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## GOVERNANCE AND AUDIT COMMITTEE

Minutes of a meeting of the Governance and Audit Committee held in COUNCIL CHAMBER, COUNTY HALL AND VIRTUALLY VIA VIDEO CONFERENCE. on Wednesday, 27 July 2022 at 9.30 am.

### PRESENT

Councillors Ellie Chard, Merfyn Parry and Elfed Williams

Lay Members – Paul Whitham, Nigel Rudd and Dave Stewart

**Cabinet Member** – 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), Corporate Director for Communities (NS), Chief Internal Auditor (BC), Democratic Services Officer (KAE) (Zoom Host) and Committee Administrator (SJ).

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

## 1 APOLOGIES

Apologies were received from Councillors Justine Evans, Hugh Evans and Carol Holliday.

## 2 APPOINTMENT OF VICE - CHAIR

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

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. The Act allowed for any member of the committee provided they are not a member of the Cabinet committee. He confirmed that no members that sat on Governance and Audit Committee were members on Cabinet.

No members were nominated as Vice-Chair, the Monitoring Officer confirmed the matter could be deferred to a future meeting. He stressed the importance of electing a Vice-Chair for the committee. Members were made aware that both the Chair and Vice-Chair of the committee sat on the Scrutiny Chairs and Vice Chairs group, which looked at proposals for Scrutiny and Governance and Audit Committee work programmes.

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

### **3 DECLARATION OF INTERESTS**

There were no declarations of interest raised.

### **4 URGENT MATTERS**

There were no urgent items.

### **5 MINUTES**

The minutes of the Governance and Audit committee held on 08 June 2022 were submitted.

Matters arising -

Lay member Paul Whitham – Page 8 – stressed the report regarding the Queens Building project in Rhyl was a separate discussion. The forward work programme didn't reflect the two reports as separate issues. One on the Queen's Building project and one on Contingency plans in general. The Head of Finance confirmed the naming of the report on the forward work programme for November 23, would be a report on contingency plans.

The Chair asked for clarification on the timing of the surveys that are issued after audits are completed. The Head of Internal Audit confirmed, the surveys would be issued quarterly to start starting in September then December.

The Monitoring Officer confirmed that a date for training was still trying to be organised. The Chair stressed the importance of certain training such as Statement of Accounts and Treasury Management.

***RESOLVED**, subject to the above that the minutes of the Governance and Audit committee held on 08 June 2022 be received and approved as a correct record.*

### **6 AUDIT WALES REPORT - SPRINGING FORWARD**

The Audit Wales representative, Gwilym Bury guided members through the report (previously circulated). The report looked at how the Council had strengthened its ability to transform, adapt and maintain delivery of services, including those delivered in partnership with Key stakeholders and partners. Included in the review had been a review of the Council's arrangements for managing assets and the workforce. Members were guided through the three main aims of the review.

The overall report concluded that the Council was actively developing its New Ways of Working Project, which would lead to changes in the long run on both building assets and workforce, integrating this activity with wider strategies, and looking further ahead would strengthen the Council's consideration of the sustainable development principle.

Recommendations had been included as part of the report.

The review was being conducted across all 22 authorities in Wales. Following completion of all the reviews it was hoped a debrief would be arranged to discuss the overall outcome of all the reviews.

The Corporate Director for Communities informed members she Chaired the New Ways of Working Board. Members heard the officer responses to the recommendations included in the papers had in the main been produced by the Lead officers for those work streams. The Board would oversee the progress against the management action plan. Officers welcomed the report and its findings.

In response to questions raised by members the following was discussed in more detail:

- Phase one of the restructure had been completed. This had been the recruitment and appointment of two additional Corporate Directors. Work had begun between the Senior Leadership Team and the Chief Executive to progress to phase two which reviewed the Heads of Service and Senior Leadership Team. It was anticipated that review would be completed by the end of March 2023. The impact of the changes was being closely monitored. It was included on the Corporate Risk register to ensure it is completed in a timely manner but also follow the correct procedure.
- Staff working on school sites during the pandemic supported the learning and schooling of children from essential worker parents. It was a need that was established at the difficult time.
- Recruitment and retention of staff was a growing problem throughout Wales.
- Collaborative working with neighbouring authorities and Partnerships had been established.
- A report on progress on recommendations from external regulators could be added to the forward work programme. A suitable date could be ascertained from Internal Audit and Audit Wales for its inclusion.

The committee thanked the officers for the report and agreed it would be beneficial for a regular update report be included on the forward work programme on progress made to recommendations made from External Regulator reports.

**RESOLVED** that members have read, understood and taken account of the content and recommendations in the Audit Wales Springing Forward report.

## **7 CERTIFICATION OF GRANTS AND RETURNS 2020-21 DENBIGHSHIRE COUNTY COUNCIL**

The Lead Member for Finance, Performance and Strategic Assets introduced the report (previously circulated) to members. She explained the Audit Wales report completed was attached as appendix 1 to the report.

The Head of Finance, thanked Audit Wales for the close work that had taken place to complete the report.

Audit Wales representative David Williams guided members through the report. The report was a summary of the certification of grants and returns 2020-21.

Included in the report was the relevant legislation that was used in completion of the work. The report also included the overall conclusion from the work undertaken

stating, the 'Authority has adequate arrangements for preparing its grants and returns and supporting our certification work'.

He guided members through the headlines detailed in the Audit Wales report. It was explained the fee for the work had been higher than previous years due to certifying 3 extra claims this financial year.

In response to members' questions, the Audit Wales representative and officers expanded on the following:

- Fraud prevention was completed by Internal Audit work closely with the Revenue and Benefit service. It is regularly monitored by officers. Members were reminded if they wanted a report on the Fraud incentive it could be included on the forward work programme. Cross service communication with Internal Audit to ensure the correct procedures are followed to reduce the risk of fraud.
- The issues that had been identified were individual issues and not system errors.
- The majority of 2021-22 had not been issued yet, it was likely it would be the Autumn. It was stressed to members the importance of meeting the deadlines needed for completion of certifying the claims and grants. It was highlighted the pressure that had been observed during the pandemic had impacted on some of the deadline dates being met.
- It was stressed in the opinion of Audit Wales the authority had adequate arrangements for preparing its grants and returns information.

Members thanked the officers and Audit Wales for the detailed report and discussion.

**RECOLVED** that members note the contents of the Audit Wales report.

## 8 RIPA ANNUAL REPORT

The Monitoring Officer introduced the annual RIPA (Regulation of Investigatory Powers Act 2000) report (previously circulated) to the committee.

Members were informed that the Act authorised two main types of surveillance those being; Directed surveillance and covert human intelligent source.

The authority was required to produce a policy (appendix 1) and a system of authorisation to manage surveillance activity.

It was highlighted no surveillance activity had taken place since the last report. The Monitoring Officer stressed the authority was obliged to take all possible steps to avoid intruding individuals lives or conducting covert surveillance. The recent pandemic had impacted the level of activity.

The primary areas where directed surveillance would be used were activities such as underage sales of restricted products and areas where fly tipping had been previously observed. For a surveillance operation to take place, authorisation was required following a rigorous application process. Once approved the application was presented to a Magistrate for approval.

Members heard the Investigatory Powers Commissioners' Office was the regulatory body responsible for oversight of investigatory powers by public authorities. The Council was last inspected by one of the Commissioner's Chief Inspectors, Graham Wright, in February and March 2021. Following that inspection, they were satisfied with the policies in place.

The Chair thanked the Monitoring Officer for the detailed introduction. Following the discussion, further information was provided on the following:

- Potentially the council had the authority to use surveillance when investigating fraud cases. It was stressed a number of policies and procedures were in place to investigate potential fraud prior to the use of surveillance.
- A working group met annually to discuss and identify staff that require training or refresher training. Training sessions for required staff was scheduled for later in the year.

The Members thanked the Monitoring Officer for the report and detailed explanations.

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

At this juncture (10.43 a.m.) there was a 10 minute comfort break.

The meeting reconvened at 10.53 am.

## **9 DRAFT STATEMENT OF ACCOUNTS 2021-22**

The Lead Member for Finance, Performance and Strategic Assets introduced the Draft Statement of Accounts 2020/21 (previously circulated), the report provided an update on the progress of the draft Statement of Accounts 2021/22 and the process underpinning it. Presenting the draft accounts provided an early indication of the council's financial position and highlighted any issues in the accounts or the process prior to the accounts being audited.

Members were reminded the council had a statutory duty to produce a statement of accounts that complied with approved accounting standards.

The attached report was the draft Statement of Accounts; the final Statement of Accounts would be presented later in the year for sign off by the members. It had been hoped the accounts would be ready for the September committee meeting but it was now thought they would not be prepared in time and would be included on the November committee meeting.

The Head of Finance and Property Services reminded members that the reason for the report was Governance and Audit Committee had delegated responsibility to receive the report. A draft set of accounts were presented prior to the final accounts at a later meeting.

Within the report the statutory deadline dates of 31<sup>st</sup> May 2022 and 31<sup>st</sup> July 2022 were stated. Members heard Welsh Government send out a directive providing

instructions of the course of action required if those dates could not be met. The authority had committed to meet the extended deadlines.

Members were guided through the headlines included in the cover report. It was confirmed the draft accounts had been finalised and signed by the Head of Finance on the 27th June 2022. An improvement from the previous year. The draft accounts had been made available for audit as required and would be open to public inspection from 15th July to 11th August.

Close working with Audit Wales had undergone in the reporting and auditing of the accounts. Further work and discussions on adjustments would continue over the recess. Officers had received guidance to support the completion of submitting the accounts. Members were guided to the narrative report which provided a summary of the activity conducted by the authority over the year. Members heard the importance of the Annual Governance Statement presented by Internal Audit forming part of the statement of accounts.

The Audit Wales representative David Williams echoed the issues communicated by the Head of Finance to members. Guidance for completion of the accounts had been presented to officers for support. One concern was the level of inflation. Further detailed work on assets was required.

Close working with Denbighshire officers over the next few months was needed to work through the issues and concerns. He confirmed it was likely the final statement of accounts and audits would be presented to the November committee meeting.

The Head of Finance and Property Services wanted to thank all for work that had been undertaken in completing the Draft Statement of Accounts.

Further guidance and information was provided on the following:

- The authority did not have any investment properties. The Public Works Loans Board introduced strict rules around what borrowing money could be used for. Authorities could not borrow to purchase investment properties. The council did own properties that would increase in value that potentially might be sold in the future with a 'profit' the ownership of those properties was not for that reason.
- Confirmation that the increase in figures on the balance sheet for Council Dwellings was following a revaluation of properties. There was a policy to purchase council properties back for repurpose which will also have contributed to that increase.
- Planning had begun to undertake a revaluation of assets. Two new members of staff had been appointed to the valuation and estates team. That team had a large workload so the additional resource would be beneficial. It was hoped the revaluation work would be completed by the end of 2022. In the accountancy team there was a number of changes with staffing it was confirmed recruitment and appointment had taken place.
- The Audit Wales annual audit plan was an important document to refer too when looking at the draft statements. There was reference to significant potential risks when completing the draft accounts, these were all reviewed and assessed by Audit Wales and to date no concerns had been found.

- The wording in the ‘How we report our budget’ element of the report, could be reviewed to replace the work ‘unfortunately’.
- An agreement of audit timetable and deadlines between the authority and Denbighshire Leisure Limited had been agreed. To provide accounts to complete the overall statement of accounts for Denbighshire County Council. Any adjustments received from Audit Wales that can be made in the time frame are adjusted. Monthly meetings with Denbighshire Leisure Limited took place to discuss any issues and support the completion of the group accounts.
- The valuation and estates team would approve any asset revaluations as qualified valuer. They would sign those values off. The finance team would complete a sense check of those valuations.
- Welsh Government had provided two years of indicative settlement.
- The Head of Finance and Property stated he would provide members with detailed information on specific questions if required following the meeting. He encouraged members to contact him direct with questions.

The committee wanted to thank the Head of Finance and Property and the team for the vast amount of work that had gone into producing the draft statement of accounts. It was noted a significant effort had been made to produce and present the papers.

The Monitoring Officer confirmed an additional recommendation could be included to reflect the gratitude of members to the officers involved.

***RESOLVED*** that members note the position as presented in the draft Statement of Accounts. Members also agreed for an additional recommendation to be included and read as; 3.2 The committee expressed their appreciation to the Head of Finance and Property and all staff involved in the preparation of the Draft Statement of Accounts.

## **10 ANNUAL 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 2022/23 to date.

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 Head of Finance reminded members it had been agreed by Council on 27 October 2009 that the governance of Treasury Management be subjected to scrutiny by the Governance and Audit Committee. Part of this role was to receive an update on the Treasury Management activities twice a year. It was stressed the importance of Treasury Management in the finance department and the Council.

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).

Tabled in the report was the borrowing activity for the year along with a table of investments for the year. A number of projects and borrowing/ investments had been agreed before.

The importance of getting a balance on borrowing and investments was vital. A glossary of acronyms had been included for members.

The Chair welcomed the proposed training that would be arranged. He thanked the Head of Finance for the detailed report.

Members were informed Treasury Management was included in the Finance service risks. Internal Audit also conduct annual audits of the procedures to ensure it is robust. Arlington Close Ltd had been procured and a contract was awarded to the company to become the council's treasury advisor.

The medium term capital strategy plan was hoped to be a ten-year plan of projects.

The Treasury Management report was also presented to Cabinet and County Council along with Governance and Audit committee.

***RESOLVED***, that the Committee note the performance of the Council's Treasury Management function during 2021/22 and its compliance with the required Prudential Indicators as reported in the Annual Treasury Management Report 2021/22. That members note the TM update report for performance to date in 2022/23 and confirm it has read, understood and taken account of the Well-being Impact Assessment as part of its consideration.

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

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

The Monitoring Officer (MO) confirmed the change to title of the contingency report in November would be made.

The Chief Internal Auditor confirmed the two internal audit update reports on Contract Management and Exceptions and Exemptions would be presented to members at a future meeting. Delays in completing follow up audits had delayed the report to the Governance and Audit committee.

The MO informed members Full Council had approved the timetable for meetings for 2023 so on the next FWP it will include dates up until December 2023.

The MO confirmed the committee did produce an annual report for full Council approval. Previously a draft report had been presented to committee with the work

completed during the previous year. He confirmed that report could be added to the September meeting FWP.

The Head of Finance confirmed the report on the Approval of the Statement of Accounts 2021/22 and Audit of Accounts 2021/22 be deferred to the November meeting.

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

## **FOR INFORMATION**

### **12 AUDIT ENQUIRIES 2021/22**

The Head of Finance and Property guided members to the Audit Enquires 2021/22 information report (previously circulated).

He explained to members the report was usually presented to the committee as draft and the Committee would approve the report. Due to the timing and the election process the previous Chair of Governance and Audit Committee, Councillor Barry Mellor approved and signed the report.

The Audit Wales representative confirmed it was standard issue that the letter was issued and received by Governance and Audit on an annual basis.

Lay Member Paul Whitham highlighted the report provided a good overview of many of the issues that the Governance and Audit committee had sight of.

**RESOLVED** that the Governance and Audit committee note the information report.

**The meeting concluded at 12.35p.m.**

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