

**GOVERNANCE AND AUDIT COMMITTEE - WEDNESDAY, 22 JUNE 2022**

**MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD IN REMOTELY - VIA MICROSOFT TEAMS ON WEDNESDAY, 22 JUNE 2022 AT 14:00**

Present

G Chapman – Chairperson

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

Apologies for Absence

A Wathan

Officers:

Rachel Freitag	Audit Wales
Rachel Keepins	Democratic Services Manager
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
Joan Davies	Deputy Head of Regional Internal Audit Service
Alex Rawlin	Corporate Policy & Public Affairs Manager

1. ELECTION OF CHAIRPERSON

RESOLVED: That Mr Gareth Chapman be elected Chairperson of the Governance and Audit Committee for the ensuing year.

2. ELECTION OF VICE CHAIRPERSON

RESOLVED: That following a vote by members of the Committee, Ms Susan Davies be elected Vice-Chairperson of the Governance and Audit Committee for the ensuing year.

3. DECLARATIONS OF INTEREST

None.

4. APPROVAL OF MINUTES

RESOLVED: That the minutes of the Governance and Audit Committee of 15 March 2022 be approved as a true and accurate record.

5. 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 was pleased to note that the Arbed scheme had previously been considered by the Committee and that it was an isolated case and asked whether the Committee could monitor progress on the scheme and whether sufficient resources had been set aside for its completion. The Head of the Regional Internal Audit Service suggested that work being undertaken to rectify issues would be better addressed by Cabinet or the relevant Overview and Scrutiny Committee. The Chairperson stated that this would be better addressed by the relevant Overview and Scrutiny Committee, with the Executive to act upon, but the Committee noted its concerns and that it would keep a watching brief on the scheme and to raise any issues if they arise in the future.

A member of the Committee questioned the timescale for the contractor framework to be developed and for final tender details for Disabled Facilities Grants. The Chief Officer, Finance, Performance and Change informed the Committee that the contractor framework would go out shortly prior to the commencement of tendering.

The Chairperson questioned why an update on schools' complaints would not be brought before the Committee until September. The Chief Officer, Finance, Performance and Change informed the Committee that this was attributable to the March meeting of the Committee being cancelled and there being a large number of items to be considered at the July meeting. A member of the Committee understood that Head Teachers had written to the authority and were awaiting a response as they had received external advice on a policy and could proceed with this version. The Chief Officer, Finance, Performance and Change informed the Committee that a comprehensive report would be provided to the September meeting of the Committee.

A member of the Committee questioned the reason why the Committee had not been provided with information on Risk SS-2019-01 in relation to safeguarding actions at this meeting. The Chief Officer, Finance, Performance and Change stated that she would investigate this.

**RESOLVED:** That the Committee noted the Action Record.

## 6. **AUDIT WALES GOVERNANCE AND AUDIT COMMITTEE REPORT**

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

Rachel Freitag, Audit Manager (Financial Audit) provided the Committee with a summary of the Financial Audit work undertaken. The audit of the Council's 2020-21 Grants and returns had been completed. The Council's 2021-22 Draft Statement of Accounts would be presented to the July meeting of the Committee. The audit of the 2021-22 Returns for the Porthcawl Harbour Authority and the Coychurch Crematorium Joint Committee would be reported to the July meeting of the Committee.

Samantha Clements, Audit Lead (Performance Audit) of Audit Wales provided a summary of the Performance Audit work undertaken. A member of the Committee referred to the review of the Cwm Taf Morgannwg health partnership following the Council's transition to the partnership to gain assurance that the health board and the three councils are working together effectively. The member questioned whether there is long-term planning from a governance perspective with the Council and developers in the Local Development Plan to provide sufficient local health facilities when planning new residential developments and whether there is sufficient collaboration with Cwm Taf Morgannwg University Health Board. The Audit Wales representative stated that Audit Wales will provide a report on the Cwm Taf Morgannwg Health and Social Care Partnership within the quarterly work programme update.

The Chairperson requested that the recommendations from the Audit Wales report on Disabled Facilities Grants be included in the DFG report being presented to the September meeting of the Committee.

The Audit Manager (Financial Audit) presented a summary of the 2022 Audit Plan and referred to the key financial statement audit risks and asset valuations. The Chairperson asked whether the asset valuations included highways. The Audit Manager (Financial Audit) informed the Committee that each class of asset is valued differently in accordance with CIPFA guidance on accounting for assets and that highways are valued as a depreciated asset.

A member of the Committee referred to the Welsh Government Business Support Grant scheme and asked whether it was within the remit of the Committee to express concerns as to how it is administered. The Chief Officer, Finance, Performance and Change stated there are mechanisms within the Council which would look at any fraudulent activity. The Head of the Regional Internal Audit Service informed the Committee that any concerns as to how the scheme is being administered should be raised with him.

A member of the Committee asked whether Audit Wales is to conduct a review of the Well-being of Future Generations Act (Wales) 2015. The Audit Lead (Performance Audit) stated that Audit Wales would not be conducting a review but it would be integrating it with its performance audit work. The legislation is used as the basis for its reviews.

A member of the Committee asked for an explanation of the term materiality. The Audit Manager (Financial Audit) explained that this related to the level of errors or misstatement above which Audit Wales will report on.

The Audit Lead (Performance Audit) summarised the performance audit programme for 2022-23, where it would review Assurance and Risk Assessment; a thematic review of unscheduled care and a thematic review which had now been confirmed as Digitalisation. A member of the Committee asked for details of the timescale for the thematic review of digitalisation. The Audit Lead (Performance Audit) stated that a draft project brief had been sent to officers and it was hoped to conduct the review in July / August. The Chairperson asked when the Assurance and Risk Assessment would be presented to the Committee. The Audit Lead (Performance Audit) stated that an update on the report on the Assurance and Risk Assessment project would be provided to the Committee in September.

The Audit Manager (Financial Audit) informed the Committee of the certification of grant claims and returns made and the fees and planned timescales for completion of audit work. The audit of financial statements and opinion on financial statements would be submitted to the Committee in September. A member of the Committee asked whether the Council was happy with the increase in audit fees. The Chief Officer, Finance, Performance and Change informed the Committee that the fees charged by Audit Wales had been fixed for a number of years and the Council had a good dialogue and working relationship with Audit Wales which ensured that the work undertaken would assist the Council, either by identifying areas for improvement or sharing best practice from elsewhere for consideration within the Council. The Chairperson asked whether the Council had value for money from Audit Wales and if work was not done, are the fees refundable. The Audit Manager (Financial Audit) informed the Committee that a fee is not raised where work is not done.

The Audit Lead (Performance Audit) informed the Committee of the national report conducted on Direct Payments for Adult Social Care, which examined their impact and

value for money. The report included recommendations for all local authorities to consider. The Chief Officer, Finance, Performance and Change informed the Committee that the Council will develop an Action Plan on each of the recommendations emanating from the national report on Direct Payments. It will also have dialogue with Audit Wales on the actions the Council is taking. The Chairperson stated that the recommendations emanating from the national report on Direct Payments, coupled with the steps to be taken by the Welsh Government, needs to be done jointly with local government. The Audit Lead (Performance Audit) informed the Committee that she would discuss with its Local Government Studies Team on what steps are to be taken by the Welsh Government in working with local authorities on the implementation of best practice on Direct Payments and report verbally at the next meeting.

**RESOLVED:** That the Committee noted the Audit Wales Governance and Audit Committee Reports at Appendix A, B and C.

7. **CORPORATE RISK ASSESSMENT 2022-23**

The Chief Officer, Finance, Performance and Change reported on an updated Corporate Risk Assessment 2022-23 and an update on the Incident and Near Miss (non-health and safety) occurrences.

The Chief Officer, Finance, Performance and Change informed the Committee that the Corporate Risk Assessment had been reviewed in consultation with the Corporate Management Board. It identified the main risks facing the Council, their link to the corporate well-being objectives under the Well-being of Future Generations (Wales) Act 2015, and the likely impact of these risks on Council services, the wider County Borough. It also identified what is being done to manage the risks and who is responsible for the Council's response. The risk assessment is aligned with the Medium Term Financial Strategy.

The Chief Officer, Finance, Performance and Change informed the Committee that two new risks had been added to the Corporate Risk register and there are currently 14 risks on the Corporate Risk Register. Of those risks, 7 are scored as high, 5 risks are scored as medium, and 2 risks are scored as low. She stated that Risk SS-2019-01 has been updated to reflect the improvement plan implemented by Social Services and the appointment of a new Corporate Safeguarding Officer.

The Chief Officer, Finance, Performance and Change reported that an audit by SWAP Internal Audit Services had recommended that the Incident and Near Miss Reporting Procedure be discontinued as it presented an unnecessary and inappropriate layer of control and very few incidents had been reported over the years. This view had been supported by the Corporate Management Board and it had agreed that the Incident and Near Miss Reporting Procedure be discontinued on the understanding they are managed at a Directorate level as opposed to a corporate level. She stated that if there are particular risks the Committee would like more information on if it could be planned ahead and the relevant officers would attend Committee to answer issues the Committee may have on managing risks.

A member of the Committee asked if the risk scores were as could be up to date as possible due to the fast-moving situation of the cost-of-living crisis and the rate of inflation increasing and implications it has on the Council and on workforce demands, especially within Social Services. The Chief Officer, Finance, Performance and Change stated that risks are updated as soon as possible, however escalating inflation has impacted on the Council's ability to deliver on key schemes. Officers will endeavour to ensure that risk scores remain valid and they would be revisited by officers if it was felt they did not reflect the current position. The Committee requested that information be

provided to the relevant Overview and Scrutiny Committee that the assurance and review of risks scores is ongoing. The Committee requested that officers be given sufficient time to prepare responses.

A member of the Committee asked, given that the authority was 9 months into the new corporate procurement strategy, what actions had been implemented since the enactment of the strategy. The Chief Officer, Finance, Performance and Change stated that information would be provided in writing to the Committee on the actions enacted within the Corporate Procurement Strategy.

A member of the Committee referred to the action list and asked whether the responsible officers could be listed along with projected dates for completion and for actions to be based around metrics to judge whether mitigating actions have been carried out. The Chairperson requested that a Task and Finish Group be set up to monitor and agree a framework of key risks and mitigating actions being taken by officers on the Risk Register.

A member of the Committee expressed concern that near misses and incidents are discontinued and that incidents could be missed. The Chief Officer, Finance, Performance and Change stated that near misses will continue to be monitored and recorded through Directorate management teams and if it continues to be a risk would be recorded on the Directorate's risk register.

A member of the Committee referred to infrastructure action plans being high risk and showing as being completed are the right action plans in place. The Chief Officer, Finance, Performance and Change stated that it is being managed, however inflation and supply chain issues have impacted on the Council's schemes and are being monitored.

A member of the Committee questioned how often the Risk Register is updated. The Chief Officer, Finance, Performance and Change informed the Committee that the Risk Register is reviewed quarterly and is brought to the Committee regularly.

**RESOLVED:** That the Committee:

- Considered the Corporate Risk Assessment 2022-23 (Appendix A)
- Noted that Corporate Management Board has agreed to discontinue the Incident and Near Miss Reporting Procedure.

## 8. **ANNUAL SELF-ASSESSMENT OF THE COUNCIL'S PERFORMANCE**

The Corporate Policy & Public Affairs Manager reported on an update on the requirements of the Local Government and Elections (Wales) Act 2021, specifically self-assessment requirements.

She informed the Committee that the Local Government and Elections (Wales) Act 2021, set out a new local government improvement regime, which puts more onus on the Council to demonstrate improvement rather than on Audit Wales and other regulators. One of the requirements in the Act is for the Council to produce and publish a self-assessment report for each financial year, with effect from 1 April 2021. To do this, the Welsh Government had issued statutory guidance requiring the Council to make a draft of its self-assessment report available to its Governance and Audit Committee, for it to review the draft report and make recommendations for changes to the conclusions or action the Council intends to take.

The Corporate Policy & Public Affairs Manager reported that the guidance encouraged the use of existing data, reporting and challenge processes as much as possible by testing performance and outcomes for use of resources and governance. She stated that the findings and judgements from each of the three questions will be collated into a single, simple, accessible report. In line with the Welsh Government and Welsh Local Government Association guidance - the self-assessment report and annual wellbeing assessment will be merged into a single document. She highlighted the proposed key dates.

A member of the Committee, in welcoming this initiative, asked whether this could be done as a digital dashboard. The Corporate Policy & Public Affairs Manager informed the Committee that this could be looked at.

The Chairperson hoped that the timescale would be longer to ensure more meaningful engagement by the public. The Corporate Policy & Public Affairs Manager stated that this was intended to be a light touch approach in September.

**RESOLVED:** That the Committee reviewed and approved the proposed processes and arrangements for corporate self-assessment 2021/22.

9. **ANNUAL INTERNAL AUDIT REPORT 2021-22**

The Head of the Regional Internal Audit Service reported on his 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 2021-22.

He reported that he was responsible for developing a risk-based annual audit plan which takes into account the Council's risk management framework. There was a requirement for the Head of Internal Audit to review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, controls and resources. He must also ensure that Internal Audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan. He informed the Committee that the approved audit plan was flexible to respond to changing circumstances and events that may occur during the year due to the pandemic and remote ways of working. He had been able to give an assurance gained from the audit work undertaken during the year in providing an overall annual opinion. He stated that audit work had been carried out remotely during the year with staff predominantly working from home. Audits had been conducted using various digital solutions and whilst there was a steep learning curve both for audit staff and auditees all had adjusted well to this way of working.

He summarised the reviews undertaken during 2021-22, the recommendations made and control issues identified, 27 reviews were completed with an audit opinion and 119 recommendations made. He stated that based on the testing of the effectiveness of the internal control environment an audit opinion of substantial assurance was given to 4 reviews (15%) and an opinion of reasonable assurance to 22 reviews (81%). The remaining one audit (4%) was given an audit opinion of limited, where only limited assurance can be placed on the current systems of internal control. He stated that recommendations had been made for improvements and a follow up audit would be undertaken to ensure controls had been improved to mitigate the risks identified.

He informed the Committee that staff had been matched to posts within the new agreed structure and recruitment to vacant posts had commenced and will continue until all posts are filled.

A member of the Committee asked whether lessons had been learnt by the Council in respect of the Arbed scheme and how much of an assurance could be given that there would be no repetition on other schemes. The Head of the Regional Internal Audit Service explained that he considered this to be a one-off situation and there had been no similar issues. He stated that it was valid to look at a follow-up of recommendations arising from the audit of the Arbed scheme, which could be looked at by the Committee.

A member of the Committee asked for an update on progress on the 119 recommendations made by Internal Audit. The Head of the Regional Internal Audit Service stated that all 119 recommendations had been accepted by management and they will be closed off as they are implemented. Details in progressing the recommendations will be forthcoming in future reports.

A member of the Committee asked whether any further reviews were required to be undertaken on Creditor - Supplier Data, where limited assurance had been given, where changes to creditor details could be made after authorisation. The Deputy Head of the Regional Internal Audit Service informed the Committee that the problem was one that was embedded in the system and was something which had been picked by a system administrator. Data analytics had been undertaken and further testing would be undertaken after the Department had been given an opportunity to put improvements in place. Creditors – Supplier Data would be listed among the follow ups included in the progress report to the next Committee.

A member of the Committee asked what happens to recommendations not implemented by the due dates and expressed concern at 72% completion of audits. The Head of the Regional Internal Audit Service stated that the completion rate is comparable to other Internal Audit Teams and that Covid had impacted on completing audits. Audits in Social Services had been deferred due to Covid to enable officers in that Directorate to concentrate on delivering front-line services in the pandemic. The Chairperson expressed concern that a third of audits had not been undertaken in the last year and asked whether this was down to a lack of staffing. The Head of the Regional Internal Audit Service stated that this was attributable to staff vacancies, unplanned work and requests for audits to be deferred where systems were being changed. SWAP Internal Audit Services had been brought in to assist, and 70% of audits had been completed on time, which he was comfortable with, but improvements to that figure would be made.

The Chairperson referred to the 52% response rate to questionnaires who have been audited and asked would the Corporate Management Board ensure the form is returned to have open, honest, and transparent feedback in order to improve the service. The Chief Officer, Finance, Performance and Change stated that she would pick this up and escalate it accordingly. The Chairperson also stated that where officers do not take cognisance of recommendations or where recommendations are outstanding, they would need to be held to account by this Committee. The Head of the Regional Internal Audit Service informed the Committee that this had been the practice in this authority and in other authorities.

**RESOLVED:** That the Governance and Audit Committee gave due consideration to the Annual Internal Audit Report for the Financial Year 2021-22 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.

10. **REGIONAL INTERNAL AUDIT SERVICE CHARTER 2022-23**

The Deputy Head of the Regional Internal Audit Service presented a report on the Regional Internal Audit Service Charter (RIAS) for 2022-23.

She reported that the purpose of the Charter is to define the purpose, authority and responsibilities of the RIAS across Bridgend, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan Councils, which the Head of Internal Audit is responsible for reviewing and presenting to each Council's Governance and Audit Committee annually for review and approval in line with the Public Sector Internal Audit Standards (PSIAS). The Charter had been reviewed for 2022-23 to ensure it continued to reflect the requirements of the PSIAS and is applicable to all four Councils involved in the RIAS. There have been no changes made resulting from the review.

**RESOLVED:** That the Committee considered and approved the Regional Internal Audit Service Charter for 2022-23 as attached in Appendix A to the report.

11. **ANNUAL INTERNAL AUDIT STRATEGY & RISK BASED PLAN 2022-23**

The Deputy Head of the Regional Internal Audit Service sought approval of the Annual Internal Audit Strategy and Risk Based Plan for 2022-23.

The Deputy Head of the Regional Internal Audit Service reported that the draft Internal Audit Strategy document for 2022-23, demonstrated how the Internal Audit Service will be delivered and developed in accordance with the Terms of Reference and it will be reviewed and updated annually in consultation with stakeholders. She informed the Committee that the 2022-23 draft Annual Risk Based Plan of work had been formulated in compliance with the Public Sector Internal Audit Standards (PSIAS). She stated that the proposed Annual Plan continued to recognise particular risks arising from remote ways of working and is also flexible to allow for changing circumstances and events that may occur. Internal Audit work will be undertaken remotely using video conferencing and digital solutions as a basis for meetings and sharing documents and data but will also include in person visits and meetings as required for each audit.

The Deputy Head of the Regional Internal Audit Service informed the Committee that the proposed Annual Plan will offer sufficient coverage to be able to provide an opinion at the end of 2022-23 and the Committee will receive updates on how the Plan is being delivered and any changes that may be required.

A member of the Committee asked whether the plan was deliverable, and would it link with the Risk Register, financial systems and budget monitoring and whether further reports would be received on progress made on the plan. The Deputy Head of the Regional Internal Audit Service informed the Committee that the plan had been constructed based on a full complement of staff, but there are contingencies in that the SWAP Internal Audit Services could be commissioned to undertake some of the audit work. She stated that the Committee will receive quarterly reports on progress on the plan. The plan would also link with the Risk Register and included within the plan is the audit of financial systems and budget monitoring.

A member of the Committee asked if there was a reason for the inspection of highways not being included in the plan. The Deputy Head of the Regional Internal Audit Service informed the Committee that there are a finite number of days available for audits, and following decisions with Senior Management within the Directorate it was agreed warranted to concentrate resources on other service areas that were deemed higher risk and therefore higher priority, but highways will be considered in future years.

A member of the Committee asked whether the Council has the capacity for the level of change proposed. The Head of the Regional Internal Audit Service informed the Committee that the Council does have a good track record of implementing recommendations and making changes requested. The Chairperson asked whether there is sufficient capacity within the Internal Audit Service to deliver the plan and whether it should be rationalised. The Head of the Regional Internal Audit Service informed the Committee that external support can be bought in when needed and there was a need to ensure the key areas are covered.

**RESOLVED:** That the Committee considered and approved the draft Internal Audit Strategy (Appendix A) and draft Annual Risk Based Audit Plan for 2022-23 (Appendix B).

12. **UPDATED FORWARD WORK PROGRAMME 2022-23**

The Deputy Head of Finance sought approval for 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 28 July 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.

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

13. **URGENT ITEMS**

There were no urgent items.

The meeting closed at 16:48