

**MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD
REMOTELY - VIA MICROSOFT TEAMS ON THURSDAY, 28 JULY 2022 AT 14:00**

Present

Mr G Chapman – Chairperson

Mr B Olorunnisola	Ms S Davies	Mr A Bagley	S J Griffiths
D M Hughes	M L Hughes	A Wathan	A Williams
RM Granville	S J Bletsoe		

Officers:

Carys Lord	Chief Officer - Finance, Performance & Change
Simon Roberts	Senior Fraud Investigator
Deborah Exton	Deputy Head of Finance
Mark Thomas	Head of Regional Audit Service
Samantha Clements	Audit Wales
Mark Galvin	Senior Democratic Services Officer - Committees
Andrew Rees	Democratic Services Officer - Committees
Nigel Smith	Finance Manager
Eilish Thomas	Finance Manager - Financial Control & Closing
Joan Davies	Deputy Head of Regional Internal Audit Service

14. DECLARATIONS OF INTEREST

None.

15. APPROVAL OF MINUTES

RESOLVED: That the minutes of the meeting of the Governance and Audit Committee of 22 June 2022 were approved as a true and accurate record.

16. GOVERNANCE AND AUDIT COMMITTEE ACTION RECORD

The Senior Democratic Services Officer Committees presented a report which provided Members with an update on the Audit Committee Action Record, appended to the report.

A member of the Committee questioned the reason for corporate complaints not being recorded at a senior level and asked whether as a Committee it should request that corporate complaints and Ombudsman referrals be recorded. The Chief Officer Finance, Performance and Change informed the Committee that a record is kept of Ombudsman referrals and that the recording of complaints received by each Directorate on the CRM system is being looked at to establish whether there are particular trends in the complaints being received. The Chairperson requested that an overview of complaints received be reported to this Committee when available. The Chief Officer Finance, Performance and Change confirmed that the reporting of complaints is on the Committee's work programme.

A member of the Committee referred to a potential overlap and duplication in this Committee's work programme with that of the Corporate Overview and Scrutiny Committee in that it would also be considering a report on Disabled Facilities Grants and he was keen for this to be avoided as Chair of that Scrutiny Committee. The Chairperson stated that the two Committees had different functions in that the Scrutiny

Committee would look at operational matters in more detail, whereas this Committee would look at the overall process.

The Chairperson asked whether discussions could take place with Audit Wales to progress Cwm Taf Morgannwg University Health Board engaging in the Local Development Plan process on its plans for developing primary health care facilities where new housing development is planned to take place. The Chief Officer Finance, Performance and Change informed the Committee that this matter is being taken up by the Council with Cwm Taf Morgannwg University Health Board.

The Chairperson queried whether the written information requested by the Committee on the procurement strategy had been sent. The Chief Officer Finance, Performance and Change confirmed that the information had been sent to the Committee.

A member of the Committee queried whether the terms of reference of this Committee could be reviewed as part of the review of the Constitution to avoid duplication with other Committees. The Chairperson stated that this Committee would look at the governance of processes and would not look at operational matters. A member of the Committee stated that the Democratic Services Committee had set up a Working Group which had met today and tasked with reviewing the Constitution. The Democratic Services Officer confirmed this was the case and once the Working Group had concluded its review of the Constitution it would be presented to the Democratic Services Committee or Cabinet and Council for approval, depending on timescales. The Head of the Regional Internal Audit Service informed the Committee that it has an up-to-date terms of reference.

RESOLVED: That the Committee noted the Action Record.

17. **AUDIT WALES GOVERNANCE AND AUDIT COMMITTEE REPORT**

The Committee received an update from Audit Wales on the Financial and Performance Audit work undertaken, and due to be undertaken by it, together with a summary of its Programme and Timetable within the Council.

Samantha Clements, Audit Lead (Performance Audit) of Audit Wales provided a summary of the Performance Audit work undertaken, however the 2022-23 update of that work had been omitted from the papers sent with the Committee papers and a copy would follow. She stated that the unscheduled Care Thematic Review is planned to be delivered in the autumn and the local project of looking at performance management arrangements is currently underway.

A member of the Committee asked whether the Springing Forward – Examining the building blocks for a sustainable future review was accessible. The Audit Lead (Performance Audit) stated that the report is in draft at present, pending a re-draft and once it had gone through the clearing process would be made available to the Committee at its next meeting.

A member of the Committee referred to the definition of sleeping rough and homelessness and asked how metrics are defined across Councils. The Audit Lead (Performance Audit) informed the Committee that she would clarify how metrics are defined in relation to sleeping rough and homelessness across Councils with the Project Manager responsible for this piece of work and she would update the Committee in the future. A member of the Committee stated that he had asked a question on the definition of homelessness and rough sleepers at the last meeting of Council and that he was happy to forward the written reply he had received from the Cabinet Member to the Committee.

A member of the Committee asked whether the Climate Change Baseline Review has been published. The Audit Lead (Performance Audit) stated that if the report had been published it would be available on the Audit Wales website.

RESOLVED: That the Committee noted the Audit Wales Governance and Audit Committee Report at Appendix A.

18. **ANNUAL CORPORATE FRAUD REPORT 2021-22**

The Senior Fraud Investigator presented the Annual Corporate Fraud Report 2021-22 which summarised the actions undertaken in respect of counter fraud and provided an update on the National Fraud Initiative (NFI) exercise.

He reported on the progress made to improve the Council's resilience to fraud, bribery and corruption, set out in the Fraud Strategy and Framework. A fraud risk register had been developed and the Fraud Prevention E-learning module had now been rolled out across the Council and is mandatory for all new and existing staff and Members to complete. A Fraud awareness training session was also provided to all existing Members in February 2022.

He also informed the Committee of the ongoing measures pursuant to the NFI, whereby data is extracted from the Council's systems and reports and then matched against data submitted from other bodies such as other Local Authorities, Department for Work and Pensions, NHS & Trusts, Police and Housing Associations. He stated that 420 frauds or errors were identified equating to £30,680.42 of recoverable funds, mostly attributable to council tax reduction or housing benefit matches. The exercise resulted in the cancellation of 403 blue badges, where the holder was deceased, generating an estimated cabinet office saving of £231,725.00. The Annual Report also provided detail of the internal counter fraud work undertaken by Internal Audit and the Council's Senior Fraud Investigator including internal investigations, council tax reduction investigations and blue badge investigations.

A member of the Committee asked for details of the number of staff in the fraud team. The Senior Fraud Investigator informed the Committee that the team included himself and an Investigator, who had been redeployed to another service area due to Covid but had since returned and was now picking up fraud investigation work.

A member of the Committee asked whether the grants awarded due to covid could give rise to fraud. The Senior Fraud Investigator stated that Covid-19 grants had been part of the data matching exercise, with no fraud identified. He stated that one grant had been incorrectly paid and had been recovered.

A member of the Committee enquired whether staff had been investigated due to fraudulent activity and if so, whether this had led to their suspension or dismissal. The Senior Fraud Investigator stated that no such activity had been drawn to his attention in the period covering this Annual Report. The Deputy Head of the Regional Audit Service stated that Internal Audit works closely with the Senior Fraud Investigator. The Internal Audit team had investigated allegations of fraud by staff and it would have to consider what information could be reported to the Committee.

A member of the Committee believed that a team of one was insufficient for an organisation of its size and asked whether an investment should be made in a larger team which through fraud investigation would derive more income for the Council. The Chief Officer Finance, Performance and Change informed the Committee that the Senior Fraud Investigator and Internal Audit work collaboratively. She stated that a great deal of work had been undertaken in relation to Covid grants awarded to businesses and

that, as a result, no issues of fraud were found. She also stated that some authorities put greater resources into fraud and there was potential to work on a regional basis. She felt the balance in the Fraud Team to be reasonable. A member of the Committee stated that the cost of living crisis could give rise to greater fraud and he referred to case studies in other Councils where they had experienced a greater return than the cost of employing fraud officers, which he would share with the Chief Officer Finance, Performance and Change.

RESOLVED: That the Committee noted the Annual Corporate Fraud Report 2021- 22, the measures in place, the work being undertaken to prevent and detect fraud and error and the update on the National Fraud Initiative.

19. **STATEMENT OF ACCOUNTS 2021-22 (UNAUDITED)**

The Group Manager – Chief Accountant presented the unaudited Statement of Accounts for 2021-22 for noting.

The Group Manager – Chief Accountant stated that the unaudited Statement of Accounts 2021-22 were signed by the responsible financial officer on 18 July 2022 and would be currently being reviewed by Audit Wales. He anticipated the audit would be largely completed by the end of August 2022 and the audited accounts are anticipated to be brought to the Committee in September for approval. He noted that there were a couple of amendments to the previous year figures to adjust for both the consolidation of Bridgend Council's share of Cardiff Capital Region City Deal accounts and also adjustments to prior year pensions figures as a result of a revised pensions actuarial report.

He confirmed that the draft accounts have been published to the website and any elector from the area can raise any queries to the accounts with the Auditor and the notice advising of this has been published to both the internet and the Council's notice board.

A member of the Committee questioned the reason for Capital Programme Reserves being shown as a zero draw-down. The Group Manager – Chief Accountant informed the Committee that this was due to the way in which the capital programme was funded, allowing reserves to be carried forward to future years and the programme had also slipped.

A member of the Committee referred to there being no mention of climate change in the Statement of Accounts and in line with Welsh Government advice, the Council should report more on climate change metrics. The Deputy Head of Finance informed the Committee the issue of the reporting of climate change had been recognised by the Chartered Institute of Public Finance and Accountancy which is doing a piece of work across public sector bodies as to what can be brought into the Statement of Accounts and the outcome of that would be included in future Statements. The member asked whether the Council's commitment around 2030 and the Council's progress towards that could be referred to in the Statement of Accounts. The Deputy Head of Finance stated that she would look at what could be included in this year's Statement of Accounts on climate change in connection with the Council's commitment around 2030 and the Council's progress towards 2030.

A member of the Committee requested clarification of the continued net contribution to reserves and did it mean that the Council was not spending its capital funding, which could create problems for future years. The Group Manager – Chief Accountant stated that the Council had faced challenges during the pandemic affecting schemes being taken forward in their given timescales which had meant slippage into future years for

completion. He also stated that the Council has a significant capital programme in the current year for which earmarked reserves had been set aside and he anticipated those reducing over the next few years. A member of the Committee referred to a comment by the Corporate Director Communities that her Directorate is resourced constrained. The Chairperson requested the member take this point up with The Chief Officer Finance, Performance and Change, Deputy Head of Finance and Group Manager – Chief Accountant outside the meeting.

A member of the Committee requested clarification of the prior period adjustments in the reporting of the pensions liability. The Group Manager – Chief Accountant advised that an adjustment was required to be made due to the receipt of a revised pensions actuarial report subsequent to the passing of the accounts to the auditors, but the revised figures were not reflected in the accounts at the time. The figures had now been amended to reflect the revised pensions report.

A member of the Committee questioned if the impact of population change should be reflected in the Statement of Accounts. The Chief Officer Finance, Performance and Change stated that population change was something that would relate to the Medium Term Financial Strategy and the modelling going forward and she would discuss the budget setting process with the member of the Committee.

A member of the Committee requested clarification of the figure of £50,924M attributed to the Communities Directorate in the capital programme outturn for 2022-23 and the sums for future years. The Group Manager - Chief Accountant stated that this showed the outturn and a flavour of the next two years capital programme. The Deputy Head of Finance stated that most of the schemes in the capital programme are happening now and would be more significant in terms of their value. Funding that had been approved recently would be spent in 2022-23 or 2023-24. She stated that the Communities Directorate has a significant capital programme. She informed the Committee that the Welsh Government does not give an indication of what long term funding will be and the capital programme is based on the grant funding coming in, with the exception of the 20th century Band B School Modernisation programme in Education and Family Support, where funding is known over 5 years. She stated that a full breakdown of the schemes as reported to the recent meeting of Council would be sent to the member. The member asked whether this was the case with the Penprysg Road Bridge. The Deputy Head of Finance stated that the Council already has the match funding, but not the grant funding and if approved, schemes would be profiled over the years.

RESOLVED: That the Committee noted the unaudited Statement of Accounts 2021-22 at Appendix A.

20. **PORHCAWL HARBOUR RETURN 2021-22 (UNAUDITED)**

The Group Manager – Chief Accountant reported on the unaudited Porthcawl Harbour Return 2021-22 for approval.

The Council's unaudited Return in respect of Porthcawl Harbour up to the financial year end of 31 March 2022, was attached at Appendix A to the report. He explained that the Harbour achieved a balanced position as at 31 March 2022, generating £327,029 in fees, primarily for boat berthing/mooring. The main items of expenditure are staffing costs of £80,762 and depreciation of the Harbour assets of £113,518. The value of the Harbour and associated assets, including the kiosk and slipway, as at 31 March 2022 was £2,943,262.

RESOLVED: That the Committee approved the unaudited Porthcawl Harbour Return 2021-22 at Appendix A.

21. **ANNUAL GOVERNANCE STATEMENT 2021-22**

The Chief Officer Finance, Performance and Change sought approval and inclusion of the Annual Governance Statement 2021-22 (AGS) within the unaudited Statement of Accounts 2021-22.

The Chief Officer Finance, Performance and Change reported that good corporate governance requires the active participation of Members and officers across the Council and is reviewed on an annual basis, with the findings used to update the AGS. This helped to ensure the continuous improvement of the Council's corporate governance culture. She stated that the inclusion of the AGS within the Statement of Accounts provides an overall appraisal of the controls in place to manage the Council's key risks and identified where improvements need to be made. The draft AGS 2021-22 has been reviewed by Corporate Management Board and seen by the Leader of the Council and the Cabinet Member for Resources. She informed the Committee that the AGS will be reviewed as part of the external audit on the Statement of Accounts and should reflect any governance issues right up to the date that the Auditor General for Wales signs off the Statement of Accounts 2021-22.

A member of the Committee referred to the ethics statement and some recent concerns raised and asked whether a policy statement should be included in the AGS of former Councillors becoming officers of the Council. The Chief Officer Finance, Performance and Change informed the Committee if it was felt there was any processes that had been breached, it would be reported in the AGS, however, to date, no breach of process was found. The Chairperson stated that if it is a governance issue it could be looked at by the Chief Officer Finance, Performance and Change and Monitoring Officer and potentially was a matter for the Democratic Services Committee to consider. The Chief Officer Finance, Performance and Change said she would consider if a statement on the movement of former Councillors to becoming officers of the Council should be included within the AGS. A member of the Committee referred to recent timings and public perception and asked whether this would fall within this AGS or the following year's AGS. The member concerned was aware of an ongoing investigation, the outcome of which was not yet known. The Chief Officer Finance, Performance and Change stated that the control mechanisms the Council has should be included in this year's AGS. A member of the Committee stated that this point could be borne in mind at the Working Group reviewing the Constitution.

RESOLVED: That the Committee approved the draft Annual Governance Statement 2021-22 at Appendix A and agreed its inclusion within the unaudited Statement of Accounts 2021-22, subject to the Chief Officer Finance, Performance and Change including a statement on the control mechanisms the Council has in place on the movement of former Councillors becoming officers of the Council.

22. **ANNUAL TREASURY MANAGEMENT OUTTURN REPORT 2021-22**

The Group Manager – Chief Accountant reported on the outturn position for treasury management activities, the Treasury Management Indicators for 2021-22 and highlighted compliance with the Council's policies and practices.

The Group Manager – Chief Accountant reported that the Council had complied with its legislative and regulatory requirements during 2021-22.

The Group Manager – Chief Accountant reported that the Council has managed its day-to-day operational cash flows to ensure sufficient funds are available to meet its financial obligations. He stated that surplus cash is invested securely while ensuring its liquidity, achieving a return commensurate with both. The Council invests surplus funds with central government and other local authorities, and also Money Market Funds which are instant access. Other local authorities are a key area for investment of surplus funds. He stated that it was important to note that these investments are for cash flow purposes and not purely for financial return.

A member of the Committee referred to the Council's investments in other local authorities and questioned whether they were at risk given that some local authorities had gone bankrupt. The Group Manager – Chief Accountant informed the Committee that investing in other local authorities is deemed to be secure and considered safe and that the Council is guided by its Treasury Management advisors when making investments and would suspend investments temporarily if advised to do so. He stated that local authorities had always repaid their loans to this Council on demand. The Deputy Head of Finance informed the Committee that the Council's Treasury Management advisors undertake a great deal of work on behalf of the Council and whilst credit ratings do not apply to local authorities, Arlingclose do take into account the financial situation of local authorities in order to advise in which ones to invest in. A member of the Committee requested that the Finance Department insert some narrative on risk profile and also the cost of borrowing in future Treasury Management reports.

RESOLVED: That the Committee noted the annual treasury management activities and Treasury Management Indicators for 2021-22.

23. **PROGRESS AGAINST THE INTERNAL AUDIT RISK BASED PLAN 2022-23**

The Deputy Head of the Regional Audit Service reported on the position statement on progress being made against the audit work included and approved within the Internal Audit Risk Based Plan 2022-23.

The Deputy Head of the Regional Audit Service detailed the status of each planned review, the audit opinion and the number of any high, medium or low priority recommendations that have been made to improve the control environment covering the period 1 April to 8 July 2022. She stated that 4 audits had been completed with an opinion being provided, a further audit had also been completed, the draft report issued, and feedback was awaited from the Service Department. She also informed the Committee that 7 audits are currently on-going and another 9 had been allocated to Auditors and are due to commence during the next few months. 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 3 completed audit reviews and an opinion of reasonable assurance to the other completed audit review. To date 1 medium priority and 2 low priority recommendations had been made to improve the control environment. The implementation of those recommendations was being monitored to ensure that the identified and agreed improvements are being made and progress would be reported to the Committee.

A member of the Committee referred to the low and medium recommendations on some of the completed audits and asked whether the Committee needed to be aware of at this stage. The Deputy Head of the Regional Audit Service explained that the low

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recommendations are advisory and suggest where minor or small improvements to controls could be made. The medium recommendation made was in respect of the invoicing process at Coychurch Crematorium, which had been taken on board.

RESOLVED: That the Committee noted the content of the report and the progress made against the 2022-23 Internal Audit Risk Based Plan.

24. UPDATED FORWARD WORK PROGRAMME 2022-23

The Deputy Head of Finance sought approval of the proposed Updated Forward Work Programme for 2022-23 and highlighted the core functions of an effective Governance and Audit Committee. She highlighted the items scheduled to be presented at the Committee's next meeting on 22 September 2022 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.

A member of the Committee (Chairperson of the Corporate Overview and Scrutiny Committee COSC) stated that his Committee had agreed that the Cost of Living Payment Scheme be placed on its Forward Work Programme and as Chairperson sought the guidance of the Chairperson of this Committee and the Chief Officer Finance, Performance and Change as to the most appropriate Committee in order to learn lessons on the delivery of the scheme. The Chief Officer Finance, Performance and Change stated that it was important for a report to be considered on lessons learnt and that it should be considered by the COSC as there had been no breakdown in governance arrangements or processes in the delivery of the scheme but more around the new ways of working and delays encountered in its delivery. The Chairperson of the Committee believed it to be an operational matter and that it be reported to the COSC and following which, this Committee would receive a report to ensure the scheme is monitored and that governance arrangements are robust enough.

The Chairperson of the COSC also requested clarity on the remits of both COSC and the Governance & Audit Committee in reviewing the Corporate Performance Self-Assessment as both committees would be receiving reports in the near future and that duplication should be avoided where possible. The Chairperson of the COSC requested that Democratic Services Offices liaise with Scrutiny Officers to ensure they are aware of the Governance and Audit Committee's Forward Work Programme to avoid duplication.

RESOLVED: That the Committee considered and approved the proposed Updated Forward Work Programme for 2022-23.

25. URGENT ITEMS

There were no urgent items.

The meeting closed at 15:25