

GOVERNANCE AND AUDIT COMMITTEE

Minutes of a meeting of the Governance and Audit Committee held in Council Chamber, County Hall, Ruthin and by video conference on Wednesday, 19 March 2025 at 9.30 am.

PRESENT

Lay Members – David Stewart (Chair), Nigel Rudd and Paul Whitham.

Councillors – Ellie Chard, James Elson, Bobby Feeley, Carol Holiday and Mark Young (Vice-Chair)

ALSO PRESENT

Corporate Director: Governance and Business/ Monitoring Officer (GW), Chief Internal Auditor (BC) Head of Corporate Support Service: Performance, Digital and Assets (HV-E), Collaborative Procurement & Framework Manager (KB), Head of Corporate Support Services: People (CR), Head of Planning, Public Protection and Countryside Services (EJ), Acting Building Control Manager (JC) Senior Committee Administrator (KJ), Committee Administrator (NH) and Electoral Services Administration Officer (CMcB)

Audit Wales Representatives – Carwyn Rees and Duncan MacKenzie

Lead Member for Corporate Strategy, Policy and Equalities, Councillor Julie Matthews was in attendance for item 5.

Lead Member for Local Development and Planning, Councillor Alan James was in attendance for item 7.

1 APOLOGIES

Apologies for absence were received from Councillor Arwel Roberts.

The Chair conveyed the Committees best wishes to Councillor Arwel Roberts for a speedy recovery.

2 DECLARATION OF INTERESTS

The Chair, Lay Member David Stewart declared a personal interest in relation to all items on the agenda as he was a recipient of a Clwyd Pension Fund Pension.

Lay Member, Paul Whitham declared a personal interest in relation to all items on the agenda as he was a recipient of a Clwyd Pension Fund Pension.

Councillor Ellie Chard declared a personal interest in relation to all items on the agenda as she was a recipient of a Clwyd Pension Fund Pension.

Lay Member, Nigel Rudd declared a personal interest as he was a member of the Conwy County Borough Council Governance and Audit Committee.

3 URGENT MATTERS

No items of an urgent nature had been raised with the Chair prior to the commencement of the meeting.

At this juncture in the meeting the Chair informed the Committee that there would be a change to the order of the agenda with item 7 being presented before item 6.

4 MINUTES

The minutes of the Governance and Audit Committee meeting held on the 22 January 2025 were submitted.

Matters of accuracy –

At the conclusion of the Governance and Audit Committee meeting on 22 January 2025 there was a brief confidential (part 2) discussion held relating to an ongoing investigation, this should have been noted in the minutes.

Page 9 – The Chair commented that some of the minute text was written in the first person throughout the second bullet point, this should have been written in the third person.

Matters arising –

The Chair informed the Committee that the Section 151 Officer was unable to attend this meeting but that he had met with her in a pre-meeting and would relay the responses he had received in respect of some matters arising.

Page 8 – (item 6) – Treasury Management Strategy: In relation to the Capital Plan being reported to the GAC, the Section 151 Officer stated that she was considering how this could be done without duplicating the Scrutiny role.

Page 10 (item 7) – Update on 2025/26 Revenue Budget Setting: The Chair raised questions regarding the National Insurance (NI) employee contributions increases and when further details on this would be known. The Section 151 Officer was not expecting clarity on this until Summer 2025 at the earliest. Regarding the Stress Test, which was suggested by the GAC to look at the financial resilience of the Council, questions were raised when this would be completed. The Section 151 Officer had stated it was scheduled to be completed in April 2025.

Nigel Rudd welcomed the Stress Test report being completed in April 2025 and requested that the Audit Wales National Financial Sustainability Report, issued in December 2024 to be considered at the same time to form part of the discussion. The report contained useful indicators which would be beneficial for use alongside the Stress Test report. This was welcomed by the Chair.

Page 13 (item 8) – Peer Panel Assessment – The Monitoring Officer informed the GAC that all the recommendations sent to Cabinet had been agreed apart from

recommendation 8 which had been incorporated into other recommendations already agreed.

It was:

RESOLVED: *that subject to the above, the minutes of the meeting held on the 22 January 2025 be received and approved as a true and correct record of the proceedings.*

5 AUDIT WALES - DENBIGHSHIRE COMMISSIONING SERVICES

The Lead Member for Corporate Strategy, Policy and Equalities introduced the report to members (previously circulated).

The report summarised the Audit Wales Report of Arrangements for Commissioning Services in Denbighshire County Council (DCC) and provided Officers' responses to the recommendations for improvements.

In July to August 2024, Audit Wales undertook a review of Denbighshire County Council's arrangements for commissioning services, specifically the extent to which this had been developed in accordance with the sustainable development principle; and that it would help to secure value for money in the use of the Council's resources. The full report was included in Appendix 1 (previously circulated).

Audit Wales were undertaking this work at each of the 22 principal Councils in Wales and, as well as reporting locally to each council, also intended to produce a national report.

Commissioning was the process by which the Council designed services it intended to deliver. It began with defining the services and the desired outputs and outcomes and ended when the Council organises its method of delivery. For example, by establishing a delivery team internally, or through procuring an external supplier. The Audit did not cover procurement arrangements or the Council's contract management arrangements.

The final DCC report was issued in December 2024 and reached the overall conclusion that the Council had set out clear expectations of departments when commissioning services, but the Council did not have arrangements in place to ensure that these were consistently met.

The report made two recommendations for improvement. Appendix 2 (previously circulated) provided the management response to Audit Wales's recommendations for improvement.

The Head of Corporate Support Services: People provided further details on the report.

The report focused specifically on one question, which was does the Council put in place proper arrangements to secure value for money in the use of its resources. The process begins with looking at what services the Council delivers, what they want to achieve by looking at outputs and concludes with looking at how the Council is going to deliver those services.

The process was very important to ensure that services were delivered economically, effectively and efficiently. It was the foundation of the rest of the process which included procurement and contract management arrangements.

The conclusion of the Audit Wales report as stated above was that the Council had set out clear expectations of departments when commissioning services, but the Council did not have arrangements in place to ensure that these were consistently met. The rationale for the Audit Wales decision could be found in the report and was summarised as the Council could demonstrate a clear rationale for commissioning services and was included within the Council's Procurement and Commissioning Strategy. The processes and the Commissioning form prompted departments to consider their rationale for commissioning services for what they required and how.

Arrangements were also in place for conducting options appraisals to inform commissioning activity. However, as a Council the arrangements were not in place to systematically prompt departments to begin considering commissioning options at the appropriate time. Departments' engagement with commissioning workflows was driven by them rather than being scheduled corporately.

The report concluded that the Council did consider the short, medium and long term factors that may influence commission timescales and this should be built into the process. The Head of Corporate Support Services People provided an in-depth explanation of the conclusion of the report.

Audit Wales had made two recommendations to the Council:

- The strengthening of the strategic oversight of commissioning activity
- To develop the formal arrangements for sharing lessons learnt

The report contained the Management Response to the recommendations above which included Head of Service working with their Procurement and Finance Partners to provide an overview of commissioning activities over the next 24 months, and Insight, Strategy and Delivery Manager building into the prompt sheet used and issued to Heads of Service for development of their service plans each year considering any likely commissioning activity as part of development of Service Plans.

The Chair thanked the Lead Member and Head of Corporate Support Services: People for the report and welcomed questions from the Committee.

Members questioned the culture within the Council towards commissioning services outside of the Council and felt that it needed addressing as in some cases there

was no other option but to use external resources. The Monitoring Officer stated that the report related to the processes of how the Council Commissioned services, and many services that were commissioned did not require approval by members and were subject to delegated responsibilities unless they were over a certain threshold.

Members commented that the report was positive and reassuring.

Members questioned the appetite for outsourcing services and lessons learnt and questioned whether there was the need to use SWOT analysis on each resource to allow members to see why and how they had been chosen. The Collaborative Procurement & Framework Manager explained that there was two pieces of legislation used, the Procurement Act and the Wales Social Partnership and Public Procurement Act that both compelled the public sector to consider barriers to SME's and third sector organisations. Discussions had been held with Denbighshire's Voluntary Services to demonstrate that barriers were being reduced to enable external organisations to bid for work and to become more financially sustainable.

The Chair informed the Committee that if members wanted to know more about the legislation mentioned above, a training session was held in January 2025 on procurement and the documents from the session were on the Members Training Drive.

Members sought clarity on the Audit Wales level questions used in appendix 1 to the report. It stated level 2 and level 3 questions were used however there were no level 1 questions. The Audit Wales representative stated that the level 1 question was the overall question and level 2 and level 3 questions were used to break down the overall question further.

Members questioned if organisations were in place to deliver services, stating that sourcing externally could be difficult due to competition within the market. The Collaborative Procurement & Framework Manager explained that market development was very important. The new Acts in place gave Local Authorities the powers to publish a pipeline of what could potentially be sourced in the future. This allowed for formal engagement with the private sector and forward planning of procurements and would also allow for dates to be provided of when contracts were coming to an end.

Members questioned how the Council were communicating with the private sector. The Lead Member for Corporate Strategy, Policy and Equalities welcomed the question and stated the importance of engaging with the private sector. There had been lots of engagement with Business Wales and public engagement sessions had been held. The Collaborative Procurement & Framework Manager added that she had attended many events with Business Wales and North Wales Construction. There had been a Meet the Buyer Event which was greatly attended by over 80 local businesses.

The Chair referred to the report stating that the Council did not have arrangements in place to systematically prompt departments to begin considering commission

options at an appropriate time and questioned if there was any prompting activity in place at all. The Head of Corporate Support Services: Performance, Digital and Assets stated that there was no corporate prompt yet within the Council and the recommendation from Audit Wales regarding this was wholly welcomed and accepted.

Following an in-depth discussion, the Committee:

RESOLVED: *that the Audit Wales – Denbighshire Commissioning Services report be received and noted.*

6 FOR INFORMATION - AUDIT WALES REPORT: CRACKS IN THE FOUNDATIONS - BUILDING SAFETY IN WALES

The Head of Planning, Public Protection and Countryside Services introduced the report (previously circulated) to the Committee.

The report provided an overview of the Audit Wales Report on ‘Cracks in the Foundations – Building Safety in Wales and the subsequent management response to local authority recommendations.

Following the events of the fire at Grenfell Tower in 2017, an independent review into Building Regulations and Fire Safety was undertaken and the findings were published in 2018. The review raised serious concerns about the existing building safety regime and subsequently recommended a new framework to be implemented i.e the Building Safety Act 2022.

The introduction of the Act marked the most significant change to building safety regulations since 1984 with a number of significant responsibilities assigned to Local Authorities and Officers.

The new Building Safety Act 2022 aimed to improve the safety of high rise and non-standard construction buildings by establishing additional regulations for the design, construction, maintenance, and occupation of such buildings. The Building Safety Act 2022 also introduced new requirements to ensure that all Building Control Officers demonstrated their competency at one of three levels (Domestic, General, and Specialist).

In order to understand the current position of Local Authorities and with the intention to demonstrate compliance with the new Act, Audit Wales published the report ‘Cracks in the Foundations – Building Safety in Wales’ (previously circulated). The report considered all Building Control in Local Authorities in Wales, taking into account their capacity to implement the new requirements of the Building Safety Act 2022. Key findings from the report (in respect of all Welsh Local Authorities) raised concerns about the competency of Officers and highlighted a shortage of qualified professionals. Therefore, the report highlighted that the responsibilities and requirements contained within the Act may not be delivered as intended. The report also included eight recommendations, four were assigned to

Welsh Government and four to Local Authorities which was appended to the report in Appendix 2.

The Chair thanked the Head of Planning, Public Protection and Countryside Services for the report and welcomed questions from Members.

Members questioned why Reinforced Autoclaved Aerated Concrete (RAAC) was not mentioned within the report. The Head of Planning, Public Protection and Countryside Services stated that it was his understanding that RAAC fell under the department of Property and Education, and he would liaise with the property department to provide a note on the Council's response to RAAC following the meeting.

Members questioned if the report now meant that the procurement / use of all cladding across Wales was safe. The Acting Building Control Manager stated that there were now controlled measures which were controlled by new competency standards in place. The Competency Standards were broken down into Domestic, General and Specialist criteria and officers were supported to reach these standards to ensure competency levels and safety.

Questions were raised regarding who was responsible for the safety of high rise buildings, the Local Authority or the contractor. The Head of Planning, Public Protection and Countryside Services explained that it was very complex. Local Authorities were clear on what their responsibilities were in regard to cladding and fire safety and worked in partnership with Welsh Government of this. The Acting Building Control Manager added that no buildings would be signed off and occupied without the correct compliance being evidenced, this started from the design stage through to the completion of works on site.

Members raised contaminated land issues however, the Chair stated that this was outside the scope of the report and suggested the issue be taken to the next Scrutiny Chairs and Vice- Chairs Group (SCVCG) meeting for consideration which was agreed by members. The Monitoring Officer agreed to circulate a draft proposal form to the Chair which would then be sent to and considered at the next SCVCG meeting.

The Chair sort assurance that some companies that had been named publicly as being investigated in the wake of the Grenfell Tower disaster had not been engaged by the Council.

The Chair referred to recommendation 5 of the report and asked if, in regard to additional and specialist staff, account had been taken of possible recruitment and retention difficulties. The Head of Planning, Public Protection and Countryside Services acknowledged that recruitment was difficult, but that work was ongoing with Human Resources to address this risk. He did not see retention as a significant current issue.

In respect of recommendation 7 of the report the Chair asked if more collaborative working with the private sector was feasible. The Head of Planning, Public Protection and Countryside Services replied that stated that while collaborative working was being investigated with neighbouring authorities, the Local Authority were ultimately in competition with the private sector.

Following a detailed discussion the Committee:

RESOLVED: that –

- I. *the Audit Wales Report: Cracks in the Foundations – Building Safety in Wales report be received and noted and*
- II. *the Governance and Audit Committee referred the report for Scrutiny and also an item on Contaminated Land.*

7 INTERNAL AUDIT CHARTER, STRATEGY AND QUALITY ASSURANCE IMPROVEMENT PROGRAMME 2025-2026

The Chief Internal Auditor introduced a report (previously circulated) on the Internal Audit, Strategy and Quality Assurance Improvement Programme 2025- 2026 to the Committee. The Strategy provided background to the Internal Audit service, but this year the annual plan had been removed and will be presented to the Governance and Audit committee as a separate document on 11 June 2026.

During the last twelve months the Institute of Internal Auditors had carried out a consultation with the auditing professions around the new Global Internal Audit Standards (GIAS) that came into force in January 2025. The GIAS guided the worldwide professional practice of internal auditing and served as a basis for evaluating the quality of the internal audit function.

To ensure that all Local Authorities complied with the new GIAS, the Chartered Institute for Public Finance and Accountancy (CIPFA) had reviewed the standards and produced the GIAS in the UK Public Sector in February 2025. Local Authorities had 12 months to review all their internal audit documentation and processes to conform to the GIAS in the UK Public Sector.

As the new legislation only came into force in February 2025, the Internal Audit Team had reviewed its QAIP against the Public Sector Internal Audit Standards (PSIAS), and during the next 12 months the team would review the QAIP against the GIAS in the UK Public Sector and would be fully compliant by March 2026.

Consistent with the GIAS in the UK Public Sector, an external assessment occurred at least once every five years to ensure continued application of professional standards. An external assessment was carried out in 2023-24 under the old PSIAS by Ceredigion County Council on a peer review basis organised through the Welsh Chief Auditors Group. The results of the review were discussed in the Governance and Audit Committee on the 12 June 2024.

During the last 12 months the Chief Internal Auditor had been working towards completing the action plan agreed to ensure full compliance and progress would be reported to the Governance and Audit Committee in quarterly internal audit updates.

The Chair thanked the Chief Internal Auditor for the report stating it was important that the Governance and Audit Committee complied with National Standards.

The Chair raised concerns regarding the Internal Audit Team being reduced with one position not being recruited for. Questions were raised around the Section 151 Officer assessing the internal audit resources and what would be the outcome if the GAC did not agree with the assessment. Reports had been received previously regarding investigations that were carried out but also stated that planned audit work was unable to be performed. The Chair proposed a further recommendation be included, requesting that before any decision was taken to recommend any reduction in Internal Audit resources, it was to be brought to the GAC first.

Members further discussed the risks which were noted within the report regarding the resources of the Internal Audit Team and referred to 10.1 of the report which stated:

'Failure to deliver an adequate level of internal audit may mean that the Chief Internal Auditor could not provide an annual 'option' on the adequacy and effectiveness of the Council's framework of governance, risk and control during the year'.

Members added that the Internal Audit Team were crucial to the Governance of the Council. Members shared the Chair's concerns and were in agreement with the additional recommendation.

The Monitoring Officer explained that part of the purpose of the GAC was to oversee the Authorities internal and external audit arrangements and therefore the GAC were entitled to suggest, should there be any change to how audit resources were resourced, that they be consulted in respect of any of those changes.

The Chief Internal Auditor stated that concerns regarding workload and resources was discussed regularly in 1:1 meetings with the Section 151 Officer. There were currently options being considered to address the issue.

Members further commented that Internal Audit was crucial for providing assurance, never had public services been more criticised than in the current climate and internal audit were more valuable than ever before. The Monitoring Officer reassured the GAC that internal audit was valued within the Council. In the current climate the Council were looking at ways in which services could be delivered differently across all departments however, this would not be at the detriment of the importance of the Internal Audit Team. It was also noted that

changes to Internal Audit staff numbers need not necessarily mean a reduction in resources.

The Chair asked if due to the new GIAS there were any anticipated changes to the GAC Terms of Reference. The Chief Internal Auditor explained that he was unsure of any changes at present. There was an annual review of the GAC Terms of Reference due, and any amendments would be made at that time.

The Chair questioned if fees and charges would be brought to the next GAC meeting within the Medium-Term Financial Strategy. The Chief Internal Auditor confirmed that a specific stand-alone review of fees and charges would be included in the Annual Plan to be brought to the GAC in June 2025.

The Chair gave thanks to the Chief Internal Auditor for his report.

RESOLVED: that –

- I. the Committee approves the Internal Audit Charter, the Internal Audit Strategy 2025-26 and the QAIP and*
- II. the Committee requests that any changes to Internal Audit resources were considered the GAC was consulted in a timely manner.*

8 FOR INFORMATION - CYSGOD Y GAER REPORT

The Chair briefly introduced the report (previously circulated) and informed the Committee that the report was for information only.

The Chair welcomed the positive findings of the report.

RESOLVED: that the Cysgod Y Gaer Report be noted.

9 GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

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

It was agreed that a meeting with the Chair, Head of Internal Audit and the Monitoring Officer would be held to agree the Committee's Forward Work Programme going forward.

It was agreed that the lay members will be notified of the consideration by the Democratic Services Committee of the reports of the Independent Remuneration Panel (or its successors).

RESOLVED: that subject to the above, the Governance and Audit Committee Forward Work Programme be noted.

Meeting concluded at 12.25pm

