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Governance and Audit Committee – 20-01-2023

## MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD AT BY ZOOM ON FRIDAY, 20 JANUARY 2023

### **PRESENT:** L Hamilton (Chair)

County Councillor G Breeze, P Lewington, W Powell, G Ratcliffe and A Williams  
Independent / Lay Members: G Hall, Mr J Brautigam.

Cabinet Portfolio Holders In Attendance: County Councillor D Thomas (Cabinet Member for Finance and Corporate Transformation)

Officers: Dan Paley (Financial Reporting and Policy Accountant), Jane Thomas (Head of Finance and Section 151 Officer), Wyn Richards (Scrutiny Manager and Head of Democratic Services), Bets Ingram (Strategic Equalities and Risk Officer), Catherine James (Head of Transformation and Democratic Services), James Langridge-Thomas (Deputy Head of Transformation and Communications), James Chappelle (Capital and Financial Planning Accountant), Karen Seabright (Insurance Team Leader) and Emma Palmer (Director of Corporate Services)

Other Officers In Attendance: Phil Pugh, David Burridge and Steve Wyndham (Audit Wales)

<b>1. APOLOGIES</b>
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An apology for absence was received from County Councillor C Walsh.

<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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The Chair was authorised to sign the minutes of the previous meeting, held on 24-11-2022, as a correct record. It was noted that on Page 9 the spelling of the word "gilt" was incorrect.

### **Minutes:**

Question	Response
When would it be appropriate to schedule debt policy on the Committee's agenda	Officer Response: As soon as it can be scheduled in the work programme.
Pages 10 / 11 – What is the position regarding the proposed fraud training for Members.	Officer Response: A training package had been developed. A few officers have been asked to undertake the training and to feed back observations. Once any revisions which are identified being undertaken the package can be rolled out to Members and officers.

### **Action Log:**

- The Committee requested that the log be inverted so that the most recent meetings appeared first and that duplications be reduced.
- There were a number of items on the log included on the agenda for today and therefore completed.

<b>4. STATEMENT OF ACCOUNTS 2021-22</b>
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**Documents Considered:**

- Statement of Accounts
- ISA 260
- Letter of Representation

**Issues Discussed:**

- Audited Statement of Accounts 2021-22 presented for approval.
- The draft accounts were signed by the Section 151 Officer in June 2022. The Committee had held two seminars on the draft accounts.
- The Council was expecting to complete these accounts by 30<sup>th</sup> November for publication. However, the process was delayed due to a national issue in relation to the treatment of infrastructure assets. This was a particular issue in relation to roads and dates back to the 1990's. As a result Welsh Government had issued a remedy by regulation through The Local Authorities (Capital Finance and Accounting)(Wales)(Amendment) Regulations 2022 [Statutory Instrument 2022 No 1254 (W.255)], and CIPFA had issued a remedy by means of a Temporary Code Amendment, to offer temporary solutions up to 31 March 2025. The guidance for the solution had recently been received and future long term solutions were still being considered by CIPFA and relevant stakeholders.
- Audit Wales were proposing to issue an unqualified opinion on the Statement of Accounts based on the Committee's approval.
- In the Letter of Representation two uncorrected misstatements had been identified by the auditors which the Council had not adjusted in the accounts and explanations which were stated in the letter were considered by the Committee (deferred payments of home care clients who have a charge on their property and uplifts to depreciated replacement cost assets).
- Appendix 3 of the Audit Wales report detailed the other misstatements which had been adjusted, and which were outlined to the Committee.
- Appendix 4 of the Audit Wales report detailed three recommendations which had been accepted by the Council, and which were outlined to the Committee.
- Members were asked to approve the audited Statement of Accounts so that the Chair and Section 151 Officer could sign them and the letter of representation.

**Audit Wales:**

- The Audit Wales Report was provided to inform the Committee's decision as to whether to approve the Accounts.
- Audit Wales had completed its audit work and subject to the Committee's approval, the intention was to provide an unqualified audit opinion on the Accounts.
- There had been an elongated audit period due to a national technical issue in relation to infrastructure assets with a remedy provided by CIPFA and Welsh Government and the Council had taken advantage of that flexibility.

- The detailed findings of the audit were included in the report as there was a duty on Audit Wales to report these to the Committee. There were two uncorrected misstatements in the accounts, but they were not material either individually or in aggregate and did not affect the audit opinion.
- There had been a number of audit adjustments as set out in Appendix 3. There were a number of recommendations detailed in the report. None of the adjustments made affected the bottom line or useable reserves, although several of the adjustments were material and sizeable but were relating to disclosure or a classification issue.

Question	Response
<p>For clarification, some of the adjustments in Appendix 3 appear to be about the balance sheet and it was more about presentation and disclosure rather than having an impact on revenue. The uncorrected misstatement of £1.3m which was deemed to be non material. Overall should this be corrected or not.</p>	<p>Audit Wales Comment: There is a material impact on the financial statements but no impact on the financial position of the Council. In terms of the uncorrected misstatement as this is income due to the Council it would have had an impact on the closing position although it was reasonable to conclude that not all of that income was recoverable which could lead to a bad debt provision.</p> <p>Officer Comment: Deferred charges have not been included in the accounts previously due to the need to assess the assurance as to whether the debts could be collected or what element of provisional bad debt would be accrued and need to be accounted for as well. Some of these debts are held over a number of years. The Head of Finance indicated that this was a prudent approach and gave the Council time to determine whether these are added to next year's accounts.</p>
<p>Comment: Linked to residential care home charges, what is the Council's policy and approach to the deliberate deprivation of assets. How does the authority mitigate that risk.</p>	<p>ACTION – add to Provisional Work Programme items.</p>
<p>In respect of residential care home charges, who is the debtor, is it the care home or the individual.</p>	<p>Officer Comment: It is the individual. This is a charge applied to the property of the individual in receipt of that care. The deferred charge is income the Council can collect when the property is disposed of in the future. There is a considerable risk around this and a length of time which is why it is treated carefully.</p>
<p>The accounts have been compiled</p>	<p>Officer Comment:</p>

<p>remotely with staff working from home. Somewhat concerned about the unusual high rate of errors which have been corrected. Can the Committee have an assurance that working at home / remotely is working correctly and will not cause the Council an undue level of error.</p>	<p>Most of the work undertaken by officers is now on computers and systems even when staff are in the office. The Council has settled into the routine of remote working more effectively. There is access to the office for regular meetings and staff can get together to look at aspects of the accounts during the process. If remote working has played a part this can be rectified by having regular meetings as the statement of accounts is drawn up. Accessing a paper copy of the documents could also be a benefit.</p> <p>Audit Wales Comment: Do not disagree with what has been said, but do not feel that remote working has generated the audit adjustments or has been a factor. The lengthened period of the audit might also have highlighted issues. The volume or scale of the errors have not been affected by remote working. The auditors themselves are also working remotely with occasional team meetings.</p> <p>Flexible working is a similar position across all authorities in Wales. Auditors can always meet with Council staff in future if required at Llandrindod should the need arise. The delay due to the national issue has not been helpful.</p>
<p>There was reference to match funding for levelling up projects. Can this funding be rolled forward or reallocated as the Council has been unable to attract levelling up funding, or was this for a previous tranche of funding.</p> <p>Page 110 – valuation techniques used to determine fair value. How often do we call on estate agency / property advice in-house for advice and how often do we seek or are required to seek the services of the District Valuer to determine the best value prior to a disposal.</p>	<p>Officer Comment: There are external valuers which were appointed on a five year cycle which ended in 2022 and the Council is currently in the tendering process for new valuers. All valuations are undertaken externally for the purposes of the accounts. The valuers assist the Council to identify the indices for the uplift in the accounts.</p> <p>The District Valuer was the external valuer prior to moving to the current external valuer. We do use the District Valuer for certain disposals before the report is drafted and approval required, but District Valuer valuations are not included in the statement of accounts.</p>

	<p>In relation to levelling up funding any statements in the accounts would be for projects already approved under levelling up and there would be matched funding earmarked to support those projects. The funding is allocated and ring fenced to specific projects.</p>
<p>Can you comment on the note on GCRE.</p>	<p>Officer Comment: The Council is mainly in the same circumstance as it has been for a number of years. The Council holds the funding from Welsh Government of £17.4m to be invested in the company. However, the Council is not in a position to assess whether it is able to make this onward loan as yet. It will do so when the Council is assured that the loan can be repaid in the future. We have returned some of the funding we held to Welsh Government at their request which they have then invested into the company as equity.</p>
<p>There was a note in the accounts regarding the prompt payment of suppliers. The figure in 2021-22 was 86%. What was it historically and are there any issues with the Council meeting Welsh Government's prompt payment targets.</p>	<p>Officer Comment: The previous year was 91% (2020-21) so would need to obtain more information from officers as to why this figure has decreased.  ACTION – report back to Committee.</p>
<p>In the narrative there were cost reductions for 2021-22 and 30% were not achieved. Has the Executive Team considered any learning from that in preparing for the budget process for the current year.</p>	<p>Officer Comment: The Council had consistently under delivered on the achievement of savings and has maintained a success rate of about 70% to 80%. In developing the current budget assurance has been sought and there had been challenge of Heads of Service when proposals put forward.  There is always a level of risk with any cost reductions. A risk budget had been set up to offset the non delivery of savings or other events occurring during the year and it was proposed to increase this budget due to the uncertainty from an economic point of view.</p>
<p>Does the creation of the revenue offset fund act as a behavioural disincentive.</p>	<p>Officer Comment: To release funds from this budget there is a lengthy process to be followed. Services have to prepare a business</p>

	<p>case to explain the position before funding was released. Some cost reductions which were proposed previously, but which through the challenge process were shown to be undeliverable in the timescale set, were amended, reprofiled or withdrawn.</p> <p>Audit Wales Comment: Audit Wales had undertaken previous work on financial resilience in the Council. One area considered was the achievement of cost reductions. Achieving 70% is not a bad figure overall. Audit Wales had commented in its reports on the learning from the under achievement of cost reductions and the need for realistic timescales for achieving these reductions.</p> <p>Cabinet Member Comment: The Council has achieved significant cost reductions over the past ten years and now it is about service redesign and income generation as opposed to simply cost reductions in Services.</p>
<p>Can you comment on some areas of movement in the accounts between years such as the HRA and short term debtor movements.</p>	<p>Officer Comment: In terms of the HRA the position will vary year on year. It is a ringfenced account and there will be variation depending if projects go ahead or not.</p> <p>The changes in valuations also impacted the HRA. In relation to debtors there was an increase of £23m in Welsh Government debtors and most of that money has been received from Welsh Government such as the cost of living grant, additional revenue support grant at year end, hardship fund, social care recovery fund. The increase was larger than the amount received in the previous year.</p>

**RESOLVED:**

- (i) that the 2021-22 Statement of Accounts be approved which can then be formally signed by the Chair and the Section 151 Officer.
- (ii) that the Statement of Accounts be published as soon as possible and by no later than 31<sup>st</sup> January 2023 following the Auditor General's approval.

<b>5.</b>	<b>STRATEGIC RISK REGISTER - QUARTER 2</b>
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**Documents Considered:**

- Report of the Head of Finance

**Issues Discussed:**

- The Committee was asked to seek assurance on the effectiveness of the Council’s arrangements to manage risk.
- The report covered quarter 2, 2022-23.
- Following the Senior Leadership Team seminar in July 2022 a dedicated session was held in relation to health and safety, recruitment and retention, including demography. As a result it was decided not to have an overall health and safety risk on the strategic risk register as this was currently well managed at a service level and did not warrant a strategic overview. A health and safety risk in terms of assets was also considered.
- Climate and nature risks were created and approved for escalation by the Executive Management Team and was a proposal to Cabinet for escalation.
- There were 13 strategic risks in the risk register together with mitigation to control the risks and progress reviews to monitor the management of the risks.
- Cabinet had been asked to formally escalate two risks from Education and Property, Planning and Public Protection:
  - Insufficient level of revenue maintenance and major improvement capital funding is likely to result in unsafe and unfit assets; and
  - School building stock deteriorates due to the insufficient level of revenue and major improvement capital funding required to maintain them so that they are safe and fit for purpose.
- Further risks had been identified and would be included in the Quarter 3 report in relation to:
  - Power outages; and
  - Council’s susceptibility to fraud.
- A paper on risk appetite will be considered by the Committee at the February meeting.
- Following from the Schools Modernisation team piloting the Issues module on JCAD the Senior Leadership Team had agreed to start recording issues on JCAD and whilst the process to deal with issues was operational this was a formal process to record issues for governance and not intended to duplicate the process for managing an issue.

Question	Response
Where are we with external risks such as the war in Ukraine, strikes (schools, ambulance and social care).	<p>Officer Comment:</p> <p>There are no risks in relation to strikes currently on the strategic register. These may be contained within individual Service risk registers as Services would be managing those risks themselves. However, where required they could be proposed for escalation to the strategic risk register.</p> <p>Some of these issues are live rather than a risk and being dealt with currently</p>

	<p>at an operational level (strikes) and the Senior Leadership Team does discuss and deal with any issues on a weekly basis.</p>
<p>Social Care Provider failure risk. Is the risk level at 20 high enough as there have been closures of many care homes across the country recently and there is a potential crisis in the sector which may not be recognised as yet due to financial pressures. Should the risk level be higher.</p>	<p>Officer Comment: This area of risk will be the first of the deep dives by the Committee in February.</p> <p>There is an economic challenge for all businesses. The Service will be considering this in detail and will monitor the situation on a continual basis and have discussions with providers. This can be considered in greater detail with the Service in February. There is assurance at present that conversations are taking place in relation to this issue.</p>
<p>P118. There are instances in the county where care businesses are resilient but are subject to short term tenure for its premises which is a potential risk for those businesses. Should this be considered as a separate risk or included in the current risk.</p>	<p>Officer Comment: ACTION – relay this to the Service for inclusion in the deep dive discussion.</p>
<p>There is a distinction between risks and issues. Some of these matters are being actively dealt with now so these should be classed as issues rather than risks. Would like a distinction between the two.</p> <p>There are many risks which materialise which were never anticipated or planned for such as Covid. Where are the lessons learned from the Covid experience which sets the template which could be applied to identified potential risks and things which just happen. Has the Council got a process in place for this to be part of its management of risk.</p>	<p>Officer Comment: The Council has business continuity plans across the organisation at Service level which looks to identify those risks to the delivery of services. This would include such items as power outages and pandemics.</p> <p>There is also an emergency response process which includes governance, decision making and reporting structures developed as a response to Covid, which can be adapted to whatever crisis impacts on the Council. Therefore there are plans in place to deal with the majority of emergency issues facing the Council.</p> <p>ACTION: (i) Officers to reflect on this and whether another major events risk needs to be included in the register. (ii) Ask for the distinction between risks and issues to be reconsidered. (iii) Lay Members of the Committee to be invited to other relevant Member Development Sessions e.g. Emergency</p>



<p>GDPR risk and Cyber Security risk. The GDPR risk has an inherent and residual score of 12. With the mitigation provided why are the scores the same.</p> <p>Cyber Security risk – is this level too low.</p>	<p>Planning.</p> <p>Officer Comment: These have been challenged internally recently and why the risk score remained the same. In relation to the GDPR risk the Service felt that whilst the mitigation is in place, the reality is that this will not bring the risk score down completely due to the potential for human error. The Information Commissioner would also make comment if the mitigation was not in place.</p> <p>All risks are challenged quarterly at a senior level. This risk is set at this score as a breach of GDPR can occur in a variety of ways. The controls are there to mitigate the risk as far as possible and to show that the Council has done all that it can to prevent organisational failure.</p> <p>Cyber Security is tested regularly. The proposed budget by Cabinet does propose additional resources within the team to bolster Cyber Security and mitigate the risk.</p> <p>Audit Wales Comment: Audit Wales undertook a follow up report on its cyber security work which was shared with Chief Executives. This could be a future presentation to the Committee. The Council might also like to consider the level of detail provided in public documents such as the risk register about cyber security developments.</p> <p><b>ACTION</b> – development session on cyber security by Audit Wales</p>
<p>Workforce risk and mitigating action to increase direct payments. What is the labour market for personal assistance in Powys and is this a transfer of risk to clients by increasing direct payments.</p>	<p>Officer Comment: Direct payments have been successful in Powys by comparison to other authorities in Wales. There is a management agency which supports individuals who opt for direct payments. If there was a need for continuity for the Council to step in and support an individual this could happen.</p>

	Direct payments gives greater flexibility for individuals to meet their own needs.
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**Outcomes:**

- The Committee was assured on the effectiveness of the arrangements in place.

<b>6.</b>	<b>ANNUAL GOVERNANCE STATEMENT PROCESS FOR 2022-23 AND ONWARDS</b>
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**Documents Considered:**

- Report of the Cabinet Member for Finance and Corporate Transformation

**Issues Discussed:**

- The paper was provided at the request of the Committee following some uncertainty about the sequencing of clearance and decision making.
- The report describes several proposed changes to strengthen and formalise the process for the drafting and authorisation of the Council’s Annual Governance Statement.
- The Committee was asked to approve the revised process.
- It was suggested that the method of obtaining information from services should be aligned with the corporate self assessment process timelines, that formal ownership of the document remains with the Finance Service, the authorship with the Transformation and Democratic Service and final approval remains with the Governance and Audit Committee.
- It was also recommended that the amended timeline be adopted.
- The report also contained a rubric which was an evaluation scoring guide to assess the levels of assurance.

**Outcomes:**

- That the amendments to the Annual Governance Statement process be approved.

<b>7.</b>	<b>INSURANCE COVER FOR MEMBERS AND OFFICERS SERVING ON OUTSIDE BODIES</b>
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**Documents Considered:**

- Report of the Head of Finance

**Issues Discussed:**

- The Committee was advised that an email was sent out to Members asking for information from organisations on which they sit. Once responses have been received the scale of the issue can be assessed and a solution sought.
- Following investigation as to whether it was possible, it is clear that it is not possible for the Council to put a Directors and Officers policy in place to cover Members for the Board on which they sit.

Question	Response
Comment – It is impractical for the	ACTION –a copy of the email to

<p>Council to insure against every activity that Members are involved with. Could the Lay Members see a copy of the email sent to Members. The important factor is that Members recognise the risk that they may be bearing.</p>	<p>Members to be circulated to the Lay Members of the Committee for information.</p>
<p>Have contacted two bodies about the information requested. What timescale would be appropriate for responses to come back to the Council.</p>	<p>Officer Response: It is reasonable to allow a few weeks for responses from the larger organisations. Smaller organisations may take longer to respond.</p>
<p>The agenda refers to officers being members of third party organisations but the paper is specific to Members. Does the Council have a register of which officers sit on outside bodies as individuals rather than on behalf of the Council.</p> <p>Litigants tend to sue larger organisations such as the Council as opposed to smaller organisations such as charities. What protection does the Council have against such claims.</p>	<p>Officer Response: The Council has a register of interests where outside interests could impact on the Council. There is no register of individuals who work for the Council who are members of an outside body in a private capacity. It would only be where officers are formally appointed by the Council to outside bodies where there would be a formal link.</p> <p>For a claim against it, the organisation would need to have a liability. This is why these bodies require insurance cover to protect those individuals who are their members.</p> <p><b>ACTION</b> – Head of Finance to discuss the issue of the role of officers on outside bodies both as a representative of the Council and in an individual capacity with the Head of Legal Services.</p>
<p>Comment - Councillors are also appointed onto local bodies not on a formal basis by the Council but as the local Member for an area. The Council will need to engage with PAVO about third sector bodies having an appropriate level of coverage once the position has been clarified.</p>	<p><b>ACTION</b> – Council to engage with PAVO about third sector organisations having an appropriate level of insurance cover for their members.</p>

**Outcomes:**

- Noted.

<b>8.</b>	<b>CORPORATE COMPLAINTS ANNUAL REPORT</b>
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The Committee noted that the report had been withdrawn and would be considered at a future meeting.

**9. SELF ASSESSMENT ACTION PLAN - UPDATE**

**Documents Considered:**

- Self Assessment Action Plan

**Issues Discussed:**

- Progress is being made on a number of the recommendations. This is a good platform from which to work and have the next self-assessment.

**Outcomes:**

- That the annual self-assessment in March would be a face to face meeting.
- That Members reflect on the previous year and areas to be examined when considering the self assessment.

**10. GOVERNANCE AND AUDIT COMMITTEE - MEMBERS' SKILLS AUDIT**

**Documents Considered:**

- Overview of the responses from the Governance and Audit Committee – Members’ Skills Audit

**Issues Discussed:**

- The areas of attention for development were audit, risk and crisis management and technology.

**Outcomes:**

- Noted
- Chair to discuss with officers how to take the development in the three areas identified forward.

**11. WORK PROGRAMME**

**Documents Considered:**

- Forward Work Programme 2023

**Issues Discussed:**

- Deep dives into areas of risk had been programmed in the forward work programme commencing in February.

Question	Response
<p>Pension Contributions. Within the budget proposals considered by Cabinet was a proposal to reduce the contributions to the pension fund for the next 3 years. This had been considered from the perspective of assurance by the actuaries and the Pensions and Investment Committee. The Committee had not seen the actuaries report as yet which contains a sensitivity analysis. Sight of the report would be helpful for the Committee and Members generally</p>	<p>Officer’s Comment: In terms of the review this is not finalised until 31<sup>st</sup> March, 2023. Based on the valuation and the data considered from March 2022, then applying other assumptions that the actuary makes over the period of time the valuation of the pension fund was looking positive. The contribution rates for each of the employers in the fund are reviewed against the longer term projection of the fund and how it has</p>

<p>to have assurance about the validity of the proposal.</p>	<p>fared over a period of time.</p> <p>This is looking at a very long period into the future. The current economic situation does not impact on the fund as significantly due to the long time scale considered and other mitigating action.</p> <p>Based on the updated valuation the Committee received assurance that the actuary did take a prudent view whilst undertaking the assessment, the fund was in a much better position than previously, the result of which was that the secondary contribution rate could be reduced. The actuary also considered the view of the Scheme Advisory Board. The Section 151 Officer advised that the Council had assurance that a prudent approach had been adopted in coming to this conclusion.</p> <p>ACTION – Committee to be provided with a written note from the actuary.</p>
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**Outcomes:**

- Need to add update from the four working groups into the work programme and any cross cutting themes and items for escalation.

**L Hamilton  
Chair**

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