

## GOVERNANCE AND AUDIT COMMITTEE

Minutes of a meeting of the Governance and Audit Committee held in COUNTY CHAMBER, COUNTY HALL, RUTHIN AND BY VIDEO CONFERENCE on Wednesday, 14 June 2023 at 9.30 am.

### PRESENT

**Councillors** - Ellie Chard, Justine Evans, Carol Holliday, Arwel Roberts, Andrea Tomlin and Mark Young (Vice-Chair).

**Lay Members** – David Stewart (Chair), Nigel Rudd and Paul Whitham.

Lead Members –

Councillor Gwyneth Ellis – Lead Member for Finance, Performance and Strategic Assets

Councillor Rhys Thomas – Lead Member for Housing and Communities.

Observer – Councillor Jeanette Chamberlain-Jones

### ALSO PRESENT

Interim Head of Service - Legal and Democratic Services/Deputy Monitoring Officer (LJ), Interim Head of Service Corporate Support Service: Performance, Digital and Assets (NK), Planning and Performance Officer (EM) Head of Finance and Property Services (Section 151 Officer) (SG), Chief Internal Auditor (BC), Committee Administrator (KJ) (Zoom Host) and Committee Administrator (SJ).

Audit Wales representative Simon Monkhouse was also in attendance.

### 1 APOLOGIES

There were no apologies received.

### 2 APPOINTMENT OF CHAIR

Nominations were sought for a Member to serve as the Committee's Chair for the ensuing year. Lay Member Nigel Rudd nominated Lay Member Dave Stewart, seconded by Councillor Mark Young. No other nominations were received and it was therefore;

**RESOLVED** that Lay Member Dave Stewart be appointed as the Governance and Audit Committee's Chair for the ensuing year.

### 3 APPOINTMENT OF VICE CHAIR

Nominations were sought for a Member to serve as the Committee's Vice Chair for the ensuing year. Councillor Ellie Chard nominated Councillor Mark Young, seconded by Councillor Andrea Tomlin. No other nominations were received and it was therefore;

**RESOLVED** that Councillor Mark Young be appointed as the Governance and Audit Committee's Vice Chair for the ensuing year.

#### **4 DECLARATION OF INTERESTS**

Councillor Mark Young, declared a personal interest in agenda item 13 - As he was a school Governor at Denbigh High School.

The Chair, Lay Member David Stewart declared a personal interest in agenda item 6 and agenda item 7 as he was a recipient of a Clwyd Pension fund pension and was a member on the Governance and Audit committee on Wrexham County Borough Council.

#### **5 URGENT MATTERS**

None.

#### **6 MINUTES**

The minutes of the Governance and Audit Committee meeting held on the 26 April 2023 were presented for consideration.

Matters Arising –

Councillor Tomlin informed members that the report on Recruitment and Retention was due to be presented to be presented to the Performance Scrutiny Committee in June, but had been deferred to the July committee meeting.

In response to members concern on the status of the Statement of Accounts the Head of Finance confirmed the work on assets had been completed. Audit Wales had received the findings to assess in principal before the final draft accounts report was presented to them in full. The September deadline for the report to be presented to committee was still achievable.

**RESOLVED**, subject to the above that the minutes of the Governance and Audit committee held on 26 April 2023 be received and approved as a correct record.

#### **7 COUNCIL PERFORMANCE SELF-ASSESSMENT 2022 TO 2023**

The Lead Member for Finance, Performance and Strategic Assets along with the Interim Head of Service Corporate Support Service: Performance, Digital and Assets and Planning and Performance Officer guided members through the report (previously circulated).

The Lead Member stressed this self-assessment was based on the new Corporate Plan. A great amount of work had been placed in to the report and the attachments from officers, Cabinet, SLT etc.

The report presented to the committee were statutory reports and provided members the opportunity to assess if the authority was achieving what it set out to in accordance with the Corporate Plan.

Officers confirmed appendix 2 was a quarterly performance report based on the Corporate plan and overview of governance areas, which was a statutory document. Which responded to the authorities' duties under the Well-being of Future Generations Act, the Equalities Act and the Local Government and Elections Act. It was stressed this was the first performance review of the new Corporate Plan and would be used as a baseline for future self-assessments going forward.

Appendix 2 was presented to Performance Scrutiny committee along with Cabinet, to receive an update of the performance report 4 times a year, quarter 1 and 3 were received virtually via email with quarter 2 and 4 are tabled at a meeting for a discussion.

Appendix 1 was the self-assessment. It was a statutory instrument under the Local Government and Elections (Wales) Act 2021. That document was presented to Governance and Audit Committee annually along with County Council and the Performance Scrutiny Committee. The report took stock of how the authority was performing against the Corporate Plan and the objectives set in the plan, and the extent to which our performance was resulting in positive outcomes and how well our governance was supporting continuous improvement. The self-assessment also had to make reference to the stakeholder's survey. Each year the authority was required to hold a stakeholder survey that took into account the views of local people in the county. The survey was available online, with hard copies available in libraries from 7 November 22 to 18 March 23. 630 Respondents were received.

The results of the survey could be found in the self-assessment.

One of the main reasons for the self-assessment was to assess the extent to which the authority's performance was driving improvement in outcomes for people and an analysis of how effective the governance arrangements in supporting improvement in the council was. It was hoped that the papers and assessments would be useful for services and areas of improvement.

It was stressed that at this point in time the documents were both still live documents and would be presented to County Council for approval in July 2023. A greater amount of Nationally benchmarked data was being measured against which officers felt was important. Further work was needed to agree what excellence looked like in some of those measures.

In the opinion of officers, the two reports represented a fair analysis of where the authority stood at this stage of the Corporate Plan. Officers were seeking members feedback, and consider the reports and identify areas where further work may be required further scrutiny.

The Chair thanked the officers and Lead Member for the detailed introduction and comprehensive reports. He thanked officers for the early sight of the report, in his opinion the report was transparent and explicit. Successes were highlighted along with any issues or gaps officers were open about the work needed in those areas. It was stressed the self-assessment (appendix1) was the statutory report that was submitted to Welsh Government.

Members heard the last report for Q3 Performance Plan was unusually smaller. Although the Q4 report in comparison looked a great deal more it was no larger than previous Q4 performance reports. Members heard Welsh Government would

take into consideration all of the performance reports for the year to feed into the self-assessment.

Assurance was provided that close working with internal audit to ensure the governance messages in this report and those in the annual Governance Statement report align.

Responding to members' questions the Lead Member and officers:

- Positive work on the equality and diversity aspect of the plan had taken place. Members were concerned that limited growth had taken place in this area of work over recent months. In response officers stated the authority was part of a North Wales Equality network, one piece of work required by that group was the creation of a contacts list for who to contact from groups with protective characteristics.
- A range of measures were in place to reflect future work to encourage achievement around the theme of a fairer, safer more equal Denbighshire.
- Members stressed the importance of engaging with stakeholders and residents. The level of respondents was statistically relevant and satisfied the requirements of the Local Government and Elections Act.
- The report and self-assessment was to be presented to County Council on the 4<sup>th</sup> July 2023. Proceeding that item, a paper on governance was to be presented to all councillors.
- Each of the themes within the Corporate Plan was led by a Cabinet member. There would also be a clear lead from a Corporate Director and senior officers.
- Members suggested a definition be provided alongside each heading for example procurement and assets.
- It was noted the importance of demonstrating assurance on the procurement system and compliance with the procurement framework.
- Officers were aware further reference and explanation between connections such as assets and workforce planning was needed.
- Members felt the report would benefit from setting out the performance of the Council in a broader regional and national context, noting that the default position to benchmark against national indicators. Officers stressed the importance of context within the report. It was highlighted that where possible data was benchmarked nationally.
- The Governance paper that was due to be presented to County Council would demonstrate where accountability lies. It would ensure accountability and challenge to Cabinet Members for their portfolios.
- Members were reminded of the new duty placed on group leaders in the Local Government and Elections Act.
- Development of Governance boards to lead on themes and progress in these areas. There was no system in place to measure the success of political Lead Members of each theme. Officers thanked members for raising the question and would look at how this could be incorporated in the arrangements.
- The quarterly performance report was drafted by the team in collaboration with services within the council. Once drafted it was shared with senior

officers for comments. It was also presented to Cabinet and Performance Scrutiny.

- At the time of composing the report officers were awaiting confirmation of the Welsh Local Government Association offer in relation to panel assessments. Panel assessments are statutory instrument that within each term, an independent panel must be appointed to provide feedback to Council on its governance and performance. The information has since been received from Welsh Government and officers had begun communication. It was confirmed further information would be presented to committee later in the year.
- Denbighshire formed part of the North Wales and Mid Wales audit group, there was a fraud and corruption side group. That group had been assigned with creating a training module for all staff to complete training.

## **RESOLVED**

*The Governance and Audit Committee considered the report and noted the following actions as part of its' recommendations:*

- 1. That the report provided clear definitions, in particular, but not exclusively, in respect of procurement and assets.*
- 2. The report would benefit from setting out the performance of the Council in a broader regional and national context, noting that the default position is to benchmark against national indicators.*
- 3. The Committee notes and considers the exemplar leadership in respect of climate change, but recognises that achievement of objectives will require collaboration with all partners.*
- 4. The Committee observed that there may be an opportunity to engage more overtly with local and regional business forums to inform a wider stakeholder engagement.*
- 5. The Committee seeks assurance that in respect of Council housing tenants as stakeholders, in particular those with protected characteristics, are effectively and meaningfully consulted.*

## **8 BUDGET PROCESS UPDATE**

The Lead Member for Finance, Performance and Strategic Assets introduced the report (previously circulated). She informed members the report set out the revised financial projections for the 3 year period 2024/25 to 2026/27 and a proposed budget strategy for setting the budget the 2024/25.

Members heard that she was pleased to note the communications plan that was currently being developed. It demonstrated good dialogue with everyone affected by the budget projections.

In addition, the Head of Finance stated the report was 3 elements to the paper:  
Summary of 23/24 budget setting position;  
Revised Budget Projections for 2024/25 to 2026/27 and  
Key areas to contribute to the Budget Strategy for 2024/25.

Members were reminded that the authority had received a better settlement than expected during 2023/24. It was stressed that although it was better than first

thought it did not cover the pressures faced by the authority. Thus resulting in a funding gap of just under £11million. An increase in council tax of 3.8% had helped bridge the gap and generated £2.7million.

A reduction in the amount paid to Clwyd Pensions to contribute to pensions was in a surplus, resulting in a lower contribution sum to be made. This had no impact on individual's pensions.

Corporate Savings had contributed to funding the gap. The £2 million covid contingency plan had been given up.

Monthly monetary reports were presented to Cabinet to report the budget findings. Details of which were made public prior to each meeting.

It was stressed the difference between the best case scenario and worst case scenario of the projections going forward was quite a difference. It was stressed to members the uncertainty at present and going forward. Discussions with other Heads of Finance and Section 151 Officers suggested it was a concern across numerous authorities.

Members heard an additional pressure of pay offers for non-teachers had been a larger increase in the lower grade staff. It was expected that officers would have to look at the impact of the pay grade system.

Members were made aware of key areas of the budget going forward, this was a key area for committee to review and ensure adequate processes were in place to balance a budget for approval by Cabinet and County Council. It was proposed to continue with 1% efficiencies and request and expect services to deliver on those efficiencies. It was also expected services would increase fees and charges in line with inflation in most areas. Other savings would be sought from projects where the delivery of services could be changed. Services had been pre-warned that changes would need to be found and agreed to ensure savings were made. Reducing overspend in areas and services would also be assessed.

Member and staff involvement was encouraged and numerous factors where members could get involved was due to take place. A full Council workshop was scheduled for July to review and discuss the budget and proposals.

It was stressed the importance of getting the communication correct given the projected future budgets.

Members thanked the Head of Finance for the detailed introduction and presentation of the budget process. He urged members to submit questions to the Head of Finance via email outside the meeting.

The following areas were discussed in more detail:

- Members praised the work that was being conducted to mitigate the potential risks.
- Members were pleased to hear about officer and member suggestions. The staff suggestion scheme would be offered to all employees within the council. It was stressed not all staff have access to emails on a daily basis.
- Some of the large budget projects did not need to be included in 2024/25 those included the flooding schemes along the coast, the revenue needed to

be taken into account following the completion of the schemes. The capital plan and its method of funding was being reviewed.

- Finance for schools was a delegated function, with setting school budgets was a delegated matter. Each cluster had a finance manager to discuss budgets and identify savings or good practice.
- Refinancing historic loans that had a higher interest rate than current rates became more viable. Treasury management consultants were working with officers to determine if that was financially beneficial.
- Officers would review and look where savings could be met to aid balancing the budget.
- There was an asset strategy stream to look at savings. The options were being developed and would be reported back when finalised. The principal behind the stream was working with partners to bring them into empty office space. One challenge noted was other authorities were completing similar projects.
- Cross county working was always considered when looking at making savings. Currently the procurement department was a shared service. Discussions on potential service areas that would be more financially beneficial for both authorities would always take place.
- The authority was actively exploring devolution to other third parties. They were in the infant stage of discussions; further research was needed of areas that could be outsourced.
- Services had been asked to review the impact of the service given the savings required and the impact that would have on delivery of services. All areas would need to be reviewed when looking at savings to balance the budget.
- There were three categories of savings – efficiencies, savings and cuts to a service. Historically officers had tried to ensure savings were sought through efficiencies and savings within services.

The Chair thanked the officer and Lead Member for the detailed discussions and encouraged members to contact the Head of Finance with any concerns or questions.

***RESOLVED***, that members note the revised financial projections for the 3 year period 2024/25 to 2026/27 and the committee note the budget strategy agreed by Cabinet for setting the budget for 2024/25.

At this juncture (11.45 am) there was a 10 minute comfort break.

The meeting reconvened at 11.55 am.

## **9 INTERNAL AUDIT REPORT 2022-23**

The Lead Member for Finance, Performance and Strategic Assets introduced the Internal Audit Annual Report to the committee (previously circulated). She emphasised the real effort that had been made by the audit team under difficult circumstances over the last 12 months.

The Chief Internal Auditor guided members through the report. The annual report was an example of good practice under the adopted standard of the Public Sector Internal Audit Standards. Those standards required an annual report on Internal Audit to feed into the statutory Annual Governance Statement.

The report encompassed the work of the audit team for the previous year and provided details of the work carried out by the auditors. He apologised to members stating the overall opinion had not been included/ He explained his opinion was submitted as part of the Annual Governance Statement which was to be presented at the July committee meeting. Since the publication of the papers an amended report had been circulated to members highlighting the change. For clarity the Chief Internal Auditor read out his overall opinion as follows:

'The Chief Internal Auditor's opinion is that the council's governance, risk management and internal control arrangements in the areas audited continue to operate satisfactorily. While the scope of assurance work was reduced due to the staff issues and three investigations, reasonable assurance can be given that there have been no major weaknesses noted in relation to the internal control systems operating within the Council.'

It was reiterated to members the team dynamics during the last 12 months. The team had been operating without a full complement for the majority of the year. He also stressed the work that had been involved in completing the three special investigations. It was unprecedented to have 3 in one year. Both these points had impacted on the amount of planned audits completed from the original plan presented to committee last year.

Members heard 43% of the proposed work had been completed. 74% of the work carried out received a high assurance, 26% received a medium assurance with no low or no assurance ratings being issued. 3 advisory pieces of work had been completed, all of which were satisfactory. 7 follow up pieces of work had been included on the programme of work, the team had completed 6 of the follow up reviews.

Fraud and the manner in which way it was managed by the authority continued to be reviewed. Fraud was managed by senior officers within the council and any concerns was initially investigated by the service and then internal audit for assistance. The service should then report back to internal audit with the findings. Over the last 12 months he confirmed he had not received any reports of fraud.

Every 2 years the authority was required to carry out a piece of work for the National Fraud Initiative, which looked at matching data. The most recent report conducted had been provided to members at the time of completion. Details of the procedure of matching data was provided.

The audit team had performance indicators which included the draft report being issued in 10 working days and the final report being produced 5 days following agreement of the draft report.

An area the team had addressed that needed improving was the questionnaires following an audit being returned. The team had looked at the form to make easier to navigate and use. Hoping that would see an increase in returned questionnaires to the team.

The Chair thanked the Chief Internal Auditor for the detailed introduction. The following points were discussed further:



- Whistleblowing complaints were received by the Monitoring Officer who in turn shared any information with the Chief Internal Auditor to decide the best way forward. At that point it was looked at what internal audit can and should do and what can be farm out.
- A number of audits had been carried forward. If any of the risks are still noted or become a greater risk they will be get moved up the priority list. It was hoped this next year the majority of audits would be completed. It would be a combination of work carried over and those listed on 2023/4 programme of works. Audits in all services during the year are conducted, regular meetings with heads of service to prioritise the order of work took place.
- The majority of the work in relation to the special investigation work had been completed in the office. Both special investigations resulting from whistleblowing, audits were conducted on site.
- Audit had looked at the relationship arrangements between the authority and Betsi Cadwaladar University Health Board and were confident the relationship with the board was still effective. Once all investigations had been completed of the Health Board, internal audit could ensure it has the correct assurance. Officers of the authority had determined the risk associated to each area on the Corporate Risk register. Members stressed their concern that the assurance related to CRR00021 on the Corporate Risk register was green, High assurance. It was stressed the assurance was in relation to the communication between the two bodies not on the performance of the health board.
- Members noted the no low or no assurance audits completed. It was stressed that based on the work that had been completed that was the case. Working process are in place for all audits, all reports are presented to the Chief Internal Auditor before completion.
- In relation to some of the matching data fraud, it was often the case that other authorities completed the final work, depending if fraud was evident in a given authority.
- Confirmation that the counter fraud strategy and fraud response plan were due to be reviewed in the next 12 months. Members asked that those findings be shared as part of the internal audit update. Members were pleased to hear working with other local authorities to review best practices was taking place.

**RESOLVED** that members note and comment on the Chief Internal Auditor's annual report and overall opinion.

## **10 INTERNAL AUDIT CHARTER & STRATEGY 2023-24**

The Chief Internal Auditor presented the Internal Audit Strategy to the committee (previously circulated). The report provided the Committee with the Internal Audit Charter and Strategy for 2023-24. The Charter defined the Internal Audit's purpose, authority and responsibility in line with the Public Sector Internal Audit Standards. The Strategy provided details of the proposed Internal Audit projects for the year that would enable the Chief Internal Auditor to provide an 'opinion' on the adequacy and effectiveness of the Council's framework of governance, risk and control during the year.

The Chief Internal Auditor confirmed the Charter provided members with information on how Internal Audit would function throughout the year. It was stressed Local Authorities were subject to the Account and Audit (Wales) Regulations and must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal controls.

Resources had been an issue throughout the year, details of the team had been included in the papers. Members heard two restructures of the department had taken place over the last 12 months.

In response to members comments the Chief Internal Auditor confirmed that the Public Sector Internal Audit Standards requirements included the Charter being presented to committee for comments. It stated the Charter and Strategy were required to be presented on an annual basis. He confirmed he would liaise back the comments raise on the need for committee to receive the report annually.

The Chair confirmed he had met with the Chief Executive and he found the meeting very worthwhile and positive. He was very supportive of the role of the committee and agreed to hold further meetings with the Chair in the future. He informed members both the Chair and Vice Chair would participate in the peer assessment interviews. Members welcomed the attendance of another Chief Internal Auditor to any future meetings.

The Internal Audit Strategy (appendix 2) provided information on the planned programme of work for the upcoming year. Members were provided with a brief description of the work. The programme of works included an array of audits from all service areas. A number of audits had been carried over from previous year. It was stressed Internal Audit would only carry out audits it was deemed beneficial for the authority. The Strategy included the vast array of work carried out by Internal Audit and detailed the meetings officers attended to report back on. Members heard officers had emphasised the importance of updating the Verto system to managers, the Chief Internal Officer confirmed he had raised it the Senior Leadership Team meeting to stress the importance of managers updating the system.

The Chair stressed the importance of staff cooperation and compliance with updating Verto. The Committee stressed the support from members to emphasise the importance of updating the system.

Members noted the extended list of proposed audit work intended for the coming year. The Chief Internal Auditor stressed the special investigations would not affect the work load. One of the investigations was at draft stage and the other had been included in the proposed work for 2023/24.

In response to members questions, members were provided the assurance the implantation of new financial systems were being project managed. The Chief Internal Auditor stated he was confident an appropriate entry on the financial risk register would have been included. Discussions with the chief accountant and lead officers had taken place during the process and implementation. Close working with the finance team would continue.

Members suggested that a future training session on Internal Audit and how work was planned and prioritised be scheduled.

Members heard that discussions had taken place to consider closer working arrangements with neighbouring authorities.

It was;

**RESOLVED** that members approve the Internal Audit Charter and the Internal Audit Strategy 2023-24.

## 11 WORKFORCE PLANNING

The Chief Internal Auditor provided members with a verbal update on the internal audit work on Workforce planning.

He confirmed the remit from the committee had been for audit to look at how HR were addressing the concerns of workforce planning. Audit officers met with HR and went through a scoping procedure. An action plan was in place, which included five actions. He informed members the actions were:

- To consider leadership and management development processes
- Reviewing the authorities' recruitment and retention policy
- Evaluating the Council is promoting itself as a high performing and empowering workforce
- Review the Councils current and future arrangements for developing a flexible and agile workforce
- How the Council supported staff with health and wellbeing matters.

Two areas had been identified as issues and were under discussion with HR. The internal audit officers had awarded a medium assurance for the audit work. The report was still in draft presently. Members would be provided the audit report once agreed, this would be circulated to all.

It was stressed recruitment and retention would always be an issue for local authorities, the report looked at how HR had tried to encourage people into the service and authority.

The final report would be included in the Audit update that was presented to the committee in due course. Members asked that feedback be provided alongside the report on National terms of Conditions for key posts in North Wales.

Members asked if an email update outside of the meeting could be provided as to the progress in the recruitment of the replacement section 151 officer.

The Chief Internal Auditor confirmed the advert had been issued for the Section 151 officer with a closing date of 19 June 2023. Following that the interviews would take place in July 2023.

**RESOLVED** that members note the verbal update and await a copy of the final Internal Audit report.

## 12 GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

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

The Chair confirmed he along with the Vice Chair had expressed concern that the Whistleblowing report had been deferred. He confirmed the report would be presented at the July committee meeting.

The draft Annual Governance and Audit annual report would also be presented at the July meeting. It had been deferred from the June meeting.

The Corporate Risk Register was presented to the committee annually. The Chair proposed the committee received a report on the register twice a year. It was suggested a copy of the Risk Register be included as an information report for reference at the July meeting.

The Chair urged members to contact him direct with any opinions on receiving the Risk register twice a year.

***RESOLVED*** that, the Governance and Audit Committee's forward work programme be noted.

## **FOR INFORMATION**

### **13 ESTYN LETTER TO LOCAL AUTHORITY FOLLOWING ARA WORKSHOPS**

The Chair introduced the information report to members. The Chair highlighted the report as he was unaware that Denbigh High School had been in special measures for some time.

Councillor Mark Young stressed within the letter it stated the school had been in special measures from 2016 when it was in fact 2018. He stressed the importance of ensuring the facts are correct. He confirmed he had attended a lot of positive meetings and a great deal of positive good work had been done in the school during the last 5 years. He stressed the importance of being fair and balanced in all communications. He suggested the response from the authority or school should stress the positive work being done at the school.

The Chair emphasised the role of the committee was to ensure the committee was provided the assurance that the measures were being addressed and debated in the right committee.

***RESOLVED*** that the committee note the information report.

**The meeting concluded at 13.35 p.m.**