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GOVERNANCE AND AUDIT COMMITTEE

Minutes of a meeting of the Governance and Audit Committee held via video conference on Wednesday, 28 July 2021 at 9.30 am.

PRESENT

Councillors Ellie Chard, Tony Flynn, Martyn Holland (Vice-Chair), Barry Mellor (Chair) and Rhys Thomas

Lay Member – Paul Whitham

Cabinet Members – Councillor Hugh Evans Lead Member for the Economy and Corporate Governance and Councillor Julian Thompson-Hill Lead Member for Finance, Performance and Strategic Assets.

Observers – Councillor Meirick Lloyd Davies and Councillor Gwyneth Kensler.

ALSO PRESENT

Head of Legal, HR and Democratic Services – Monitoring Officer (GW), Head of Finance and Property Services (Section 151 Officer) (SG), Head of Business Improvement & Modernisation (AS), Chief Internal Auditor (LL), Senior Auditor (M P-J), Auditor (SW), Lead Officer – Strategic Asset Management (TB), Business Support Manager (PB), Procurement Systems Officer & Data Analyst (LE) and Committee administrators (SJ and RTJ).

Audit Wales representatives David Williams had also been in attendance.

1 APOLOGIES

Apologies for absence were received from Councillor Joe Welch.

2 DECLARATION OF INTERESTS

No declarations of interest were raised.

3 URGENT MATTERS

No urgent matters were raised.

4 MINUTES

The minutes of the Governance and Audit Committee meeting held on the 9 June 2021 were submitted.

Matters of accuracy- Page 9 – Item 7 RIPA Inspection 2021 the final paragraph should read 'Chair'.

Matters arising - None

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

5 DRAFT STATEMENT OF ACCOUNTS 2020/21

The Lead Member for Finance and Efficiency along with the Head of Finance and Property Services guided members through the report (previously circulated).

The Lead member reminded members the report was presented to members in draft before returning in September as the final Statement of Accounts for final agreements. Members heard that Welsh Government had extended the statutory deadlines due to the Covid 19 Pandemic. The decision to work towards the extended deadline had been taken following consultation with Audit Wales. The decision was taken due to the extra work involved with Denbighshire Leisure accounts.

It was confirmed the Draft Statement of Accounts would be presented at the meeting on 22nd September and the Final Statement of Accounts and Audit Wales audit report received at the meeting on 24th November.

Confirmation that since the publication of the agenda papers, the finance team had received the signed draft accounts from Denbighshire Leisure Limited to incorporate into the group accounts.

The Head of Finance confirmed that communication and regular meetings had taken place to review the timescale for accounts for the upcoming financial years.

The Head of Finance and Property offered to produce an update report to be presented to the committee in the new year to update the planning process. Members were in agreement that it would be beneficial to receive an update report in January 2022.

It was

RESOLVED that

- *members note the contents of the report.*
- *Members agreed to include the Draft Statement of Accounts in September 2021 and the Final Statement of Accounts and Audit Wales Audit Report be included on the forward work programme for November 2021.*
- *A progress on the Statement of Accounts process be included in the forward work programme for January 2022.*

6 ANNUAL TREASURY MANAGEMENT

The Lead Member for Finance, Performance and Strategic Assets presented the Annual Treasury Management (TM) report (previously circulated). The report provided information on the Council's investment and borrowing activity during

2020/21. It also provided details of the economic climate during that time and showed how the Council complied with its Prudential Indicators. Included alongside the Annual TM Report 2020/21 (Appendix 1) was the TM Update Report (Appendix 2) which provided details of the Council's TM activities during 2021/22 to date.

Confirmation that the borrowing activity for the year had been slightly less than the previous year due to paying off historic lending. It was highlighted that the Council confirmed it had complied with its Prudential Indicators for 2020/21, which were set in February 2020 as part of the Council's Treasury Management Strategy Statement. Members were guided through Annex B which provided details of the Prudential Indicators (PI). Members were reminded that a number of the PI's were presented to County Council as part of the Capital Report, creating a more focused set of PI's presented to this committee. The PI's had addressed the level of borrowing and how the authority was able to borrow.

The Head of Finance and Property provided further information on the information contained within the report.

Members were guided to Appendix 2 – Treasury Management update. Members heard regular meetings with an independent TM consultant continued to take place to discuss considered estimates to potential changes in interest rates, the economy, political stance and the international financial position. The authority had been required to spend funds to aid the recovery of the Covid-19 Pandemic. Continued evaluation of borrowing and rates was vital.

The HFP expanded on the Medium Term Capital Strategy, stating work had begun to develop a medium term strategy for capital. This would help identify projects that the authority was planning to develop and invest in over a 5 to 10 year period, but had not yet progressed through the approval process. This would have an impact on the level of borrowing that the Council will require to undertake over the coming years. Members were informed a detailed model was currently being developed with our Treasury Management advisers to help inform the decision making process ensuring the correct balance was maintained between the need to invest in our assets and the ability to continue to deliver an ambitious investment programme ensuring the plans remain prudent and affordable.

Members thanked the Lead Member and HFP for the detailed reports and noted the list of abbreviations being very useful for members.

During the discussion the HFP expanded on members enquiries on the following:

- The Non-HRA ratio was borrowing that was set the authority was unable to change for a period of time. Officers considered all assets when looking at borrowing funds. Finding a balance of what was essential for the authority and the level of borrowing the authority held were considered when extra lending was required. The HFP stressed the complex working around this particular PI.
- Training had been provided by Arlingclose Ltd prior to the lockdown. The HFP stated he thought the next training session would be following the May2022 elections. He stated the contract with the company did include training, so if members thought a requirement for training was needed it could be asked.
- The authority had loaned funds from other local authorities for more short term lending needs. The credit rating of those authorities was taken into

account. A broker performed tests and research to recommend the opportunities available for short term borrowing.

- Members were informed that officers last March 2020 deemed it was the opportunity to lock in £15m of borrowing to replace short term borrowing.
- The previous higher interest rate long term borrowing the authority held was reducing as the years progressed. It is often too difficult to refinance the historic debt as they often have clauses associated with them.
- The existing Capital required further borrowing over the next 5 years. The Capital projects already approved would be require funding.
- Planned work required for projects such as local bridges work was included within the horizon planning exercise.
- Confirmation that two flood defence schemes are being developed, one in Rhyl and one in Prestatyn. The final figure will only be known once the project has gone out to the tendering process.

Members were asked to raise any concerns with particular flooding concerns and funding with the Flood Risk engineer.

The Chair thanked the Finance department for the report and time invested in monitoring treasury management.

RESOLVED that the Governance and Audit Committee received the report and noted,

- The performance of the Council's Treasury Management function during 2020/21 and its compliance with required prudential indicators as reported in the Annual Treasury Management report 2020/21, appendix 1 to the report;*
- The Treasury Management update report for performance to date in 2021/22;*
- The Committee confirmed it had read, understood and taken into account the Well-being Impact Assessment, appendix 3 to the report.*

7 AUDIT ENQUIRIES 2020/21

The Head of Finance and Property (HFP) introduced the report (previously circulated). Members were reminded of the duty to confirm the responses to Audit Wales enquiries.

Members heard a number of the issues raised had been included in the Annual Governance Statement and in the Draft and Final Statement of Accounts. The Chair of the Governance and Audit Committee and the HFP would formally agree the response. The report was presented to members for comments.

Appendix 1 attached was the letter received from Audit Wales and had been included for reference. The second appendix included detailed the findings from Audit Wales which required discussion. The HFP highlighted the changes that had been made from the responses made in 2019-2020. Further information of the changes was provided:

- The inclusion of an additional response to question one, to include 'current review of guidance on use of purchasing cards'. Members were informed the additional response had resulted from an internal audit review.

- A change to the name of the committee within the report to reflect the committee changing to Governance and Audit committee.
- Changes to the responses to question 2 to reflect the inclusion of the risk of fraud within the Corporate Risk Register.
- Two elements had been included in response to question one of 'Enquiries of those charged with governance – in relation to fraud'. The inclusion of the role the Governance and Audit Committee to review the Strategy for the Prevention & Detection of Fraud, Corruption & Bribery and Fraud Response Plan. Along with Governance & Audit Committee to maintain an oversight of the Corporate Risk Register which included a corporate risk relating to fraud had been added to the response column.

It was confirmed once agreed by the committee a formal response to Audit Wales would be made.

Members were pleased to note the inclusion of Internal Audit findings had been taken into consideration when addressing the responses to Audit Wales questions.

The report was to ensure the Statement of Accounts had no financial misstatements. To ensure robust governance arrangements were in place. The Monitoring Officer confirmed that an Internal Audit of Governance arrangements between Denbighshire Leisure Limited and the authority had taken place.

The term 'related parties' referred to any relationship with any individual who had a transactional relationship with the council. The term related party was a technical term.

RESOLVED that the title of the committee to be amended within the recommendation and all members were in agreement for the Chair to formally confirm the responses included in Appendix 2 to the report.

8 STRATEGY FOR THE PREVENTION & DETECTION OF FRAUD, CORRUPTION & BRIBERY AND THE FRAUD RESPONSE PLAN

The Chief Internal Officer (CIA) presented the report to the committee (previously circulated). The report had been written by the CIA and included input from the Monitoring Officer and The Head of Finance and Property.

The CIA informed members that the Strategy for the Prevention & Detection of Fraud, Corruption and Bribery (SPDFCB) was an existing strategy that had been reviewed and updated. The updated report had considered the Local Government Strategy – Fighting Fraud and Corruption Locally 2020.

Confirmation was provided that the Strategy was not only concerned with operational activity to detect and investigate fraud and corruption, but also set out objectives for pro-active actions to deter and prevent fraud and corruption.

The Fraud Response Plan (appendix 2) had been revised to reflect existing processes and to strengthen arrangements to ensure that all relevant parties were involved at key points and to include greater alignment with the authorities HR

policies, in particular the disciplinary policy. To ensure investigations follow the correct procedures and go through the correct channels.

The CIA informed members the key changes made to the SPDFCB had been highlighted in red (appendix 1). Members were guided through the changes proposed. The CIA highlighted the responsibilities of elected members that had been amended within the strategy. The strategy would be reviewed as part of the Annual Governance Statement.

Within the SPDFCB an action plan (appendix A) had been included to illustrate the intended outcomes of each action. A guide for employees (appendix B) had been included to provide information to staff on what they need to do if they suspect and fraud. A list of the Fraud risks had also been included (appendix C).

Members thanked the CIA for the detailed report and felt the changes made in red made the changes easier to note.

During the discussion, officers expanded upon the following-

- The CIA confirmed that the word 'expects' in the amended version of the Scope and Definitions could be altered to emphasise the requirement stronger.
- It was the responsibility of the Head of Service to determine if any action from an employee expressing a business or personal interest and follow the correct procedure if any action is required.
- The authority had not had any fraud concerns or reports from contractors, funding recipients and partners.
- The term 'elected members' was a generic term for members of the authority. Included were co-opted members of the authority as those members are bound by the code of conduct and the responsibilities of elected members would refer to them also.
- Certain staff are required to annually complete the annual declaration return form. The arrangements around this area did need to improve.

Following the discussion, it was,

RESOLVED, that members note the contents of the report and agree the report to be referred to Cabinet for approval.

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.

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 9 Audits and 2 follow up reviews had been completed since the last committee meeting. It was highlighted that none of the 9 completed audits had received a low assurance and the 2 follow up reports had been included on the agenda as separate agenda items. 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.

During the discussion –

- It was noted an increase in alerts from the National Anti-Fraud Network (NAFN) had been observed. The CIA confirmed she passed on any concerns to management within the authority.
- Members raised a concern on the staff resource within the authority. The MO confirmed a workforce planning exercise had been scheduled to take place later in the year to review any staffing issues including recruitment and retention of staff. The impact of the last 18months would be taken into consideration. The CIA added that an audit of workforce planning was scheduled to take place.
- Members were disappointed that the staffing resource within Internal Audit had not been resolved. The CIA confirmed it was difficult to appoint a qualified auditor.
- The Governance Board meeting had been well attended. The meeting was virtual and better attendance had been noted since being held remotely.
- The CIA was unsure of the date of the project closure report for the contract management of SC2. She confirmed she would find the answer and let members know.
- Members raised the need for a training session to be arranged for members. It was felt an effective audit training session would be beneficial. The CIA stated she would discuss with Democratic Services.

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

RESOLVED that, members note the Internal Audit's progress and performance.

At this juncture (11.25 a.m.) members agreed to a 10 minute comfort break.

The meeting reconvened at 11.35 a.m.

The Chief Internal Auditor provided members and observers with an update on the SC2 Audit report agreed date. An agreed date for completion of the closure report was end of August 2021.

10 INTERNAL AUDIT FOLLOW UP - PROJECT MANAGEMENT OF QUEEN'S BUILDING

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 the Project Management of Queen's Building dated January 2021 which was presented to this committee in January 2021.

Confirmation that 8 of the 12 agreed actions had been completed. The remaining actions were all in progress. The CIA stated she was pleased with the work that had completed. Members were guided through the action points and further information was provided. Based on the results of the follow up review, a medium assurance rating had been provided.

A further follow up report was scheduled to take place in December 2021 to review the outstanding action points progress.

The CIA confirmed the VERTO system contract had ended and the tendering process had begun. It was understood the VERTO system would continue to be used. The term access levels referred to the access to the VERTO system. The issue was raised to review individuals access and ensure employees have access they require.

It was;

RESOLVED that the committee note the follow up report and a further follow up on Project Management of Queen's building be included within the internal Audit report, following the next Internal Audit follow up.

11 INTERNAL AUDIT FOLLOW UP OF CONTRACT MANAGEMENT

The Chief Internal Auditor (CIA) along with the Senior Auditor (SA) guided members through the follow up report (previously circulated).

This report provided members with an update on progress in executing the action plan that accompanied the Internal Audit report on Contract Management. The review of Contract Management had originally received a low assurance rating.

The CIA provided background information reminding members that the committee had identified that the original action plan contained actions which were no longer feasible given the suspension of Corporate Support Services Review at the height of the Covid-19 pandemic. A revised action plan had been agreed at Governance and Audit Committee in January 2021 to provide assurance that suitable actions had been devised to address the issues identified in the original report. The follow up review had been based on the actions of the revised action plan.

The SA informed members a large number of actions had been raised at the initial review and revised action plan. 14 actions were raised in the revised action plan; 7 actions had not been implemented and 3 had not been due. Revised action dates had been agreed for 31st October 2021. Officers noted that limited progress had been made of the actions set out in the revised action plan agreed in January 2021. The full implementation of a number of the actions had been dependent on the approval by the Senior Leadership Team (SLT) of the Contract Management Framework (CMF). At the time of the review, the draft framework had not been to SLT for comment and endorsement. The CMF sets out how to score and categorize contracts in to three groups. The framework provided detailed criteria for how to score contracts and set out the tasks and responsibilities based on the categorisation of the contract.

It was noted that an ongoing capacity pressure and lack of dedicated contract management resource had also restricted the ability to provide the required

contract management oversight, training and guidance.

The assurance remained as a low assurance rating concluding in a further follow review scheduled for later in the year.

The Monitoring Officer (MO) thanked the Internal Audit officers for the report and the assistance they provided in the initial stages of the action plan. The MO took full responsibility for the delay in presenting the CMF to SLT. Confirmation a draft framework had been created earlier in the year to be presented.

SLT had since received the draft CMF and endorsed the framework as a concept and a way of working going forward. The framework ensured the risk associated with the contract would be correctly assessed and scored at the outset. Clear roles and responsibilities had been included in the CMF for contract managers to adhere to. It was envisaged that procurement would produce monthly reports for Heads of Services to review contracts and any actions to be conducted.

It was hoped more bespoke training on the CMF would be produced for contract management and users.

The Chair and members of the committee thanked the MO for the transparent background to the CMF.

In response to member's questions, officers expanded on the following:

- The procurement team was not resourced to be contract managers. Procurement had provided generic training and guidance for the module on proactis. The responsibility lay with the services to manage contracts. The framework would ensure consistency throughout the authority. It would also provide guidance and support to all managers across the authority.
- The community benefits hub was an initiative introduced to ensure a consistent approach to service and advise when procuring contracts. The community benefits was fully functioning and helping services.
- The Head of Finance and Property stressed in his opinion the CMF was an improvement to the previous proposal. It was stressed the monitoring of contracts would still be controlled in services.
- It was hoped a small centralised expertise to guide managers in the services to manage and control contracts.

The Members thanked the officers for the detailed response to concerns raised. It was therefore;

RESOLVED, that members note the contents of the follow up report of Contract Management and a further follow up report be included on the FWP for November 2021.

12 ANNUAL SIRO REPORT

The Lead Member for the Economy and Corporate Governance presented the annual SIRO report (previously circulated) providing members with information on breaches of data protection act that had been subject to investigation during the period between April 2020 and March 31st 2021. During the period there were 22 data incidents involving personal data, an increase on last year when there were

13. It was highlighted the inclusion of school of data of breaches had been included in the report.

The Head of Business Improvement & Modernisation (HBIM) provided background information to members. Members heard the importance of the oversight by Governance and Audit committee to ensure data is managed safely within the authority.

It was stressed the impact data protection and breaches may have on individuals not just the reputation of the council. The HBIM stated a large increase of breaches had been recorded in the timeframe. Included in the report was a breakdown of the breaches. Each case had been investigated fully.

It was felt the reason for the increase in breaches had been due to staff not working in normal circumstances or environments. Work to address the incidents to prevent further breaches had begun, including work with Microsoft when sending emails. Data Protection training had been completed by all staff. The online training package had been reviewed and a new section to include the dangers of homeworking to include elements to reduce the number of errors made. The roll out of the new training had begun for all staff to complete. Work with services had been positive and well received.

Confirmation that the work around the GDPR had been completed.

Members were informed Freedom of Information Requests and Subject Access Requests levels had reduced this last year with an increase in Environmental Information Requests observed.

The HBIM stated he was pleased that no incidents had been reported to the Information Commissioners Office for investigation during the timeframe.

Members thanked the Lead Member and HBIM for the comprehensive report and detailed brief. During the discussion members raised the following:

- Freedom of Information Requests targeted at Councillor information, the applicant asking for information would remain blind as the request is for information and not against an individual Councillor.
- The Information Governance Group included Education and School's representatives. One objective of the group had been to share good practice between schools and the authority.
- Members were in favour of the inclusion of data breaches in schools be included in future reports. The Committee requested that schools be assured the authority was there to support and offer guidance. The HBIM stated he would ask the school connection officer to feedback to schools.

The Chair thanked the Officer and Lead Member for the report and detailed responses to members raised.

RESOLVED – that the Governance and Audit Committee receive and note the contents of the report.

13 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:

- An update from Internal Audit be presented in November 2021 on Contract Management.
- An update by Internal Audit on the Queens Market be included with the Internal Audit Report in January 2022.
- The Quarterly review from Audit Wales be presented to committee in September 2021.
- Final Statement of Accounts be included at the November 2021 meeting.
- Draft Statement of Accounts added to the September 2021 FWP.
- Update report on the timetable for close down in January 2022.
- The Annual Health and Safety and Fire Risk report be included on the FWP.
- A report on Complaints as per the Local Government and Elections Act be added to the FWP.

***RESOLVED** that, subject to the inclusion of the above additions the Governance and Audit Committee's forward work programme be noted.*

The meeting concluded at 12.45 p.m.

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