

**MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD  
BY ZOOM ON FRIDAY, 5TH MAY 2023**

**Present:** Lay Member, L Hamilton– Chair

County Councillors: G Breeze, P Lewington, W Powell, C Walsh, A Williams

Lay Members: J Brautigam

Cabinet Portfolio Holders in Attendance: David Thomas, for Finance and Corporate Transformation

Officers: Jane Thomas (Head of Finance), Dan Paley (Financial Reporting & Policy Accountant), Bets Ingram (Strategic Qualities and Risk Officer), Wyn Richards (Head of Democratic Services)

In Attendance: Ian Halstead (Assistant Director – SWAP); David Burridge, Bethan Hopkins (Audit Wales)

<b>1. APOLOGIES</b>
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Apologies for absence were received from: County Councillor G Ratcliffe,  
Lay Member: G Hall

<b>2. DISCLOSURES OF INTEREST</b>
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There were no Declarations of Interest from Members relating to items to be considered on the agenda.

<b>3. MINUTES AND ACTION LOG</b>
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**Documents Considered:**  
Minutes – 31-03-2023

**Outcomes:**

- Minutes agreed by Panel members present as a true and accurate reflection of the meeting and ratified accordingly by the Chair.

<b>4. AUDIT WALES AUDIT SUMMARY REPORT</b>
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**Background:**

- Annual Audit Summary – outlines key facts on the Council and Audit Wales duties.
- Includes high level summaries and outputs from the Local and National reviews that have been undertaken.
- All publications are available on the Audit Wales website.

<b>Points raised by the Committee:</b>	<b>Responses received from Officers or Cabinet Members.</b>
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<p>Useable financial reserves: - 21% annual spend on services, what are the implications of this percentage. Could the level of Council Tax be lower if we were not holding these levels of reserves?</p>	<p>From a Council perspective the useable financial reserves cover a number of different funds. The General Fund (last reported at 4.4% of net revenue budget). This is quite low but within limits set by Council.</p> <p>Other reserves are there for a number of reasons and include Schools Reserves, Housing Revenue Account (HRA) Reserves, Capital Receipts, grant unapplied which within the total are committed for specific purposes.</p> <p>With a number of other specific reserves committed to meet spend towards the end of the last financial year, through into the current year to meet additional pressures for one year only i.e., energy and cost of living.</p> <p>In terms of the 21%, it may appear a high percentage in the overall position yet represents funds that area available to use over the next financial year. Audit Wales could advise on comparison levels with Other Local Authorities across Wales.</p>
<p>Local Government Financial Sustainability Data Tool, deemed extremely useful, when will comparative information for Authorities be updated?</p>	<p>Audit Wales are reviewing the Financial Sustainability Data Tool this year and figures will be updated. (Specific date to be determined and advised)</p>
<p>Request for clarification if there was risk associated with the forecast revenue funding gap as report on this issues feels negative.</p>	<p>It must be remembered that this was a moment in time piece of work, and the position may be quite different now.</p>
<p>It was noted that a £15m gap was forecast in next 4 years. Powys is one of Councils in Wales with lower levels of reserves. What is the correct level of reserves that should be held by an authority like Powys.</p> <p>Chair commented that the funding gap, use of reserves and financial projections are linked intrinsically to the Re-Imagining work being undertaken.</p>	<p>There is a high focus across the Authority through the Re-Imagining work (Stronger; Fairer; Greener) including the net zero commitment, which has to be considered in every piece of work undertaken to achieve the 2030 targets and will result in a costed plan going forward.</p> <p>In terms of the funding gaps, it is critical to remember that the Medium-Term Financial Strategies (MTFS) are related to a point in time. What was</p>

	<p>forecast in March 2021 changed significantly as did the funding settlement from the Welsh Government. The MTFS is based on what is known, with scenario modelling undertaken. All would be aware that the budget settlement allocation changed the position significantly for the current financial year.</p> <p>The financial data reported by Audit Wales, including that on forecast funding gaps, would be different now. The Council's MTFS looks at scenario modelling over the next 5 years, there is an accumulative funding gap of either £24m or £50m depending on different scenarios. The MTFS agreed by Council in March was the updated position and readily available to Members.</p> <p>Reserves are reviewed as part of each annual budget setting exercise, with consideration given to the level of risk held within the budget plan, how the risk is managed and how appropriate are level of reserves to be held are.</p> <p>This will vary across each Local Authority in Wales and there is not a direct comparison. The Local Government Sustainability Date Tool does give a flavour of how Powys compares, but it does not inform what the differences are across each of the Authorities.</p> <p>Cabinet Member, the General Fund reserves for unseen events stands at £9m equates to 4.4% of the net revenue expenditure, which is 7<sup>th</sup> lowest across Wales. It would not be considered prudent nor good budgetary management to use a reserve, primarily there to cover unforeseen circumstances to reduce any Council Tax increases.</p>
<p>Does Audit Wales receive updates on workstreams as they develop or wait for summaries of ongoing progress</p>	<p>This will come down the Authorities involved specific strategies. There are significant strategies within the Council</p>

<p>from Authorities. Clarification on collaboration and co-production on i.e., Climate Emergency and the mitigation between Authorities.</p>	<p>(Red Kite Strategy) with lots of activity and work progressing around Climate within the Council. It is for the Council to assure themselves that the activity they have is costed and linked to projected outcomes, whilst remaining realistic in terms of the ambition and cost. For re-assurance purposes there would be a similar recommendation in place across Authorities within Wales.</p> <p>Assurance given that Audit Wales are up to date with the current position. Colleagues within Audit Wales and the Finance Team meet regularly to discuss different aspects of finances and are in receipt of published reports.</p>
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**Actions:**

Audit Wales to advise when review completed, and information updated.

<b>5.</b>	<b>AUDIT WALES ASSURANCE AND RISK ASSESSMENT REVIEW REPORT</b>
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**Background:**

- Final report as information duplicated within the Annual Audit Summary.
- Three main areas reviewed:
1. The Financial Position, aware outdated and would now have greater financial information available.
  2. The Local Government Act (Elections) Act 2021- No issues found in regard to arrangements input.
  3. The Carbon Reduction Plan – Recommendation 1 narrative explains a fully costed action plan aligned with MTFS is required, to be tracked, Audit Wales will review progress in future discussions.

<b>Points raised by the Committee:</b>	<b>Responses received from Officers &amp; Cabinet Member:</b>
<p>With regard to Powers of General Competence are there reasons why Powys do not intend to use.</p>	<p>When the Local Government Act (Elections) Act 2021 was enacted, it conferred General Powers of Competence to Local Authorities. This allows Local Authorities to have powers to undertake some commercial activities, but there are restrictions that for which it can be used. It is up to each individual Local Authority to determine if there is an appetite to utilise whilst</p>

	mitigating risks.
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<b>6.</b>	<b>AUDIT OF ACCOUNTS REPORT ADDENDUM</b>
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**Background:**

- Report from Audit Wales was for Information Only.
- Addendum to Audit of the Accounts report, presented in January.
- This report lists Audit Wales findings and / or recommendations from the audit report.
- Will be used by Audit Wales and the Finance Team to improve for the process and audit of 2022/23 accounts.
- All recommendations have been accepted.
- The Council's response is held within the report and all actions and recommendations will be built into audit plans for closure of the accounts in 2023, with appropriate actions put in place to deal with recommendations made.

<b>Points raised by the Committee:</b>	<b>Responses received from Officers &amp; Cabinet Member:</b>
Assurance sought that management actions being taken will be available through the Scrutiny Committee process.	Reports will be available to Governance and Audit Committee and through Accounts Seminars.
What is the impact of over-stating the gross book value of assets.	<p>Within the accounts there is a detailed note on the fixed assets which records the Gross Book Value and the depreciated amount, to arrive at a figure on the balance sheet, which is the Net Book Value. There are no issues about the Net Book Value figure.</p> <p>Issues have been flagged where the Gross Book Value and the accumulative depreciated figures may have been overstated.</p> <p>This is not unique to Powys. Previous information is not held, casting doubt on the Gross Book Value figures. CIPFA issued a dispensation not to disclose. This is only a temporary issue: Welsh Government made regulations to cover and CIPFA has issued revised guidance on disclosure.</p>
If depreciation is overstated does this mean reserves are affected i.e., more funds available than thought.	Depreciation overstatement would not affect the level of reserves. Depreciation is reversed back out when calculating reserve balances,

	adjustments would be made for depreciation.
What is process for Debt percentage calculation.	Would like to review annually as circumstances and the debt position changes. The Recommendation from Audit Wales is for reviews to be undertaken more regularly. The Council will review, on closing the accounts, the overall position, levels of outstanding debt to calculate the level of bad debt.

**Observations:**

- Committee can be assured that recommendations would be progressed in audit work and briefings this year.

<b>7.</b>	<b>AUDIT WALES - Q3 WORK PROGRAMME UPDATE</b>
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**Background:**

- Unscheduled Care Review Report relating to patient flow through the back door (i.e., non-emergency admissions) is currently being drafted.
- Springing Forward Assets Report, currently being drafted by Audit Wales and planned to be with Council shortly.
- Final Planning Report issued to the Council and to be added to the Forward Work Programme.

**Action:**

- Planning Report to be added to the Committee's Forward Work Programme.

<b>8.</b>	<b>INTERNAL AUDIT - ACTIVITY REPORT QUARTER 4 2022-23 AND AUDIT PLAN 2023-24 UPDATE</b>
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**Chair Comments:**

- In the absence of a draft Audit Plan to approve, at its March meeting the Committee had agreed the Q1 Plan in the SWAP forward plan.
- Noted that Committee cannot fully discharge its objectives and responsibilities as no draft Audit Plan had been presented and would not be available until June 2023.
- The draft Annual Audit Plan should be submitted to the Committee in Q4, prior to the commencement of the next financial year.

**Background:**

- Purpose of Q4 Activity plan is to keep Members updated on outcomes and any significant concerns which need to be raised.
- Number of Reports currently being undertaken is 67.
- Important to align Internal Audit work to the Strategic Risk, however, cannot audit all areas.

- A Q1 plan has been approved plus an interim measure discussed at the last meeting.
- The new Audit plan from June will have links to Strategic Risk and Corporate Objectives as the key areas of focus for the Council, providing assurance to this Committee of Internal Audit work.
- Corporate Plan details are being formalised by the Council.
- Overall opinion was positive. 80% of opinions are positive, i.e., reasonable, or substantial assurance.
- 2 areas of concerns are which are Housing Voids and Statutory Compliance scheduled to be reported on in full at the next Committee meeting.
- An action tracking dashboard is available, but due to staff sickness some of the detail has not been completed.
- SWAP are transitioning to a new audit system “Audit Board” using to maintain operational workload. Main benefits will be real time BI-Power dashboard providing detailed information, action tracking, performance and quality of work undertaken to Members of Council and this Committee.
- Training would be provided for Members prior to the system going live.
- Annual Audit report opinion will be presented to Committee in June. Indicative opinion for 2022/23 currently stands at reasonable assurance.

<b>Points raised by the Committee:</b>	<b>Responses received from Officers or Cabinet Members:</b>
<p>Concern was raised in respect of housing voids; this was one of the reasons for the re-integration of The Heart of Wales Property Services (HOWPS) to the Council. Do the concerns highlighted in the Internal Audit Report refer to the transition back?</p>	<p>Housing voids were reviewed 3 years ago and given a limited opinion, there were opportunities to make sure that some of the housing stock into the public arena to help the general housing situation and generate income.</p> <p>The more recent review undertaken during the transition of HoWPS to the Council. The focus of the report will not look too much at the transition itself, but at the purely evidential figures around the number of voids, and the performance in that arena. As an authority we are still somewhat unsighted on performance in those areas.</p>
<p>Economies Residents and Communities Scrutiny Committee has established a HoWPS Working Group, reviewing the transition from HOWPS to the Council, and will raise voids as an issue at the next meeting of the Group.</p>	<p>Would not say that the issues found in the Audit were a direct result of the transition from HOWPS to the Local Authority. There is a lack of visibility in relation to the figures at the moment.</p> <p>Executive Management Team (EMT)</p>

	receives reports around compliance which includes voids. It may be helpful if this report is also shared with SWAP.
As a member of the Tenants Scrutiny Committee, it would appear that the main issue raised is that of staffing resource, particularly qualified tradesmen for maintenance purposes.	Included in the Audit plan for financial year 2023-24 will be work on the Maintenance and repairs process.
Has SWAP been sighted on the Tenant Engagement survey undertaken, which has some County Councillor feedback and housing staff comment included.	SWAP are not aware of the Tenant Engagement survey undertaken but will have a look at this. There is work scheduled in the next financial year 2023/24 on Tenant engagement, performance, and quality.

<b>9.</b>	<b>STRATEGIC RISK REGISTER - QUARTER 4</b>
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**Background:**

- 16 Strategic Risks noted on the Q4 report. All risk owners asked to provide summary of progress since last quarter.
- EMT request to the Cabinet during this quarter for risk (PCC005) to be de-escalated. This is in relation to a Pandemic / Influenza breakout or winter illness which increases staff absenteeism, with increased demand for services from residents and an increased workload for council staff, possible closure of council premises. Currently rated at a score of 9. The justification for de-escalation is that it is now considered appropriate as monitoring will be in place under the Health Protection Strategic Oversight Group and reviewed in the winter 2023/24, who will take advice from Public Health Wales (PHW) and other such bodies.
- A cross referencing exercise was undertaken in the last quarter looking at the National Security Assessment (published Dec 2022) to the Council's Risk Register, some risks have been highlighted to relevant service areas whether to add to their Business Continuity Plans / Risk Registers.
- Internal Audit have conducted a Risk Management Assessment, completed at end of March 2023 (Appendix C). The Council's Risk Management was found to be Reasonable. In summary, the Council has made progress on its risk maturity journey, moving from an assessment rating of 2 to 3. A clear improvement at the higher organisational level, however it has been noted improvement is required at lower levels to strengthen risk management across the Council.
- The last 3 risks on report relate to the Transformation Programme, these risks, as per the Risk Management Framework, have been highlighted to the Programme Delivery Manager and will be considered by the programme Board for decision to escalate.



- 4 risks on Service Risk Registers were not recommended for escalation as continue to be managed by Service Areas.
- There have been improvements made to the JCAD system. A decision activated management of controls and mitigation functionality has been added. All risk owners can now provide a deadline for their mitigation, and also on a regular basis, provide updates in terms of a percentage as to how the mitigation is progressing, giving additional assurance how risks are being managed.

<b>Points raised by the Committee:</b>	<b>Responses received from Officers &amp; Cabinet Member:</b>
Chair commented that Pg. 110 – Risk Maturity Model. It was hoped that awareness and training will improve the assessment of this model.	
Children’s Services – concerned raised as to why the deep dive has not come to the committee. Where there are issues within the department which could affect the budgets going forward.	<p>Chair commented that the Service were not sufficiently prepared to bring a report today, whilst disappointing, this will be re-scheduled for June / July Meetings.</p> <p>Children’s Service did receive additional funding (6.2%) in overall funding levels, as part of the current year’s budget setting. There are a number of savings proposed by the Service to be delivered. Currently there is no indication from the Service of any issues of not meeting projected savings targets.</p>
The Committee needed to consider its approach to conducting risk deep dives. Where benchmarking or comparative data available is this used.	Will schedule an informal discussion with the committee as to where focus will be for deep dives to Service Areas, and the process required for deep dive work to be undertaken.
The Committee recognised that it was appropriate to de-escalate the pandemic/influenza risk. However, should the associated risk i.e., staff absenteeism, inability to deliver services remain.	Staff absenteeism, impact on demand and the capacity to deliver services in any event is covered on individual Services risk registers.
SWAP report (p114) – 75% of managers not responded to survey. Would there be plans to follow up non-response rate.	As part of internal audit work a survey was undertaken. Admittedly a small response rate,

<p>In the SWAP report of those that did respond 90% had not read the Risk Management Framework.</p> <p>Chair commented that the Governance and Audit Committee are questioning the if the Local Authority at all levels and staffing tiers are aware of the Risk Management Framework.</p>	<p>judgement taken that this was due to lack of knowledge or engagement in the risk management process. Currently there is no objective to follow this up. The Council can request another survey be undertaken.</p> <p>At a Corporate level, there have been a series of sessions held with Senior Managers across the Council; risk was covered in one of those sessions. EMT wanted to make sure that Senior Managers were understanding of the Framework and their responsibilities.</p> <p>Cabinet Member: Services currently reviewing performance on the last 12 months and risk awareness is high on that agenda, suggesting aware of the findings within the SWAP Audit report and acting to placing a higher emphasis on Risk Awareness.</p> <p>Service areas are currently undertaking self-assessments with Risk coming out quite strongly raising awareness. of departmental plans and budgets. Self-Assessments and Panels are giving a level of assurance about awareness of risks in services. The Action Plan response to the SWAP analysis has a number of actions noted to raise Risk Management awareness.</p> <p>The 2019 risk management framework has been reviewed and will be presented to the Committee in June. To be followed by a push on Risk Management guidance and policy across the Authority.</p>
<p>Many of the targets on the Action Plan are for 2024, concern raised about the</p>	<p>The 2024 training schedule of 4 times per annum. Strategic</p>

<p>timeframe of improving awareness of risk management.</p> <p>Committee requested the Internal Audit survey be repeated in the Autumn of 2023, as risk forms a fundamental part of the Governance framework.</p> <p>Chair commented that clarification and assurance was sought to identify if the organisation was engaging with Internal Audit work, and if the organisation understood risk management and its importance.</p>	<p>Qualities and Risk Officer attends Service Management teams to discuss Risk. From a Financial Services Management perspective Risk and risk management, the raising any new areas or issues is considered monthly, fed through to quarterly sessions with the Portfolio Holder and CE to monitor how the service is managing risk.</p> <p>Self-assessments and panels are giving assurance as to what is happening at each service area level.</p> <p>The survey shows that at a Senior Management perspective Risk Management was embedded. Some of the survey indicated that further down the management layers, the knowledge became less. Suggested that a new survey to be undertaken looking at the lower management levels, identifying where they are within the organisation and level of Risk Management understanding, ensuring that those individuals have read the Risk Management Framework, to roll out to their staff.</p> <p>For new managers further work to be undertaken on risk management training with Workforce Organisation Development (WOD). Training video on risk management refers to the framework and available to all staff.</p> <p>Request will be taken back to WOD to make the Risk Management Framework a stronger item within the Induction process.</p>
<p>The Chair stated that Risk Management Training should form part of the Council's mandatory training, not only at a Strategic but an Operational level.</p>	<p>Head of Service (Finance) to take mandatory training element to EMT.</p>

<p>Looking at layers of management is important, especially for risk identification. Do we need to separate operational risk and strategic risk.</p>	
<p>Issues raised during this meeting in regard to risk culture and risk appetite is of concern and must be taken seriously. The Council should not have areas of weakness around risk, given the potential consequences.</p>	
<p>It was noted that there was not a Strategic Risk in connection with the absence on prolonged sick leave of the Chief Executive, the appointment of the Interim CE and number of Interim appointments below that. Is this a risk to the Council in terms of leadership capacity? Is that risk being managed within the Council and would this present a risk to corporate governance.</p>	<p>At Cabinet and EMT level, recognise that risk which is why Interim CE in place. Interim CE has spoken to regulators about the current interim arrangements to obtain their views and perspective.</p> <p>The was a level of assurance held within the report, and the current Interim Management structure was not perceived as such an issue as identified by the Committee. Committee needs to look at positive aspects of the report and actions being undertaken.</p>

**Actions:**

- Head of Service (Finance) to take mandatory training element to EMT. Some shortcomings still need to be addressed.
- Dates for management action on the Risk Internal Audit Report to be reviewed and possibly brought forward.
- A further Internal Audit of Risk to be undertaken by the end of 2023.

**Observations:**

- Committee currently not fully assured with the Snr Officer role structure arrangements in place.
- That risk management should be considered as mandatory training at strategic and operational level.
- Write to Cabinet and EMT about Committee's concerns around risk management.

10.	<b>SELF ASSESSMENT - ACTION PLAN</b>
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**Background:**

- The 2022-2023 action plan completed.
- Actions in progress to be brought forward to 2023-24.

- Close off Self-Assessment for 2022-23.

**Action:**

- Vice Chair & Head of Democratic Services to discuss outside this forum closure of one particular issue from 2022-23.

<b>11. WORKING GROUPS</b>
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**Background:**

- Date scheduled for Internal Audit Working Group – 24<sup>th</sup> May 2023.
- Summary reports provide good record of work undertaken.

**Points raised by the Committee:**

- (i) HoWPS WG – Organised an informal meeting to obtain views of Councillors. Councillors were requested to respond.
- (ii) Capital WG – Report noted.

<b>12. WORK PROGRAMME</b>
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**Action:**

Items added:

- Draft Audit Plan for approval.
- SWAP Report.
- Housing Voids and Statutory Compliance.
- Audit Wales planning report.
- Deep dive sessions planning meeting to be organised.

<b>13. DEMAND IN CHILDREN'S SERVICES</b>
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**Background:**

- As noted at commencement of this meeting, scheduled agenda item has been postponed until next meeting.

**Action:**

- Work Programme to be updated and reviewed.

<b>14. EXEMPT ITEM</b>
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**Background:**

- To consider passing the following Resolution: RESOLVED to exclude the public for the following item of business on the grounds that there would be disclosure to them of exempt information under category 3 of The Local Authorities (Access to Information) (Variation) (Wales) Order 2007).

- The Monitoring Officer has determined that category 3 of the Access to Information Procedure Rules applies to the following item. His view on the public interest test (having taken account of the provisions of Rule 14.8 of the Council's Access to Information Rules) was that to make this information public would disclose information relating to the financial or business affairs of any particular person (including the authority holding that information).
- These factors in his view outweigh the public interest in disclosing this information. Members are asked to consider these factors when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.

**Action:**

- Proposed and seconded by Members of the Committee.

<b>15. CONFIDENTIAL PRESENTATION - UPDATE ON GCRE PROJECT.</b>
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**Background:**

The Chair agreed that the matter could be considered at the Committee as an urgent item.

Committee received an update on the GCRE project and supported the proposal to be put to Cabinet.

**L Hamilton**