

## **GOVERNANCE AND AUDIT COMMITTEE**

Minutes of a meeting of the Governance and Audit Committee held in Via ZOOM on Wednesday, 28 April 2021 at 9.30 am.

### **PRESENT**

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

Lay Member – Paul Whitham

**Cabinet Members** - Councillor Julian Thompson-Hill Lead Member for Finance and Efficiency and Councillor Bobby Feeley Lead member for well-being and independence.

**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), Senior Auditor (LH), Legal Services Manager (LJ), Head of Community Support Services (PG), Framework Manager (TS), Lead Officer – Community Housing (GD), Principal Manager (DS) Democratic Services Manager (SP) and Committee administrator (SJ).

Wales Audit Office Representative David Williams had also been in attendance.

#### **1 APOLOGIES**

Apologies had been received from councillor Joe Welch.

#### **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 14 March 2021 were submitted.

Matters of accuracy – Page 11 – Item 11 – Audit Wales Audit' Plan 2021-22 – Should read 'queries from electors and members of the public'.

Matters arising - None

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

## **5 PROCURING WELL-BEING IN WALES**

The Deputy Leader and Lead Member for Finance and Efficiency presented to members the report (previously circulated). It was explained the report provided the Committee with the external report by the Future Generations Commissioner's Office in respect of their review into procuring Well-being in Wales. The Commissioners' report was attached as Appendix 1 to the report.

The actions being taken, or to be taken, to address the issues raised by the Commissioner had been included as Appendix 3. It was confirmed this would be updated, following consultation on a revised procurement strategy.

The Monitoring Officer (MO) emphasised the authority had been involved in the review. The themes that have been noted in the report had been national themes. It was stressed that procurement was processed driven and highly regulated.

Members stressed the importance of outcomes. The process to receive an outcome had to be sound and robust. The need to make sure our processes and procedures were robust was stressed.

During the discussion, officers expanded upon the following-

- The term 'light touch' referred to a more flexible approach to each procurement application. The MO informed members the light touch regime relates to the authority with Social care contracts, certain categories of contracts do not have the full weight of the procurement regulations.
- The Socio-economic duty was a new duty that each local authority had regard to when making any decision.
- Procurement was highly represented in the authority, the Deputy Leader was lead and the MO was the Head of Service for the department. Both the MO and deputy Monitoring Officer had involvement with the procurement team. It was also confirmed a procurement board had been established which oversees the joint procurement work. Both Lead members of Flintshire County Council and Denbighshire County Council sat on the board along with both MO from each authority.
- The Commissioning form appendix 2 (previously circulated) included the timescales as a process by which a contract begins. Work on a central registration of contracts had begun. Duration would be a key part of the registration so we know when contracts are due to end.
- A lot of work on the process of procurement and the joint service had been completed. The community benefits hub had been established to engage with services to support with the procurement process and monitoring.

The Chair thanked the officers and Lead Member for the response to member's questions.

Following the discussion, it was

**RESOLVED** that, the committee note the detail within the report and the actions being taken, and to be taken, in order to address the recommendations.

## **6 BUDGET UPDATE - MEDIUM TERM FINANCIAL PLAN (MTFP) AND BUDGET PROCESS**

The Lead Member for Finance and Efficiency introduced the report (previously circulated) providing members with an update on the latest projections included in the Medium Term Financial Plan (MTFP) and the plans for the Budget Process for 2022/23 and beyond.

Members were informed the report consisted of two elements – first the financial projections included in the Medium Term Financial Plan (appendix A) and secondly the proposed Budget Process (appendix B).

The Lead Member provided further information on each appendix. Members heard that appendix A sets out the current financial projections included in the Medium Term Financial Plan. A breakdown of the information contained within the appendix was provided. This included:

- initial financial assumptions following review by the Budget Board
- Changes / Decision Log – this itemised and reconciles the current version of the MTFP with that presented to Council in January
- Sensitivity Analysis of possible levels of the Revenue Support Grant ('the settlement')
- Sensitivity Analysis of the impact of different levels of Council Tax

Appendix B, the proposed Budget Process included additional information on the proposed approach to:

- Pressures
- Short and longer term savings
- Invest to save scheme
- Consultation and engagement

Confirmation that an all member workshop would be scheduled later in the year to provide information on the process, capital strategy and other elements. Workshops would be scheduled if members needed to be informed of any changes or updates.

The Head of Finance and Property Services (HFPS) confirmed the report was the annual report presented to members on the budget process. It was explained last year due to Covid-19 pandemic the report was presented in the autumn.

An update report would be presented at a meeting later in the year.

The three building blocks remained the same, thus being approach to pressures, revenue support grant settlement prediction and the council tax increase prediction. It was confirmed at present no indication to what the revenue support grant from Welsh Government would be. It was hoped further information would be provided over the summer.

The HFPS confirmed some changes to the Budget Process had been included in the report. The first change included was the new process around intelligence gathering on potential pressures. Looking at small pressures services are experiencing. Another change noted was the change in tact and strategy to move away from an annual cycle of issuing large saving targets. The aim was to have a 5year plan, meetings with services on the budget would be held in the autumn to discuss potential big savings. An investor save fund would be set up to allow services cash to fund prime projects. During the year there would be three deadlines for proposals for projects would be set. It was hoped this information would set out the plan for the next 3-5 years to ascertain the savings that can be expected and from what projects. There would still be an expectation for services to review budgets to assess any savings that could be made.

In response to members questions the following points were raised:

- Welsh funding had been received for loss of earnings for all four quarter payments. The payments for additional costs had in majority been received. The funding was claimed in arrears so an application for February had been submitted.
- The budget member workshops would be held remotely unless Welsh Government guidelines were reviewed.

The Chair thanked officers for the report.

**RESOLVED** that members note the contents of the report.

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

## **7 INTERNAL AUDIT SUPPORT BUDGETS AND DIRECT PAYMENTS**

The Chief Internal Auditor (CIA) guided members through the follow up report (previously circulated). The report provided members with an update on the progress in implementing the action plan that accompanied the Internal Audit report on Support Budgets & Direct Payments dated August 2019 which was presented to this committee in September 2019.

It was confirmed that 5 issues had been raised from the initial audit. 2 of which had been major risk issues and 3 moderate risk. It was then the responsibility of the service to propose actions to address the risks raised. In this report 28 action points were raised. Confirmation that 22 of the 28 agreed actions had been completed. The CIA stated she was pleased with the work that had completed.

The Senior Auditor (SA) explained to members the provision of support budgets and direct payments had been in a transitional period at the time of our original review. Members were guided through the action points and further information was provided.

Members noted the substantial progress that had been made following the internal audit. They thanked the officers for the work to improve the process. Members were

in agreement that a further follow up plan would provide further assurance to the committee.

The Head of Community Support Services agreed that a number of the actions agreed were still outstanding. It was confirmed work was ongoing to complete those remaining. He stated he would be happy to return with a follow up report on progress made.

The Lead Member for Well-being and Independence confirmed she was pleased with the progress that had been made. She emphasised the new system had taken time to embed within the team. In her opinion the new system would be a beneficial to staff and residents.

The CIA stated a follow up audit for the service had been scheduled for July 2021. It was advised a follow up report be presented in September 2021.

It was;

**RESOLVED** that the committee note the follow up report and a further follow up report on Support Budgets and Direct Payments be included on the FWP for September 2021.

## 8 INTERNAL AUDIT CHARTER & STRATEGY 2021-22

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 2021-22. 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 CIA to provide an 'opinion' on the adequacy and effectiveness of the Council's framework of governance, risk and control during the year.

The CIA guided members to the main changes to the Internal Audit Charter included in Appendix 1. The changes had been included in the 'Positioning & Reporting Lines' section. It noted the CIA had taken on a temporary role to manage the Project Management Team within the Business Improvement and Modernisation Service, this concluded in March 2021.

It was confirmed that Internal Audit independence had been reinstated. The CIA had included within the Charter it confirmed the Senior Auditors would continue to undertake the responsibility for audits relating to the project management team.

The CIA stated the change in the name of the Committee to read Governance and Audit Committee had been included within the Charter.

Members were guide to appendix 2 which contained details on the Internal Audit Strategy 2021-22. The CIA highlighted the Audit Plan 2021/22 took into account the:

- Council's corporate and service risk registers;
- corporate assurance requirements, including the Annual Governance Statement;
- the outcome of previous audits and those of other assurance providers,
- discussions with service management teams.
- Planned work deferred from 2020-21

An update on the counter fraud work had been included within the Strategy. It was confirmed that Internal Audit would continue to investigate instances of potential fraud and irregularities referred to it by management.

It was confirmed Audit Wales facilitated a national data matching exercise (National Fraud Initiative – NFI) every two years. The 2020/21 exercise had recently commenced. Progress would be reported to Governance & Audit Committee periodically as part of the Internal Audit Update report.

Members noted the list of Internal Audit priority projects for 2021-22 that has been agreed between the CIA and each service management team and directors. It was highlighted a number of Audits had been deferred from 2020-21. The Audit plan was a flexible plan and could change if needed.

It was confirmed that all actions from the external assessment carried out in 2017-18 by Gwynedd County Council had been completed. The next External assessment organised through the Welsh Chief Auditors Group would be due to take place in 2022/23.

It was;

**RESOLVED** that members approve the Internal Audit Charter and the Internal Audit Strategy 2021-22.

## **9 INTERNAL AUDIT UPDATE**

The Chief Internal Auditor (CIA) introduced the report (previously circulated) updating members on the Internal Audit Team's progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement. It had also included an update on progress with the CIPFA Good Practice for Audit Committees.

The report provided information on work carried out by Internal Audit since the last committee meeting. It allowed the committee to monitor Internal Audit's performance and progress as well as providing summaries of Internal Audit reports.

Confirmation that 2 Audits and 3 follow up reviews had been completed since the last committee meeting. Members were reminded details of each of the audits had been included as appendix 1 to the report. A brief background of each audit was presented to the committee.

The CIA confirmed Internal Audit had been focusing on completing priority audits from the Audit Strategy 2020-21 and no new projects are currently planned until the Audit Strategy for 2021-22 was agreed. Details of all the planned work was provided to members.

Confirmation that the Internal Audit Annual Report will be presented to Governance & Audit Committee in June 2021.

Information was provided on the progress with counter fraud work. Members were guided through the work that had been completed since the last internal audit update. It was noted that the current performance percentage of audit agreed actions that had been implemented by services was 62% below the target of 75%. The two lowest

rates of completion by services had been seen in Community Support Services and Highways & Environment Services. It was noted that these services had been under a lot of pressure due to Covid-19 Pandemic. Work to support these services to complete actions continued.

During the discussion-

- The CIA confirmed settlement agreements were a different name for compromise agreements. A review was carried out periodically to ensure the correct process had been followed and if any lessons could be learnt. The Monitoring Officer stated a robust process was in place for approval. A number of services had to be involved in the process. The Monitoring Officer confirmed he would be able to provide to members the number of these agreements currently in place.
- Members heard the Rhyl Regeneration programme had assigned an interim programme manager to ensure work continued.
- The scam regarding the school fund certificate had been identified in Gwynedd County Council. We notified all schools of the potential scam to be vigilant and cancel any trial programmes to ensure no costs.
- Members noted the structure of the Internal Audit team. Confirmation a senior auditor had been seconded until at least September 2021. The Internal Audit had been impacted due to the reduced resources and had adapted well to those changes.

Members thanked the Monitoring Officer and the CIA for the detailed response to member's questions. It was therefore

**RESOLVED** that members,

- *The committee note the Internal Audit's progress and performance and,*
- *Details on the figure of settlement agreements be made available to members.*

## **10 INTERNAL AUDIT HOUSING TENANCY**

Members were guided through the follow up internal audit report on Housing Tenancy (previously circulated). The Chief Internal Auditor (CIA) informed members the report provided an update on the progress in implementing the action plan that accompanied the Internal Audit report on Housing Tenancy dated November 2019 which was presented to this committee in January 2020.

The CIA introduced the Senior Auditor to present the findings from the report. It was noted that 9 of the 15 actions had been implemented and completed. The remaining actions to be completed had been included in the report. Following the follow up audit the reviewed assurance had been medium risk.

The Lead Officer – Community housing thanked the Internal Audit for the work and support that had been provided to the service. He was pleased to note the assurance had moved from low to medium. It was acknowledged work was still required to complete all actions raised. Work to be proactive with tenants to support and complete ID checks was on going. Members heard it was felt the risk of tenancy fraud had potentially increased due to Covid-19. It was hoped that knowledge of tenants by officers and community vigilance to prevent fraud had increased.

The use of photos within the housing sector was not widely used. The risk of cuckooing of an individual forcing tenants out of property, was still apparent. The vigilance of the local community and housing officer's knowledge would reduce this risk. The use of the housing rent system to monitor rent patterns had aided prevention of cuckooing and tenancy fraud. Tenancy visits would also aid the prevention of fraud. Confirmation that a new I.T system in housing had been implemented recently. It had taken time for officers to learn and adapt to the new system and use efficiently. In response to questions raised, the Housing Officer emphasised the vital importance of Local Member knowledge to aid and support officers with monitoring tenants in the community. It would be difficult to supply a list of tenants too Councillors in line with information sharing regulations.

Members thanked the Housing Officer and the Internal Audit team for the follow up report.

It was

**RESOLVED** that members noted the report and a further follow up report be added to the FWP for November 2021.

## **11 INTERNAL AUDIT PAYMENT CARD INDUSTRY DATA SECURITY STANDARDS (PCI-DSS)**

The Chief Internal Auditor (CIA) presented to members the progress report (previously circulated) on the implementation of the action plan that accompanied the Internal Audit report on Payment Card Industry Data Security Standards (PCI-DSS) dated November 2019 which was presented to committee in January 2020.

The CIA explained a number of the actions had been implemented as detailed in the follow up report – appendix 1. A consultant had been appointed to support the authority to address the implementation of the PCI – DSS standards. It was explained that due to the pandemic some of the actions had been delayed.

It was confirmed 3 of the 8 agreed actions had been completed. The follow up report had also been reported to SLT to encourage corporate buy in. Members were also informed a cross service task and finish group had been created to arrange a programme to implement all the compliance requirements. The contract with Denbighshire Leisure also included the company to be DCI- DCC compliant.

In response to members concerns the CIA expanded upon the difference between phone payments and card payments. The Phone payments had a separate system to terminal card payments. The company that provided the system for phone payments ensured the authority compliance to the PCI- DSS regulations were adhered. Training had been provided for staff when receiving phone payments.

It was confirmed that card terminals and contactless payments had been increased during the Covid-19 Pandemic. The report focused on the robust arrangements were in place in accordance with regulations.

The Chair thanked the CIA for the update report and detailed explanation.

It was,

**RESOLVED** that members note the report and a further follow up report be received following the Internal Audit report in October.

## **12 GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME**

The 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<sup>th</sup> June 2021 –

- Annual Performance Review 2021-22
- Constitution Update- Name of committee
- RIPA report – following inspection
- Internal Audit- Follow up Report- Direct Payments to Children's services
- Audit enquires to those charged with governance and management- Annual Return

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

**The meeting concluded at 11.37 a.m.**