

No.

GOVERNANCE AND AUDIT COMMITTEE

Minutes of a remote meeting held on 11th July, 2022.

The Committee agenda is available [here](#).

The Meeting recording is available [here](#).

Present: G. Chapman (Chair and Lay Member); N. Ireland (Vice-Chair and Lay Member); Councillors: E. Goodjohn, M.J. Hooper, J.M. Norman, J. Protheroe and N.J. Wood; and M. Evans (Lay Member)

Also present: Councillor L. Burnett and S. Wyndham (Audit Wales).

132 ANNOUNCEMENT –

Prior to the commencement of the business of the Committee, the Democratic and Scrutiny Services Officer read the following statement: “May I remind everyone present that the meeting will be live streamed as well as recorded via the internet and this recording archived for future viewing.”

133 APOLOGY FOR ABSENCE –

This was received from Councillor P. Drake

134 MINUTES –

RESOLVED – T H A T the minutes of the meeting held on 13th June, 2022 be approved as a correct record.

135 DECLARATIONS OF INTEREST –

No declarations of interest were received.

136 ANNUAL CORPORATE SAFEGUARDING REPORT 2021/22 (REF) –

The reference from Cabinet on 9th June, 2022 was presented by the Director of Social Services.

It was outlined that the report was presented to all Scrutiny Committees and the Governance and Audit Committee to ensure that corporate safeguarding activity was brought to the attention of a wide group of members. Governance and Audit Committee received an Audit Wales report regarding safeguarding for children in

No.

2019 and so it had been included in the references since this time. The Committee agreed for further updates to be provided on an annual, 12 monthly basis.

The Committee agreed that to make future reports more accessible it would be useful for a Glossary of Terms to be included as well as more information to illustrate the levels of safeguarding responsibility at local, regional and national levels.

Subsequently it was

RESOLVED -

- (1) T H A T the Governance and Audit Committee receive updates on Corporate Safeguarding activities on a 12 monthly basis.
- (2) T H A T future update reports contain a Glossary of Terms and illustrate the levels of safeguarding responsibility at local, regional and national levels.

Reasons for decisions

- (1) To ensure that the Governance and Audit Committee was undertaking its responsibilities to monitor safeguarding arrangements.
- (2) To ensure that future update reports are more accessible and contain more information regarding safeguarding arrangements at a local, regional and national levels

137 CORPORATE RISK REGISTER QUARTER 4 UPDATE (CX) -

The Director of Corporate Resources presented the report the purpose of which was to update Committee on the quarter 4 position of Corporate Risks for April 2021-March 2022 contained within the Corporate Risk Register as outlined in the Corporate Risk Summary Report.

The report provided Members with an overview of the Corporate Risk Register for Quarter 4 (April 2021-March 2022). A risk analysis was incorporated within the Corporate Risk Summary Report (attached at Annex A to the report). This enabled officers and Members to identify and assess trends and the cross-cutting nature of risks with the ability to drill down to the detail of risks as and when required.

There were 18 corporate risks on the Register. During the quarter 4 period, 2 risks scored high, 6 risks medium/high and 10 risks scored medium. It was reported that there had not been any movement in risk statuses during the fourth quarter of the year. In terms of direction of travel, all risks on the Register had maintained a static position. However, it was anticipated that the School Reorganisation, Environmental Sustainability and Welfare Reform risks would continue to escalate over time.

No.

The Corporate Risk Summary Report attached at Annex A provided a more detailed analysis of the risk trends over the past quarter, which also includes a recommendation that the Welfare Reform risk be replaced on the Risk Register with a cost-of-living risk to explore more extensively the risks associated with the crisis in relation to both the Council in delivery of its services and on citizens. It was proposed that a cost-of-living risk be presented to the Governance and Audit Committee next quarter (reflecting the quarter 1 period). Annex B provided the complete Corporate Risk Register, which outlined the nature of each Corporate Risk in full.

In being asked to comment, Members of the Governance and Audit Committee raised the following points or queries:

- How useful was the register/reporting to the organisation.
- How much time did it take and was the production of the register good value - How much automation was there with the production of the Register
- How can the effectiveness of controls be so limited as to not have any effect.
- How could horizon scanning be built into the Register over the medium term.
- Were there too many risks on the Register.
- Was there a need to rationalise the Register.
- Were the definitions correct and did they reflect the impacts on the Council – more reassurance commentary to be included.
- Was it necessary to have all the mitigating action plans appended with all of the information in there.
- Annex A was really interesting and the heatmaps were particularly useful.

In reply to the above, the Director of Corporate Resources advised that he was keen to explore the usefulness of the Register, given that the update provided the position towards the end of March 2022. Therefore, the production of the Register would be considered which would provide an opportunity to enhance the way that information was presented including horizon scanning. He added that a workshop would be held to look at the Council's risk strategy in more detail, and Members of the Governance and Audit Committee would be invited to take part. With regard to the number of risks on the Register, the Director stated that 18 appeared high, but the review of the risk strategy provided opportunity for the Register to be rationalised. There was also opportunity to explore and report further on the ways that risks were interlinked, as well as providing greater information regarding the impacts of the risks.

Councillor E. Goodjohn queried the reasons for slippage associated to risk CR15 – Additional Learning Needs. In response, the Director advised that information would be sought from Learning and Skills and relayed via email.

Subsequently, it was

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RESOLVED -

(1) T H A T the Quarter 4 position of corporate risks (April 2021-March 2022) outlined in Annex A to the report be noted.

(2) T H A T the report be referred to Cabinet recommending the removal of the Welfare risk and the inclusion of Cost of Living risk on the Register for the next quarter.

Reason for decisions

(1) Having regard to the contents of the report and discussions at the meeting.

(2) To highlight to Cabinet an emerging issue.

138 UNAUDITED STATEMENT OF ACCOUNTS 2021/22 (HF/S1510) -

The Operational Manager – Accountancy advised that the Statement of Accounts for the Vale of Glamorgan Council 2021/22 were now complete and were brought to the Committee for review following the commencement of the external audit. The Accounts for the Shared Regulatory Service 2021/22 and the Annual Return for the Vale, Valleys and Cardiff Regional Adoption Service for 2021/22 were also brought to the Committee for information.

The Draft 2021/22 Vale of Glamorgan Statement of Accounts, Shared Regulatory Services Statement of Accounts and Regional Adoption Service Annual Return were now complete. The Audit of the 2021/22 Vale of Glamorgan Council, Shared Regulatory Service and Cardiff, Vale and Valleys Regional Adoption Service Accounts had now commenced.

Due to the impact of the ongoing Covid 19 Pandemic and the need for revaluation of all Council assets in year the Council completed the draft accounts by 4th July, 2022 rather than the 31st May, 2022 deadline, and this was advertised on the Council website in accordance with Regulations.

The 2021/22 Vale of Glamorgan Statement of Accounts, attached at Appendix A, would be subject to external audit and the audited accounts would be presented to Governance and Audit Committee once the audit was finalised along with the external auditors ISA260 report prior to being submitted for approval by Council. The Operational Manager – Accountancy advised that a revised Appendix A had been tabled as a couple of typographical errors had been identified on Note 7 – Housing Revenue Account and on page 86. A revision had also been identified in paragraph 5.1 of the covering report, which should have read:

“The accounts are prepared in accordance with the CIPFA Code of Practice for 2021/22 Accounts. The Usable Reserves have increased by £20.956M to £144.601M from £123.645M in 2020/21. Of this £642k relates to an increase in

No.

the General Fund, £5.439M relates to an increase in the HRA reserves and £17.881M relates to an increase in earmarked reserves”.

It was noted that the final audited accounts must be signed by the Auditor General before 30th November 2022 and the Committee queried that with tighter deadlines being in place for future years, was there sufficient resource to ensure the accounts were signed off in time. In reply, the Operational Manager stated that there was a small Finance team, and some experienced staff had left the employment of the Council, so they were in the position of trying to back fill posts which had created pressures. The Operational Manager advised that there was also a need to look at whether the Council’s accountancy policies were appropriate and covered the sufficient detail required.

In being asked to comment on the draft Statement of Accounts, the Committee suggested that more narrative and detail was required around the Cardiff Region City Deal. In addition, the Committee felt that the narrative summary section could be improved, so it was agreed that the associated guidelines would be checked.

Following consideration of the report, the Committee

RESOLVED -

(1) T H A T the comments of the Committee regarding the unaudited Vale of Glamorgan Council Statement of Accounts for 2021/22 be referred to the Head of Finance as Section 151 Officer for subsequent discussion with the Council’s external auditors, Audit Wales.

(2) T H A T the comments of the Committee regarding the unaudited Joint Committee Shared Regulatory Services Statement of Accounts for 2021/22 and the Shared Regulatory Services Annual Governance Statement be referred to the Head of Finance as Treasurer of the Joint Committee for subsequent discussion with the external auditors, Audit Wales.

(3) T H A T the comments of the Committee regarding the Annual Return for the Vale, Valleys and Cardiff Regional Adoption Service 2021/22 be referred to the Head of Finance as Treasurer of the Joint Committee for subsequent discussion with the external auditors, Audit Wales.

Reasons for decisions

(1) To allow for the initial review of the unaudited Vale of Glamorgan Council Statement of Accounts by those charged with governance.

(2) To allow for the initial review of the unaudited Shared Regulatory Services Statement of Accounts and Annual Governance Statement by those charged with governance.

(3) To allow for the initial review of the unaudited Valleys, Vale and Cardiff Regional Adoption Service Annual Return by those charged with governance.

No.

139 DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22 (HF/S1510) -

The purpose of the report was to submit the draft Annual Governance Statement for review and to recommend its adoption by the Leader of the Council and the Chief Executive.

The Council, as part of its arrangements for corporate governance, was required to undertake an annual review of internal control and governance and the resulting Annual Governance Statement (AGS) must be included within the Statement of Accounts.

The draft AGS therefore provided an assessment of the Council's corporate governance arrangements and an appraisal of the controls in place to manage the Council's key risks and identified where improvements needed to be made. The draft AGS concluded that from the review, assessment and on-going monitoring work undertaken, that reasonable assurance could be given that the governance arrangements for the Vale of Glamorgan Council continued to be regarded as fit for purpose in accordance with the governance framework.

The draft AGS would 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 signed off the Statement of Accounts for 2021/2022.

Mr. N. Ireland queried the level of detail as 36 pages appeared a lot. He also queried the format of the document and asked if there was scope for the document to be made more accessible. In reply, the Head of the Regional Internal Audit Service advised that these documents were usually lengthy as they had to adhere to the CIPFA/SOLACE framework (Chartered Institute of Public Finance and Accountancy/ Society of Local Authority Chief Executives). However, there would be an opportunity to look at the format of future documents as part of the Council's new Self-Assessment Report following the introduction of the Local Government and Elections (Wales) Act.

Subsequently, it was

RESOLVED – T H A T the draft Annual Governance Statement for 2021/2022 be recommended for adoption by the Leader and Chief Executive.

Reason for decision

Having regard to the contents of the report and discussions at the meeting.

140 ANNUAL CORPORATE FRAUD REPORT 2021/22 (HRIAS) -

The report provided members of the Committee with details of the actions undertaken in respect of counter fraud during 2021-22 including an update on the National Fraud Initiative (NFI) Exercise.

No.

One of the core functions of an effective Governance and Audit Committee was to consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements. The Annual Fraud report, at Appendix A to the report, summarised how the Council managed the risk of fraud during 2021/22 with the aim of prevention, detection, and subsequent investigation and reporting of fraud.

The Counter Fraud Strategy and Framework 2021 to 2024 underpinned the Council's commitment to prevent all forms of fraud, bribery, and corruption, whether it be attempted externally or from within. The framework included reactive and proactive work, the proactive work being presented in an action plan. The action plan had been updated and the current position was shown within the report.

The Council participated in the National Fraud Initiative (NFI). This was a biennial exercise coordinated in Wales by the Audit Wales. The results of the most recent data matching exercise were detailed within the annual report. A total of 360 frauds or errors equating to £43,683 of recoverable funds were identified. In addition, the single person discount matching exercise identified £177,018 of recoverable funds.

Reactive fraud work could be generated by a concern raised via a Whistleblowing referral or by any Officer or Manager directly to Internal Audit or the Investigations Officer. A summary of the reactive fraud work undertaken during 2021/22 was included within the annual report.

In July 2020, Audit Wales published the report, 'Raising our game tackling fraud in Wales'. The report and recommendations along with the 'Fighting Fraud and Corruption Locally a Strategy for the 2020's' guidance was fully considered and integrated into the Counter Fraud Strategy and Framework 2021 to 2024. This ensured that the counter fraud work being undertaken demonstrated continual improvement.

Mr. N. Ireland commented that he could not see much about root cause analysis to identify why issues occurred, and he queried the process through which the fraud occurred and identifying whether processes needed to change. In reply, the Deputy Head of the Regional Internal Audit Service advised that the work that had been undertaken was illustrated in Appendix A, Section 4 – Counter Fraud Work. This showed specific counter fraud, corruption work that had been carried out, of which there were five. Any risks or control issues identified from that work would be reviewed by internal audit to recommend the necessary improvements to management.

With regard to issues relating to the single person discount and linked to continuous improvement, the Committee was advised that the Service would have to be mindful of the matches and any kind of theme that was identified. For example, with the housing benefit audit, work would focus on those areas and have regard to the issues with the fraud officer required to report directly to the Deputy Head of the Regional Internal Audit Service.

No.

In being asked to add anything, the Head of the Regional Internal Audit Service stated that as the NFI had been going for many years, it was fair to say that the Vale of Glamorgan Council had been particularly proactive in addressing the data matches and had identified quite a lot of cases. One of the things that Council needed to undertake was the development of its prosecution policy which could act as a deterrent against fraud, and that publicity around prosecutions was something that would also be considered.

Mr. M. Evans asked whether there were linkages between the Council's Risk Register and the Fraud Risk Register, and he commented on a potential conflict of interest between the fraud investigation activity and internal audit while also reviewing internal audit and fraud risks and controls. In reply to the first point regarding linkages to the Corporate Risk Register, the Deputy Head of the Regional Internal Audit Service advised that there was regard to the Risk Register when the internal audit plan was being developed. There were also links to the departmental service plans. In terms of a potential conflict, the Head of the Regional Internal Audit Service stated that historically across Wales, the fraud function had usually been split 50/50 between internal audit and the Revenues Department. Housing Benefits and Council Tax related benefits was the area with the highest volume and the highest risk. From his perspective, one of the main advantages of having the fraud function under internal audit was an ability to have a far wider corporate view and it was also important to have good inter-departmental relationships and robust arrangements to share intelligence and learn from others. In his view there was a greater potential conflict of interest of having the fraud function within a Revenues Department rather than Internal Audit. When Internal Audit review counter fraud arrangements it would be done by an Auditor who was not involved in fraud work to help ensure independence.

The Committee was advised that a more in-depth analysis of fraud would take place this year, so the findings of that would be reported to the Governance and Audit Committee.

There being no further comments or queries, the Committee

RESOLVED - T H A T the contents of the report, the measures in place and the work being undertaken to prevent and detect fraud and error be noted.

Reason for decision

Having regard to the contents of the report and discussions at the meeting.

141 PROGRESS AGAINST THE INTERNAL AUDIT RISK BASED PLAN 2022-23 (HRIAS) -

The report provided members of the Committee with a position statement on progress being made against the audit work included and approved within the Internal Audit Risk Based Plan 2022-23.

No.

The progress made against the approved internal audit risk-based plan 2022-23 was detailed in Appendix A to the report. It showed that 5 reviews had been completed, two with an audit opinion whilst one report had been issued in draft. 8 reviews were on-going.

Based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control environment of the two completed audits to date, an audit opinion of substantial assurance had been given to one audit and an opinion of reasonable assurance to the other audit. To date 5 recommendations had been made to improve the control environment. The implementation of these would be monitored and reported to Committee in a separate report.

Mr. N. Ireland queried whether it was possible to have an estimate of when the reviews linked to the Risk Register would be completed, specifically the ones relating to Safeguarding, Waste and Procurement. In response, the Deputy Head of the Regional Internal Audit Service advised that it was difficult to indicate specific timeframes as there were challenges relating to staff resources and prioritising audit plans across four local authorities. She added that the Plan did indicate the status of those reviews, whether they had started or had been allocated to start. Some statuses remained blank which were the ones that had yet to be allocated to an Auditor. The reviews for Waste and Procurement had not yet been allocated, so it was likely they would commence after the summer. The Deputy Head referred to regular discussions with Heads of Service and Operational Managers, who also had received copies of the Plan, about the timings for conducting reviews as there may be operational matters that affected when a review could take place.

Mr. N. Ireland also queried whether a summary of any medium or high risks could be provided in future update reports, as well more information about the scope of each review. The Deputy Head agreed for the suggestions to be considered further.

In reply to a query regarding progress around achieving the Plan, the Head of the Regional Internal Audit Service commented that they were in the process of filling some vacant posts. There were also some workforce pressures within some service areas that had affected when a review could commence, so as indicated previously, there had been discussions with Heads of Service and senior management about the need to complete the Plan and undertake reviews. The Committee would be kept informed of any delays to any high-risk review.

Members of the Committee highlighted reviews such as Procurement that had been pushed back from 2021/22, and they were keen to support the Head of the Regional Internal Audit Service in achieving the Plan for 2022/23. The Committee also agreed that senior management be advised of the view of the Committee regarding the importance of Internal Audit work be being carried and that the work be prioritised and supported. The Director of Corporate Resources advised that a meeting of the Council's Strategic Leadership Team was due to take place, so the matter would be raised there.

No.

Subsequently, it was

RESOLVED -

(1) T H A T the contents of the report and the progress made against the 2022-23 Internal Audit Annual Risk Based Plan be noted.

(2) T H A T the Council's Strategic Leadership Team be advised of the view of the Governance and Audit Committee regarding the importance of planned Internal Audit work be being carried and that it be prioritised and supported by Senior Management.

Reasons for decisions

(1) Having regard to the contents of the report and discussions at the meeting.

(2) To highlight to the Strategic Leadership Team the importance to prioritise audit reviews which had been delayed and not undertaken during 2021-22.

142 UPDATED FORWARD WORK PROGRAMME (HRIAS) -

The purpose of the report was to provide Members with an Updated Forward Work Programme for 2022/23.

In order to assist the Committee in ensuring that due consideration had been given by the Committee to all aspects of their core functions, the Forward Work Programme appended to the report at Appendix A, had been produced and was aligned to the Committee's Terms of Reference.

The Forward Work Programme had been updated to reflect changes required to the Committee's Terms of Reference under the new Local Government & Elections (Wales) Act and included items previously requested by members of the Committee.

The Committee was asked to note the Forward Work Programme and indicate whether any additional information was required.

The next scheduled meeting was an additional meeting specifically for members of the Committee to receive the Council's Self-Assessment report, but as the agenda for the October meeting appeared full, it was agreed for the Head of the Regional Internal Audit Service in conjunction with the Director of Corporate Resources, the Head of Finance and the Democratic and Scrutiny Services Officer, hold discussions around the timetabling of items for Committee meetings to be held in September and October.

It was therefore,

No.

RESOLVED –

- (1) T H A T the Forward Work Programme be noted.
- (2) T H A T the Head of the Regional Internal Audit Service in conjunction with the Director of Corporate Resources, the Head of Finance and the Democratic and Scrutiny Services Officer, hold discussions around the timetabling of items for Committee meetings to be held in September and October.

Reasons for decisions

- (1) To ensure the Governance and Audit Committee is aware and informed of progress on the proposed work programme.
- (2) To timetable the reports and agenda items for the September and October meetings of the Governance and Audit Committee.