

**MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD  
AT BY ZOOM ON FRIDAY, 29 SEPTEMBER 2023**

**PRESENT**

Lay Member, L Hamilton - Chair

**Lay Members:**

J Brautigam and G Hall

**County Councillors:**

P Lewington, WD Powell and A W Davies

**Cabinet Portfolio Holders in attendance:**

J Gibson-Watt and D A Thomas

**Officers:**

Emma Palmer (Director of Corporate Services), Nina Davies (Director of Social Services and Housing), Diane Reynolds (Head of Economy and Digital), Jane Thomas (Head of Finance and Section 151 Officer), Wayne Welsby (Professional Lead – Commercial and Procurement Services), Mari Thomas (Finance Manager), Yvette Kottaun (Senior Investigator), Paul Bradshaw (Head of Workforce and Organisational Development), Gemma Gabriel (Professional Lead – Human Resources Management and Development), Bets Ingram (Strategic Equalities and Risk Officer), Kath Flanagan-Jones (Senior Scrutiny Officer).

**In attendance:**

Ian Halstead (Assistant Director – Powys, SWAP), Emma Woodcock (Audit Manager – Financial Audit, Audit Wales) and Bethan Roberts (Audit Lead for Powys, Audit Wales).

<b>1.</b>	<b>APOLOGIES</b>
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Apologies for absence were received from County Councillors C Walsh, A Williams, G Breeze, R Church (Cabinet Member for a Safer Powys), J Straw (Interim Chief Executive), C James (Head of Transformation and Democratic Services) and B Hopkins (Audit Wales).

County Councillors G Ratcliffe and W Powell sent their apologies for joining the meeting late due to other council business.

<b>2.</b>	<b>DISCLOSURES OF INTEREST</b>
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No disclosures of interest were raised.

<b>3.</b>	<b>MINUTES AND ACTION LOG</b>
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The Chair was authorised to sign the minutes of the previous meeting, held on 23<sup>rd</sup> June and 28<sup>th</sup> July 2023 as a correct record.

<b>4.</b>	<b>DRAFT WELLBEING OBJECTIVES EXAMINATION REPORT</b>
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**Documents Considered:**

- Wellbeing Objectives Examination Report – Audit Wales

**Background:**

The Chair explained to Members that the Wellbeing Objectives Examination report was presented to committee for information and assurance, and invited the representative from Audit Wales to present an overview of the report.

Audit Wales:

- The Audit Lead for Powys clarified firstly that the report was finalised and no longer in draft format.
- The Wellbeing Objective setting work was part of an ongoing rolling programme that the Auditor General undertakes, to assess the extent in which public bodies had acted in accordance with the sustainable development principle when setting their wellbeing objectives.
- The report sets out the findings from the review undertaken by Audit Wales, including Powys County Council's approach taken and to what extent it acted in accordance with the sustainable development principle. The appendix included in the report listed the positive indicators which the auditors were looking for.
- The content of the report had been agreed with the Council for factual accuracy. The Audit Lead for Powys therefore asked Members to focus on how the Council was responding to recommendations, and what actions were being taken in anticipation of the next iteration of the Council's Wellbeing Objective setting.
- Key highlights included:
  - The sustainable development principle was applied however it should draw on more diverse citizen views and fully embed this in the monitoring arrangements.
  - The Council had utilised an extensive set of evidence and data to inform its wellbeing objectives and also captured long-term data trends.
  - There were examples of engagement with Members, Officers and citizens through workshops and surveys.
  - The Council had a clear understanding of how its wellbeing objectives support long term national goals, objectives of public bodies and the Council's Committees such as the Public Service Board.
  - Preventative approaches were considered whilst designing the wellbeing objectives. Commentary was provided including opportunities for the Council to build on the progress already made by applying the sustainable development principles.
- Recommendations were set out in page 10 of the report, including:
  - Drawing the views of a full diversity of the population.
  - Ensuring that the MTFP reflected the resources and how it will be prioritised and embedded into the new performance management

framework and quality framework to enable effective monitoring of the wellbeing objectives.

- The Audit Lead for Powys summarised by noting the positives highlighted in the report, and noted the foundation already in place with some recommendations to strengthen the arrangements for future iterations.

Director of Corporate Services response:

- The Director noted that reflection had already been undertaken since the delivery of the integrated business plan, process, transformation portfolio and the medium-term financial strategy.
- It was clarified that the monitoring approach had been revised and noted this was included in the recommendation to allow time for the changes to embed.
- The process now involved three measure categories: how much, how well and what difference. All services were required to provide a narrative and updates around the delivery against the wellbeing objectives. It was noted that following quarter one, the process already felt more reflective, with services understanding their role which was presented and available publicly as a scorecard.
- Regarding engagement, work was ongoing with wider stakeholders such as via the Public Service Board by aligning objectives as one public service. There was also focus on strengthening broader engagement arrangements to ensure that the Council engaged well in one instance, to minimise the fatigue and resources utilised.
- The Director explained that the picture would become clearer as more performance data was received following quarter two and beyond.
- Regarding the recommendation involving the Medium-Term Financial Strategy, the Director noted that the Council had not aligned the resources required, however with the budget now set the Medium-Term Financial Strategy was prepared for the following three year period, which had also aligned the resources to the transformation portfolio.

**Observations and Recommendations:**

- The Chair thanked Audit Wales and officers for their contributions and responses, the contents of the report was received by the Committee for information with no further comments from Members.

<b>5.</b>	<b>Q2 FRAUD REPORT</b>
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**Documents Considered:**

- Quarter 2 Corporate Fraud and Error Report (2023).

**Background:**

- The Senior Investigator presented the quarterly Corporate Fraud and Error Report to the Committee Members.
- Review work continued at pace in respect of council tax property reviews and exemptions, extending into business rates and the charitable sector.

- Referrals received from other Council departments, human resources and the public were being actioned. The Senior Investigator noted that all reports received would be thoroughly investigated.
- Concerns had previously been raised about the 'report fraud' button which had previously been available on the internal staff intranet. The Head of Finance had since addressed the matter and it was now being actioned and implemented.
- The Senior Investigator noted the response from the Public Services Ombudsman for Wales (PSOW) regarding strengthening the Code of Conduct for Members with anti-fraud references and invited the Committee to respond.
- The Senior Investigator explained that Powys County Council had again agreed to take part in the Independent International Fraud Awareness Week, which will run from the 12<sup>th</sup> to 18<sup>th</sup> November 2023.

### Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
<p>Please could context be provided regarding the employee fraud cases being investigated? How many cases were there and how did the Fraud Team become aware of these?</p>	<p>The Head of Finance clarified that there were 11 potential fraud cases and for a large local authority such as Powys, that was not excessive. The Head of Finance noted that the Council took a zero tolerance approach to fraud which therefore warranted investigation.</p> <p>The Senior Investigator noted that these cases were being investigated and the referrals were received from a variety of sources, both internally and externally. Referrals were based on allegations or accusations, therefore until the investigation was concluded, this did not mean that fraud had occurred. The Senior Investigator could not divulge further details due to the need to maintain confidentiality.</p>
<p>Section six refers to some red BRAG rated items, issue '1/3' was virtually identical to the previous quarterly reporting. Had there been any update regarding the number of employees who did not sign into Net Consent and therefore did not read and agree to policies?</p>	<p>The Senior Investigator had liaised with the Business Intelligence Team to undertake research into whether the figure was accurate, and whether the 650-figure included current, ex-employees and temporary workers.</p> <p>The Senior Investigator confirmed that the ICT service was also involved, and that it is believed that the true figure is far less than 650. It may take some time to complete this work due to the</p>

	fact that many Council employees do not use computers regularly as part of their role, and may be using a standalone system or spare laptop to complete training, for example.
Had there been development on the Committee's recommendation to include anti-fraud references in the Model Code of Conduct for Officers and Members?	<p>It was noted that although Council's could add additional elements to their specific Code of Conduct, the PSOW would not necessarily investigate those matters unless it was included in the Model Code of Conduct (which was set by Welsh Government).</p> <p><b>ACTION</b> – Request the Monitoring Officer to share the anti-fraud policies with Members.</p>

**Actions:**

- To request the Monitoring Officer to share the anti-fraud policies with all Members of the Council.

**Observations and Recommendations:**

- Committee Members received and discussed the contents of the report.

<b>6.</b>	<b>CORPORATE SAFEGUARDING BOARD ACTIVITY UPDATE</b>
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**Documents Considered:**

- Corporate Safeguarding Board Activity Report – 8<sup>th</sup> June 2023.

**Background:**

- The Director of Social Services and Housing provided a brief overview of the report provided to Committee.
- It was noted that some time had passed since the Corporate Safeguarding Board meeting, therefore some actions had been completed since the production of the report.
- The report had been scrutinised by the Health and Care Scrutiny Committee already, the Scrutiny Committee received an update from the Professional Lead regarding safeguarding considerations within the Council's procurement and contract management.
- The Health and Care Scrutiny Committee also received an update on safeguarding considerations in elective home education, which was requested due to the statutory guidance recently issued by Welsh Government.
- Regarding mandatory training, The Director of Social Services and Housing reported improvements in compliance.

- The percentage compliance for the Catering and Cleaning service was 44.7% on 1<sup>st</sup> January 2023, as of 1<sup>st</sup> June it was 85.8%.
- The percentage compliance for the Highways, Transport and Recycling service was 67.8% on 1<sup>st</sup> January 2023, as of 1<sup>st</sup> June it was 96.6%.
  - It was noted that as many employees did not have access to computers to complete the mandatory training, the Workforce and Organisational Development service provided hardcopies of training material and organised training sessions to be delivered at different times of the day to suit different work patterns.
- The Director reported that the Corporate Safeguarding Board received updates from SWAP regarding audit reports. It was noted that the DBS Team provided high assurance, some services provided more limited assurance which were Taxis, Foster Carers and Procurement and improvements were therefore needed.
- Remedial actions were to be tracked by the Board using their regulatory tracker to ensure progress was monitored.
- Self-assessment work was discussed by the Board, and for the first time this year, safeguarding was included in the Council's self-assessment.
- The Board received the Annual Private Fostering Report, which included an update on private fostering arrangements that fall within childcare legislation. This applied to any child under the age of 16 who moved into another household outside of their immediate family, for longer than 28 days. It was noted that local authorities had a statutory duty to undertake DBS checks and visit the household to ensure the child was safe and their needs were being met.
- The Director reported there were a number of housing development business cases being prepared, to broaden the scope of housing options that might assist with providing suitable accommodation for young people experiencing homelessness.
- The mandatory Safeguarding and Violence against Women, Domestic Abuse and Sexual Violence (VAWDASV) training compliance rate improved across all service areas, Children's Services reported a slightly lower compliance rate at 82%.
- There were discussions as to whether the training was relevant for the officers within Children's Services, as many officers were already trained at a high level in safeguarding. However, it was determined that Children's Services staff should continue to complete the mandatory training. Compliance was being addressed through supervision sessions.
- The Director reported that the compliance rate for completing the 'Ask and Act' training was 91%, which compared extremely favourably against other local authorities.
- The Board received a report on adult social care safeguarding, the Appointeeship and Deputyship Unit had received a positive outcome report following inspection by the Office of the Public Guardian.
- Children Safeguarding Performance was also discussed, although there was reduction of performance in some areas, the trajectory was showing overall improvement. Numbers of children included on the Child Protection

Register were low at around 100, when compared to the figure 12 months ago.

- The Director noted that the Property, Planning and Public Protection (PPPP) service received correspondence from the Home Office regarding anti-terrorism information sharing, specifically notifications about individuals who may or do pose a threat to people in Powys. The memorandum of communication was signed and returned, identifying the Prevent Lead as a Senior Manager within the PPPP service.

### Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
Were any DBS checks undertaken where 16- and 17-year-olds were placed in Council provided accommodation in situations of homelessness, would this apply due to the need to protect vulnerable adults?	The Director of Social Services and Housing requested to defer her response as an action, to seek the relevant advice to ensure an accurate response.

### Actions:

- Director of Social Services and Housing agreed to provide a response regarding the position of DBS or other safeguards where the Council provided accommodation for 16- and 17-year-olds experiencing homelessness.

### Observations and Recommendations:

- The report was received and noted for information by the Committee Members.

## 7. COMMERCIAL UPDATE

### Documents Considered:

- Commercial Update presentation

### Background:

- The Professional Lead for Procurement and Commercial Services provided a presentation to the Committee regarding the Council's commercial activity.
- It was reported that last year, Powys County Council spent around £252 million on a range of goods, services and works across 6,800 suppliers.
- The top 17 suppliers used by the Council equated to individual expenditure in excess of £2 million, which represented 25% of the Council's total expenditure. It was further reported that there were 57 suppliers (including the top 17 suppliers) to the Council where spending exceeded £1 million each.

- Analysis of supplier spending highlighted the Council's critical suppliers, which in-turn allowed resources to be focused to manage risks and achieve benefits realisation.
- The Professional Lead for Procurement and Commercial Services noted that traditionally, the Council's procurement was mainly centred around tender management and the award of contracts. There was less focus on pre-procurement and strategy development.
- Robust contract management mechanisms were required to help achieve service delivery objectives, identify and manage supply risks.
- Four pillars of activity to enable the appropriate controls and mechanisms to achieve the core objective.
  - Contract procedure rules in place:
    - Formed part of the Constitution and set out the procedures in which all individuals across the Council should undertake their procurement process.
  - Commercial Performance and Risk Board:
    - Membership included a number of senior officers across the Council to have visibility and oversight, agree mechanisms to put in place increased controls and measures to improve performance.
  - Systems and processes:
    - National systems utilised via Welsh Government to manage and advertise tenders.
    - New contract management framework to provide a consistent approach across the Council.
    - Tiering mechanism based on value and risk, to identify core contracts whilst ensuring effective and robust management.
    - New contract and financial risk management regime.
    - Commercial risk register in place – a mechanism to identify and manage risks.
  - Intelligence:
    - Membership of the WLGA Market Expert Intelligence Group, which brought together professionals from across the public sector to identify risks within the Council's supply chain as part of a collective approach to manage risks.
    - Significant issues in the supply chain were noted such as the Ukraine conflict, Brexit, the Covid Pandemic and others.
- Procurement pipeline/contract register:
  - Provided visibility of future demand and helped establish mechanisms to identify the best commercial strategy to achieve the Council's aims.
- Green Network:
  - Focused on the Council's Net Zero ambitions by bringing together officers with the right skill set, to reduce the Council's carbon emissions.
- Contract Management Training Regime:
  - Workshops held discussing the forthcoming procurement regulations due to take effect in 2024.
  - Focus on preparedness due to changes to the wider commercial requirements when considering the Council's commercial activity.



- Collective workshop held regarding the new Subsidy Control Act 2022 to provide the awareness and skills to manage a complex area of work.
- Contract management training was required for staff working with suppliers where the Council spent in excess of £1 million.
- Training was also available for staff who manage lower value contracts, including a 10 hour training package.
- New contract and financial risk management regime:
  - Phased approach – began by utilising credit risk reports from the commercial data analytics company, Dun & Bradstreet.
  - Identified organisations which sit within four levels of risk.
    - Level one – minimum level of risk.
    - Level two – lower than average risk.
    - Level three – slightly greater than average.
    - Level four – significant level of risk.
  - Work was underway to identify suppliers across the Council's service areas where there was a Risk Level of three or four, to ensure mechanisms were in place to mitigate those risks.
  - It was noted that there were cases when higher risk suppliers were used, and in certain cases there was no alternative supplier. In those situations, the risks were identified and managed using the appropriate mechanisms.
  - It was reported that the Council had ceased working with certain suppliers who had not provided assurance to be able to implement the necessary changes and controls to manage identified risks.
  - Work was also focused on removing suppliers within Risk Level three or four from the Council's supply chain, or working with those suppliers to gain assurance that risks were being managed.
- A Contract management framework had been approved by the Commercial Performance and Risk Board.
  - Included tiering of the contract's portfolio, based on value, risk and complexity.
  - Ensured that the Council did not dedicate resources to suppliers and contracts which presented the greatest risk.
- Engagement events were scheduled in the coming months to help local construction companies be more successful at winning Council contracts.

#### Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
How can local contractors and suppliers become involved in the Council's contract activity, in addition to utilising local materials and offering apprenticeships?	The Professional Lead – Procurement and Commercial Services noted that although the Council was unable to limit tenders to local organisations, there was scope to improve awareness and ability so local organisations were successful in winning Council contracts.

	<p>It was further noted that tenders included a mechanism as part of the evaluation process, to identify the percentage of sub-contractors who were local to Powys.</p>
<p>There had been issues arising at the Red Dragon council housing site in Newtown which required addressing, where the principal contractor had entered administration.</p> <p>The Member had been approached by subcontractors who were owed thousands of pounds due to the principal contractor not utilising a project bank account as required by Powys County Council. Subcontractors involved were under the impression that a project bank account was in place, which would act as a safeguard for payment if the principal contractor became insolvent.</p> <p>The Member believed that the principal contractor was identified as representing a greater than average risk of business failure in December 2022.</p> <p>Why was the risk not identified and a project bank account not put in place, and if this was a requirement why was it not enforced? There is concern that subcontractors may not engage with Council developments in future, if the Council does not enforce project bank accounts and have robust mitigations in place.</p> <p><b>ACTION</b> – Review of the process and risks involved in the Red Dragon council housing project, to provide assurance of the identified risks. The Chair requested that a report in the form of a case study of the Red Dragon council housing project, be brought to Governance and Audit Committee.</p> <p><b>ACTION</b> - Chair requested that the Head of Finance and Professional Lead – Commercial/Procurement review the risk registers to ensure that there is</p>	<p>The Professional Lead noted that the contractor had been reviewed in December 2022 and actions were put in place, however despite this the principal contract entered administration.</p> <p>It was noted that as banks had little benefit to gain from offering project bank accounts (PBA), it was difficult to establish a PBA for the Red Dragon council housing project. The Professional Lead further noted that as the site was at the late stage and near completion, only minor issues needed to be addressed to complete the project.</p> <p>It was explained that the Council was not part of the relationship between the Administrator and subcontractors who were owed monies.</p> <p>The Head of Finance noted that in these situations, the Council did review how the Authority interacted with contractors. It was noted that data available to the Council may be from the previous financial year and can quickly change when a contractor is at risk of insolvency.</p> <p>As part of the tender process, the financial position of the company was now reviewed and should allow alerts to be made much quicker when red flags are raised.</p> <p>The Head of Finance noted that there was a risk held on the Service Risk Register that would cover this issue and was managed at the service-level, however it had not been escalated to the Strategic Risk Register.</p>

appropriate coverage of this risk.	
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**Actions:**

- To share a copy of the presentation with Committee Members.
- To add to the forward work programme, a case review of the risks involved with the Red Dragon council housing project.
- Request for the Head of Finance and Professional Lead – Commercial and Procurement to review the risk registers, to ensure there was appropriate coverage of this risk.

**Observations and Recommendations:**

- The Chair requested that the Head of Finance and Professional Lead – Commercial and Procurement, review the risk registers to ensure that there was appropriate coverage of this risk.

<b>8.</b>	<b>FLEXIBLE WORKING ARRANGEMENTS PRESENTATION</b>
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**Documents Considered:**

- A presentation on flexible working arrangements was provided by the Head of Workforce and Organisational Development.

**Background:**

- Introduction of New Ways of Working:
  - Opportunity to review ways of working following experiences of the pandemic.
  - Three categories of worker established, 'place-based', 'on-the-go' and 'flexible'.
  - Set of principles agreed and shared with managers and staff.
  - Additional guidance and FAQs were produced.
  - Services were asked to consider how these principles would most effectively work for them as a service.
  - Informal discussions and communications with staff to set out principles and expectations (no contractual changes).
  - Flexi scheme policy had been reviewed and was reverting to normal policy with effect from 13<sup>th</sup> November 2023.
- Health, Safety and Wellbeing of staff:
  - Through the pandemic, extensive guidance was provided to staff with clear procedures for work-based activities and use of buildings.
  - Specific support for schools, health and social care.
  - Issuing of equipment.
  - DSE (Display Screen Equipment) assessment utilised with a new system introduced in addition to portable appliance testing (PAT).
  - Various safe working practice guidance issued.
  - Wellbeing protocol introduced.
  - Employee Assistance Programme.
  - Three staff surveys were undertaken.
- Support for Managers:

- Remote working required a different skill set of managers, for example, visible leadership principles for senior managers.
- Employee appraisals, one-to-one meetings and team meetings (performance based and supportive).
- Robust procedures, training and HR support for performance concerns.
- ILM course offered included training on managing staff virtually, in addition to coaching.
- Funding available via Welsh Apprenticeship framework.
- Review and monitoring:
  - Services were continually reviewing ways of working against the needs of the service, for example Children's Services staff were working in offices for two days a week to meet the needs of their clients. Newly qualified staff also had the opportunity to learn from colleagues in-person.
  - Staff survey analysis showed that 94% of respondents reported 'knowing what they are doing and why they are doing it'.
  - Corporate oversight – regular performance meetings in addition to meetings with the Portfolio Holder.
- Future considerations:
  - Adapting the flexi scheme and the trial of a four-day working week.
  - Alternative ways of recruitment and retention, improving the staff offer.

The Chair noted that the Committee had requested an update to seek assurance on the changes to the flexible working arrangements following the Covid pandemic, which originated from discussions at a Governance and Audit Committee working group.

#### Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
A request was made to revisit the topic at a future Committee meeting, as it was important that Members had assurance that the New Ways of Working policies were fit-for-purpose.	The Chair agreed and asked for assurance from Senior Officers at a future meeting.
How many people now have a substantial number of flexi-time hours owed to them?	<p>The Professional Lead – Human Resources Management and Development reported that whilst she did not have the exact figures, they had reduced significantly. It was thought that only a handful of employees were still reducing their flexi-time balance before the cut-off date in November.</p> <p><b>ACTION</b> – Request to provide the statistics on flexi hours owed when the item was scheduled again at a future</p>

	Committee meeting.
Why was the requirement to work core hours removed from the updated guidance recently issued?	<p>The Head of Workforce and Organisational Development explained that some services were not working core hours therefore the guidance was updated to reflect this.</p> <p>Whether employees work core hours or not was not the individual's decision. Team managers held the responsibility to ensure the hours worked by employees were agreed and in the best interests of the Council whilst ensuring that the delivery of outcomes was achieved.</p>
<p>The Cabinet Member for Finance and Corporate Transformation noted the positive rise in appraisals at 95% compliance under the New Ways of Working, which was a large improvement compared to 2019.</p> <p>It was further noted that one of the greatest assets to the Council were its staff, and there was a benefit in reviewing and identifying development needs, which should increase loyalty and be a beneficial impact on the revenue budget.</p>	The Chair thanked the Cabinet Member for his comments.
Was the Council advocating working from home as a benefit for staff or for better delivery of services for residents?	<p>Regarding home working, there were generalised benefits such as fewer employees travelling across Powys which would have a positive impact on the environment. Flexible working allowed the Council to better support the outcomes of services provided to residents and was now an established operating model for the Council.</p> <p>The Head of Workforce and Organisational Development explained that there was also an expectation from potential employees for more flexible working options.</p>
How much would a four-day working week cost the Council? What would the implication be for services and the budget situation?	It was reported that a four-day week pilot was in development. The Head of Workforce and Organisational Development noted that he would

	<p>prepare a paper around March 2024 with potential options to take the pilot forward.</p> <p>This was a national initiative and a potential factor to improve recruitment retention in Powys.</p>
<p>The appraisal compliance of 95% was welcomed, however as the Cabinet Member noted, was there an understanding of how the New Ways of Working policy/guidance contributed to the increased rate of appraisals taking place, what were the benefits for achieving this?</p>	<p>The Head of Workforce and Organisational Development noted that the improvement in appraisal compliance was due to good performance and line management. Regular reminders were utilised to prompt line managers and their direct reports to schedule appraisal meetings, in addition to objective setting each year to incentivise the use of the appraisal process.</p>

**Actions:**

- To receive assurance from Senior Officers at a future meeting, to allow Committee Members to review the New Ways of Working guidance and documentation.
- To receive an update at the next meeting as to how many staff members were requiring support to reduce their flexi-hours incurred.

**Observations and Recommendations:**

- The presentation was noted by Committee Members.

**9. GOVERNANCE AND AUDIT COMMITTEE TOR/CONSTITUTION UPDATE**

**Documents Considered:**

- Draft amendment to Governance and Audit Committee Terms of Reference.

**Background:**

- The wording of the Governance and Audit Committee terms of reference as set out in the Council's Constitution did not accurately reflect the internal audit process currently utilised.
- The Head of Finance presented the current wording and proposed amendment to the wording, which if amended, would still allow the Committee to approve the internal audit plan on an annual basis.
- Any amendment to the Committee's Terms of Reference as set out in the Constitution must first be approved by the Democratic Services Committee (DSC). If approved by the DSC, the Monitoring Officer would then present the report at a meeting of the County Council and once

approved, the changes would take effect in accordance with the recommendations set out in the report.

**Issues Raised by the Committee and Responses Received:**

<b>Issues Raised by the Committee:</b>	<b>Responses Received:</b>
The Chair noted the need for an agile plan whilst retaining the annual approval process, which would need to happen before the beginning of each financial year.	
Was the proposed wording comprehensive enough to cover the changes desired by the Committee?	The Head of Finance noted that the wording would be specified as the 'internal audit plan'.
<b>ACTION</b> – Add an item to the forward work programme for quarter 4, to approve the annual internal audit plan (between January and March 2024).	

**Actions:**

- To add an item to the forward work programme for quarter 4, to approve the annual internal audit plan.

**Observations and Recommendations:**

- Committee Members noted the proposed amendment to the GAC Terms of Reference.
- The Head of Finance would contact the Monitoring Officer to prepare a report for the Democratic Services Committee to consider.

**10. SWAP PROGRESS REPORT**

**Documents Considered:**

- SWAP Progress Report

**Background:**

- The SWAP Assistant Director (Powys) noted that the progress report was the first report to Committee using data extracted from the new SWAP audit management system.
- The new system provided key benefits such as improved agility and timeliness of reporting.
- The new system allowed different views and slices of audit activity, which was helpful when considering coverage, which was planned over a two-year cycle.
- The report listed the strategic risk alongside the coverage at the current point in time. As work progressed, the coverage map would change accordingly.

- New additions included the SWAP Top 10 Risks and the Healthy Organisation principles.
- Overall, coverage was noted as being reasonable. The SWAP Assistant Director (Powys) noted that there were certain areas to continue monitoring such as planning, housing and the economy service areas.
- Additional data were required to establish whether there were more serious underlying themes that required attention as part of the audit planning process.
- It was reported that at the time of the report, 29% of work was complete and 28% was work in progress. The SWAP Assistant Director (Powys) noted that they were on track to deliver the audit plan and to provide the annual audit opinion.
- In terms of outcomes, 86% of the opinion-based work was positive.
- There were no areas of significant concern at present to report.
- The SWAP Assistant Director (Powys) noted there were audits of the Council's schools which would be presented at the next Committee meeting.
- Follow-up audits and issues/root causes were now reported, which identified the fundamental underlying reason for causing the issues found. The majority of the reasons were due to policies, processes and systems.
- The addition of the eight Healthy Organisations Principles (developed by SWAP) allowed the themes to be drilled down, where it was identified that the main issues were in relation to financial management. A deeper dive established that the main issues were around non-compliance by the services, which was due to the problems the Council experienced with core financial systems.
- It was noted that as data matured more trends would become apparent, which would feed into future plans.
- The overall indicative opinion for 2023/24, at the moment, appeared Reasonable.

### Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
<p>The Chair commented on the coverage listed on page three of the report (page 118 of the pack), specifically in relation to the coverage of contracts, procurement and commissioning. Given the conversations around the earlier agenda item relating to the Red Dragon development in Newtown, it was interesting that this coverage was rated as adequate.</p> <p>Secondly in relation to root-cause analysis and recent conversations around HR policy processes and systems, it was quite interesting that the root cause analysis indicated that</p>	



<p>policy processing systems were a significant factor.</p> <p>The Chair asked Members whether they were assured that the HR policy processing systems were adequate.</p>	
<p>When did the SWAP Assistant Director (Powys) expect the follow-up reviews of the five audits relating to Highways be completed?</p>	<p>The rolling audit plan indicated that the reviews were at 75% completion, with further work required. It was anticipated that the audits would be completed within the next two to three weeks.</p>
<p>Regarding contracts, procurement and commissioning, a reasonable opinion would not be adequate considering the issues experienced at the Red Dragon development in Newtown.</p>	<p>The SWAP Assistant Director (Powys) responded by noting that the contracts, procurement and commissioning category covered a very large area, therefore some work may be required to break down the category.</p> <p>The SWAP Assistant Director (Powys) reported that he would report back to the Committee of his findings, particularly relating to contract management.</p>
<p>The Head of Finance noted that she preferred the new format of the SWAP progress reports, and despite issues with assurance for one particular contract previously mentioned, the SWAP Dashboard should help the Council and Committee to better track the positions of audits, in addition to strengthening the governance, process and compliance.</p>	

**Actions:**

- To add an item to the Forward Work Programme to review the school internal audit reports at the next Committee meeting in November.

**Observations and Recommendations:**

- Committee Members noted the SWAP Progress Report.

<b>11.</b>	<b>FIN0001 - DELIVER FINANCIALLY SUSTAINABLE BUDGET</b>
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**Documents Considered:**

- Risk Deep Dive presentation - Strategic Risk FIN0001.

**Background:**

- The Cabinet Member for Finance and Corporate Transformation opened the item by explaining that Members must accept that any budget would contain an element of risk, and as the budget grew in value, so would risk.
- The Cabinet Member further noted that it was also important to understand that although the Welsh local authorities were protected until 2012, the UK suffered a period of austerity from 2010, with settlements reducing for 2019/20. The Covid pandemic had had a significant negative impact on the economy, and since then there had been a period of rising inflation, which was very likely exacerbated by the war in Ukraine.
- Despite actions taken by the Council, FIN0001 remained a substantial strategic risk to the Council which made setting a balanced budget very difficult, especially in terms of budget sustainability.
- The Head of Finance (Section 151 Officer) noted that the risk had remained on the strategic risk register for some time, with the score rising due to the external economic factors.
- The current issues were focused on high interest rates which affected the Council's financial resilience and the cost in delivering the Council's services.
- The pressure was seen across other Local Authorities for example in England, where a number of Councils had already issued Section 114 notices.
- Mitigating Actions:
  - To revise the Medium-Term Financial Strategy with S151 Officer Assurance.
  - Audit Wales Sustainability reviews.
  - Ongoing discussion with Welsh Government, WLGA and via the Society of Welsh Treasurers.
  - Regular monitoring of financial position with commentary by Heads of Service to highlight and address issues early.
  - Commercial Risk Board – focus on procurement.
  - Early engagement with services throughout the previous year enabled the Council to deliver on the budget at Year End.
  - Continual dialogue was required as services may need to change and adapt as the financial situation changes.
  - Financial Management Code.
  - Self-assessment.
  - Sustainable Powys – how Council services were reshaped was fundamental to financial resilience.
- Financial Resilience:
  - CIPFA “Four Pillars of Financial Resilience”.
    - Getting routine financial management right, including audit.
    - Benchmarking continued to be developed.
    - Clear plans.
    - Sustainable Powys.

- Role of the Section 151 Officer:
  - Held the key responsibility to ensure the Council understands its position, and takes appropriate action at all times from a budget perspective.
  - Setting a balanced budget – S151 Opinion – set out in the Budget Report to the Council as required by legislation.
  - Statutory duty to issue a Section 114 Notice, if it was believed that the Council was unable to meet its expenditure commitments.
  - Monitoring the situation faced by other Councils in financial distress, including any lessons learnt from those cases.
- Audit Wales - Financial Sustainability Assessment:
  - The July 2021 report was available to view online at the following link: <https://www.audit.wales/publication/powys-county-council-financial-sustainability-assessment-0>
  - Recommendations from the Audit Wales Financial Sustainability Assessment were being actioned and informed the Council's plans going forward.
  - It was reported that there was a medium-term financial budget gap, impact of pandemic had delayed consideration of key actions needed to address the gap, which required a more forward-thinking approach.
  - There was a need to move away from annual planning to a more detailed plan which would balance the budget over a longer period of time.
  - The Council's usable reserves had declined except for the 2020-21 financial year, which was relatively low in relation to the net cost of services compared to other Welsh Local Authorities.
  - Useable reserves grew by £20 million between 2019-20 and 2020-21.
  - There was an opportunity to strengthen the Council's financial position by increasing reserves, which was already proving to be fundamental in navigating the current economic climate.
  - Costs were now impacting on the budget so reserves had to be drawn upon which was highlighted in monitoring reports for 2023.
- The Council had quite a low liquidity ratio which was reported through the Treasury Management reporting. Advisors had expressed the opinion that the Council was in a stable position, and had managed effectively for some time which should contribute to assurance.
- Financial Planning Update with Dashboard:
  - Cabinet received on the 19<sup>th</sup> September 2023 a financial update which was available to view online using the following link: <https://powys.moderngov.co.uk/documents/s81469/Cabinet%20Report%20MTFS%20update%20190923.pdf>
  - The report highlighted the impacts of the economic projections on the budget, including the increase in the gap on the longer-term plan. There was a clear need to address those issues noted in the report.
  - A financial resilience dashboard had been introduced, which would build on key snapshots to keep the Council informed as to the position on financial resilience. The dashboard would be improved

over a period of time, but remained a useful tool for benchmarking and in comparing Powys against other Welsh local authorities.

- CIPFA Financial Management Code:
  - CIPFA: 6 Principles of Good Financial Management:
  - The Head of Finance explained that the Council was monitoring itself against the Code. Regular reporting of this was undertaken, with Finance Panel recently being briefed on the actions that were being taken to strengthen and meet those principles.
- Other elements of control:
  - Reminder of the key governance arrangements currently in place.
    - Financial regulations were embedded into the Constitution.
    - Clearly set out roles and responsibilities for everyone across the Council including Members, Officers, budget managers and other employees.
    - Internal Audit Assurance Framework: Improvements were already being made to the internal audit work programme and its coverage.
    - Statutory Audit Assurance Framework: Supplied by Audit Wales annually.
    - Budget setting regime was noted as relatively robust, which was highlighted by the Council's ability to deliver against budget plans.
    - Budget setting would need to be tighter in future, in addition to delivery against the budgets.
    - Capital Oversight Board in place, with treasury and capital management performance indicators regularly reported to provide assurance.

### Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
Robust budgeting processes would help the Council to achieve a sustainable budget. Past experiences where forecasting for certain services varied significantly should also be utilised when setting the budget.	The Head of Finance responded by confirming that one of the first tasks undertaken when setting the following year's budget was to review the variances from the previous year to ensure they were corrected and realigned.
The Cabinet Member for Finance and Corporate Transformation noted that he was concerned when there were major over or underspends within a particular service areas' budget, however reported that these cases were reviewed and analysed closely. Understanding should also be given to how the particular service may have suffered within the previous 12 months.	

**Actions:**

- To circulate a copy of the presentation to Committee Members.

**Observations and Recommendations:**

- The presentation was noted by Committee Members.

<b>12.</b>	<b>WORKING GROUPS</b>
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**Documents Considered:**

- 16-08-2023 Internal Audit Working Group Report.
- Verbal update from the Committee Representative to the Finance Panel.

**Observations and Recommendations:**

- The Committee received and noted the Internal Audit Working Group report of the meeting held 16<sup>th</sup> August 2023.
- The Chair provided an update regarding Finance Panel due to the Committee Representative having to leave for other Council business.
- The Chair noted the good financial reporting and reiterated the financial context in which the Council was operating was extremely challenging.
  - The Chair of Finance Panel who was in attendance noted that it was important to review the Council's financial performance.
  - The Chair of Finance Panel reported that he would like to have a long-term view of the Council's revenue and capital investment to understand how these align with each other. This could also provide confidence in service delivery and ensuring long-term sustainability.
- The Chair explained that a recommendation from the Governance and Audit Committee Capital Working Group was to develop and implement a 10-year capital planning programme.

<b>13.</b>	<b>WORK PROGRAMME</b>
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**Documents Considered:**

- Governance and Audit Committee Work Programme 2023/24

**Actions:**

- To add the review/case study of the Red Dragon development as an item for the next meeting in November 2023.

**Observations and Recommendations:**

- Committee Members noted the forward work programme.

14.	<b>PCC TECHNOLOGY ASSURANCE FRAMEWORK REVIEW - SENIOR OFFICER RESPONSE</b>
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**Documents Considered:**

- Verbal assurance response from the Head of Economy and Digital.

**Background:**

- The Head of Economy and Digital provided background information to the Committee regarding the Technology Assurance Framework Review undertaken by SWAP.
- Previously a traditional assurance approach was taken across different aspects of the ICT service. Due to the speed of technological development in this sector, discussions were undertaken with SWAP to determine how the ICT service could improve the audit and to ensure assurance was provided.
- The Technology Assurance Framework was a new framework and method of ICT audit being implemented by SWAP, with some limited testing across other local authorities. There was therefore learning on both sides as the organisation and with SWAP, with how it would work and progress.
- The Head of Economy and Digital noted that SWAP officers had been incredibly supportive with regard to navigating the new audit process and how it would provide assurance going forward.
- The Executive Management Team had been briefed on the assessment and were assured of the need to complete the whole IT audit work programme which was being planned. The Assurance Framework did not identify issues at the highest level, however SWAP wanted to investigate the ICT strategy further.
- The Head of Economy and Digital reported that the service had moved to a more transformative approach for digital strategy, a digital transformation framework whilst ensuring that day-to-day elements were robust and changed as part of the digital transformation process.
- Issues that were highlighted included:
  - The monitoring of policy compliance. Policies were normally sent to employees through software at the front end which provided assurance that policies had been read and agreed to before the computer could be accessed.
  - There were conflicts within the policies for example, employees had to agree to not access gambling sites using their Council-provided equipment, yet the Council operated a lottery so some service users may need access to such gambling sites, therefore access was granted in those situations.
  - Where there were concerns around whether employees had agreed to policies, a report could be produced which would contain which policies had been agreed to.
- Regarding the Data Centre Review, the Head of Economy and Digital confirmed that the review could go ahead and had already started.
- Work had also commenced around the detailed review of the ICT strategy.
- Audit Wales had also conducted work across Wales on digital strategies, on which SWAP were liaising with Audit Wales to establish the lessons

learnt and whether there was a need to continue via internal audit, to prevent possible duplication.

### Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
<p>The difficulty in monitoring policy adherence was understood, however how could the Council ensure that the content of any new policies was being absorbed by employees, was some form of annual knowledge testing required to prevent this from becoming a tick-box exercise?</p>	<p>The Head of Economy and Digital noted that policies were reviewed every three years, and were shared with staff once updated.</p> <p>Reminders were utilised around the mandatory training which needed to be completed annually, such as the cyber security training.</p>
<p>The Chair noted that similarities with the root-cause analysis highlighted in the SWAP Progress Report, in relation to policies, procedures and systems.</p>	
<p>The SWAP Assistant Director (Powys) asked the Head of Economy and Digital if an update could be provided on disaster recovery and business continuity?</p>	<p>The Head of Economy and Digital noted that a business continuity plan had been developed, however it was now at the testing stage.</p> <p>Workshops had been undertaken (with more planned) with the executive management team and senior leadership team around disaster recovery. This included emergency response exercises to gauge responses to scenarios.</p>
<p>The SWAP Assistant Director (Powys) welcomed the Head of Economy and Digital's comments around working together, especially regarding complete coverage and building on this work.</p> <p>Further assurance could be provided to the Committee once the Technology Assurance Framework and subsequent security framework was completed. This would provide the bigger picture in terms of the Council's position with scope to drill-down further.</p>	

### Observations and Recommendations:

- The Committee noted the assurance response.

**15. Q1 STRATEGIC RISK REPORT****Documents Considered:**

- Quarter 1 (2023) Strategic Risk Report.
- Powys County Council Strategic Risk Register.

**Background:**

- The Strategic Equalities and Risk Officer explained that the purpose of the report was to provide an update of the Council's strategic risk register, which covered April, May and June 2023.
- There were 15 risks listed on the Strategic Risk Register with their details contained within Appendix A in addition to mitigating actions.
- Appendix B contained the heat map, the key points were that Children's Services would like to de-escalate strategic risk CS0091.
- As per the Risk Management Framework, any risk scored 15 or above must be considered for escalation by the Senior Leadership Team.
  - There were no proposals to escalate either of the two risks listed.
- Strategic Risk PCC0003 had been closed.
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**Issues Raised by the Committee and Responses Received:**

<b>Issues Raised by the Committee:</b>	<b>Responses Received:</b>
<p>There appeared to be some Council policies which remained out of date, should this be considered a strategic risk?</p> <p>Examples were provided such as the Income Management and Service Cost Recovery Policy, dated January 2016.</p>	<p>The Strategic Equalities and Risk Officer noted that although this was not a current strategic risk, the Officer would investigate this matter further as it may be a service-level risk.</p> <p>The Head of Finance noted that it was a risk identified as a management team across the Council, which led to a register for all policies with the review dates listed to prompt reviews when required.</p> <p>The Head of Finance agreed that some context within the income policy was out of date and did not have a review date listed. However, the underlying process and requirements against the policy remain active. The policy would be reviewed and updated where necessary.</p>
<p>Regarding the risk involving WCCIS, it was listed as having a residual risk score of 20. Were appropriate plans in</p>	<p>The Chair asked for the question to be responded to as an action.</p>



place in case the system ceased to function? <b>ACTION</b>	There was concern from Committee Members in relation to the lack of control the Council had on WCCIS and how this could leave the Council in a very vulnerable and exposed position.
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**Actions:**

- To receive an answer to the question raised by the Committee Member regarding strategic risk ASC0064 from the Director of Social Services and Housing.
- To review the context and expiry of the Income Management policy.

<b>16. EXEMPT ITEM</b>
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A resolution to exclude members of the public from the meeting was considered due to the following agenda item's report containing commercially sensitive information. The Chair agreed and the resolution was proposed by Lay Member J Brautigam and seconded by County Councillor P Lewington. It was therefore:

**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).**

<b>17. Q1 STRATEGIC RISK CLOSED REPORT</b>
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The Quarter 1 Strategic Risk Closed Report was received and considered by Committee Members in private, the report sought approval from the Cabinet to escalate a single risk. The Chair requested assurance from Senior Officers, which was to be received at a future Governance and Audit Committee meeting.

**L Hamilton (Chair)**