

**GOVERNANCE AND AUDIT COMMITTEE - FRIDAY, 18 JUNE 2021**

**MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD REMOTELY - VIA MICROSOFT TEAMS ON FRIDAY, 18 JUNE 2021 AT 14:00**

Present

Councillor LM Walters – Chairperson

CA Green	JE Lewis	B Sedgebeer	RM Granville
AJ Williams	PA Davies	A Hussain	E Venables

Apologies for Absence

MJ Kearns, P Davies and TH Beedle

Officers:

Simon Roberts	Senior Fraud Investigator
Deborah Exton	Interim Deputy Head of Finance
Mark Thomas	Head of Regional Audit Service
Samantha Clements	Audit Wales
Sarah-Jane Byrne	Local Government Manager, Wales Audit Office
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
Eilish Thomas	Finance Manager - Financial Control & Closing
Jason Blewitt	Audit Wales

Lay Member:

Mrs Josephine Williams

245. ELECTION OF CHAIRPERSON

There were two nominations received for the election of Chairperson, both of which were duly seconded, namely Councillor L Walters and Councillor E Venables.

Following a vote on this appointment it was

**RESOLVED:** That by way of a majority vote, Councillor Walters be appointed Chairperson of the Governance and Audit Committee for the ensuing year.

Councillor Walters took the Chair.

246. ELECTION OF VICE-CHAIRPERSON

Councillor E Venables was nominated Vice-Chairperson of the Governance and Audit Committee. This nomination was duly seconded. There were no further nominations.

**RESOLVED:** That Councillor Venables be appointed Vice-Chairperson of the Governance and Audit Committee for the ensuing year.

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### 247. DECLARATIONS OF INTEREST

None.

### 248. APPROVAL OF MINUTES

RESOLVED: That the Minutes of a meeting of the Governance and Audit Committee dated 22 April 2021, be approved as a true and accurate record.

### 249. GOVERNANCE AND AUDIT COMMITTEE ACTION RECORD

The Senior Democratic Services Officer - Committees 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 stated that the first action on the tracker had been covered at the last meeting and therefore could be highlighted grey to show as completed.

A Member clarified the wording of 'action to be brought to committee' and said that this should be amended to 'brought'.

The Audit Wales Representative mentioned the Financial Sustainability Report was not on the meeting agenda today, but that this would be discussed at the next committee meeting which was scheduled for July 2021.

RESOLVED: That the Committee noted the report subject to the above changes.

### 250. AUDIT WALES GOVERNANCE AND AUDIT COMMITTEE REPORTS

The Financial Audit Manager presented the report which set out progress for the year, including an update on the financial and performance audit work both undertaken, and due to be undertaken, by Audit Wales, and to introduce a presentation to the Committee on the National Fraud Initiative.

The Audit Wales Representative outlined the financial audit work which covered the status of the topics listed in Appendix A of the report.

The Audit Wales Representative explained that further progress had been made with these and said that the final letter had just been issued this week to the council on the Recovery Planning topic. She added that a final report had also been issued on the Digital Council topic. She explained that a number of the topics were in early stages and had not yet commenced but many had begun and were in the scoping phase.

The Chairperson recognised that there were a number of pieces of work in the scoping phase, but there were no dates provided for the likely completion of these. She asked if these dates, or approximate dates, would be made available to Committee, as she was conscious of the possibility that BCBC staff could be inundated with all the work at once.

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The Audit Wales Representative explained that they were looking at around the autumn time for completion of these pieces of work, but there was still a large amount of scoping to do, so she could not at this time, guarantee specific time frames.

The Lay Member asked with regards to learning from the past year, initiating change and utilising any opportunities that were made available, what were the plans to collaborate and share information with Welsh Government in this. The Audit Wales Representative stated that the team that worked on this were meeting with the WLGA to discuss this going forward. She added that following from conversations with other Local Authorities, it had been recognised that there needed to be collaborative working and that was the general consensus of all conversations when discussing the future.

The Chairperson asked where reports were sent to within BCBC as there were a number of reports that were less specific and may be less obvious where they needed to go, ie a contact point. The Audit Wales Representative stated that there were a number of key contacts that were used and believed that these reports would be distributed to the senior officers of BCBC, but she would check on the specifics of this, and come back to Committee with the details.

The Audit Wales Representative gave a presentation on the National Fraud Initiative (NFI) which provided details on what the NFI was, including related elements of this. The presentation would be circulated to Members following the meeting.

A Member asked if there were any security risks with the NFI system.

The Audit Wales Representative explained that all data was dealt with in compliance with Data Protection laws and any time new data was being introduced, conversations were had with the Information Commissioner to ensure the data was being dealt with accordingly. Any time an action was required, NFI officers would provide sufficient evidence of fraud or the risk to commit fraud. He added that the information held was audited in accordance with the Welsh Governments national security standards.

A Member asked how identity fraud was found with regards to passports and drivers licences when the holder had passed away. The Audit Wales Representative explained that there were methods of matching details within NFI that helped prevent the misuse of this type of identification. An example was information that had been shared from the Metropolitan Police to assist in data matching.

A Member asked how much of the money identified in fraud was returned to the public purse.

The Audit Wales Representative explained that the amount was around 50% and this was due to a number of reasons, one of which was that many of the fraudsters already spend the money before they are caught and therefore did not have the means to repay.

A Member asked if NFI looked at patterns or trends with regards to detecting fraud. The Audit Wales representative stated that there was no profiling carried out, all fraud detections were dealt with on an individual basis.

A Member asked if there were any problems with NFI and/or detecting fraud that were worth noting. The Audit Wales Representative stated that there were sometimes matches that were not fraud or errors, but rather data quality issues or false positives. He added that when providing the information back to bodies, the information had to be carefully considered, as not all such information provided was fraudulent.

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A Member asked if the NFI system could be used to benefit people who were entitled to more benefits and also to prevent people who were unintentionally over claiming to continue doing so, and prevent them needing to pay back a substantial amount of money in the future if it were to be detected as potential fraud.

The Audit Wales Representative explained that the system was not currently able to do that and the legislation also prevented NFI from doing it. It was something worth noting and looking into for the future if that were to change.

### RESOLVED:

That the Committee noted the Audit Wales Governance and Audit Committee Reports at Appendix A and Appendix B to the report, and the letter from Audit Wales at Appendix C, as well as the presentation on the National Fraud Initiative.

## 251. STATEMENT OF ACCOUNTS 2020-21 (UNAUDITED)

The Group Manager – Chief Accountant presented a report with the unaudited Statement of Accounts for 2020-21 for noting.

He advised that the Council's unaudited Statement of Accounts for the financial year ending 31 March 2021 was attached at Appendix A to the report. The Statement of Accounts comprised a number of different statements relating to financial performance and reserves, as well as the Annual Governance Statement. The Annual Governance Statement will be signed by the Leader of the Council and Chief Executive once the audit has been completed.

The Accounts include the following core Financial Statements (pages 16 to 19 of the Accounts):

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement

The Group Manager – Chief Accountant provided figures relating to the reserves of the Council and outlined the key areas of such. The figures were listed at section 4 of the report.

The Group Manager – Chief Accountant explained that the total capital spending during 2020-21 was £23.461 million. Assets created, improved or under development as a result of this spend included:

- East Hub at Brynteg School
- New mobile classrooms at Mynydd Cynffig Primary School
- Maesteg Town Hall Cultural Hub

The Group Manager – Chief Accountant explained that the unaudited statement of accounts was now being audited by Audit Wales and a final version of the accounts would be brought back to the Governance and Audit Committee at the meeting in July 2021. He further outlined the financial statement sections of Appendix 1 which covered the following:

- Expenditure and Funding Analysis

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- Note to the Expenditure and Funding Analysis
- Expenditure and Income Analysed by Nature
- Precepts and levies
- Council Tax
- Grants
- Usable reserves

The Chairperson thanked the team for the report and found that the information displayed was broken down well and made easier to read this year.

The Lay Member asked if it was to be expected that the Council was at an underspend for the year, given the difficulties faced since the Pandemic.

The Chief Officer – Finance Performance and Change explained that BCBC were able to obtain a small surplus of cash but given the pressures that were likely to come once the hardship funds for businesses and other grants had stopped, earmarked reserves had been increased with the surplus and that would be used to help with the pressures that were anticipated.

A Member asked if thought had been given to people who had got over Covid-19 but still experienced the 'long covid' symptoms and needed support for these.

The Chief Officer – Finance Performance and Change explained that there was a Covid-19 reserve fund which had been used for emergencies. The fund had also been increased at year end. She added that the fund would continue for the foreseeable future and would cover a number of aspects of Covid related issues.

The Chairperson asked in relation to the overdraft on page 92, what the details surrounding this were.

The Group Manager – Chief Accountant explained that there were funds due to come back to the accounts on the 31<sup>st</sup> March 2021, but that these were not returned until after the year end. The funds were returned a few days later and the team requested further money due to the interest charges incurred, which were paid.

The Chairperson asked with regards to debtors, the figures in the table on page 129, went up from 25,168 to 43,489. She asked what the reasons for this were.

The Group Manager – Chief Accountant explained that a large element of this was due to the pooled funding arrangement for residential care between social services, Cwm Taf Health Board, RCTCBC and Merthyr CBC. A payment of £9 million needed to be made for residential care. An increase in sales ledger debt of £4.75 million year on year also contributed to this figure and the Council Tax debtor provision had increased by £2.4 million. There were due to be grants received in the year which did not arrive until after the year end so this increased the level of debtors by £6 million in total. Most of these issues were timing issues, and much of it would be recovered throughout the following year, he concluded.

### RESOLVED:

That the Committee noted the unaudited Statement of Accounts 2020-21 at Appendix A to the report.

**252. PORThCAWL HARBOUR RETURN 2020-21 (UNAUDITED)**

The Group Manager – Chief Accountant presented a report of the unaudited Porthcawl Harbour Return 2020-21 for approval. The Council's unaudited Porthcawl Harbour Return for the financial year ended 31 March 2021, was attached at Appendix A.

He explained that the return was produced in accordance with International Financial Reporting Standards (IFRS) rather than the amount to be funded in cash terms when the budget is set. Therefore, these statements include items such as depreciation on property, plant and equipment, the estimated cost of the shortfall on the pension scheme and other technical adjustments.

The Group Manager – Chief Accountant advised that the Harbour achieved a balanced position as at 31 March 2021. It generated £257,302 in fees, primarily for boat berthing/mooring. The main items of expenditure were staffing costs (£74,531) and depreciation of the Harbour assets (£113,518). The value of the Harbour and associated assets, including the kiosk and slipway, as at 31 March 2021, was £3,056,781.

The return has been reviewed by Internal Audit, with no amendments to the same. This will now also be audited by Audit Wales.

**RESOLVED:** That the Committee approved the unaudited Porthcawl Harbour Return 2020-21 at Appendix A.

**253. ANNUAL GOVERNANCE STATEMENT 2020-21**

The Interim Chief Officer – Finance, Performance and Change submitted a report, the purpose of which, was to present to the Governance and Audit Committee the Annual Governance Statement 2020-21 (AGS) for approval and inclusion within the unaudited Statement of Accounts 2020-21.

This item was presented by the Chief Executive.

The report reminded Members, that Regulation 5 (2) of the Accounts and Audit (Wales) Regulations 2014, requires an authority to undertake, as part of its arrangements for corporate governance, an annual review of governance and report on internal control.

The Chief Executive explained that good corporate governance requires the active participation of Members and officers across the Council. These arrangements are reviewed on an annual basis and the findings used to update the AGS. This helps to ensure the continuous improvement of the Council's corporate governance culture. The inclusion of the AGS within the Statement of Accounts provided Committee with 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 2020-21 has been reviewed by Corporate Management Board (CMB) and Cabinet. The draft AGS was attached at Appendix A to the report.

The Chief Executive confirmed that there had been and still were, going forward, some very significant challenges to be met, for example, ICT, home working, the delivery of certain provisions of the Local Government and Elections (Wales) Act 2021, so continual review of the way the Council operates would be needed to overcome these going forward.

He also confirmed 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 2020-21.

The Chairperson commended the document that supported the covering report and was pleased to see that a lot of work had been committed to its narrative and it was user friendly. It clearly stated the actions the Authority had taken to manage work and governance issues during the pandemic and the impact this has had on the business of the Council.

A Member referred to page 212 of the report and the Table identifying the well-being goals/objectives and she wondered why, against the objective of Wellbeing goals/objectives, there was not a tick against the objective entitled 'A Resilient Wales – and Helping people in Communities to be more Healthy and Resilient.'

The Interim Chief Officer – Finance, Performance and Change confirmed that there was a reason for this and she would confirm this to the Member outside of the meeting.

The Member asked a further question, namely on page 216 and the Table detailing Welsh Government Hardship Fund Claims, it confirmed that certain categories were disallowed in terms of applications to Welsh Government (WG) in the form of cost recovery and income reimbursements, including ICT costs.

The Chief Executive confirmed that ICT had funded 50% of ICT costs with the Council funding the other 50%. In most cases however, applications made to WG had in the main been fairly successful, since the inception of Covid-19.

The Interim Chief Officer – Finance, Performance and Change added that some of the applications that had not been successful, were where the Council had made its local decision to provide something themselves or continued to provide something, for example free car parking in town centres, which did not then qualify for a cost reimbursement under the Welsh Government Hardship Fund criteria.

The Chairperson noted that a review of the Council's Financial Procedure Rules had not been fully carried out since 2017, and she therefore asked was there any intention to review these in the immediate future.

The Interim Chief Officer – Finance, Performance and Change assured Members that where changes have been required periodically, these have been made. Further revisions as part of a future desktop study, would be recommended by the Finance Team to full Council, in due course.

**RESOLVED:** That the Committee approved the draft Annual Governance Statement 2020-21 at Appendix A and agreed its inclusion within the unaudited Statement of Accounts 2020-21.

254. **ANNUAL INTERNAL AUDIT REPORT 2020-21**

The purpose of this report is to provide 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 Governance and Audit Committee of the work and performance of Internal Audit for the Financial Year 2020-21.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an Annual Report to support the Annual Governance Statement. The report should:

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- Include an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
- Present a summary of the audit work undertaken;
- Draw attention to any issues that may impact on the level of assurance provided;
- Provide a summary of the performance for the service;
- Comment on conformance with the Public Sector Internal Audit Standards.

The draft audit plan for 2020-21 was due to be presented to Audit Committee in April 2020 however the Covid-19 outbreak delayed the planning process as significant new risks and ways of working had to be considered to inform the Plan. The 2020-21 Internal Audit Plan was therefore approved on the 10th September 2020. The plan recognised that there would be a different emphasis due to the impact of COVID-19; particular risks arising from COVID-19, availability of audit and service staff and challenges arising from the remote ways of working. The approved plan was also more flexible to be able to respond to changing circumstances and events that may occur during the year as a result of the pandemic.

2020-21 has seen the Covid-19 pandemic have a major impact on how the Council has had to operate and the governance arrangements and processes that were put in place to ensure it could continue to support residents and businesses during this difficult and challenging year.

Covid-19 also changed how audit work was carried out in 2020-21 and all staff have worked from home for the year. Audits have been conducted remotely using various digital solutions, holding remote meetings, sharing of screens, and sending of data and evidence electronically.

The Internal Audit Annual Report is at Appendix A which summarises the reviews undertaken during 2020-21 including any counter fraud work, the recommendations made and any control issues identified. A total of 26 reviews were completed with an audit opinion and a total of 38 medium recommendations made. A detailed breakdown is included at Annex 1 of the appendix.

Progress against the 2020-21 Risk Based Plan is attached at Annex 2. This details the status of each planned review. It should be noted that some reviews listed have no audit opinion, for example advice and guidance, External Audit liaison, Fraud, and Irregularity work. This is because the audit work carried out in respect of these items was planned but the nature of the work does not lead to testing and the formation of an audit opinion.

Taking into account the results of the internal audit reviews completed during 2020-21, the recommendations made 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 internal control for 2020-21 is of reasonable assurance. No significant cross-cutting control issues have been identified that would impact on the Council's overall control environment and the weaknesses identified are service specific.

### RESOLVED:

That Members of the Governance and Audit Committee gave due consideration to the Annual Internal Audit Report for the Financial Year 2020-21, 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.

255. **ANNUAL INTERNAL AUDIT STRATEGY & RISK BASED PLAN 2021-22**

The Head of Internal Audit submitted a report, in order to provide Members of the Governance and Audit Committee with the Annual Internal Audit Strategy and Risk Based Plan for 2021-22.

He explained by way of background, that in line with the Public Sector Internal Audit Standards (PSIAS) 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 Public Sector Internal Audit Standards, required a risk-based audit plan to be produced to cover the Council's overall control environment including risk, governance and internal controls, as far as was practicable.

With regards to the changes to the way the Council was operating since Covid-19, including any new risks as a result of remote working, these had been considered and included within the draft audit plan for 2021-22.

Attached at Appendix A to the report, was the draft Internal Audit Strategy document for 2021-22. This demonstrated how the Internal Audit Service would be delivered and developed in accordance with the Committee's 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.

The Head of Internal Audit explained that the 2021-22 draft Annual Risk Based Plan of work, had been formulated in compliance with the PSIAS. The draft detailed plan was attached at Appendix B to the report.

The proposed plan at Appendix B, would offer sufficient coverage to be able to provide an opinion at the end of 2021-22. It would also consider risks that had emerged and were ongoing, in relation to the Covid-19 pandemic, amongst others.

The Lay Member asked if consideration had been given to developing the draft Annual Risk Based Audit Plan, so that it covers a longer and more strategic timeframe over and above an annual period, in order to include longer strategies included and embedded in the Plan, maybe for example by having a 3 Year Plan. She also asked what the joint service Authorities relationship was with Audit Wales, particularly in terms of monitoring performance and improvements, given that there were not one but four participating Authorities comprising the Regional Service.

The Head of Internal Audit advised that in terms of the relationship with Audit Wales this was strong, there were common Performance Auditors across the four Councils but different Financial Auditors. He also met with Audit Wales representatives covering the four Councils to share progress on work and to raise any issues.

With regards to having a longer term Plan, the Head of Internal Audit confirmed that this had been the case in the past, i.e. having in place a 5 or 3 Year version. However, it had been changed to facilitate a more dynamic approach in recent years, in order to quickly respond to Risks etc, as these can change quickly and therefore have to be responded to. The Regional Service, also plan to look at some common work areas across the four Councils, for example Cyber Security, so that learning from different Councils can be

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applied. Also a standard approach had been adopted for carrying out audits, report formats etc.

The Chairperson noted that the service was still holding a number of vacancies. She asked that until these were filled, was the Service intending to adopt a frontload approach to cover Audit related work, through the use of SWAP or another external provider, or was it the intention to backload this work until such time suitable staff were in post and fully trained.

The Head of Internal Audit, advised that there were still vacancies within the Service but the structure had been finalised and it was hoped that progress could be made in terms filling the roles in the Autumn. SWAP, or an alternative external provider would continue to be used to complete some audits along with Internal Audit also doing this work. So the intention was, neither to frontload or backload work, but to balance the work over the year as consideration also had to be given to the availability and pressure on Service Department staff to be able to devote time to audits.

RESOLVED: The Committee considered and approved the draft Internal Audit Strategy (Appendix A to the report) and draft Annual Risk Based Audit Plan for 2021-22 (at Appendix B).

### 256. UPDATED FORWARD WORK PROGRAMME 2021-22

The Interim Chief Officer - Finance, Performance and Change, presented a report, the purpose of which was to seek approval for the updated Forward Work Programme for 2021-22.

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 (to the report).

Shown in paragraph 4.2 of the report, were the items scheduled to be presented at the Committee's next meeting on 22nd July 2021.

The Interim Chief Officer – Finance, Performance and Change confirmed 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 complaints, and these would be added to the Forward Work Programme, as and when necessary.

In light of the fact that there was a considerable time period between the 22 July meeting and the next scheduled Committee in November 2021, Members, following a directive from Officers, agreed that a further meeting to consider outstanding agenda business, be convened in September on a date to be considered and confirmed in the immediate future.

The report further confirmed that, in addition, due to the local elections taking place in May 2022, and the pre-election period prior to that, the meeting originally scheduled in April of next year, would now take place on 31 March 2022.

RESOLVED: That the Committee considered and approved the proposed Updated Forward Work Programme for 2021-22, as well as agreeing to an additional

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Committee being convened at a date to be agreed sometime in September 2021.

257. **URGENT ITEMS**

None.

The meeting closed at 16:30