

**GOVERNANCE AND AUDIT COMMITTEE - THURSDAY, 10 SEPTEMBER 2020**

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN REMOTE MEETING VIA SKYPE FOR BUSINESS ON THURSDAY, 10 SEPTEMBER 2020 AT 14:00**

**Present**

Councillor LM Walters – Chairperson

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

**Apologies for Absence**

Mark Thomas      Head of Regional Internal Audit Service

**Officers:**

Mark Jones	Financial Audit Manager, Wales Audit Office
Andrew Rees	Democratic Services Manager
Gill Lewis	Interim Chief Officer – Finance, Performance and Change
Michael Pitman	Democratic Services Officer - Committees
Nigel Smith	Finance Manager
Deborah Exton	Interim Deputy Head of Finance
Joan Davies	Audit Client Manager

**Lay Member:**

Josephine Williams

**197. DECLARATIONS OF INTEREST**

None

**198. APPROVAL OF MINUTES**

**RESOLVED:** That the minutes of the 16/07/2020 be approved as a true and accurate record subject to the addition of the following attendees: Gill Lewis, Josephine Williams, John Llewellyn

**199. AUDIT COMMITTEE ACTION RECORD**

The Democratic Services Manager presented a report which updated Members on the Audit Committee Action Record.

He advised that the action record devised to assist the Committee in tracking decisions made by the Committee in the exercise of its functions. The action record was presented to the committee at every meeting. The up to date action record was attached at Appendix A of the report.

**RESOLVED:** That the Audit Committee noted the action record.

**200. AUDIT WALES AUDIT COMMITTEE UPDATE**

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The Audit Wales (AW) representative presented a report which updated the Committee on the Financial and Performance Audit Work undertaken, and due to be undertaken, by Audit Wales during 2020-21.

The AW Representative explained that this item was brought to the Audit Committee at last month's meeting and stated that, due to the summer recess and annual leave, there had not been significant developments since the last meeting.

The AW Representative explained that the 2019-20 performance audit work was drawing to a close by Autumn 2020. She stated that they would not be presenting the Annual Improvement Report as in the past, but there would be an amalgamation of reporting on performance and financial audit. She added that she would update the committee on the method of reporting when she had that information.

The AW Representative explained that the Assurance and Risk Assessment work for 2021 was still underway and that the Recovery Planning work had now begun, with her colleague having recently attended the Recovery Scrutiny Panel. She added that discussions were due to be had with relevant officers and the Chief Executive and Section 151 Officer regarding observations and potential future field work.

The AW Representative explained that with regards to the Financial Sustainability Phase 1 report, the national report was due to be published on the 1<sup>st</sup> October 2020.

The AW Representative explained that with regards to the Digital Focus project, she had been in touch and was now awaiting a response from Officers to arrange a scoping meeting so that field work could begin and a project brief be drafted for the committee which was expected to be ready by Autumn 2020.

The AW Representative explained that she had added a summary of the recent publications to the report, with weblinks.

The Chairperson asked the Interim Chief Officer – Finance, Performance and Change with regards to the National Fraud Report what the arrangements were for addressing the findings and recommendations.

The Interim Chief Officer – Finance, Performance and Change explained that findings from the Annual Corporate Fraud Report later on the agenda would help to form a response to the National Fraud Report and suggested that a report be bought to Members at the next Audit Committee.

A Member asked if a report on mental health was due to be presented in light of the Covid-19 pandemic. The AW Representative stated she would provide an update to the next Audit Committee.

RESOLVED: That the Committee noted the Audit Wales Audit Committee Update at Appendix A of the report.

### 201. CORPORATE RISK ASSESSMENT 2020-2021

The Interim Chief Officer – Finance, Performance and Change presented a report which updated the Audit Committee on the changes to the Corporate Risk Assessment.

She explained that since the risk assessment was last presented to Audit Committee in January a lot had changed. The updated risk assessment was listed at Appendix A of the report and had been reviewed in consultation with Corporate Management Board (CMB) and the Senior Management Team (SMT). She added that it identified the main

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risks facing the Council, their link to the priority themes, the likely impact of these on Council services and the wider County Borough, identified what is being done to manage the risks and who is responsible for the Council's response.

The Interim Chief Officer – Finance, Performance and Change pointed out a couple of instances in Appendix A whereby a number of dates needed amending:

- The heading of Appendix A was incorrect and should read August 2020.
- The date of review for Risk 2, 4 and 6 should read Oct 2020.

The Interim Chief Officer – Finance, Performance and Change explained that during the height of the Covid-19 pandemic, there were daily management meetings whereby risks relating to Covid-19 were identified and dealt with on a daily basis, and therefore were not added to the risk register. She explained that instead these were included in the weekly reports to the Gold meetings and this was thought to be sufficient reporting of the risks relating to Covid-19.

The Interim Chief Officer – Finance, Performance and Change explained that due to Covid-19, additional risks were added to the risk register to ensure thorough management of them throughout the pandemic with the hope that they will quickly drop off in due course. For example, risk 11, risk 12 and risk 13 were ongoing risks related to Covid-19 and would hopefully move off the risk register after in due course. She added that this did not account for any new potential risks that we were not yet aware of as changing circumstances continue to unfold.

The Chairperson thanked the Interim Chief Officer – Finance, Performance and Change and her team for all the hard work managing the situation.

A Member asked for an update on the cash flow and associated risks and how quickly the Welsh Government had been providing money during the Covid-19 pandemic.

The Interim Chief Officer – Finance, Performance and Change explained that with regards to income, this was coming from a multitude of sources and the Council had been claiming from Welsh Government on a monthly basis for additional costs due to Covid and almost three quarters had already been refunded. She added that there had been no cash flow problems.

The Interim Deputy Head of Finance commented on the cash flow risk stating that there were still outstanding payments being made with regards to the Business Grants and although the scheme had now closed, there were outstanding claims that still required information from the valuation office before we could close them.

A Member asked with regards to receiving refunds on Covid-19 related costs, were the Council receiving money back for school cleaning. She gave the example of a year group closing in Bryntirion Comprehensive School, and the school requiring a deep clean, and if this were to continue to happen, would we be facing those costs ourselves as an authority.

The Interim Chief Officer – Finance, Performance and Change explained that with regards to the first deep cleans that were carried out on schools, the Council had received grant money for that. However, with the situation moving fast and the uncertainty of what year groups/schools may close, there was no definitive answer at this time. Welsh Government had not indicated what they were going to do in this situation.

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The Interim Deputy Head of Finance added that Welsh Government provided all schools with funding for the purchase of PPE, cleaning supplies etc. which would cover the schools for the remainder of the term. She added that there had been an indication that more funding would be made available but there was no specific details on that as of yet.

The Lay Member asked with regard to the risks related to Covid-19, if they belonged on the risk register.

The interim Chief Officer – Finance, Performance and Change explained that the cash flow risks tied in with Risk 1 covering the Council's financial sustainability which had always been a risk but had been further amplified by the effects of Covid-19. She added that the other risks were about restoring and recovering services and felt that categorising the risks were better suited to allow the Council to focus on them.

The Lay Member asked for specific details relating to the comments on Risk 2 - 'A review of Council processes has meant that some deemed unnecessary and bureaucratic have ceased but full compliance with those that remain is required.' The interim Chief Officer – Finance, Performance and Change advised that a formal response to this would be provided at the next meeting.

A Member asked what was being done to help care staff in BCBC as it was reported on the news that a sum of 500 pounds was to be paid to them. She asked if this had been arranged yet.

The interim Chief Officer – Finance, Performance and Change explained that the logistics of this had been difficult but the Council were in the process of making those payments. She clarified that the payments were subject to tax and NI and that every carer would actively have to claim for the money as it was not automatically paid.

The Chairperson expressed her concerns with regards to risk number 8 and the ability to recruit new staff and retain current staff. She mentioned that development of current staff, particularly new and younger staff was important and was concerned that this was not incorporated within the risk.

The interim Chief Officer – Finance, Performance and Change agreed that recruiting new staff had posed a challenge, particularly in the role of the Chief Officer – Finance, Performance and Change. She acknowledged the importance of retaining current staff and giving them the opportunity to learn and develop and stated that she would take this point to CMB for further discussions.

The Chairperson expressed her concerns regarding risk 10 and the current situation with home working. She asked if discussions could be had with CMB to incorporate the potential GDPR risks of printing, storing and disposing of confidential documents. The interim Chief Officer – Finance, Performance and Change agreed that further guidance could be produced for staff working from home to ensure that this risk is managed.

The Chairperson mentioned the Covid-19 Recovery Panel had been established and that this had not been incorporated in risk 11 as a means of tackling the risk. The interim Chief Officer – Finance, Performance and Change said that she would present this to CMB.

**RESOLVED:** That Members considered changes to the Corporate Risk Assessment and agreed to receive a further report in January 2021 concerning the 2021-22 Corporate Risk Assessment and review of the Corporate Risk Management Policy.

**202. ANNUAL TREASURY MANAGEMENT OUTTURN REPORT 2019-20**

The Interim Group Manager – Chief Accountant presented a report which updated the Audit Committee on the outturn position for treasury management activities, the Treasury Management Indicators for 2019-20 and highlighted compliance with the Council's policies and practices before they are reported to Cabinet and Council.

The Interim Group Manager – Chief Accountant explained that the Audit Committee has been nominated to be responsible for ensuring effective scrutiny of the Treasury Management Strategy (TMS) and activities. During the 2019-20 financial year, Audit Committee received the Annual Treasury Management Outturn Report 2018-19 in June 2019, the Half Year Treasury Management Report 2019-20 in November 2019 and the TMS 2020-21 in January 2020. Further background was listed at section 3 of the report.

The Interim Group Manager – Chief Accountant explained that the Council's treasury management advisors were Arlingclose. The current services provided to the Council included:

- advice and guidance on relevant policies, strategies and reports
- advice on investment decisions
- notification of credit ratings and changes
- other information on credit quality
- advice on debt management decisions
- accounting advice
- reports on treasury performance
- forecasts of interest rates
- training courses

Following a recent tender process, the contract for Arlingclose had been renewed for a period of 4 years, until August 2024 which allowed a continued positive relationship with them and to benefit from their knowledge of the Council and the financial position.

The Interim Group Manager – Chief Accountant explained that 2019-20 had been a challenging year with Brexit and more recently the Covid-19 pandemic. This had seen changes in interest rates and inflation rates. Further economic context was provided at 4.1 of the report.

The Interim Group Manager – Chief Accountant explained that a summary of the treasury management activities for 2019-20 was shown in Appendix A of the report. The Council's external debt and investment position for 1 April 2019 to 31 March 2020 was shown in Table 1 and more detail was provided in section 3, Borrowing Strategy and Outturn, and section 4, Investment Strategy and Outturn.

He reported that no long term borrowing was taken out in 2019-20 and no debt rescheduling was undertaken as there were no significant savings to be made, however, the loan portfolio will be reviewed during 2020-21.

Favourable cash flows have provided surplus funds for investment and the balance on investments at 31 March 2020 was £30 million, with an average interest rate of 0.82%. This was an increase in investments outstanding from the start of the financial year where investments were £27.4 million (average interest rate 0.94%). Table 2 in Appendix A details the movement of the investments by counterparty types and shows the average balances, interest received, original duration and interest rates for 2019-20.

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The Interim Group Manager – Chief Accountant outlined key points in Appendix A of the report which included:

- External Debt and Investment Position
- Borrowing Strategy and Outturn for 1 April 2019 to 31 March 2020
- Investment Strategy and Outturn 1 April 2019 to 31 March 2020

He explained that the main objectives during 2019-20 were:

- To maintain capital security
- To maintain liquidity so funds are available when expenditure is needed
- To achieve the yield on investments commensurate with the proper levels of security and liquidity

He added that favourable cash flows had provided positive cash balances for investment and the balance on investments at 31 March 2020 was £30 million. Further details were shown in Table 2 which details these investments by counterparty type.

The Interim Group Manager – Chief Accountant explained that there were two long term investments (original duration of 12 months or more) outstanding at 31 March 2020 totalling £4 million with Local Authorities included in Table 3, which will mature during 2020-21. All other investments at 31 March 2020 were short term deposits (including instant access and notice accounts). Further details were at Table 3.

A Member asked if the Council were looking at the effects of Brexit on their treasury management strategy.

The Interim Group Manager – Chief Accountant advised that he was involved with a Brexit group that looked at the effects of Brexit on areas like Interest rates etc. He explained that details of Brexit were not clear enough to be able to provide a detailed response as of yet.

**RESOLVED:** That the Audit Committee note the annual treasury management activities for 2019-20.

### **203. STATEMENT OF ACCOUNTS 2019-20**

The Interim Group Manager - Chief Accountant submitted the final Statement of Accounts for 2019-20, which was now due to be certified by the external auditors, Audit Wales, and the associated Letter of Representation of the Council. He stated that Audit Wales will update the Committee on their main findings from the audit, summarise the audit work carried out in respect of the 2019-20 financial year, and present their Audit of Financial Statements Report, which required the appointed auditor to report those key findings to those charged with governance.

He reported that the unaudited Statement of Accounts 2019-20 was signed by the responsible financial officer on 30 June 2020 and presented to the Audit Committee on 16 July 2020 for noting. He stated that during the intervening period the external audit had taken place, resulting in amendments being made to the financial statements noted below:

- Comprehensive Income and Expenditure Statement – to correct the treatment of an asset disposal between Cost of Services and Other Operating Expenditure.
- Balance Sheet – increase in assets to represent the return of a care home to Council ownership.

Neither of these adjustments had an impact on the Council Fund.

He reported that a number of notes were amended that did not affect the financial position of the Council, which are detailed within the Auditor's Report. He stated that the audited Statement of Accounts 2019-20 are required to be signed by the Chief Financial Officer and the Chair of the Audit Committee by 15 September, as presenting a 'true and fair view' of the financial position of the Council as at 31 March 2020.

He also reported that Audit Wales have substantially completed their audit work and the Statement of Accounts are due to be signed by the Auditor General for Wales on 14 September 2020, subject to Audit Committee approval of the accounts. The Council Fund and Earmarked Reserves balances as at 31 March 2020, as presented to the Audit Committee in June 2020, have not changed. He stated that one recommendation had been raised following the audit, compared to nine the previous year. The recommendation is in relation to the oversight of the Council's Fixed Asset Register in that the Council should strengthen its controls in relation to the Asset Register by undertaking regular reviews of access and use of the system. He reassured the Committee, that annual checks are undertaken through ensuring opening balances in the current year match closing balances the prior year as part of the annual Statement of Accounts Closing process, and additions and disposals match transactions within the core accounting system. He stated that reviews will be undertaken during the year to ensure the continued integrity of the data held within the Asset Register to provide additional assurance in line with the recommendation.

The Audit Wales representative informed the Committee that it had discharged its requirements and intended to issue an unqualified audit certificate, confirming that they present a true and fair view and are properly prepared. He thanked the staff for their professionalism and informed the Committee that the Auditor General will certify the accounts on 14 September 2020.

The Interim Group Manager Chief Accountant commented on the positivity of the report which had been achieved during a challenging time with several new members of staff joining the Team. He thanked the Audit team for their support.

The Interim Chief Officer Finance, Performance and Change and Chairperson thanked the Finance Team and the external auditors for their work on the Statement of Accounts.

**RESOLVED:** That the Committee:

- approved the audited Statement of Accounts 2019-20 as amended (Appendix A)
- noted the appointed auditors Audit of Financial Statements report (Appendix B)
- noted and agreed the Final Letter of Representation to the Wales Audit Office (Appendix C).

**204. PORTHCAWL HARBOUR AUDIT LETTER**

The Interim Group Manager Chief Accountant submitted the Appointed Auditor's Annual Audit Letter 2019-20 for Porthcawl Harbour.

He reported that the Appointed Auditor intended to issue an unqualified audit certificate, confirming that they present a true and fair view of the Harbour's financial position and transactions. He stated that the letter also confirms that the Appointed Auditor is

satisfied that there were no misstatements found in the Annual Return and no other matters affecting their audit opinion. He informed the Committee that it was anticipated that the Appointed Auditor will formally certify that the audit of the accounts has been completed, on 14 September 2020.

**RESOLVED:** That the Committee noted the Annual Audit Letter 2019-20.

**205. ANNUAL INTERNAL AUDIT PLAN**

The Audit Client Manager Internal Audit presented the Annual Internal Audit Risk Based Plan for 2020-21.

She reported that 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. She stated that in order to develop the risk-based plan, the Head of Internal Audit consults with senior management and the board and obtains an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes. The Head of Internal Audit must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems and controls.

The Audit Client Manager reported that the draft audit plan for 2020-21 was due to be presented to Audit Committee in April 2020 however the COVID19 outbreak delayed the planning process as significant new risks and ways of working had to be considered to inform the Plan. She informed the Committee that urgent decisions were made in March 2020 in relation to how Council services would need to operate in light of the pandemic and emergency arrangements were put in place around decision making and governance in case they were needed and normal Council and Committee meetings were suspended. She stated that to maintain continuity of service wherever possible, the Council moved extremely quickly to equip as many of its office-based staff with mobile technology to enable homeworking within a very short timescale. Where roles for staff diminished because of reduced volumes of work or services not being delivered, opportunities for temporary redeployment were actively sought and implemented.

The Audit Client Manager reported that because of the significant changes to the way the Council was and is operating it has been necessary to re-evaluate the original draft plan to develop a revised Risk Based Plan for 2020-21. She stated that the items identified in the original plan following the various consultation meetings held in January to March 2020 (prior to COVID 19) were included as a basis for this revised plan alongside an assessment of risk at that time. An updated assessment of risk because of COVID 19 has also been undertaken.

The Audit Client Manager informed the Committee that there will be a different emphasis due to the impact of COVID; risks arising from COVID, availability of audit and service staff and challenges arising from the remote ways of working. She stated that the revised plan is also more flexible than usual to be able to respond to changing circumstances and events that may occur such as a second wave/outbreaks, ability to access staff and evidence or requests to respond to new issues that may emerge. Internal Audit work will be undertaken remotely using video conferencing and digital solutions as a basis for meetings and sharing documents and data.

The Audit Client Manager reported that the proposed plan will offer sufficient coverage to be able to provide an opinion at the end of 2020/21 whilst having regard to the unprecedented impact caused by the COVID pandemic and that the Committee will

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receive updates on how the plan is being delivered and any changes that may be required in light of the experience of working in completely different circumstances and environment.

A member of the Committee questioned the reason for there being no indication of priorities and for the timetabling of work. The Audit Client Manager informed the Committee that no priorities had been allocated within the plan, all were deemed high or medium risk and she was confident that all the items on the plan were achievable. Work had already commenced with grant verification work underway. The Audit Client Manager also informed the Committee that a report will be presented to the next Committee on progress made against this plan to date and she stated there were no areas of concern.

The Committee requested that it be provided with detail of the 12 items which had been deferred and whether they will be considered next year or will assurance be gained elsewhere. The Audit Client Manager undertook to provide the Committee with details of the work which had been deferred.

The Committee referred to the number of vacancies within the Internal Audit Team and that SWAP Internal Audit Services had been used to undertake audit work over the past 2 years and whether other providers would be considered. The Audit Client Manager informed the Committee that it was the intention to carry out a tender exercise.

- RESOLVED:      That:
- Committee gave due consideration and approved the proposed Internal Audit Annual Risk Based Plan for 2020/21 in line with its Terms of Reference.
  - A report be presented to the next Committee on progress with the Internal Audit Plan to date.
  - The members be provided with details of the 12 items which have been deferred and the intended treatment moving forward.

### 206. ANNUAL CORPORATE FRAUD REPORT 2019/20

The Audit Client Manager presented the joint report of the Interim Chief Officer – Finance, Performance and Change & the Head of the Regional Internal Audit Service on the Annual Corporate Fraud Report 2019-20. The report provided the Committee with details of the actions undertaken in respect of counter fraud during 2019/20 including an update on the National Fraud Initiative (NFI) Exercise.

The Audit Client Manager reported on the arrangements in place for managing the risks of fraud with the aim of prevention, detection and subsequent investigation and reporting of fraud. She stated that the Council sets high standards for both Members and Officers in the operation and administration of the Council's affairs and has always dealt with any allegations or suspicions of fraud, bribery and corruption promptly. The Council has in place policies, procedures, and reporting mechanisms to prevent, detect and report on fraud, bribery and corruption, which include the Fraud Strategy and Framework, a Whistleblowing Policy, ICT Code of Conduct and the Anti-Fraud and Bribery Policy. The Fraud Strategy and Framework 2018/19 to 2020/21 continues to underpin the Council's commitment to prevent all forms of fraud, bribery and corruption, whether it be attempted externally or from within.

The Audit Client Manager summarised the counter fraud work undertaken within the Authority during 2019/20. She stated that the Council's Fraud Strategy and Framework includes reactive and proactive work with the proactive work included in an action plan

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which sets out the developments the Council is undertaking to improve its resilience to fraud and corruption and she outlined the progress made against the action plan. A Fraud Prevention e-learning module has been developed and rolled out to staff, fraud information is being updated and being made available to staff on the intranet and a more detailed fraud risk assessment process is being developed that will link to the corporate risk management process.

The Audit Client Manager also reported on details of the last data matching exercise which was based on data extracted in September 2018, wherein a total of 484 frauds or errors had been identified equating to £41,700 of recoverable funds which are mostly council tax or housing benefit related. She stated that the next data matching exercise will commence in 2020/21, data is to be extracted in October 2020 and the new matches will be returned in January 2021. She also provided the Committee with detail of the internal counter fraud work undertaken by Internal Audit and the Council's Fraud Investigator including internal investigations and council tax reduction investigations. She stated that joint working was also undertaken during 2019/20 with Bridgend CBC working with the Single Fraud Investigation Service on any appropriate benefit investigations and working in partnership with Portsmouth City Council to undertake blue badge enforcement action. Local networking is also in place which has enabled intelligence to be shared particularly in respect of new scams since the outbreak of COVID-19.

A member of the Committee commented on the need for the framework which was last considered by the Committee in January 2019 to be refreshed. The Interim Chief Officer Finance Performance and Change informed the Committee that a refreshed strategy will be presented to the Committee in November. She informed the Committee that the emphasis on the Annual Corporate Fraud Report had been changed to mainstream fraud and corruption work. She also informed the Committee that the newly appointed Senior Fraud Officer was attending Committee today.

RESOLVED: That:

- The Committee noted the report, the measures in place and the work being undertaken to prevent and detect fraud and error.
- A refreshed fraud strategy be presented to the next Committee.

### 207. UPDATED FORWARD WORK PROGRAMME 2020-21

The Interim Deputy Head of Finance sought approval for the proposed Updated Forward Work Programme for 2020-21 and highlighted the core functions of an effective Audit Committee.

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

RESOLVED: That Members considered and approved the proposed Forward Work Programme for 2020-21.

### 208. URGENT ITEMS

There were no urgent items.  
The meeting closed at 15:40