assurance' a number of recommendations were made to strengthen the reporting process including the need to introduce a separate 'risk guidance' document, embedding processes to strengthen the link between the Corporate Risk Register (CRR) and risks identified in Directorate Business Plans, and also recommended changes to the format of the CRR.

She added that the Corporate Risk Assessment has been amended to include a change recommended by SWAP Internal Audit Services, which introduces a new column displaying the date the score was assigned. The updated Corporate Risk Assessment was at Appendix A, which included 16 risks, 7 risks scored high, 6 risks scored medium, and 3 risks scored low.

She advised that there was one new risk - (Risk 16) "There is a risk that the Welsh Community Care Information System (WCCIS) will fail to operate" - has been added and has a High risk with a score of 15. This was an ICT system that holds all Bridgend County Borough Council social care records and was supported by an external contractor. As all of Bridgend social care records and services were held on this system if it should fail social work practitioners would be unable to check records of individuals known to the service and this could cause safeguarding issues.

The Interim Chief Officer – Finance, Performance and Change added that the risk scores remained unchanged apart from Risk 8 - 'Unable to attract, develop, or retain a workforce with the necessary skills to meet the demands placed upon the Local Authority and its services'. The likelihood element of the residual score has increased from 3 to 4, resulting in an increased risk score from 12 to 16, as the mitigation actions were not currently able to reduce the risk from the raw levels.

The Lay Member asked in relation to Risk 5 the risk seemed to relate only to the partnership with Cwm Taf Health Board. She asked what were the risks with other partners of BCBC. The Interim Chief Officer – Finance, Performance and Change explained that the risk register did not specifically mention other partnerships so would look to bring that information to the committee at the next meeting.

The Lay Member asked in relation to the new risk (Risk 16), when would the residual risks be known. The Interim Chief Officer – Finance, Performance and Change explained that we were at the stage of knowing some of the mitigations. There had been a large amount of work carried out with the supplier. As the system is an all-Wales system, BCBC only has a seat at the user group to provide input etc. The system is managed by an external provider rather than within BCBC so it was difficult to understand time frames.

The Lay Member expressed her concerns with the risk and asked how concerned should the Committee be and what was the update in November going to present. The Interim Chief Officer – Finance, Performance and Change explained that the issue had been raised with CMB, CCMB and Cabinet and there were high level meetings being held with the supplier. There had also been agreements that the upgrade would not be implemented until it was stable but there were urgencies placed on this with strict timeframes of weeks being agreed.

The Chairperson asked that although the risk would be reported on in November as stated in the register, could an update be provided in September's meeting on any concerns that the resilience had not been resolved and if we were not in a better operating position at that time.

The Lay Member asked if a note could be placed on the risks where columns were blank, to explain why they were blank. The Interim Chief Officer – Finance, Performance and Change explained that this particular risk was placed on in an emergency but there had been follow up actions since this so she would take that back to the Corporate Director Social Services and Wellbeing.

A Member asked for clarification on some of the risks which related to suppliers to the Council. She explained that Risk 9 related to Council suppliers in general and that had been a risk for some time, but other risks in the register related specifically to Covid-19 yet they were classified as a lower risk, even though on occasions there are issues with suppliers.

The Interim Chief Officer – Finance, Performance and Change explained that the issue with suppliers having staff that were pinged by the test & trace service was that of a recent issue and these papers were prepared before this had been an issue. She added that the Covid-19 risks in the register were ever changing and the risk register was updated when these were identified but there was often a delay of around 2 weeks when the papers were drafted in readiness for Committee.

The Chairperson asked in relation to Risk 11 on how the Council was addressing the risk, if the wording could be amended to reflect the current restrictions that were in place in Wales.

The Chairperson also asked for an update in the next meeting on the risk surrounding the schools (risks 14 and 15) as the risk was currently set as high. She mentioned that if the risk was still high, further information on what actions were being taken to mitigate these risks should be provided to the committee.

RESOLVED: That the Committee:

- Considered the updated Corporate Risk Assessment 2021-22 (Appendix A) and;
- To receive a further report in November 2021 prior to review of the 2022-23 Corporate Risk Assessment and the Corporate Risk Management Policy in January 2022.

266. **ANNUAL CORPORATE FRAUD REPORT**

The Senior Fraud Investigator presented the Annual Corporate Fraud Report 2020-21 which summarised the actions undertaken in respect of counter fraud and provides an update on the National Fraud Initiative (NFI) Exercise

He advised that it was a core function of the Governance and Audit Committee to consider the effectiveness of the Council's Risk Management arrangements, the control environment and associated anti-fraud and corruption arrangements.

The Senior Fraud Investigator outlined the key areas of the counter fraud work undertaken within the Authority during 2020-21, and this was summarised in Appendix A. He outlined the most recent data matching exercise which was based on data extracted in September 2018. A total of 431 frauds or errors were identified equating to £30,276.73 of recoverable funds. The exercise also resulted in the cancellation of 396 blue badges, where the holder was deceased, generating an estimated cabinet office saving of £227,700. More detailed results were included at Annex 2 of Appendix A. The next biennial data matching exercise commenced in 2020 with data extracted in October 2020 and the new matches returned in January 2021. Work on these matches was currently ongoing.

The Senior Fraud Investigator outlined the joint working arrangements as well as the national studies that took place. Details were at sections 5 and 6 of Appendix A.

The Lay Member asked in respect of the action plan, what were the time frames expected for completions of the actions. The Senior Fraud Investigator explained that many of the actions appear as and when needed, for example the training and awareness action, but the majority of actions should be completed within the three years.

The Lay Member asked if the risks surrounding cyber-fraud were reflected in the action plan and the current situation on this.

The Senior Fraud Investigator mentioned that as of yesterday following conversations with South Wales Police, further training had been discussed on Cyber fraud from the Tarian group among all the senior fraud investigators across local authorities. He added that his intention was to have a training session provided to staff but also Members.

A Member asked what type of fraud was committed in respect of blue badges, and what could be done to have a better system so that these frauds could be prevented.

The Senior Fraud Investigator explained that the main types of fraud were misuse of the badge, i.e. people using someone else's blue badge. The issues faced were that it required a presence in these areas to counteract this. He stated that there were intentions for a fraud drive similar to previous years to tackle the misuse of blue badges but with the pandemic and the restrictions in place this proved difficult.

He added that civil enforcement officers had reported badge misuse but they were not sufficiently trained to deal with some of these misuses, and the training required had been difficult to arrange with the restrictions in place due to the pandemic. His main focus was to provide further training and neighbouring authorities had offered to share the costs of this. He believed that further presence from suitably trained enforcement offices would deter this type of fraud.

A Member asked if there was a breakdown of the different areas of fraud that were not able to be investigated. The Senior Fraud Investigator mentioned that there were a number of cases that were not able to be investigated and these were due to a lack of detail. This was a similar situation for blue badge fraud reports whereby the report lacked enough detail to investigate as there was no blue badge number provided.

RESOLVED: That the Committee noted the Annual Corporate Fraud Report 2020- 21, the measures in place, the work being undertaken to prevent and detect fraud and error and the update on the National Fraud Initiative (NFI).

267. **UPDATED FORWARD WORK PROGRAMME 2021-22**

The Interim Deputy Head of Finance presented a report which sought approval for the updated Forward Work Programme for 2021-22.

She stated that in order to assist the Committee in ensuring that due consideration is given to all aspects of their core functions the proposed Updated Forward Work Programme for 2021-22 was attached at Appendix A.

GOVERNANCE AND AUDIT COMMITTEE - THURSDAY, 22 JULY 2021

As requested at the meeting of Governance and Audit Committee held on 18 June 2021, an additional meeting of the Committee will be scheduled for 9 September 2021. Shown below are the items scheduled to be presented at this meeting.

Proposed Agenda Items – 9 September 2021

1. Governance and Audit Committee Action Record
2. Audit Wales Governance and Audit Committee Reports
3. Complaints Process
4. Internal Audit Progress Reports
5. Updated Forward Work Programme 2021-22

She added that there may be additional agenda items presented to the Committee as the Local Government and Elections (Wales) Act 2021 comes into effect, particularly in respect of the Committee's new responsibilities in relation to performance and self-assessment, and these would be added to the Forward Work Programme as necessary.

RESOLVED:

That the Committee considered and approved the proposed Updated Forward Work Programme for 2021-22.

268. **URGENT ITEMS**

None