

GOVERNANCE AND AUDIT COMMITTEE - THURSDAY, 6 JUNE 2024

MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD HYBRID IN THE COUNCIL CHAMBER - CIVIC OFFICES, ANGEL STREET, BRIDGEND, CF31 4WB ON THURSDAY, 6 JUNE 2024 AT 10:00.

Present

G Chapman – Chairperson (lay member)

M L Hughes

RM Granville

N Clarke

R J Smith

Present Virtually

MJ Williams

S J Griffiths

Lay Members - Present Virtually

B Olorunnisola

Apologies for Absence

A Bagley (lay member), C Davies and S Easterbrook

Officers:

Mark Shephard

Carys Lord

Kelly Watson

Lindsay Harvey

Deborah Exton

Nigel Smith

Simon Roberts

David Williams

Samantha Clements

Andrew Wathan

Chief Executive

Chief Officer - Finance, Housing & Change

Chief Officer – Legal & Regulatory Services, HR & Corporate Policy

Corporate Director - Education, Early Years & Young People

Deputy Head of Finance

Group Manager - Chief Accountant

Senior Fraud Investigator

Audit Wales

Audit Wales

Head of Regional Internal Audit Service

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Joan Davies
Rachel Keepins
Michael Pitman
Stephen Griffiths

Deputy Head of Regional Internal Audit Service
Democratic Services Manager
Technical Support Officer – Democratic Services
Democratic Services Officer – Committees/ Interim Scrutiny Officer

Declarations of Interest

None

146. Election of Chairperson

Decision Made	<u>RESOLVED:</u> G Chapman was elected Chairperson.
Date Decision Made	6 June 2024

147. Election of Vice-chairperson

Decision Made	<u>RESOLVED:</u> A Bagley was elected Vice-chairperson.
Date Decision Made	6 June 2024

148. Approval of Minutes

Decision Made	<u>RESOLVED:</u> The Minutes of the meeting on 18 April 2024 were approved as a true and accurate record.
Date Decision Made	6 June 2024

149. Governance and Audit Committee Action Record

Decision Made	<p>The purpose of this report was to provide Members with an update on the Governance and Audit Committee Action Record.</p> <p>Both the Chief Executive and the Corporate Director - Education, Early Years & Young People attended the meeting to answer questions and respond to specific issues raised by Members and highlighted in Appendix A.</p> <p>In response to the report, Members discussed a number of issues, including the following:</p> <ul style="list-style-type: none">• The Chair drew attention to the section on Internal Audit Recommendation Monitoring where Members had requested that the heads of service provide written updates to the next meeting of the Committee in respect of all the matters set out in Appendix B and C, indicating where they are in their action plan and when the matters outlined will be concluded if they are not by that date. It was noted that heads of service had not yet provided the written updates requested. In response, the Chief Executive reassured Members that Corporate Management Board (CMB) took the committee seriously and its recommendations. The issues raised at the last meeting were raised at a recent CMB meeting and the request has been made to heads to service to provide those written responses.• In terms of the School Vehicles issue, the Corporate Director - Education. Early Years and Young People set out for Members the details of the actions undertaken, especially by the insurance team and Fleet Services, to support schools in responding to the recommendations. He also provided a comprehensive update on the powers available to the local authority and Welsh Government where schools are failing to comply with legislation. Members thanked the Corporate Director for attending and providing such a detailed response and requested that a 'dip test' be carried out to see how compliant the schools now are and to measure the impact of the intervention. The results should be reported back to a future meeting of the Committee.• The Chairperson stressed that the issue of School Vehicles had been pursued by the Committee because the safety of the pupil was the major concern. He also accepted the apology offered by the Corporate Director for not being available to attend the last meeting of the Committee.• A Member drew attention to the recruitment of a new lay member, stressing the need to encourage more women to apply. The Chief Officer - Finance, Housing & Change stated that the advert was live and that she would be prioritising the shortlisting and interviewing process as soon as possible after the closing date.
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	<p><u>RESOLVED:</u></p> <p>The Committee noted the Action Record and provided comments upon it, as appropriate.</p>
Date Decision Made	6 June 2024

150. Audit Wales Governance and Audit Committee Reports

Decision Made	<p>Audit Wales produced one report for the Governance and Audit Committee to consider:</p> <p>The Audit Wales Work Programme and Timetable - (Appendix A)</p> <p>The report provided details of the quarterly update on the Work Programme to the end of March 2024.</p> <p>A representative from Audit Wales provided a summary of financial audit work and covered the Audit of the Council's 2023-24 statement of accounts, the limited assurance audits of Coychurch Crematorium and Porthcawl Harbour 2023-24 accounts, and the certification of the Council's 2022-23 grant claims and returns (covering the Housing Benefit Subsidy, the National Non-Domestic Rates, and the Teachers' Pension Return).</p> <p>A second representative from Audit Wales provided an update on performance audit work since the last quarter, including that the annual audit summary for 2022-23 would be presented to the next meeting of the committee alongside the audit plan for 2024-25.</p> <p>In terms of 2023-24, the well-being objective setting report is being drafted, and they are on target to issue that as a draft by the end of June. It was noted that the focus of the thematic review, commissioning and contract management, has been changed and the scope of that now is solely on commissioning. The report arising from the thematic review on financial sustainability is being drafted; and the local project, a Review of Decision-Making Arrangements to establish whether the Council has put in place proper decision-making arrangements to secure value for money in the use of its resources, is under way.</p> <p>In response to the report, Members discussed a number of issues, including the following:</p> <ul style="list-style-type: none">• The mechanisms, other than the Governance and Audit Committee, that are in place to ensure that the Council implements the recommendations from Audit Wales and how compliance is tracked
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	<p>and reported back to the Committee.</p> <ul style="list-style-type: none">• The need to include a date where a report is noted as completed.• The opportunities available to elected representatives and the Council to contribute to the review of the governance arrangements of the South Wales Fire and Rescue Authority.• The impact and value of discretionary services. <p><u>RESOLVED:</u></p> <p>The Committee noted the Audit Wales Governance and Audit Committee Report at Appendix A.</p>
Date Decision Made	6 June 2024

151. Going Concern Assessment

Decision Made	<p>The purpose of this report was to inform the Committee of the Section 151 (s151) Officer's (Chief Officer – Finance, Housing and Change) assessment of the Council as a 'Going Concern' for the purposes of producing the 2023-24 Statement of Accounts.</p> <p>Following amendments to the Audit Standards under which the Council's external auditors undertake their audits, the Council's auditors have sought assurance that the Council is able to evidence that it has completed a 'going concern' assessment, which underpins the preparation of the annual Statement of Accounts.</p> <p>The report confirms the assessment of the Council as a going concern as required by the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Local Authority Accounting.</p> <p>In response to the report, Members discussed a number of issues, including the following:</p> <ul style="list-style-type: none">• The reported overspend in the current financial year and the need to draw down earmarked reserves. The Chief Officer - Finance, Housing & Change responded by indicating that where there was a need to draw down on earmarked reserves there would be a process to reprioritize, considering the priorities of the Council, but also around risk.• The pressures on local government finances: That Bridgend County Borough Council was facing the same issues as every other local authority in Wales.• The value of adding more information on the trend in the use of earmarked funds, and a projection
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	<p>of how things might evolve.</p> <ul style="list-style-type: none">• The value of accurate and timely forecasting.• The need for clarity when reporting to Cabinet and Council about where funds have been taken from (whether from earmarked reserves and/ or the Council Fund) to cover the overspend. The Chief Officer - Finance, Housing & Change indicated that it was her strong advice that if we draw on the Council Fund that it is not reduced by anything more than is absolutely necessary. A Member noted that minimising the reduction in the Council Fund would help protect our position as a going concern.• The Council's plans to enhance its governance framework and financial oversight to prevent future overspending and ensure more accurate budget forecasts in the future. In response, the Chief Officer - Finance, Housing & Change indicated that the Council was always looking to improve and to strengthen controls. She noted that the pressures the Council was facing were completely unprecedented and she had given an undertaking that the monitoring of our position during the financial year would be enhanced, and that would include efforts to pick up variances very early so that action could be taken with the relevant managers as soon as possible. She sought to further reassure members that both Audit Wales and the Regional Internal Audit Service have always been very positive about the governance structures within Bridgend. <p><u>RESOLVED:</u></p> <p>The Committee accepted the outcome of the assessment of the Council's going concern status for the purpose of preparing the 2023-24 Statement of Accounts.</p>
Date Decision Made	6 June 2024

152. Corporate Risk Assessment

Decision Made	<p>The purpose of the report was to provide the Governance and Audit Committee with an updated Corporate Risk Assessment.</p> <p>The Corporate Risk Assessment is reviewed by the Governance and Audit Committee as part of the Council's quarterly Corporate Performance Assessment framework.</p> <p>The Corporate Risk Assessment has been considered and reviewed in consultation with Corporate Management Board.</p>
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	<p>All risks have been updated to reflect the current corporate risks being managed by the Authority.</p> <p>In response to the report, Members discussed a number of issues, including the following:</p> <ul style="list-style-type: none">• The way in which the raw and residual risk scores have been evaluated and presented under the item concerned with delivering a balanced budget and sustaining services into the medium term.• The threat to business continuity if the Council is unable to procure and implement major ICT systems which support critical services such as a replacement system for Care Director (WCCIS) and the Capita One system for education. In response to comments from the Chairperson, the Chief Officer - Finance, Housing & Change undertook to discuss with relevant managers the risk status of this entry on the Corporate Risk Assessment.• That the Appendix in the printed version of the Agenda pack was in too small a font, and as such, the the original document would be sent to Members after the meeting. <p><u>RESOLVED:</u></p> <p>The Committee considered the Corporate Risk Assessment (Appendix A); and agreed to the amendment of the risks detailed in paragraph 3.2.</p>
Date Decision Made	6 June 2024

153. Audit Wales' 'Audit Enquiries to Those Charged with Governance and Management' for the 2023-24 Audit

Decision Made	<p>The report provided the Committee with Audit Wales' 'Audit enquiries to those charged with governance and management' letter, which asks a number of questions in respect of the Council's governance arrangements for completion by 30 June 2024.</p> <p>Audit Wales undertakes the annual audit of the Council's Statement of Accounts. As part of the planning of the audit, the Auditor General is required to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.</p> <p>Appendices 1 to 3 of the letter set out a number of questions to management and those charged with governance. Responses have been provided to each of the questions, as set out in Appendix A.</p>
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	<p>In response to the report, Members discussed a couple of issues, including the following:</p> <ul style="list-style-type: none">• The need to amend the reference in the Audit Wales document to 'Governance and Audit Committee' rather than just 'Audit Committee'.• The need for additional training and briefings to allow Members to keep up with developments in this area of activity. <p><u>RESOLVED:</u></p> <p>The Committee agreed the responses to Audit Wales' 'Audit enquiries to those charged with governance and management' letter as attached at Appendix A.</p>
Date Decision Made	6 June 2024

154. Annual Internal Audit Report 2023-24

Decision Made	<p>The purpose of the report was to provide the Governance and Audit Committee with the Head of Internal Audit's Annual Opinion on the Council's control environment in relation to governance, risk management and internal control and to inform the Committee of the work and performance of Internal Audit for the 2023-24 financial year.</p> <p>The report informed the Committee of the work and performance of Internal Audit for the Financial Year 2023-24. That information is provided to comply with the Public Sector Internal Audit Standards.</p> <p>Appendix A contained the Annual Internal Audit Report 2023-24 which details Internal Audit's performance, opinions and recommendations made during the year which assist in forming the Head of Internal Audit's Annual Opinion on the Council's overall control environment.</p> <p>From the work undertaken during the financial year 2023-24 and considering other sources of assurance, the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2023-24 is of Reasonable Assurance.</p> <p>Those audits that provided an audit opinion during the year are listed in Annex 1, the detailed position against the audit plan is at Annex 2 and Annex 3 is the recommendation monitoring position statement.</p>
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In response to the report, Members discussed a number of issues, including the following:

- The audit reviews that identified control issues which meant that only *Limited Assurance* could be provided, and the issue of whether Members should receive more details in these circumstances. In particular, a Lay Member highlighted two:
 - The review of Procurement Tender Evaluation & Award, where the focus was on supplier payments for which there was no associated entry on the Council's contract register; and,
 - The review of Recycling and Waste Management, which found that no independent calculation or reconciliation was conducted as part of the review process prior to payment of monthly variable cost invoices to contractors. This resulted in financial errors and income not being recovered or claimed by the Local Authority.

In response, the Head of the Regional Internal Audit Service (RIAS) stressed that reports were written for the service managers and directors from an internal perspective and that is why a summary was provided for the Committee. The key was to ensure that the process was in place to address identified weaknesses. If Members are concerned about a particular review, then it was possible to provide the Committee with the agreed action plans.

- The metrics or KPIs that were used to measure the impact of recommendations. In response, the Head of the RIAS explained that their role was to identify where there was a weakness or a strength in a particular control environment. They identified a risk to that weakness because that exposed the authority to a risk if there was a gap or a weakness in the controls, and they determined whether that was high, medium, or low. That was subjective but that was the case for all audits in the public sector, across the UK.

The Chairperson thanked and congratulated the Head of RIAS and his staff for the report and the work undertaken over the year. He stressed the importance of the audit reviews that identified control issues which meant that only *Limited Assurance* could be provided and the need for the responses from service managers and directors to be brought to the next meeting of the Committee.

RESOLVED:

The Committee considered and noted the Annual Internal Audit Report for the 2023-24 financial year including the Head of Internal Audit's Annual Opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control.

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155. Internal Audit Strategy & Risk Based Plan 2024-25

Decision Made	<p>The purpose of the report was to provide members of the Governance and Audit Committee with the Annual Internal Audit Strategy and Risk Based Plan for 2024-25 for approval.</p> <p>In line with the Public Sector Internal Audit Standards the Head of Internal Audit must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The risk-based audit plan covers the Council's overall control environment including risk, governance, and internal controls as far as practicable.</p> <p>Consideration of the Regional Internal Audit Service's Audit Strategy and Annual Risk Based Plan is one of the Governance and Audit Committee's key responsibilities.</p> <p>The proposed Internal Audit Strategy for 2024-25 was attached at Appendix A and the Annual Risk Based Plan for 2024-25 was attached at Appendix B.</p> <p>The Strategy demonstrated how the Internal Audit Service would be delivered and developed in accordance with its Terms of Reference. The Strategy would be reviewed and updated annually in consultation with stakeholders, namely the Governance and Audit Committee, Corporate Management Board, External Auditors and Senior Management.</p> <p>The plan provided the Committee with an overview of the work to be undertaken which would offer sufficient coverage to be able to provide an opinion at the end of 2024-25.</p> <p>In response to the report, the Chair stressed the importance of the high priority audits.</p> <p><u>RESOLVED:</u></p> <p>The Committee considered and approved the draft Internal Audit Strategy (Appendix A) and draft Annual Risk Based Audit Plan for 2024-25 (Appendix B).</p>
Date Decision Made	6 June 2024

156. Regional Internal Audit Service Charter 2024-25

<p>Decision Made</p>	<p>The purpose of the report was to present to members of the Governance and Audit Committee the Regional Internal Audit Service Charter for 2024-25 for approval.</p> <p>The Regional Internal Audit Service (RIAS) Charter establishes the position of internal audit activity within each Council along with reporting lines. It is a formal document that defines the purpose, authority, and responsibility of internal audit activities across Bridgend, Merthyr Tydfil, and the Vale of Glamorgan Councils.</p> <p>The Charter was fully reviewed and amended for 2020-21 to be consistent with the objectives of the Shared Service, that is, to eliminate duplication and apply best practice.</p> <p>The Charter also sets out the authorisation of access to records, personnel, and physical property relevant to the performance of audit work and defines the scope of internal audit activities.</p> <p>The Regional Internal Audit Service Charter for 2024-25 has been reviewed to ensure it continues to reflect the requirements of the PSIAS and that it remains applicable to all partners involved in the RIAS.</p> <p>The Charter has been updated to reflect that RIAS is now a 3-partner operating model. Reference to the Global Internal Audit Standards is included in paragraph 2.14, and a reference to the Anti-Fraud, Bribery and Corruption Policy is made following a recommendation made during the External Assessment of RIAS.</p> <p>Paragraph 4.11 of the Charter relating to External Assessment has also been updated to reflect that this was successfully completed and reported to all partners' Governance and Audit Committees during 2023.</p> <p>In response to the report, a Member raised the following issue:</p> <ul style="list-style-type: none">• The importance of elected and lay members together with RIAS having a sound working relationship, and whether, apart from the formal meetings there were any other opportunities (briefings, training, an away day, attending external events) to meet each other and to discuss matters of concern. The Chairperson suggested that the Head of the RIAS could explore what could be supported, including an annual training event, by his team.
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	<p><u>RESOLVED:</u></p> <p>The Committee considered and approved the Regional Internal Audit Service Charter for 2024-25 as attached in Appendix A of the report and requested that a training session be organised for Members and Lay Members to explore the outcomes from reviews and good practice.</p>
Date Decision Made	6 June 2024

157. Forward Work Programme 2024-25

Decision Made	<p>The purpose of this report was to seek approval for the updated Forward Work Programme for 2024-25.</p> <p>In response to the report, Members discussed a number of issues, including the following:</p> <ul style="list-style-type: none">• Whether it might be possible to look at an area, like treasury management for example, in more depth and deepen Members' understanding through additional training. This was especially important given the number of new Members on the Committee.• The need to explore whether a report on ICT issues could be added to the Forward Work Programme.• Whether something needed to be done to provide assurance that we have a robust process around the management of the capital programme. <p><u>RESOLVED:</u></p> <p>The Committee considered and approved the updated Forward Work Programme for 2024-25, and reiterated the need for the responses from service managers responding to the audit reviews that identified control issues which meant that only <i>Limited Assurance</i> could be provided be brought to the next meeting of the Committee.</p>
Date Decision Made	6 June 2024

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158. Urgent Items

Decision Made	None
Date Decision Made	6 June 2024

To observe further debate that took place on the above items, please click this [link](#).

The meeting closed at 12:15pm.