

GOVERNANCE AND AUDIT COMMITTEE

Minutes of a meeting of the Governance and Audit Committee held via video conference on Wednesday, 17 March 2021 at 9.30 am.

PRESENT

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

Lay Member - Paul Whitham

Cabinet Member – Councillor Richard Mainon - Lead Member for Corporate Services and Strategic Direction

Observer- Councillor Meirick Lloyd Davies.

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), Strategic Planning Team Manager (NK), Strategic Planning & Performance Officer (CE), Chief Digital Officer (BE), Democratic Services Manager (SP), Committee administrators (SJ and RTJ).

Wales Audit Office Representatives David Wilson, Matthew Edwards and Jodie Williams had also been in attendance.

1 APOLOGIES

None.

2 DECLARATION OF INTERESTS

No declarations of interest were raised.

3 URGENT MATTERS

None.

4 MINUTES

The minutes of the Corporate Governance and Audit Committee meeting held on the 27 January 2021 were submitted.

The Monitoring Officer (MO) confirmed a number of updates would be presented to the Committee regarding the Local Government and Elections (Wales) Bill 2021 when required. Confirmation that changes to the structure of the Corporate Governance and Audit Committee were not due to take place until May 2022.

RESOLVED that subject to the above, the minutes of the Corporate Governance and Audit Committee be received and approved as a correct record.

5 THE SOCIO-ECONOMIC DUTY FOR WALES

The Lead Member for Corporate Services and Strategic Direction introduced the report (previously circulated). Members were informed of the changes that have been embraced by Welsh Government under the Equality Act 2010 section 1-3. It was explained that following the changes a to review by officers of procedures within the council would have to take place. The aim would be to reduce socio-economic disadvantage across the authority.

It was explained to members the report had been presented to the committee to present the key changes in key functions to satisfy requirements under the legislation. It was confirmed that the policy would be rolled out to officers to adopt.

The Strategic Planning Team Manager added work had begun to review a number of key decision making and planning frameworks currently adopted with the council. Within the report it detailed the intention to review planning policy, e-learning modules and web content under the equality web pages and HR policy. It was confirmed that Internal Audit would also give consideration to this duty in future work.

Members thanked the officers and noted the duty to include the socio-economic duty within Council policies and procedures.

It was therefore,

RESOLVED, that members

- *note the reasons behind the Duty, its definitions, commits to giving due regard to the Duty.*
- *note the core functions that are adapting to the Duty and ensures the adaptations are made.*
- *Inspect Well-being Impact Assessments with respect to inequality of outcome that results from socio-economic disadvantage / poverty; Ensure they take ownership for Well-being Impact Assessments for which they are responsible; Challenge officers to provide evidence or take steps to fill in knowledge gaps in Well-being Impact Assessments and challenge the conclusions of the Assessments, asking Officers whether their conclusions are accurate / are likely to be accurate and avoid and challenge optimism bias.*

6 ALTERNATIVE SERVICE DELIVERY MODEL (ASDM) TOOLKIT

Members were guided through the report (previously circulated) by the Lead Member for Corporate Services and Strategic Direction. It was explained that the toolkit had been requested by the committee to collate all resources in one toolkit. The toolkit provided officers with templates and guidelines to work towards when completing tasks. Communication with all officers had taken place to put the toolkit in place.

Members heard that the intention had been for the toolkit to be read as a guide in establishing good practice in partnership governance, scrutiny requirements and provided assurance that good governance arrangements had been in place.

Members thanked officers for the requested comprehensive report. The Monitoring Officer explained that a number of other considerations would still have to take place

such as compliance to GDPR requirements. The toolkit provided both officers and members a guide to follow.

Members thanked the Lead Member and officers for the report. It was,

RESOLVED, that members note the contents of the ASDM toolkit, its intended use, its definitions, and the committee approved its use both within the Council and when the Council is working in partnership.

At this juncture it was agreed to vary the order of the Agenda.

7 CERTIFICATION OF GRANTS AND RETURNS 2019-20

The Head of Finance and Property introduced the Audit Wales report (previously circulated). The report provided an assurance to the authority on the arrangements of grants. It was explained that the scope of the report had reduced over the previous years as Welsh Government reduced the number of grants that required this level of audit. It was confirmed that overall the Council has adequate arrangements in place for the production and submission of the 2019/20 grant claims.

The Audit Wales representative Matthew Edwards explained that the teacher pension audit had been required to be reported to Welsh Government, therefore it had to be qualified. One of the tests required was not able to be completed due to Covid restrictions. Members were assured that Audit Wales had no concerns on the compilation of data from Audit Wales. Overall the Head of Finance and Property stated he was pleased with the outcome considering the difficulties faced during the pandemic.

Members asked if it had been similar for all authorities within Wales. The Audit Wales representative stated the issues that had been experienced by Denbighshire had been specific to the authority in that electronic copies had not been readily available for Audit Wales to monitor. It was stressed if the issues continued communication with the payroll team to address the issues would be made.

It was confirmed due to regulations Audit Wales are required to report to the penny when auditing grant claims and regardless of the amount the findings are reported back.

The Chair thanked the Head of Finance and Property and Audit Wales team for the report.

Members,

RESOLVED that members note the contents of the report.

8 ANNUAL AUDIT SUMMARY

The Head of Finance and Property introduced the Annual Audit Summary report produced by Audit Wales report (previously circulated). It was emphasised the report

had been updated to be more user friendly and have easier access to information. The report summarised the work done over the previous year for quick access.

Matthew Edwards the representative from Audit Wales introduced Jodie Williams, it was explained to members Jodie had recently been promoted as an Audit Lead and would be contributing to the audit work of Denbighshire. The report provided members with an overview of the duties of the Auditor General and Denbighshire and summarised the findings. David Wilson (Audit Wales representative) added that within the report a number of previously reported papers both Denbighshire findings and regional papers had been included. Confirmation that links to the detailed reports had been included within the document. Reassurance was provided to members on current Audit Wales work. Ongoing work around the Covid recovery plan and Covid learning would continue.

Members were in agreement that the report provided a readable view of the Audit Wales work. In response to members questions the representatives expanded on the following;

- With regard to the Local Government studies, it was explained officers considered the report and consider the report to identify any issues that would relate specifically to Denbighshire and report in the appropriate way.
- Denbighshire contributed to the national fraud initiative, information was forwarded to the initiative for analysis. The Chief Internal Auditor confirmed that a summary of the NFI results was included in the Internal audit update report.

Members thanked officers and Audit Wales for the detailed response to questions. It was therefore

RESOLVED, that members note the Audit Wales, Annual Audit Summary for Denbighshire County Council.

9 AUDIT WALES' AUDIT PLAN 2021- 22

Members were guided through the report (previously circulated) by the Head of Finance and Property. It was explained that the report detailed Audit Wales' planned work to be completed in 2021-22 from a financial and performance standpoint.

Matthew Edwards (Audit Wales) confirmed the annual report included the intended work for key areas of responsibility around the performance and financial audit. Members heard that the concept of materiality was applied to work. It was explained that absolute assurance was not sought when reviewing financial statements and notes. Members were guided through the report and the risks that had been identified by the Audit Wales representative. A comprehensive reasoning for the risks was provided to members.

The key focus risks identified had included risk of management override of controls, the councils subsidiary company – Denbighshire Leisure Limited and 2 areas affected by the Covid-19 pandemic - pressures on staff resource of remote working potentially impacting the preparation, audit and publication of accounts and material misstatement and the shape and approach to the audit.

Reference to the fee and audit team was highlighted, the representative confirmed the fee had remained fairly unchanged and Audit Wales had been confident that the specific risks could be absorbed in the fee set out.

The Audit Wales representative stressed the importance of good communication with the finance team to work effectively would continue.

David Wilson from Audit Wales highlighted the programme of work from the performance side of work.

Reference was made to the continuous improvement aspect of the report. It had been identified that the introduction of the Local Government and Elections Wales Act 2021 would have an impact on Audit Wales' work including an assessment of performance which would be audited by Audit Wales.

During the discussions the following areas were expanded upon:

- It would be sensible to have a coordinated response when reviewing the funding streams received from Welsh Government. Cross working with Internal Audit and Welsh Government to ensure amounts are correctly disclosed and allocated correctly in accounts. At present Audit Wales had not been required to consider the fraud aspect of the funding. Ongoing discussion of the role of Audit Wales continued. Confirmation that Internal Audit had completed work addressing grant work and funding streams.
- Included in the Audit Wales fee a small contingency had been included to address any queries from electors and members of the public. It was explained if the number of queries raised increased that may increase the fee a discussion with the Head of Finance would be held.
- Members heard that IFRS 16 was a requirement of all public sector bodies. Confirmation that this had been deferred due to the Covid-19 pandemic was provided. The new standard would require a large amount of work to comply with the requirements. Support and dialogue with the finance department to ensure compliance had taken place.

Following discussions David Wilson confirmed that he would provide members and observers with additional information about the procedures Audit Wales followed when auditing Central Government in light of the changes due to the Covid-19 pandemic.

The Chair thanked Audit Wales and officers for the report and it was:

RESOLVED that members note the contents of the Audit Wales Audit Plan 2021-22.

10 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME

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

It was agreed to amend the FWP as following:

9 June 21 – To include the Annual Governance Statement.

28 July 21 – A report on RIPA following a desktop inspection.

To include the Local Government Act as a future agenda item for changes to the constitution.

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

11 CYBER RESILIENCE IN THE PUBLIC SECTOR

EXCLUSION OF PRESS AND PUBLIC

In order to address the concerns raised on the Audit Wales report on Cyber resilience in the public sector and discuss the confidential report it was –

RESOLVED that *under Section 100A of the Local Government Act 1972, the Press and Public be excluded from the meeting on the grounds that it would involve the disclosure of exempt information as defined in Paragraph 18 of Part 4 of Schedule 12A of the Act.*

A confidential report by Audit Wales (previously circulated), provided information relating to cyber resilience in the public sector. Members discussed the need to be more aware of cybercrime. It was noted that following the pandemic the use of I.T. had increased, members felt providing members with information about cyber resilience would be beneficial.

Members agreed it would be useful to have a follow up report presented to the committee on the work Denbighshire are completing in relation to cyber resilience in the public sector.

It was,

RESOLVED that *members note the contents of the confidential report and a follow up report be included on the FWP.*

The meeting concluded at 11.35 a.m.