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## GOVERNANCE AND AUDIT COMMITTEE

Minutes of a meeting of the Governance and Audit Committee held via video conference on Wednesday, 26 January 2022 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, Lead Member for Finance, Performance and Strategic Assets, Councillor Brian Jones, Lead Member for Waste, Transport and the Environment, Councillor Tony Thomas, Lead Member for Housing and Communities and Councillor Bobby Feeley Lead Member for Wellbeing and independence.

**Observers** – 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), Chief Accountant (RE), Head of Business Improvement & Modernisation (AS), Climate Change Programme Manager (AC), Programme Manager - Housing Development (MD) and Committee administrators (SJ, KJ and RTJ).

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

#### 1 APOLOGIES

There were no apologies received.

#### 2 DECLARATION OF INTERESTS

No declarations of interest were raised.

#### 3 URGENT MATTERS

There were no urgent matters raised.

#### 4 MINUTES

The minutes of the Governance and Audit committee held on 24 November 2021 were submitted.

Matters of Accuracy – None

Matters arising –

Agenda item 5 – Care Inspectorate Wales- Assurance Check 2021 – Page 9 – It was noted a follow up review to be added to the FWP had been agreed by members. It was noted that it had not been included on the FWP. Officers confirmed they would look at the FWP to include at the most appropriate meeting.

Agenda item 9 – page 13 - Internal Audit Update – Confirmation that the Internal Auditor had been assigned to the Track and Trace service for nearly 2 years. He had worked well. The Chief Internal Officer was hopeful that he would return to his post in Internal Audit by June 2022 at the latest.

Agenda item 9 – page 15 - Internal Audit Update – Members heard that CET would receive the updates in relation to the action plan for Contract Procedure Rules, it was intended to present a quarterly report to CET, any concerns from that update would then be raised with SLT.

**RESOLVED**, subject to the above that the minutes of the Governance and Audit committee held on 24 November 2021 be received and approved as a correct record.

## **5 DENBIGHSHIRE COUNTY COUNCIL DELIVERING ENVIRONMENTAL AMBITIONS**

The Lead Member for Waste, Transport and the Environment introduced the report to members (previously circulated). The report summarised the Audit Wales Report of Delivering Environmental Ambitions in Denbighshire County Council and provided Officers' responses to the Proposals for Improvement. The Lead Member stressed the importance of continuing the work post-election with the new council.

The Lead Member for Housing and Communities informed members of a number of projects currently underway in Denbighshire. The wildfire meadow project had been established. It was also noted that Denbighshire had also secured a tree nursery that produced 5000 trees a year.

The Head of Business, Improvement and Modernisation expanded on the introduction, proving members with further detail on some of the background and achievements within the report. Members were guided through the key findings that had been included in the Audit Wales report. Over all it was a very positive report. Members heard that the report had included 10 recommendations for improvement, the board had agreed with those recommendations and felt they were constructive and attention to those actions would take place.

The Climate Change Programme Manager guided members through the management response to the recommendations (appendix2, previously circulated). The Audit Wales representative – David Wilson confirmed the conclusion of the findings had been excellent.

members thanked the officers for the detailed introduction and information provided. During the discussion the following points were raised:

- The training course had been aimed at specific staff. An e-learning module was being developed for all staff to complete.
- Investment in modernising buildings including heating, lighting and insulation had commenced. Investment in land for carbon sequestration involved costs. Officers were aware that a number of improvement and modernisation would be costly but beneficial to the environment.
- The spraying of verges and hedgerow policy was under review and would be presented to scrutiny once completed.
- Members were disappointed to see the lack of knowledge about the direction of Denbighshire policies amongst teachers. It was members opinion working with schools and young people would be a positive action.
- The bio-diversity team comprised of three officers and sits within the Country side services team.
- Officers confirmed that the appropriate trees would be planted across the county depending on locality. Officers agreed with members that in the coming years extra resources such as tree surgeons and skilled individuals would potentially be required.
- The Head of Finance confirmed close working with the Climate Change Programme Manager to discuss finance and costs would continue.
- Members suggested involving local residents to engage and help in the planting the wild meadow flowers.
- Officers confirmed that modular housing had been researched and officers were looking into options for using modular housing in Denbighshire.

Members suggested the paper or a brief summary of the findings be circulated to all members for information. The Head of Business, Improvement and Modernisation informed members that planning on how to communicate and engage with members following the election to maintain the work of the climate change had begun.

**RESOLVED** that members note the report and the associated Proposals for Improvement and Officers' responses.

## **6 UPDATE ON PLANNING FOR STATEMENT OF ACCOUNTS 2021/22**

The Lead Member for Finance, Performance and Strategic Assets, introduced the report (previously circulated) to members. He informed members the report provided assurance to the planned programme of work for the statement of accounts for 2021/22. It also proposed an amendment to the FWP to reflect the planned work.

Members were reminded that the previous two financial years, Welsh Government had granted an extension to the deadline for accounts. The delay producing the accounts for 2020/21 had resulted in no time to allow for misstatements to be corrected, those would be shown in the next financial year accounts. It was also noted that the extension period producing the accounts had impacted the financial officers to work on other areas of work.

Members heard the timetable for 2021/22 accounts with statutory deadlines of 31<sup>st</sup> May 2022 and 31<sup>st</sup> July 2022 for completion would not be met. Members were

guided to the proposed timetable detailed within the report. It was stressed if no formal extension was granted by Welsh Government a formal notice would need to be issued closer to the time, setting out the timetable.

The Head of Finance and Property Services expanded on the Lead Members introduction adding the proposed deadlines would be achievable for the finance officers within the authority. The Audit Wales representative stressed the impact and challenges both authority staff and Audit Wales staff had been under during the previous years. Members were informed of a number of potential risks associated with the delayed deadlines. Work between Denbighshire and Audit Wales would continue to mitigate any risks.

The audit of Community Councils accounted had previously been outsourced to a number of firms for a number of years. They had recently been brought back in house with Audit Wales. The work on those accounts had taken place during the autumn months but had been delayed due to Covid. The Audit Wales representative invited members to contact him if they had any concerns regarding specific community council audits.

The Chair thanked the Lead Member and officers for the update.  
It was

***RESOLVED*** that members note the update report and agreed to amend the committee's FWP to consider the Draft Statement of Accounts at the meeting on 27 July and to receive the Final Statement of Accounts and Audit Wales audit report at the meeting on 21 September.

## **7 TREASURY MANAGEMENT**

The Lead Member for Finance Performance and Strategic Assets, introduced the Annual Treasury Management Strategy Statement (TMSS) 2022/23 Report (Appendix 1 - previously circulated) which showed how the Council would manage its investments and its borrowing for the coming year and sets out the Policies within which the Treasury Management function operate.

The Treasury Management Update Report (appendix 2) provided details of the Council's Treasury Management activities during 2021/22.

The Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management (the "CIPFA TM Code") requires the Council to approve the TMSS and Prudential Indicators annually. The Governance and Audit Committee was required to review this report before it is approved by Council on 22 February 2022.

Members were reminded of the three priorities considered when investing funds:

- keep money safe (security);
- make sure that the money comes back when it is needed (liquidity);
- make sure a decent rate of return is achieved (yield).

The Lead Member highlighted the key areas of the strategy (appendix1) and the annexes within the paper.

Appendix 2 provided the in-year update for members. Members heard under the borrowing strategy the authority held 6 loans from other authorities totalling about £30m, which were due to mature in the next 12 months. Once completed a review of the position would be conducted.

It was stressed the last internal audit review of the service had received a medium assurance.

Work was currently underway to develop a medium term strategy for Capital funding. This would help identify projects that were planning to develop and invest in over a 5 to 10 year period, but had not yet gone through the approval process.

The Head of Finance and Property Services, thanked the Lead Member for the detailed introduction and stressed the level of borrowing and investment balances had both peaked at the end of 2019 financial year. This had been to extra borrowing drawn down before the funding from the revenue support grant from Welsh Government resulting in extra cash held. The patterns had returned to what officers would expect.

Members were reassured training would be provided to all members following the election in May.

The Chair thanked the officer for the detailed report. Members were appreciative of the attached glossary and found it very useful.

During discussion the following points were raised –

- The authority had to initially fund some support to businesses before Welsh Government funding was received.
- Temporary borrowing from other authorities was a form of borrowing. Officers reviewed when it was best to lock in borrowing.
- The Head of Finance and Property Services agreed BREXIT should be included as a potential risk.
- The actions from the audit review were minor actions to implement. Internal Audit were happy with the response officers had offered. It was confirmed it would be followed up and reported back to the committee as part of the internal audit update.
- Denbighshire County Council did not loan funds to other authorities. The option of borrowing from other authorities was low risk and often low costing.
- It was noted that the majority of funding received by the authority was completed electronically. The loss of the high street banks had not impacted on the finance service.

Members,

***RESOLVED***, that the Committee note the Treasury Management Strategy Statement for 2022/23, the Prudential Indicators 2022/23 to 2023/24 and 2024/25. The Committee note the Treasury Management Update Report and confirm it has read, understood and taken account of the Well-being Impact Assessment as part of its consideration.

## **8 INTERNAL AUDIT FOLLOW UP - PROJECT MANAGEMENT OF QUEEN'S BUILDING**

The Chief Internal Auditor (CIA) guided members through the 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 the Project Management of Queen's Building which was presented to this committee in January 2021.

The CIA presented to members the findings from the second follow up internal audit review. The original audit had received a low assurance and members had requested a follow up. It was stressed the first audit review had concluded that progress had been made and 8 out of the 12 actions had been implemented. The assurance rating had therefor been raised to a medium assurance based on the work completed. It was highlighted the project had not been revisited as the project was still live and active, the audit team reviewed solely the action plan.

The second follow up review had taken place to review the remaining 4 action points outstanding. The CIA confirmed following the second review the four remaining actions were still outstanding.

The review had established a delay in reconfiguring the project management system due to other priorities. The original project management system had been due to end its contract so was required to be put out to tender since then the authority had remained with the same system. This impacted three of the actions relating to project management. It was stressed the action related to general project management actions, not specific to Queen's building. Progress had been made to the other action points and the CIA was hopeful the actions would be completed by the deadlines provided.

Members thanked the CIA for the update and discussed the following areas:

- The Welsh Government had provided additional funds for the additional costs to date. The Welsh Government was represented on the projects board and where aware of the status of the project.
- When researching the acquisition of properties now, in particular the condition of the property a structural survey was undertaken prior to the purchase of the property. It provided officers additional information on the structural condition.
- The tender of the project management system had been completed and Verto had been successful in securing the contract. An agreement had been made to enhance the system. The CIA confirmed a number of other authorities also used the Verto system. Verto was the name of the company that supplied the software platform to complete project management.
- It was confirmed that a contingency had been in place for the project but due to unforeseen circumstances, obstacles required the contingency funding to be used. To determine the amount of funding set aside for contingency plans was difficult to estimate.
- A report was due to be presented to Cabinet in the next month.
- The CIA confirmed that the actions closed under 2.1 and 2.2 had been completed as actions had been taken to improve the governance arrangements and controls.

- Members heard it depended on what was included in the contract, internal audit could access information it required from contractors. Internal Audit concentrated more on the contract management of projects.
- The position of internal bodies created within the authority to oversee projects was they are private meetings held within the council. It would depend on the information provided at the meeting if the information was confidential before disclosing information to other members.

Members thanked the officers for the detailed response to members concerns. It was stressed members requested the development of the project was carefully monitored.

**RESOLVED** that members note the contents of the follow up report on Project Management of Queen's Building and a further follow up report be included in the committee forward work programme as a separate agenda item, following the internal audit review.

## 9 ANNUAL GOVERNANCE STATEMENT - IMPROVEMENT UPDATE

The Chief Internal Auditor introduced the report (previously circulated). The report provided members with an update to the improvement actions that had been included in the Annual Governance Statement agreed by the Committee in July 2021.

It was confirmed it was a collective piece of work collated by the Corporate Governance working group. An update to the progress of the actions had been included as appendix 1 to the report (previously circulated). Members heard in relation to the Officer's Code of Conduct action guidance and training had been provided to staff and members, a review of the Code of Conduct, gifts and hospitality, declarations of interest policy and procedures had begun. Members were guided through the action plan and progress made to the actions proposed. Further updates would be included in the Annual Governance Statement 2021/22.

Part of the Implement requirements of the Local Government & Elections (Wales) Act 2021 action had been to establish a Corporate Joint Committee, the Monitoring Officer confirmed the Corporate Joint Committee had held its first meeting and had scheduled a second meeting in January 2021 to set the budget for the forthcoming financial year and the level of contributions of each authorities.

Members were pleased to receive the update from the Chief Internal Auditor and thanked her for the report.

The Lead Member for Finance, Performance and Strategic Assets informed members officers had been informed originally they would be informed if the Vale of Clwyd had been successful for the Levelling up fund in the spring.

It was therefore,

**RESOLVED** that members note the update report.

## 10 GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

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

The Chair confirmed the meeting scheduled for the 16 March 2022 would take place as it fell just before the Pre-Election period. The Monitoring Officer confirmed the March meeting was due to start on the 18<sup>th</sup> March, the April committee meeting would be cancelled.

It was agreed to amend the FWP as following:

- Care Inspectorate Wales – Follow up review;
- A follow up report on the Project Management of Queen's building project - September 2022;
- The Statement of accounts scheduling to be included.
- Annual Audit Summary – March 2022;
- Annual Governance Statement to be moved to June 2022 if April meeting is cancelled;
- The Monitoring Officer confirmed he was still awaiting the final version of the model constitution from WLGA. He was hopeful it would be available to discuss at the March committee meeting.

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

## **11 AUDIT WALES PERFORMANCE REPORT**

The Audit Wales Performance report (previously circulated) was provided to members for information.

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

**The meeting concluded at 12.15 p.m.**