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GOVERNANCE AND AUDIT COMMITTEE

Minutes of a meeting of the Governance and Audit Committee held in in the Council Chamber, County Hall, Ruthin and by video conference on Wednesday, 8 June 2022 at 9.30 am.

PRESENT

Councillors Ellie Chard, Hugh Evans, Justine Evans and Carol Holliday

Lay Members – Paul Whitham, Nigel Rudd and Dave Stewart

Cabinet Member – Councillor Jason McLellan – Leader and Lead Member for Economic Growth and Tackling Deprivation and Councillor Gwyneth Ellis – Lead Member for Finance, Performance and Strategic Assets.

ALSO PRESENT

Head of Legal, HR and Democratic Services – Monitoring Officer (GW), Head of Finance and Property Services (Section 151 Officer) (SG), Interim Head Business Improvement Modernisation (NK), Chief Internal Auditor (BC), Solicitor (JC) Senior Committee Administrator (Zoom Host) (KJ) and Committee Administrator (SJ)

Audit Wales representatives David Williams and Gwilym Bury were also in attendance.

1 APOLOGIES

Apologies were received from Councillor Elfed Williams.

2 APPOINTMENT OF CHAIR

The Monitoring Officer confirmed that the Local Governments and Elections Wales Act 2021, stated the Chair of the Committee could only be one of the independent Lay Members of the committee.

Nominations were sought for a Member to serve as the Committee's Chair for the ensuing year. Lay Member Nigel Rudd nominated Lay Member Dave Stewart, seconded by Lay Member Paul Whitham. No other nominations were received and it was therefore;

RESOLVED that Lay Member Dave Stewart be appointed as the Governance and Audit Committee's Chair for the ensuing year.

3 APPOINTMENT OF VICE CHAIR

Nominations were sought for a Member to serve as the Committee's Vice Chair for the ensuing year.

Members were informed the provisions of the Local Government and Elections Wales Act 2021 did not restrict the appointment of Vice-Chair to Lay Members. Thus meaning any member of the committee could be appointed.

Councillor Ellie Chard nominated Councillor Hugh Evans for the Vice-Chair position. Councillor Hugh Evans thanked the member for the nomination and politely declined the position.

The Monitoring Officer confirmed full membership of the committee had not been observed and as no nominations for Vice-Chair had been received, if members were in agreement the appointment of Vice-Chair could be deferred to the next meeting of the Governance and Audit committee.

All members were in agreement to defer the agenda item until the next committee meeting.

RESOLVED, that the appointment of Vice-Chair be deferred until the July meeting of the Governance and Audit Committee meeting.

4 DECLARATION OF INTERESTS

None.

5 URGENT MATTERS

There were no urgent items.

6 MINUTES

The minutes of the Governance and Audit committee held on 16 March 2022 were submitted.

Matters arising – Lay member Paul Whitham – Page 8 – Minutes – reference was made to the ‘Project Management of Queen's Building’. Members were reminded a previous report had been requested on the contingency of the project. The Lay Member raised a concern that that report had not been presented. The Monitoring Officer informed members an update report was included in the Forward Work Programme. The Monitoring Officer confirmed he would consult with Internal Audit for it to be included in that update report. Head of Finance and Property confirmed it was two separate discussion items for members to debate. He informed members the previous committee had agreed to not proceed with the request to allow the committee to catch up with reports delayed due to the Covid pandemic. He suggested if members wanted a follow up report it could be added to the Forward Work Programme for the Autumn.

Lay member Paul Whitham – Internal Audit Update – Page 13 – asked if an update was available on the assessment to obtain the loss of revenue from not recharging tenants. The Chief Internal Auditor confirmed he would confirm the status of the assessment and inform members.

Lay member Paul Whitham – Governance and Audit Forward Work Programme – Page 14 – Reference to an additional line to include regular updates on ‘Commissioning Older People’s Care Home Placements’ had been agreed to be included on the Forward Work Programme. The Monitoring Officer confirmed it could be included on the report.

Also the Audit Wales report title had not been stated in the minutes for Item 13 of the minutes. It was stressed the title should be stated. The Monitoring Officer confirmed the Audit Wales report was on Delivering Sustained Performance Improvement and agreed it should have been included in the minutes. Gwilym Bury the Audit Wales representative confirmed the action plan had been produced and would be presented to Committee in a future meeting.

RESOLVED, subject to the above that the minutes of the Governance and Audit committee held on 16 March 2022 be received and approved as a correct record.

The Chair welcomed Gwilym Bury from Audit Wales to the meeting. Members were also introduced to Bob Chowdhury as the recently appointed Chief Internal Auditor.

7 COUNCIL PERFORMANCE SELF-ASSESSMENT 2021 TO 2022

The Lead Member for Finance, Performance and Strategic Assets, Councillor Gwyneth Ellis, introduced the Council Performance Self-Assessment report (previously circulated).

Members were informed by the Interim Head of Business Improvement and Modernisation Services, the report was the first statutorily required document written in response to the Local Government and Elections (Wales) Act 2021, which required the Council to produce a Self-Assessment of its performance against its functions. It also responded to the Council’s duty around equality monitoring (under the Equality Act 2010 and Wales Measure 2011, which included the Socio Economic Duty) and the contributions to the Well-being of Future Generations (Wales) Act 2015.

Feedback from Governance and Audit Committee was required under the Local Government and Elections (Wales) Act 2021, before approval of the final documents by Council in July.

A summary of the report and appendices was given to the members. The first appendix was the self-assessment document. It included conclusions drawn from governance functions and performance against corporate objectives. The purpose of the report was to assess the information brought to committee’s over the last 12 months to reach a conclusion on how the Council has performed and areas for improvement. The following points were discussed in more detail:

- Officers stated they would provide Lay member Nigel Rudd with further information on previous reports on procurement and the support and improvement to the service.

- Support for communities, including the business community to develop was really important. The report focused on the previous term's Corporate Priorities, none of those areas covered support for businesses. However, members heard work was ongoing with communities to support and develop businesses and the economy.
- The service performance challenges were internal meetings. They are on an annual basis and each service is scrutinised against its service plan. Lead Members for that service are invited to the challenge along with a representative from each of the scrutiny committees. Scrutiny representatives are required to feedback following a service challenge meeting to the relevant scrutiny.
- Recruitment exercises had taken place to appoint a procurement manager all unsuccessfully. A review of the internal structure to provide appropriate management oversight of procurement was due to take place.

The Chair thanked the officers and members for the detailed discussion.

Members,

RESOLVED, that members of the Governance and Audit Committee reviewed and approved the draft report for its submission to Council in July.

8 INTERNAL AUDIT ANNUAL REPORT

The Interim Head Business Improvement Modernisation introduced the Internal Audit Annual Report to the committee (previously circulated).

The annual report was an example of good practice under the adopted standard of the Public Sector Internal Audit Standards. Those standards required an annual report on Internal Audit to feed into the statutory Annual Governance Statement.

The Chief Internal Auditor introduced himself to the committee as he was newly appointed to the role.

Members were guided through the report including the seven areas that had based his 2021-22 opinion included in the appendix 1. Members noted in the report was a summary of the work completed during 2021-22.

Also included within the annual report was the work that had been carried out in relation to counter fraud and the arrangements in place.

The Chair made reference to the work that had been made during the previous 12 months and under difficult circumstances. Members echoed the thoughts of the Chair.

Members heard that there were several triggers or concerns that can raise a review of an area. Internal Audit have an internal mapping system in place to assess and prioritise the audits that required completing. A number of elements contributed to the risk level associated with an area of review.

The Chief Internal Auditor confirmed further information would be provided to members at a training session on Governance and Audit.

The Chief Internal Auditor stated he had raised questions relating to the results of the surveys received. He informed the committee he had raised concerns with the

team and hoped for a higher number of surveys returned he informed members a trial of more frequent surveys was due to start to try and encourage more response. The questions included in the survey were reasonable and relevant.

Members heard any cancelled or deferred audits were due to a number of factors and reasons including service resources, pandemic restrictions and resources in audit department. The number of deferred or cancelled audits was higher over recent months, it was hoped following the ease of restrictions the number would be reduced. Confirmation the Audit team would be able to complete the programme of internal audits.

Lay Member Paul Whitham informed the committee within the constitution the terms of reference for Governance and Audit committee do provide for ensuring Internal Audit has adequate resources. He urged the Chief Internal Auditor to make the committee aware of any issues for support. The Monitoring Officer confirmed it did form part of the terms of reference for the committee.

Members were made aware that discussions between the Chief Internal Auditor and the Interim Head Business Improvement Modernisation were taking place to address the staffing concerns within internal audit.

The Interim Head Business Improvement Modernisation confirmed members had raised a number of suggestions to be included on future Annual reports including:

- Summary of the prioritisation process
- Context around the Internal Audit team capacity.

The Chief Internal Auditor confirmed the case management system to track fraud project plan needed to be in place to allow auditors to complete work effectively.

Members thanked the officers for the detailed response to members questions. It was therefore

RESOLVED that members note and comment on the Chief Internal Auditor's annual report and overall opinion.

9 ANNUAL GOVERNANCE STATEMENT

The Interim Head Business Improvement Modernisation presented the Annual Governance Statement to the committee (previously circulated).

The Council had a statutory duty to publish an Annual Governance Statement (AGS). It was explained that the AGS formed part of the Statement of Accounts. It was presented to members separately to allow members to discuss and review the AGS on its own merit.

The report was a thorough investigation on the governance functions within the council. Based on self-assessment and reports presented to committees throughout the year.

The Chief Internal Auditor confirmed reports and information was gathered and consolidated from a range of service areas. The statement had been prepared in accordance with the guidance produced by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief

Executives and Senior Managers. Members were guided through the core principals which underpinned the framework.

Members heard the covid pandemic had continued to have an impact on the authority, including a new way of working. Confirmation that meetings were being webcast demonstrating transparent working in the authority.

Lay member Nigel Rudd thanked the officers for the report. He noted reference had been made to the Strategic Emergency Management Team he asked if that team was still in operation. The Monitoring Officer informed members the team was created in the pandemic and met regularly to discuss actions and ways of working. The team was still in existence but had been stood down as the restrictions eased.

The Monitoring Officer confirmed the proactis system was still adopted by the authority. Within the system contract management modules were available, a contract manager forum had been set up working alongside procurement to review how the system can be adapted to make best use of the modules available. The forum allowed managers to review and discuss best practices. The Chief Internal Auditor confirmed the forum was supporting officers and educating staff on contracts and one-off transactions. He confirmed internal audit had scheduled a follow up review of the proactis system.

The Monitoring Officer confirmed the Annual Whistleblowing policy was due for a refresh and review. An annual report on the policy would be brought to this committee in a future meeting.

Confirmation that the Annual Governance Statement report was included in the Statement of Accounts. It is presented separate to committees before it is included in the accounts.

Members suggested that it be published as a separate document alongside the statement of accounts for transparency and ease for the public.

The Chair and members thanked the officers for the report and praised the ease and flow when reading the Annual Governance statement.

It was,

RESOLVED *members reviewed and approved the draft Annual Governance Statement for 2021-22 (appendix 1) and it monitors the progress made on the action plan from the AGS 2020-21.*

At this juncture (11.05 a.m.) there was a 10-minute comfort break.

The meeting resumed at 11.15 a.m.

10 INTERNAL AUDIT STRATEGY 2022/23

The Interim Head Business Improvement Modernisation presented the Internal Audit Strategy to the committee (previously circulated). The report provided the

Committee with the Internal Audit Charter and Strategy for 2022-23. 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 Chief Internal Auditor (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 confirmed the Charter provided members with information on how Internal Audit would function throughout the year, he confirmed he would include the structure of the Audit team in the Charter next year.

Members were informed of the purpose of the report and guided to the main changes to the Internal Audit Charter included in Appendix 1. The changes had been included in the 'Positioning & Reporting Lines' section. The Chief Internal Auditor had reporting lines to both the Interim Head Business Improvement Modernisation, Section 151 officer, Chief Executive, Cabinet, Governance and Audit committee and Scrutiny committees.

The Charter provided the scope of Internal Audits activities, resources and reporting and monitoring that was in place.

The Internal Audit Strategy (appendix 2) provided information on the planned programme of work for the upcoming year. Members were provided with a brief description of the work. The programme of works included an array of audits from all service areas. A number of audits had been carried over from previous year with the rest being agreed by Heads of Service. Members heard on occasion services will request an audit, internal audit assess the need for an audit and determine if it is required. There were a number of different reasons why officers requested internal audits to be completed including performance concerns. It was stressed Internal Audit would only carry out audits it was deemed beneficial for the authority.

Members thanked the officers for the detailed report and appendices and discussed the following in more detail:

- The Charter is based on a standard template that each authority can amend as required.
- The audit plan in Denbighshire was a flexible plan and could be changed or audits added or deferred at any given time.
- Confirmation that risk mapping in the form of an excel spreadsheet to ascertain the level of risk against an internal audit. The Risk Management framework detailed the authorities approach to risk and exactly what is recorded.
- If a request was made for an additional internal audit was made, consideration to the existing plan was made and if it would have an effect of the scheduled agreed audits.
- The Finance review was conducted annually. Within the review certain elements are reviewed within the time allocated. Communication with the Section151 as to the areas to review took place.

It was;

RESOLVED that members approve the Internal Audit Charter and the Internal Audit Strategy 2022-23.

11 ANNUAL PLAN 2022

The Interim Head of Business Improvement and Modernisation Services, guided members through the report (previously circulated).

Audit Wales representative Gwilym Bury was welcomed to the committee. It was explained Gwilym was a key link between the Authority and Audit Wales particularly in terms of the performance remit.

Members heard Audit Wales met with officers on a monthly basis to update each other on the work plan and confirm the arrangements needed to carry out work. Members heard Internal Audit had been invited to attend and meet with the Senior Leadership Team (SLT) in February 2022 to develop an audit plan for Denbighshire for the forthcoming year.

Gwilym Bury informed members Audit Wales are the external regulators for all authorities in Wales. It was Audit Wales who audit all performance and expenditure of devolved public institutions in Wales.

Members heard Audit Wales produced an annual plan of work intended for the coming year.

The Audit Plan 2022 sets out the programme of works planned to be carried out in Denbighshire over the next 12 months. The plan included work on the financial statements, performance audit work and an area yet to be determined but likely to be around digital strategies.

The fees charged as an external regulator where in the representative's opinion very good value for money. It was proposed the fees for the year would be £333,000.

The Chair thanked the representative for the introduction. In response to members questions the following points were discussed in greater detail:

- The fees were within various bands, partially due to the size of the authority. Denbighshire was included in the lower risk band. Members heard Audit Wales do have powers to conduct special audits with a higher cost value.
- Listed in the paper was a generic list of risks for local authorities. Not particular to Denbighshire.

The Chair thanked the Audit Wales representative for the plan.

It was

RESOLVED that members of the Governance and Audit committee note the Audit Plan 2022.

12 GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

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

From the meeting it had been suggested that a report on the Queens building project, standalone contingency report be included on the FWP for the November committee meeting.

The Head of Finance and Property suggested a report on the budget process be included on the FWP. To allow members to review the process in place that allow the budget to be set. Members agreed for an update report to be included in the November meeting.

Members heard that the two Audit Wales information reports presented at the meeting would be rescheduled for discussion at a future meeting.

It was stressed a training session was being scheduled. If members wished for a training session on the budget could be arranged if members thought, it would be beneficial. The Head of Finance and Property stressed the dates of the budget reports were target dates. The draft statement of accounts enabled members to ask questions up to the presentation of the final statement of accounts. If members felt training on the budget was required, he suggested it was before the final statement of accounts was presented to the committee.

Members were pleased to hear training would be scheduled for all members to attend.

It was agreed to include an ongoing line for updates on the 'Commissioning Older People's Care Home Placements' to the FWP.

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

13 DELIVERING SUSTAINED IMPROVEMENT REPORT

The Chair explained the Audit Wales report on Delivering Sustained Improvement was presented to members for information. A further report would be presented to members following officers' completion of an action plan against the Audit Wales proposed recommendations.

The Interim Head of Service for Business Improvement & Modernisation explained to members the Verto system as mentioned in the report was a performance management system used within the Council.

Members agreed to receive the reports at a later date for debate.

***RESOLVED**, that members note the information report presented by Audit Wales.*

14 SPRINGING FORWARD REPORT

The Chair explained the Audit Wales report on Springing Forward, was presented to members for information. A further report would be presented to members following officers' completion of an action plan against the recommendations.

Members agreed to receive the reports at a later date for debate.

***RESOLVED**, that members note the information report presented by Audit Wales.*

The meeting concluded at 12.10 p.m.