

GOVERNANCE AND AUDIT COMMITTEE - WEDNESDAY, 26 JULY 2023

**MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD HYBRID
IN THE COUNCIL CHAMBER - CIVIC OFFICES, ANGEL STREET, BRIDGEND, CF31 4WB
ON WEDNESDAY, 26 JULY 2023 AT 10:00**

Present

G Chapman – Chairperson (lay member)

S J Bletsoe

C Davies

RM Granville

S J Griffiths

M L Hughes

MJ Williams

Lay Members:

A Bagley

B Olorunnisola

Officers:

Carys Lord

Chief Officer - Finance, Performance & Change

Nigel Smith

Group Manager - Chief Accountant

Rachel Freitag

Audit Wales

Simon Roberts

Senior Fraud Investigator

Eilish Thomas

Finance Manager - Financial Control & Closing

Andrew Wathan

Head of the Regional Internal Audit Service

Joan Davies

Deputy Head of Regional Internal Audit Service

Alex Rawlin

Corporate Policy & Public Affairs Manager

Mark Galvin

Senior Democratic Services Officer - Committees

Stephen Griffiths

Democratic Services Officer – Committees

86. **APOLOGIES FOR ABSENCE**

A Williams

87. **DECLARATIONS OF INTEREST**

None

88. **APPROVAL OF MINUTES**

RESOLVED:

The Minutes of the meeting on 1 June 2023 were approved as a true and accurate record.

89. **GOVERNANCE AND AUDIT COMMITTEE ACTION RECORD**

This report was introduced by the Senior Democratic Services Officer – Committees. Its purpose was to provide Members with an update on the Governance and Audit Committee Action Record.

RESOLVED:

The Committee noted the Action Record.

90. DRAFT STATEMENT OF ACCOUNTS 2022-23

This report was introduced by the Group Manager – Chief Accountant and its purpose was to present Members with the unaudited Statement of Accounts for 2022-23 attached at Appendix A for noting.

The key points were as follows:

- The draft Statement of Accounts for 2022–23 have been completed in accordance with the Accounts and Audit (Wales) Regulations 2014.
- The draft Accounts are now subject to audit by Audit Wales and the final audited accounts will be presented for approval to the Governance and Audit Committee in the autumn.

In the discussion that followed, a member made two suggestions for next year's Statement:

- there needed to be a broader and more detailed section on how we are addressing the Decarbonisation 2030 proposals; and,
- that he was appreciative of the improvements to the balances in reserve statements, but he thought there was more that could be done in terms of clarity for non-financial people. On page 38 in the report, there is a nice breakdown of the usable reserves, but thought it needed more of an explanation of the terms used.

Another member thanked officers for the valuable briefing on the Statement of Accounts. He added that the reference in the document to the Llynfi Independents being a political party needed to be amended. They are a political group and not a political party.

RESOLVED:

The Committee noted the unaudited Statement of Accounts 2022-23 at Appendix A.

91. ANNUAL GOVERNANCE STATEMENT 2022-23

This report was introduced by the Chief Officer – Finance, Performance and Change and its purpose was to present Members with the Annual Governance Statement 2022-23 (AGS) for approval and inclusion within the unaudited Statement of Accounts 2022-23.

The key points were as follows:

- 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 provides an overall appraisal of the controls in place to manage the Council's key risks and identifies where improvements need to be made.
- The draft AGS for 2022-2023 was attached at Appendix A. This Statement describes the extent to which the Council has complied with its Code of Corporate Governance and the requirements of the Accounts and Audit (Wales) Regulations 2014 and the Accounts and Audit (Wales) (Amendment) Regulations 2018 for the year ended 31 March 2023.

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- It also sets out how the Council has responded to governance issues identified during 2022-23 and actions to be undertaken during 2023-24 following an annual review of the Governance Framework.
- This statutory Committee provides independent assurance on the Council's internal control environment.
- Work done by external regulators such as Audit Wales and Care Inspectorate Wales are referred to as they undertake work on our control systems.
- The Council faces a range of risks as would be expected from the broad range of services it delivers and activities it is engaged with.
- Risks are viewed from both a Service and Council-wide perspective which ensures the key risks are distilled in the Corporate Risk Assessment.
- The Risk Assessment sets out how the Council is addressing these risks and the mitigating actions it will put in place to reduce them. It is regularly reviewed and challenged by both senior management and the Governance and Audit Committee.
- The Council has in place robust arrangements for effective financial control through the Council's accounting procedures, key financial systems and the Financial Procedure Rules.
- The Council had an unqualified audit opinion on the 2021-2022 financial statements and the Head of the Internal Audit services has given the Council as assessment of reasonable assurance for the 2022-2023 financial year.
- Section 5 of the AGS provides an update with regard to the issues highlighted in the 2021-2022 AGS and the issues identified for the 2022-2023 year.
- The AGS is currently in draft and will be reviewed by Audit Wales as part of the work undertaken on the Statement of Accounts for 2022- 2023. A final version of the AGS will be included when the final SOA is presented to this committee.

A member raised three issues about the report:

- whether it would be possible to have more regular reviews of the Constitution to agree more incremental changes, such as rules about meeting duration and breaks during meetings.
- the relationship between BCBC and Town and Community Councils was unclear where it came to enforcing the Code of Conduct and helping to manage good behaviour.
- He welcomed the adoption of a socially responsible procurement strategy but that there needed to be a commitment to a green procurement strategy if the Council is going to hit its 2030 decarbonisation targets.

In response to the first two issues, the Chairperson suggested they were a matter for the Monitoring Officer and Democratic Services Committee. In respect of the second one, in particular, it was suggested that a note could be prepared by the Monitoring Officer to clarify the situation for members.

In respect of the third issue, the Chief Officer – Finance, Performance and Change suggested she could take it away, look at it, and discuss with the procurement team. The member responded by suggesting it was also something for the Cabinet/ Corporate Management Board (CMB) for example, because it is necessary to change the way BCBC is thinking about green issues and embedding them in all areas of activity.

A Lay Member thanked the authors of the report for a very comprehensive and well put together document and added three suggestions, with the external reader in mind:

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- Rather than suggesting “Internal Audit has worked remotely, conducting audits and obtaining evidence digitally as well as face to face where appropriate” (p.139), it would be better to say that they had been working hybrid.
- At the bottom of the same page, it talks about actions being at various stages of implementation. He thought it would be better to say there’s no significant overdue actions.
- Where the audits that have been deferred are discussed, it would probably be stronger if we could say those audits that were deferred were approved in some sort of forum, and also that they were not considered significant in the overall context.

A member returned to the issue of the Constitution and, in particular, asked whether the review of the Constitution could be made a requirement of an AGM.

The Chief Officer – Finance, Performance and Change Chief Officer – Finance, Performance and Change, suggested she could add this to the constitutional issues raised by the other member earlier in the meeting and discuss them with the Monitoring Officer. The Chairperson added that he thought this was a matter for the Democratic Services Committee and that reviewing the Constitution annually would be a huge task.

The member who raised the initial points about the constitution added that what he was looking for was a process of continuous improvement.

RESOLVED:

The Committee approved the draft Annual Governance Statement at Appendix A and agreed its inclusion within the unaudited Statement of Accounts 2022-23.

92. PORTHCAWL HARBOUR RETURN 2022-23

This report was introduced by the Group Manager – Chief Accountant and its purpose was to present Members with the unaudited Porthcawl Harbour Return for 2022-23 attached at Appendix A for approval.

The key points were as follows:

- The Porthcawl Harbour Return has been completed and reviewed by Internal Audit.
- The return is produced in accordance with International Financial Reporting Standards.
- The Harbour achieved a balanced position as at 31 March 2023.
- The return is required to be signed by the Responsible Financial Officer and the Chair of the Governance and Audit Committee prior to submission to Audit Wales for the annual audit of the Statement.

In the discussion that followed, members commented as follows:

- A Member requested information on the extent of the Porthcawl Harbour asset. The Chief Officer – Finance, Performance and Change indicated she would find out and pass on the information to the member.
- A Lay Member drew attention to the table in Appendix A on the Annual Governance Statement that did not seem to have been completed. In response, the Group Manager – Chief Accountant confirmed that these should have been completed.

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- A member asked about the debtors and creditors section of the return and the fact they have the same figure (£39,893) in them. A discussion followed about accounting conventions and practises in this area.
- A member asked, given Porthcawl Harbour was being run on a net-net basis, whether, in the event that there is a surplus, it had to be retained within this particular account. The Chief Officer – Finance, Performance and Change thought it was self-contained but indicated she would take the query away and come back to the member with a definitive answer.

RESOLVED:

The Committee approved the unaudited Porthcawl Harbour Return 2022-23 at Appendix A.

93. TREASURY MANAGEMENT OUTTURN 2022-23

This report was introduced by the Chief Officer – Finance, Performance and Change and its purpose was to update Members on the outturn position for Treasury Management activities for 2022-2023, the indicators for the same year and to highlight compliance with the Council's policies and practices.

The key points were as follows:

- The treasury management strategy for 2022-2023 was approved by Council on 23rd February last year.
- The report outlines the economic context within which the Treasury Management activity took place last year. The issues included:
 - The war in Ukraine kept global inflation rates high.
 - The economic backdrop in January to March 2023 was characterised by high energy and commodity prices, high inflation which has impacted on household budgets and spending. The Consumer Price Index rose to 10.1% in the 12 months to March 2023.
 - Interest rates were increased on a number of occasions during the year to try to curb inflation. The bank rate started the year at 0.75% and increased 8 times during the year to 4.25% as of 31st March 2023.
- A summary of Treasury Management activities during last year is shown in Appendix A. Table 1 in the report summarises the Council's position with regard to External Debt and Investments. In summary:
 - No long-term debt was taken out during the year.
 - No debt was rescheduled during the year as there was no financial benefit to the Council to do this. This will be kept under review in the current year.
 - There was a small increase in the number of Salix interest free loans the Council has.
 - The total external borrowing that the Council is managing was £99.93 million at the end of March 2023.
 - The balance of Investments at the year-end was £74.5 million which is reduction of £10 million as compared with March 2022.
 - The income being earned via the investments is increasing as the base rate has increased.

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- The average interest rate increased from 0.43% in 2021-2022 to 2.55% in 2022-2023.
- When investing the Council's monies, due regard is given to ensure the security and liquidity of the investments before seeking the highest rate of return.

In the discussion that followed, members commented as follows:

- That the report would benefit from a summary of highlights and a few graphs. He thought this would assist residents trying to understand the Council's approach to treasury management. In response, the Chief Officer – Finance, Performance and Change noted that this was a very technical area and there were certain things that have to be reported in particular ways to comply with the requirements in this area but there was no reason why summaries could not be prepared.
- Whether there was an opportunity to settle the Private Finance Initiative (PFI) debt related to the secondary school in Maesteg from reserves. In response, the Chief Officer – Finance, Performance and Change suggested she would have to look at the details of that particular agreement to see whether or not that is a possibility and also, given the way interest rates are changing, whether there were advantages or otherwise to us in repaying it.
- That the training offered by officers to help members understand reports of this kind was extremely valuable. In response, the Chairperson noted that officers put in a tremendous amount of time for training but if further training was needed it could be undertaken. The Chief Officer – Finance, Performance and Change added that it would be helpful to offer refresher training annually for issues like treasury management as members do not receive the reports very frequently.

RESOLVED:

The Committee:

- noted the annual treasury activities for 2022-23.
- noted the actual Treasury Management Indicators for 2022-23 against those approved in the Treasury Management Strategy 2022-23.

94. ANNUAL CORPORATE FRAUD REPORT 2022-23

The Senior Fraud Investigator introduced the report. The purpose of it was to provide members with a summary of the actions that have been undertaken in respect of counter fraud and also provides an update on the National Fraud Initiative exercise.

The key points were as follows:

- Section 3 provided some detailed information in respect of our work in connection with the National Fraud Initiative.
- Section 4 detailed the counter fraud and corruption work undertaken and also provided detailed information on Council Tax Reduction Fraud investigations to include monetary savings identified and the resulting successful sanctions obtained to include prosecutions and financial penalties. There was also some detail in the section around work on blue badge misuse and any internal investigations undertaken by primarily internal audit.

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- Annex 1 provided information on the ongoing measures BCBC proposes to take over the medium-term to further improve its resilience to fraud, bribery and corruption.

In the discussion that followed, a member questioned the Council's attitude towards fraud and error. He suggested that it was not taken seriously, was passive, and there was not enough focus on it. He suggested a small investment in this area (including working with Data Cymru on data mining) could have a net significant benefit financially for the Council.

The Chief Officer – Finance, Performance and Change noted that in some other areas they have looked at whether or not there's a business plan to actually invest in this area along the lines of an invest to save proposal. She suggested this was something that could be taken away and looked at.

The Head of the Regional Internal Audit Service (RIAS) reminded members about the National Fraud Initiative, a UK wide exercise that covers over 1200 public sector organisations (other Local Authorities, the Department for Work and Pensions (DWP), NHS & Trusts, Police and Housing Associations etc.) in terms of a data matching exercise that helps prevent and detect fraud. Any matches that arose for Bridgend would be looked into and taken very seriously.

A member drew attention to three issues:

- the Single Person Discount and the circumstances that might lead to allegations of fraud.
- Council Tax Reduction Fraud, especially the cases not investigated and whether they are being flagged for future reference.
- the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (Wales) Regulations 2013, where the fines available are relatively small and should be reviewed.

In response to comments about the action plan, the Chief Officer – Finance, Performance and Change suggested it could be looked at again, especially around targets. She also suggested that officers probably need to put more information in the report so that members have a better idea of the work that is going on in the service.

Another member drew attention to contract management and the potential for recovering funds. In response, the Chief Officer – Finance, Performance and Change suggested that whilst this was not necessarily fraud, people need to know that the Council would take the necessary action, like claiming back money, if somebody has gone outside a contract or not performed as required.

Finally, a member suggested, as someone who dealt with the DWP on a daily basis, it would be helpful to invite someone from the department to assist with the Committee's understanding of their investigations into suspected fraud.

The Chairperson suggested this was worth pursuing as the information about what happens once referrals are made from Bridgend into the DWP system could be helpful.

The Chief Officer – Finance, Performance and Change suggested she would approach the DWP to see if they would be willing to do an informal seminar though she reminded members they would not be able to talk about individual cases. She suggested they could certainly talk about what their process would be and how they would deal with issues.

The Chairperson suggested, following the comments by a member about the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (Wales) Regulations 2013, that someone should contact the WLGA and Welsh Government expressing our concern at the low threshold of fines, and suggest they should be reviewed.

The Chief Officer – Finance, Performance and Change suggested she could take that forward and contact the Welsh Local Government Association (WLGA) to see whether any discussions are going on with regards to that issue. She suggested that when she had a response, members could determine the best way forward.

RESOLVED:

The Committee noted the Annual Fraud Report 2022- 23, the measures in place, the work being undertaken to prevent and detect fraud and error and the update on the National Fraud Initiative (NFI).

The Committee requested that the DWP be contacted to invite a representative to attend a meeting to outline their approach to dealing with matters of suspected fraud.

95. **REGULATORY TRACKER UPDATE**

The report was introduced by the Corporate Policy & Public Affairs Manager and its purpose was to provide an update to the Governance and Audit Committee on the Regulatory Tracker.

The key points were as follows:

- The regulatory tracker has been updated for quarters 3 and 4 of 2022/23.
- Improvements requested by Governance and Audit Committee (GAC) have been completed.
- Since the previous report to GAC in January
 - 7 inspections have been added.
 - 33 recommendations have been closed.
 - 82 recommendations are on the tracker.
- Members are asked to consider how best to improve follow-up mechanisms for regulatory reports and reduce the tracker's size.

In the discussion that followed, members requested that officers remove closed recommendations from the tracker and in future to receive only amber and red rated recommendations on the next tracker in January 2024 as well as a summary of recommendations closed in the previous period.

In addition, they asked that subject overview and scrutiny committees receive the report to include blue and green rated recommendations twice yearly so they can scrutinise those ratings.

RESOLVED:

The Committee:

- considered the summary points and detailed regulatory tracker and raised any issues of concern for follow-up.

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- considered the proposed mechanisms for referring inspections and recommendations in paragraph 3.1.
- considered the options for reducing the tracker's size in paragraph 3.6.

96. CORPORATE SELF-ASSESSMENT 2022/23

The report was introduced by the Corporate Policy & Public Affairs Manager and its purpose was to provide an update on the Council's second corporate self-assessment report and judgements, and to seek comments on the draft report in Appendix 1.

The key points were as follows:

- The report outlined the process and findings of the Council's self-assessment for 2022/23.
- The approach is considerably more embedded in regular quarterly reporting than in the previous year.
- The main differences in the final report from last year's final report are as follows:
 - Challenge sessions took place earlier.
 - Case studies are included.
 - More comprehensive coverage of consultation and engagement through the year is included.
 - Annual performance data will be published alongside the self-assessment.
 - Planned consultation is more comprehensive.
- The self-assessment judgements were as follows:
 - Wellbeing Objective One – Good.
 - Wellbeing Objective Two – Adequate.
 - Wellbeing Objective Three – Good.
 - Use of resources – Adequate.
 - Governance – Good.

The Chairperson requested that officers consider options for more regular peer-assessment or additional internal challenge for performance reports as a whole (as well as self-assessment).

RESOLVED:

The Committee:

- reviewed and provided recommendations for change to the corporate self-assessment report 2022/23 at Appendix 1.
- considered whether the additions to the report since 2021/22 add value to the document.

97. FORWARD WORK PROGRAMME 2023-24

This report was introduced by the Group Manager – Chief Accountant.

The Governance and Audit Committee has a number of core functions and responsibilities within its remit.

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It receives a number of reports and presentations throughout the year to enable it to carry out those core functions and responsibilities effectively and to provide it with confidence in the financial governance of the Authority.

To enable the Committee to provide this assurance and to ensure it is covering its range of responsibilities, a Forward Work Programme is presented at each meeting, setting out the reports to be presented at future meetings, for approval or amendment, as necessary.

The updated Forward Work Programme (FWP) for 2023-24 is at Appendix A.

The Chairperson asked for clarification about the current status of the school given an opinion of limited assurance in an audit report and discussed at the last meeting. The Chief Officer – Finance, Performance and Change noted that internal audit had returned to the school and were in the process of drafting a report that has given the school an opinion of **reasonable assurance**. As such, the school in question would not be required to attend a future meeting of the committee.

Further, the Chairperson confirmed that the Governance & Audit Committee's Annual Report would be submitted to the September meeting of the Committee.

RESOLVED:

The Committee considered and approved the updated Forward Work Programme for 2023-24.

A draft of the Governance & Audit Committee's Annual Report will be submitted to the September 2023 meeting, and this should be added to the Forward Work Programme 2023-24.

98. URGENT ITEMS

None