

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Minutes of a meeting of the Corporate Governance and Audit Committee held remotely via WebEx on Wednesday, 8 July 2020 at 9.30 am.

PRESENT

Councillors Tony Flynn, Martyn Holland (Vice-Chair), Alan James, Barry Mellor (Chair) and Joe Welch

Observer – Councillors Meirick Lloyd Davies and Jeanette Chamberlain Jones

ALSO PRESENT

Head of Legal, HR and Democratic Services Monitoring Officer (GW), Head of Finance and Property Services (Section 151 Officer) (SG), Chief Internal Auditor (LL), Wales Audit Officers (DW, ME and DW)and Committee Administrator (RTJ)

1 APOLOGIES

There were no apologies.

2 DECLARATION OF INTERESTS

No declaration of interest had been raised.

3 URGENT MATTERS

No urgent matters had been raised.

4 MINUTES

The minutes of the Corporate Governance and Audit Committee meeting held on 22 January 2020 were submitted.

Matter Arising –

- Members queried whether the new IT system which was discussed on Internal Audit of Housing Tenancy had been implemented. The Chief Internal Auditor informed the committee that she was aware that it was being implemented, however a follow up report was on the forward work programme for December to update on the internal audit.

Vote taken: 6 in favour, 0 against, 0 abstentions

***RESOLVED** that the minutes of the meeting held on 22 January 2020 be received and confirmed as a correct record.*

5 ANNUAL GOVERNANCE STATEMENT 2019-20

The Chief Internal Auditor (CIA), introduced the Annual Governance Statement (AGS) 2019-20 (previously circulated) which the Council was required to produce an AGS as part of its final statement of accounts as per the Accounts and Audit (Wales) Regulations 2018. The report allowed members of the committee with the opportunity to comment on this year's annual governance statement separately to the Statement of accounts.

The AGS highlighted many areas for improvement plan within an action plan, which the Corporate Governance and Audit Committee would monitor to ensure its implementation.

Members were made aware Due to the coronavirus pandemic, this year's AGS raises a significant governance issue to reflect the unprecedented situation the council has needed to respond to whereby several council meetings were cancelled due to social distancing requirements imposed by government. Council meetings were gradually being reinstated as capacity and capability permits with regards to legislative requirements e.g. simultaneous translations and live web casting.

Members were assured that progress against the previous year's improvement plan had progressed and that outstanding actions were carried forward to this year's improvement plan.

Members queried the meaning of 'webinars' within the second principle within the AGS, officers clarified that it was meant the webcast meetings which were held for meetings such as full council and planning.

Members also highlighted that why certain items which had been previously discussed and why they were not included within the action plan, members were reminded that certain matters were being discussed within the committee's work programme however they could be included within the action plan.

Wales Audit officers also reminded the committee that they would be auditing the AGS.

Vote taken: 6 in favour, 0 against, 0 abstentions

RESOLVED – *that the Corporate Governance and Audit Committee has reviewed and approves the draft annual governance statement for 2019-20.*

6 INTERNAL AUDIT OF CONTRACT MANAGEMENT

The Chief Internal Auditor presented the Internal Audit of Contract Management (previously circulated) the audit was carried out jointly by Audit teams in Flintshire County Council and Denbighshire County Council looking at the robustness of contract management activity across both Councils. The report had been finalised some time ago therefore some data will be out of place.

A questionnaire was issued to staff involved in contract management activity across both Councils and the collective results from the questionnaire were used to scope

the audit and focus the detailed testing. The audit concluded that, overall, contract management was not being managed well within council services.

In general, staff did not fully understand their roles and responsibilities, key contract management information was not maintained, monitoring meetings were often not being documented, and outcomes were not being reported. While contract registers were being populated with historic contracts, some signed contracts were difficult to locate. No corporate contract management training had been provided to staff in recent years and, as a consequence, staff had relied on “on-the-job” training.

Councillor Julian Thompson-Hill welcomed the report however suggested to the committee that the action plan within the report be redone as many dates has slipped due to COVID 19, this would allow the committee to discuss the matters properly and any issues to be addressed accordingly. The suggestion of reworking the action plan and bringing it back to the committee was agreed by the Head of Legal, HR and Democratic Services, and the Head of Finance and property.

The committee agreed the audit was critical as there were many contracts, and concerns with the lack of notes which recorded the meetings with contractors. Could there be shared good exercise with other authorities as a form of training, or could there been written guidance on the matter. There should be objectives within the business unit, and to see if staff would be carrying out the work.

Members agreed for the report to be brought back in November with an updated action plan.

Vote taken: 6 in favour, 0 against, 0 abstentions

RESOLVED that the Corporate Governance and Audit Committee noted the content of the report, and that an updated action plan be brought back to the Committee in November.

7 INTERNAL AUDIT ANNUAL REPORT 2019-20

The Chief Internal Auditor (CIA), introduced Internal Audit Annual Report 2019-20 (previously circulated) that provided the CIA’s overall opinion on the adequacy and effectiveness of the Council’s framework of governance, risk and control during the year that informs the ‘annual governance statement’.

The overall assurance within the report was not completely accurate, however the overall assurance given was medium. The reasoning the assurance was not completely accurate was due to the balance was taken with all audits, however these could not be completed due to COVID-19 pandemic. The assurance was given on the work which has been carried out by March 2020.

There were 7 areas which were given low assurance ratings, which were higher than previous years, however this did not cause alarm. The Pandemic has had an effect on the work which could be carried out on internal audit team.

Members were overall supportive of the report, however did raise concerns with the increase with low assurances. They understood that the pandemic had caused strains and difficulties, especially with home working it was highlighted that auditing could prove challenging in the future. Members reacted positively to counter fraud being looked into, however queried how difficult it could be to ensure tenants who lived alone were being honest and truthful about their situation.

Officers responded that Council tax was audited each year which would identify any residents living alone who claimed single person discount, Council tax would also send an annual letter to Denbighshire residents to allow them to update their records. However this area would be thoroughly investigated during the last audit of Council Tax. The Head of Finance and Property Services there were thorough checks with Council tax especially in regards to the single person discount. However workloads had changed since pandemic therefore there were not as much checking carried out.

Members queried with officers whether there were methods in place to identify deliberate and un-deliberate fraud, and if it was not carried out that the work could be carried out in future audits, the officers responding it could be something to investigate during the next audit.

Members queried whether digital records were used to check single person discount, it was stated that the National Fraud Initiative (NFI) had a database was used.

Vote taken: 6 in favour, 0 against, 0 abstentions

RESOLVED that the Corporate Governance and Audit Committee receive the Internal Audit Annual Report 2019-20 and note its content

8 INTERNAL AUDIT STRATEGY 2020- 21 AND AUDIT CHARTER

The Chief Internal Audit (CIA) presented the Internal Audit Charter and Strategy to the committee report provided the Committee with the Internal Audit Charter and Strategy for 2020-21. The Charter defines Internal Audit's purpose, authority and responsibility in line with the Public Sector Internal Audit Standards. The Charter had been updated to capture recent changes relating to the CIA undertaking temporary responsibility for the Project Management Team.

The audit plan was a risk based plan and was based on the risk for the Council for each service this was developed before the Corona Virus, the report was updated from March, which showed the decline in capacity as audit staff had been moved to other departments, the mental health audit has been put on hold due to work with Betsi Cadwaladr University Health Board (BCUHB), and many other areas have been put on hold.

Members praised the report, however highlighted a concern that due to lockdown there would be a larger strain on mental health. It was queried how joint audit work, worked. It was enquired whether the audit plan was achievable.

The officer responded that the mental health audit was postponed following a request by the BCUHB due to additional work load by the COVID pandemic. The officers understood that there would be far more strain on mental health due to the pandemic. Officer reassured the committee that they believed the audit plan was achievable.

Members queried with the CIA how long would the responsibilities within the Project Management team would last. Members were informed the work started in April and would likely last twelve months.

Lay Member Paul Whitham proposed the report be accepted by Corporate Governance Committee, which was seconded by Councillor Alan James.

Vote taken: 6 in favour, 0 against, 0 abstentions

RESOLVED that the Corporate Governance and Audit Committee approves the Internal Audit Charter and the Internal Audit Strategy 2020-21

9 DRAFT STATEMENT OF ACCOUNTS 2019/20

The Lead Member for Finance, Performance and Strategic Assets introduced the Draft Statement of Accounts 2019/20 (previously circulated) the report provided an overview of the draft Statement of Accounts 2019/20 and the process underpinning it. Presenting the draft accounts gives an early indication of the council's financial position and can highlight any issues in the accounts or the process prior to the accounts being audited.

The report would be coming back in September for a final agreements. The chair alongside the head of finance and property thanked the finance team for the hard work and dedication which was carried out.

The Head of finance and property stated that with the draft statement of accounts there had been no major changes since the previous years. The lack of fundamental changes this was due to the Corona Virus pandemic. The deadline of the draft statement was achieved which was the 15th June. The deadline for the next year was agreed for the 31st May.

Wales Audit informed the committee that they were hoping to bring the audited statements of accounts to the committee in September. Members were made aware that finance wanted to have a slimmed down version of the accounts which was not yet agreed upon. The public engagement aspect of the statement was hard to carry with the public due to the pandemic.

The statements were for 2019-20 there was little impact on the accounts from COVID, the under spend for 2019-20 was good. It was advised that it would be beneficial for members to read the reports that went to Cabinet in June, which gave a detailed overview summary of the financial situation.

Members were informed if they wanted to contact the head of finance and property with any finance queries which they would like to raise about the statements he would happily respond through email.

The committee thanked for opportunity to email with more queries separately to the report. It was suggested that any queries which were sent would include all members to ensure there was no duplication of queries.

Councillor Alan James proposed the draft statement of accounts be approved. Seconded by Councillor Martyn Holland.

Vote taken: 6 in favour, 0 against, 0 abstentions

RESOLVED that the Corporate Governance and Audit Committee note the position presented within the Draft Statement of Accounts 2019/20

10 ANNUAL TREASURY MANAGEMENT

The Lead Member for Finance, Performance and Strategic Assets presented the Annual Treasury Management report (previously circulated) the report was about the Council's investment and borrowing activity during 2019/20. It also provides details of the economic climate during that time and shows how the Council complied with its Prudential Indicators. Alongside the Annual Treasury Management report there was also the Treasury management Report which provided details of the Council's TM activities during 2020/21 to date.

The Head of Finance and Property guided the committee through the report, the table on the report indicated when future reports would be coming to the committee and others for discussion. It was clarified that covering report was a good summary, however some things were slightly different due to COVID-19, and that some money was borrowed in advance, as grants needed to be paid aiding businesses the payments through the pandemic

Members queried investment advisors not traveling would that be a small saving for the Council. There would also be a saving through remote meetings. Members raised external borrowing and that Denbighshire were close to the boundary there was also borrowing for revenue issues, it was asked whether the Council usually borrow for Cash flow.

External borrowing, boundary was set by the Council for the report, the Council were always be close to the boundary. Ordinarily the Council did not borrow for revenue, however it was an agreed upon in the WLGA. The boundary was set, to ensure that there was control held by the Welsh Government. We need to manage the cash flow, having to borrow due to several different aspects.

The committee queried with current circumstances with low interest rates, would the Council be able to borrow at a lower interest rate to pay older debts with high interest. Officers responded that it could happen however there would be financial penalties for paying off the debts earlier.

Councillor Alan James proposed the committee note the position within the Draft Statement of Accounts, seconded by Councillor Martyn Holland.

Vote taken: 6 in favour, 0 against, 0 abstentions

RESOLVED that the Corporate Governance and Audit Committee note the position presented within the Draft Statement of Accounts 2019/20

11 FINANCIAL SUSTAINABILITY

The Wales Audit Officers introduced the Financial Sustainability report (previously circulated) the report was meant to be discussed in March however due to the pandemic it could not be discussed. The work which was carried out was between July and November 2019. Therefore it was clarified that some of the dates within the report were outdated.

The committee were reminded that there were no recommendations from the report, and there was no national report due to the effect of COVID 19.

Members queried with loans and grants and whether Welsh Government (WG) would pay the interest rates on loans. The officers informed the committee WG would pay the interest on loans.

No formal vote was taken as the report was for information purposes.

RESOLVED that the Corporate Governance and Audit Committee note the Financial Sustainability Assessment by Welsh Audit.

12 2018-19 ANNUAL AUDIT LETTER - FOR INFORMATION

RESOLVED that the Corporate Governance and Audit Committee note the Annual Audit Letter by Welsh Audit.

13 2020 AUDIT PLAN AND SUPPLEMENTARY COVID-19 LETTER - FOR INFORMATION

The Wales Audit officers presented the 2020 audit plan and the supplementary Covid-19 letter (previously circulated).

No formal vote was taken as the report was for information purposes the Committee noted the report.

RESOLVED that the Corporate Governance and Audit Committee note the 2020 Audit Plan and Supplementary Covid-19 Letter by Welsh Audit.

14 2018-19 GRANTS REPORT - FOR INFORMATION

The Wales Audit officers presented the 2018-19 Grants Report (previously circulated). It was clarified the report was meant to be discussed in March but was

postponed due to COVID-19. The committee were informed that all three recommendations within the report had been granted.

No formal vote was taken as the report was for information purposes.

RESOLVED that the Corporate Governance and Audit Committee note the 2018-19 Grants Report by Welsh Audit.

15 INTERNAL AUDIT UPDATE - INFORMATION REPORT

The Chief Internal Auditor presented the Internal Audit Update (previously circulated) the report provided an update for Corporate Governance and Audit Committee on Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement.

The committee were informed that the pandemic had affected the progress of the work as many of the internal audit team had been moved to other services to assist during the COVID response. The committee were assured that although the work was progressing slightly slower all outstanding work would be completed.

Members queried with officers the upcoming project, capital management, and were uncertain what it meant. The officers responded that members could receive some training to understand the matter.

Vote taken: 6 in favour, 0 against, 0 abstentions

RESOLVED that the Corporate Governance and Audit Committee receive the Internal Audit update report and note its contents.

16 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME

The Corporate Governance and Audit committee's Forward Work Programme (FWP) was presented for consideration (previously circulated).

The Head of Legal, HR and Democratic Services informed the committee that the FWP was not dated too far to the future as the future meeting dates had not been agreed.

The committee were informed that there would be the financial recovery following COVID to be discussed in September, the internal audit of Contract Management will be discussed in November.

RESOLVED that Corporate Governance and Audit Committee's forward work programme be noted.