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GOVERNANCE AND AUDIT COMMITTEE

Minutes of a meeting of the Governance and Audit Committee held in via video conference on Wednesday, 24 November 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 Julian Thompson-Hill, The Lead Member for Finance, Performance and Strategic Assets, and Councillor Bobby Feeley Lead Member for Well-being and Independence.

Observers – Councillor Meirick Lloyd Davies and Gwyneth Kensler.

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), Corporate Director: Communities (NS), Senior Auditor (MPJ), Chief Accountant (RE), Legal Service Manager (LJ), Strategic Planning & Performance Team Leader (IMG), Contracts and Performance Manager (PB) and Committee administrators (SJ, SLW and RTJ).

Audit Wales representatives David Wilson and Matthew Edwards were in attendance.

Sian Roberts – Care inspectorate Wales was in attendance.

1 APOLOGIES

There were no apologies received.

2 DECLARATION OF INTERESTS

Councillor Ellie Chard declared a personal interest in agenda item 7 – Approval of the Statement of Accounts 2020/21 - as she was a member of Clwyd Pensions Fund.

3 URGENT MATTERS

There were no urgent matters raised.

4 MINUTES

The minutes of the Governance and Audit committee held on 22 September 2021 were submitted.

RESOLVED that the minutes of the Governance and Audit committee held on 22 September 2022 be received and approved as a correct record.

5 CARE INSPECTORATE WALES - ASSURANCE CHECK 2021

The Corporate Director Communities (CDC) presented the Care Inspectorate Wales (CIW) Local Authority Performance Review (previously circulated).

The CDC introduced Sian Roberts from Care Inspectorate Wales to the committee. It was explained that Sian was the authorities lead inspector, an excellent working relationship had been established. Sian oversees both children's and adult social care issues for Denbighshire.

The report summarised the findings of the CIW assurance check of Denbighshire County Council undertaken 28 June to 2 July 2021. The purpose of the assurance check had been to review how well local authority social services continued to help and support adults and children with a focus on safety and well-being. Due to the pandemic it was stressed the normal arrangements for oversight and scrutiny had been altered to reflect the restrictions. It was important to note that many of the CIW colleagues returned to frontline work and supported health and social care delivery in the pandemic. The CDC wanted to express her thanks to all CIW colleagues, it had been recognised and valued across all Wales.

As the restrictions eased, CIW officers felt that it was important to conduct assurance check to assure authorities and CIW that services were being delivered appropriately and safely. The letter summarised the findings of the CIW assurance check undertaken 28 June to 2 July 2021.

The CDC highlighted a number of positives stated within the letter. The recognition of the positive culture and improvements within safe guarding was given particular importance.

The letter also acknowledged areas of improvement for the service.

Confirmation that audits had been temporarily halted during the pandemic, but have reinstated. The report acknowledged the challenges in recruitment throughout the service. The CDC stressed the comment that staff in Denbighshire are a credit to themselves and to the authority.

The Lead Member for Well-being and Independence stressed the challenges faced by the service during the pandemic. She thanked the CIW officers for conducting the assurance check and producing the report.

The Chair on behalf of the Governance and Audit committee wanted to thank the staff and officers for supporting the service and the community during the Covid-19 pandemic.

During the discussion, officers and the CIW representative expanded on the following:

- Recruitment was noted as a nationwide issue. A recruitment day had been held to provide additional information. Officers were doing all they could to recruit individuals into the service. Work to achieve a higher status and pay for employees in the service within Denbighshire was ongoing. The term 'grow your own' was made with reference to professional roles. It is an option the authority was exploring. Partnership work with Glyndwr University to explore the options had begun. Members heard that the process did have a number of problems but did present challenges.
- Work with colleges and sixth forms to aid recruitment had taken place. Work locally, regionally and nationally to promote the sector as a professional career for individuals was ongoing.
- Part of the Welsh Government hardship grant had been utilised to purchase technology. I-pads were purchased and placed in some extra care services and supported living schemes. Enabling individuals to maintain contact with friends, family and the officers.
- Members were pleased to note that support for staff had been provided during the pandemic. It was emphasised that it was a corporate wide approach to supporting our staff was adopted.
- The CDC provided members with some further information about referrals. It was acknowledged it was an area that needed further work and improvement. Managers and officers were exploring avenues to address the concerns raised in the CIW check.

Members discussed the need for any further scrutiny. The Chief Internal Auditor confirmed an audit on Children's Services was scheduled in the audit plan of work. A meeting had been scheduled with Children's Services in the New Year. The CDC confirmed that CIW do conduct follow up reviews on the original issues raised and action plan. It was agreed that following those reviews a report would be presented back to committee.

RESOLVED that the Governance and Audit Committee receive the CIW assurance Check 2021 letter and note its contents. It was agreed following the CIW review of the action plan a report be presented back to the committee for consideration.

6 CORPORATE RISK REGISTER REVIEW - SEPTEMBER 2021

Lead Member for Finance, Performance and assets along with the Strategic Planning & Performance Team Leader (SPPTL) presented the Corporate Risk Register Review, September 2021 (previously circulated).

Members heard that the Corporate Risk Register was regularly reviewed and the report had been presented at by CET, SLT and Cabinet prior this committee and Performance Scrutiny Committee.

The report highlighted changes made to the register. A number of changes had been made to risks including; scoring, wording and an additional two risks identified. The Lead Member guided members through the summary within the report which identified the changes.

It was highlighted Risks 18 and 35 were to be merged going forward and the likelihood score would be increased from D2 to C2 score.

The two new risks identified - Risk 47: The risk that the new North Wales Corporate Joint Committee and Risk 48: Recruitment and retention issues. The two new risks had been escalated to the Corporate Risk Register and summarised within the Register.

At this juncture the SPPTL stressed the report was presented to the committee annually to assure members that the corporate risk processes were being robustly applied.

This review followed a recent internal audit review regarding risk management including recommendations from the audit had been put forward. One of the recommendations had been to include a direction of travel for each of the risks. There was still an amount of work to be done in that regard which would be taken forward in the next review.

Work had started on performance measures to assess how well risks were improving. This work was still in its infancy and further work with risk owners would be needed. Included in the review had been a thorough assessment of risk appetite.

During discussions, the following points were raised:

- Risk 11 – the risk was concerned with the authorities inability to respond. The SPPTL stated he was satisfied the risk was still relevant.
- Risk 44 - Ash dieback action plan report was expected by March 2022.
- HR had currently begun a piece of work on work force planning with each individual service to go through staff retention and recruitment concerns and issues. An action plan for each service would then be produced. The Corporate Director for Communities highlighted, Covid had brought challenges and opportunities. One of the changes that had been observed was the opportunity for individuals to re-evaluate work life and personal life with individuals making decisions such as early retirement and changes in careers as a result of this.
- Risk 36 – confirmation that the residual risk score had been downgraded from B2 to C2. The Risk Score was reflective at the time the register was updated. Members heard the authority held a separate Risk Register for Brexit. A future piece of work to dismember the Brexit Risk Register was needed to ensure that risks that are still relevant are evaluated and included in the Corporate Risk Register if necessary.

RESOLVED that the Governance and Audit Committee are assured that the council's risk management process was applied correctly.

7 APPROVAL OF THE STATEMENT OF ACCOUNTS 2020/21

The Lead member for Finance, Performance and Strategic Assets presented The Statement of Accounts 2020/21 (previously circulated) for approval the council has a statutory duty to produce a statement of accounts that complies with approved accounting standards. The audited accounts have to be formally approved by elected members on behalf of the council.

The financial statements for 2020/21 were approved, subject to audit, by the Head of Finance and Property on 2nd August. The draft accounts were presented to

Corporate Governance Committee on 22nd September 2021 and were open to public inspection from 2nd September to 29th September. The approval of the audited accounts had been delegated to the Governance and Audit Committee.

The Statement of Accounts were produced in compliance with the International Financial Reporting Standards (IFRS). The Chartered Institute of Public Finance & Accountancy (CIPFA) produced the IFRS based Code of Practice on Local Authority Accounting and the council has produced the 2020/21 accounts in compliance with the Code.

It was stressed this was the first year that the authority had to complete group accounts, with the accounts from DLL incorporated in the overall accounts. The timetable for completion of accounts had been delayed due to covid, the final deadline for approval and signing off of the accounts was 30 November 2021.

The Head of Finance and Property Service (HFPS) expanded on the introduction by highlighting the stressful process to achieve the accounts by the deadline. An update report will be presented at the next committee meeting to summarise the work on next years' timetable would be presented. Work with DLL would continue to ensure accounts are received in time. He thanked the work of officers and Audit Wales representatives.

Matthew Edwards, Audit Wales representative echoed the thoughts of HFPS. The close working with the finance team had been positive. The report set out the key findings from the audit of Draft Statement of Accounts. He confirmed once the committee approved the finance statements, the Auditor General would issue an unqualified audit report.

Members heard it was the responsibility of the Auditor General to provide the authority with an opinion on the financial statement. That opinion covered two key aspects:

- Whether in all material respects they give a true and fair view of the financial position of the authority for the financial year, and
- Whether they have been prepared in accordance with the CIPFA code of practice of local authority accounting.

The audit identified seven uncorrected misstatements, all detailed within the report. The International Standards of Auditing required Audit Wales to formally request reasons as why they have not been corrected. Those reasons had been provided in the report.

Audit Wales highlighted a need for the authority to have an efficient and effective accounts closure process for the accounting and recording of property, plant and equipment.

The Chair on behalf of the committee thanked the officers and representatives from Audit Wales for the hard work that had been done to produce the accounts. It was a difficult year and the teams had worked extremely hard to produce the accounts to the deadline.

General debate –

- The HFPS confirmed it was a small team of finance officers that worked on the accounts. It had been recognised that there was a limited number of staff that had the qualifications to be able to work on the accounts. It was noted a number of staff may retire or leave at similar times. A trainee scheme was in place but it took 4 years for an individual to become qualified. The Monitoring Officer echoed the HFPS statement in supporting individuals to become qualified in the service they work.
- The deputy Section 151, Officer Rhian Evans had done a lot of work with CIPFA and trainee schemes. She was working to put schemes in place.
- Confirmation that no queries from the public had been received regarding the accounts.
- The section on 'matters on which I report by exception' referred to any further matters that needed the attention of the readers. There had been no elements within this report that needed to be raised.

Members,

RESOLVED that the Governance and Audit Committee note the contents of the report and approve the Statement of Accounts 2020/21.

At this juncture (11.10 am.) there was a 15 minute break.

Meeting reconvened at 11.25 a.m.

8 FINANCIAL SUSTAINABILITY ASSESSMENT

The Audit Wales representative David Wilson guided members through the report (previously circulated). He stated the report overall was positive. Highlighted within the report had been the covid funding received and the impact that had on the Council's finances overall. Members were reminded that reports had been prevented during the year on the impact of covid.

Stated in the report was the Audit Wales opinion that the authority had a good record of managing its budget, with further aspiration to improve its financial position. The Audit Wales representative guided members through the contents included in the Wales Audit report.

Contained within the report was the management response to the one recommendation on the budget variation work. The Head of Finance confirmed the budget process that had been implemented this financial year would resolve the issue around identifying pressures in services.

The Chair thanked the Audit Wales representative and officers for the detailed report.

During the discussion the Audit Wales representative and the Head of Finance expanded on members enquiries:

- Additional funding of £1.6mil had been received at the end of the year. Each local authority received additional funding. Attached to the funding had been two headlines- savings that had not been achieved and digital technology. The additional funding was received at the end of the year and was not

linked to expenditure. The authority did not have to show a failure in achieving a sum of its saving or the digital costs.

The additional funds were provided by Welsh Government; the amount had been decided by Government.

- The modified loan reserve was created when previous loans were collated and refinanced, the reserve had been created by overpayments made on those loans. The funds in the reserve would be fed back into the reserve accounts to contribute to the future higher payments for the refinanced loans over the next 20 years. Reserves are constantly reviewed. The usable reserves were available if the authority was required to reassign to a service.
- The term 'impactful service change' referred to the authority meeting the savings target most years without too much impact on direct service provisions. At some stage it was noted the council would have to make some savings that would have an impact on direct services.

Members thanked the officers and representatives for the detailed responses

RESOLVED that members note the *Financial Sustainability Assessment report and considered the management response.*

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 5 Audits and 3 follow up reviews had been completed since the last committee meeting. It was highlighted that 1 of the 5 completed audits had received a low assurance the audit report had been attached as appendix 2 to the report. Of the 3 follow up reviews completed, 2 had been awarded a medium assurance and details had been included in the Internal Audit Update report. One follow up report was given a low assurance rating, details of that review were included as agenda item 10 on Contract Management.

Confirmation that the Senior Auditor position had been filled through a secondment of an existing member of the team, which in turn created an Auditor vacancy. Members heard the secondment of the Senior Auditor to Trace, Test and Protect (TTP) had been further extended to June 2022.

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 audit conducted on Denbighshire Leisure Limited – Governance & Contract Management was a high level review of the governance arrangements and the management of key risks following the transition. The overall assurance was that the governance arrangements in place with Denbighshire Leisure Limited

were robust. Further details of the audit were detailed in the report. The CIA guided members through the detailed report.

Appendix 2 provided members with the Internal Audit of Exceptions, Exemptions and Variations from the Contract Procedure Rules (CPR). The purpose of the review had been to provide assurance that contract exceptions, exemptions, and variations were authorised and used appropriately in line with Contract Procedure Rules. The CIA introduced the Senior Auditor who conducted the audit. The Senior Auditor (SA) provided further details of the audit. The Legal and Procurement team had actively encouraged the audit. The audit sought to assess any effect the pandemic may have had on the use and prevalence of exception and extension requests. Confirmation that a sample of decisions from the previous 2 financial periods. The contract procedure rules were detailed with the provisions for granting exceptions and exemptions and variations were clear and concise. It was felt the pandemic did not increase the volume of directly awarded contracts or extensions. There were four issues raised during the audit, details of each had been included in the report.

During the discussion –

- Exceptions were contracts that had been awarded without going through the tendering process.
- Teckal exemption was a name of a case that established the principal that it was possible for a public sector organisation to enter into a contract with an entity that it controlled provided that there was no private sector involvement in that entity, the public body was able to demonstrate that it retained the same level of control over the said entity as it would of one of its own service departments and at least 80% of the turnover of that entity was related to work or services being performed for that public body.
- Members were reminded that the authority held a joint procurement service with Flintshire County Council (FCC). The SA confirmed she had obtained information on the number of contracts that had been awarded directly in the financial years 2019/20 and 2020/21. The numbers of directly awarded contracts did not change in the two periods and were broadly equivalent to the number of directly awarded contracts by FCC. It was stated there was very set and narrow criteria in place for when awarding direct contracts. The issue identified was the understanding of services to obtain Head of service approval had not always been evidenced.
- Out of the samples reviewed the four contracts awarded under the extreme emergency criteria, there was no evidence to suggest those were not extreme emergency conditions.
- Proactis was not being used as intended and as required by the Contract Procedure rules.
- A board was in place attended by Councillor Julian Thompson-Hill that monitors the joint service and performance of both authorities. It was noted that both authorities operated slightly differently under the joint service.
- The escalation process for a low assurance audit report to be discussed with the relevant Lead Member and senior management. The audit review had been received by CET and was due to go to SLT in the new year.

- The CIA suggested the results of the Contract Exceptions, Exemptions and Variations audit should be considered alongside the audit of Contract Management which had also received a low assurance report.

The Monitoring officer referred members to the action plan contained within the report. A number of actions had been agreed for each of the four issues raised with a deadline for each action to be completed. It was agreed at CET that a regular report would be presented to demonstrate compliance with CPR's. Members suggested a form or checklist to be completed when procuring contracts. The Legal Service Manager informed members that on the proactis system officers could not move on to the next stage of procurement without completing the section before thus acting as a checklist.

Confirmation that the audit on Denbighshire Leisure Limited that was part of the Internal Audit was from a Denbighshire perspective. The authority does provide an internal audit service to DLL as part of the contract. Confirmation that DLL would pay for any internal audits completed by Internal Audit if they request it.

Officers noted the concerns of members and it was agreed that a further update to the committee would be provided.

Members asked if a report on the proactis system could be presented to the committee. The Monitoring Officer stated that when new staff were in post they should be trained fully on any processes the job would entail. The use of Proactis in general needed to be reviewed. Confirmation that a proactis comprised of a number of modules to procurement and those modules worked well. The Legal Service Manager confirmed an update report on proactis use in procurement could be included on the committee's forward work programme.

RESOLVED that, members note the Internal Audit's progress and performance. Members requested that a follow up report be provided to committee at the July committee meeting following the internal audit follow up review. It was also agreed a service report on the use of proactis be included on the forward work programme.

10 INTERNAL AUDIT FOLLOW UP OF CONTRACT MANAGEMENT

The Chief Internal Auditor (CIA) guided members through the second Internal Audit 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 Contract Management. The original audit report was presented to the committee July 2020, at that meeting the committee requested a revised action plan to reflect key changes which was presented in January 2021. The first follow up was reported to committee in July 2021 with members requesting a second follow up report.

The Senior Auditor presented to members her findings from the second internal audit review. Members heard the assurance rating had remained as a low assurance a significant amount of progress in key areas had been made. One area noted was the approval of dedicated contract management resource.

Confirmation that the contract management forum had been established with service wide representation. The first meeting of the forum had taken place in early November. A forward work programme for the forum had been established, it identified and assess additional training needs across the variety of services. The contract management framework had been approved by SLT and was in the process of being rolled out to services. Prior to its implementation to services the forum would conduct rigorous tests on the framework to ensure it is fit for purpose. The assurance rating had remained as a low assurance primarily as a number of actions from the original action plan remained outstanding. The outstanding actions had mainly been linked to the implementation and embedding of the contract management framework. It was stressed in the first follow up some of the revised dates had been ambitious and challenging to achieve.

The Monitoring Officer (MO) suggested that a follow up review was presented to committee following review of the outstanding actions. Members heard that within the Procurement team, a systems officer had been recruited. Unfortunately, the service was still without a procurement manager.

The CIA confirmed that a review was scheduled for June 2022. A follow up report could be presented to committee following this review.

RESOLVED that members note the contents of the follow up report on Contract Management and a further follow up report be included in the committee forward work programme follow the internal audit review.

11 PROGRESS REVIEW OF THE NORTH WALES GROWTH DEAL - NORTH WALES ECONOMIC AMBITION BOARD

The Chair introduced David Wilson Audit Wales to present the report (previously circulated) to the committee.

Members were reminded that the Council had been asked to support the growth deal, the support was sought and received early 2021. Included in the review was an examination of the progress made by partners to prepare for delivery of the growth deal including the portfolio of management office, the support from Gwynedd Council provided to the process and the various groups and boards that had been set up to support the deal.

The report was purposely quite descriptive. Audit Wales officers stressed the importance of being able to describe how the process worked to incorporate the 6 local authorities and private sector to work together. Positive comments on the progress that had been made where included in the report but recognition of further work required was made.

No concerns regarding the operation of the growth deal were raised. The portfolio management office had provided a detailed management response and had been included for members' reference.

The Chair thanked the Audit Wales Representative and noted the assurance from Audit Wales on the progress of the North Wales Growth Deal.

RESOLVED, that members note the contents of the information report.

12 AUDIT WALES' WORKPLAN & TIMETABLE

The Chair Matthew Edwards and David Wilson, Audit Wales to present to members the Audit Wales' Workplan and timetable. Members were guided through the report (previously circulated).

Matthew Edwards updated members on the financial audit work. An emphasis was made on the impact on the authority's financial team to complete and audit the accounts, which in turn would impact on the Audit Wales work – Certification of the Council's Grant claims and returns 2020/21. Assurance was provided to member that most of the deadlines would be achieved. The area of concern was the Non-Domestic Rates return claim deadline. It would not be met; it was stressed that a number of authorities in Wales had failed to meet the assigned deadline. Confirmation that Welsh Government had been made aware of the position and priority to this work had been given. A report back to committee would be provided following any outcomes in the spring.

David Wilson guided members through the performance audit work completed and scheduled. It was positive to note that the work scheduled for Denbighshire was on track to be completed by the end of March.

Members thanked the officer for the report.

RESOLVED that members 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:

- Audit Wales review on Cyber Resilience update included on the January or March 2022 meeting;
- Internal Audit Strategy 2022/23 report – March 2022;
- Draft Annual Governance Statement report – April 2022;
- Internal Audit Annual report – June 2022;
- Annual Whistleblowing report – March 2022;
- Annual report of RIPA – June 2022;
- Follow up reports from the Internal Audit reports on Contract Management and Exceptions and Exemptions – July 2022;
- Update on uptake of Proactis – March/ April 2022.

The Head of Finance and Property Services stated he would discuss the budget reports with the Community Staff to include in 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 13.10 p.m