

Public Document Pack

Governance and Audit Committee Friday, 28 July 2023

MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD BY ZOOM ON FRIDAY, 28 JULY 2023

PRESENT

Lay Member, L Hamilton – Chair

Lay Members:

J Brautigam

Cabinet Portfolio Holders in attendance:

J Berriman, J Charlton and D A Thomas

County Councillors:

P Lewington, WD Powell, G W Ratcliffe, C Walsh

Officers:

Catherine James (Head of Transformation and Democratic Services), Yvette Kottaun (Senior Investigator), James Langridge-Thomas (Deputy-Head of Transformation and Communications), Dan Paley (Financial Reporting and Policy Accountant), Emma Palmer (Director of Corporate Services), Wyn Richards (Scrutiny Manager and Head of Democratic Services).

In attendance:

Ian Halstead (Assistant Director – SWAP), David Hill (CEO – SWAP), Darren Roberts (Assistant Director – Technology and Digital Audit - SWAP), Bethan Hopkins (Audit Lead – Performance Audit), Derwyn Owen (Audit Director – Financial Audit), Emma Woodcock (Audit Manager – Financial Audit) (Audit Wales).

1.	APOLOGIES
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Apologies for absence were received from County Councillors Graham Breeze, Ange Williams, James Gibson-Watt, Sian Cox and Lay Member Gareth Hall.

2.	DISCLOSURES OF INTEREST
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There were no declarations of interests by Members relating to items to be considered on the agenda.

Comments from the Chair

The Chair of Governance and Audit Committee paid tribute to Wyn Richards, Scrutiny Manager and Head of Democratic Services, who was retiring after 37 years of service to Powys County Council.

3.	MINUTES AND ACTION LOG
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There were no draft minutes available to be approved. The draft minutes of the Governance and Audit Committee (GAC) meeting held on 23 June 2023 were to be formally approved at the 29 September 2023 meeting.

4.	AUDIT WALES - AUDIT PLAN
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Documents Considered:

- Powys County Council – Detailed Audit Plan 2023

Background:

- The Audit Wales Audit Director (Financial Audit) presented the Detailed Audit Plan for 2023 to the GAC.
- It was noted that the Detailed Audit Plan covered the three primary responsibilities of the Auditor General:
 - To provide an opinion on the Council’s financial statements.
 - To make an assessment as to whether the Council had proper arrangements in place to achieve value for resources spent.
 - To consider whether the Council utilised the sustainable development principle.
 - The Auditor General also assessed the Council’s responsibility to receive public opinion of the Statement of Accounts, which may include objections.
 - Certification of grant claims.
- It was noted that Audit Wales could not provide absolute assurance as to the accuracy of the Council’s Accounts. The industry standard of materiality was used, which for Powys County Council (PCC) was estimated to be around £5.5 million for the coming year.
- The Audit Director noted key risks which included:
 - No particularly large issues predicted to arise from the accounts.
 - Testing would be undertaken to ensure the risk of management override was not present.
 - Areas of the accounts which were based on estimates, such as the large buildings and land portfolio and the pension fund liability.
 - Accounting arrangements between PCC and the Global Centre for Rail Excellence (GCRE) (financial transactions only).
- The Audit Lead (Performance Audit) reported that the following performance audit projects would be undertaken:
 - Local Performance Audit delivered by a combination of performance and risk projects.
 - Bespoke local projects specific to PCC.
 - Thematic projects focused on risks common to all Councils in Wales.
- Progress was to be reported through regular quarterly updates to GAC, and via regular contact with Officers.

Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
Regarding Exhibit 2 - Valuation of land and buildings, there had been comments in the past around inadequate asset records, would part of this audit check the asset registers	The Audit Director (Financial Audit) confirmed there was an element of physical verification, although this was small when compared to the Council’s property portfolio. A level of substantive

<p>and the associated physical stock?</p> <p>Was there a particular reason why only a small amount of physical verification was undertaken?</p>	<p>testing was undertaken to confirm the existence of the assets listed in the register.</p> <p>The Audit Programme was based on the risk of a material misstatement, the assessment of the risk that the Council had a property listed on the balance sheet with a value of many millions in value, which did not exist, is low. The understanding of the asset register, specifically the key assets, was built up over several years through repeated audit activity. Much of the verification work could be undertaken at the desk using various technologies.</p>
<p>Could we have more explanation regarding the Materiality statement?</p> <p>Regarding the thematic review on unscheduled care, there were no timelines referenced for feedback, where would that go to, and whom. Finally, was there any liaison with Health Board colleagues?</p> <p>Another thematic review focuses on digital, I did not see details of a 'Team Powys' and cross-organisational working. This work could benefit the Local Authority but also the Health Board.</p> <p>N.B. These questions were responded to at the beginning of Item 6's questions and answers section.</p>	<p>Materiality was an issue on which no auditor can ever provide absolute assurance that the accounts are 100% correct. The time and resource required to undertake such an audit would not be sustainable. Therefore, the materiality was set at 1% of the Council's 2022/23 gross expenditure, which was equivalent to around £5.5 million.</p> <p>It was noted that some aspects of the accounts were reviewed in greater detail, and therefore had a lower level of materiality. For example, senior officer pay disclosure materiality was set at £1000.</p>
<p>Page 19 referred to the cost of the accounts increasing from £215,000 to £246,000. Was this increase due to the new accounting standards, or another reason?</p>	<p>The accounts and performance audits were going up by an inflationary amount of just under 5%. The accounts fees increased by around 10%. ISA 315 required the auditor to do significantly more work, particularly at the planning stage around the processes and risks of the accounts. Noted that the figure was a predicted cost.</p> <p>Audit Wales ensured the fees were always kept to the minimum required.</p>

	Audit Wales was not able to make a profit, therefore if the actual costs are less than the estimate, refunds would be made, although the opposite was also possible.
Were you satisfied that you had appropriate resources to manage the audit plan and timetable?	Auditors were in demand, however the Audit Director (Financial Audit) felt confident that delivery by November 2023 was scheduled to occur.
Was materiality cumulative or singular? Would you accept multiple misstatements over £5.5 million.	Materiality was cumulative.
Page 13 mentioned related parties' transactions, could someone comment on that section?	<p>The Audit Director (Financial Audit) believed that the statement referred to where the Council must declare in the Accounts where it had interested parties, for example where Members or Senior Officers had interests in other organisations, whether private or public. For Powys County Council and another Council, the system which produces the report for these interests were not always robust.</p> <p>The Head of Finance noted that with the change of the Council's administration in 2022, there were issues with gaining declarations of interests from Members who were leaving the Council. There was also an issue with the previous system, which prevented reports being drawn down. This issue had now been addressed for 2023, and every Member of the Council in addition to relevant Officers, were disclosing appropriately.</p>
Page 15 referred to Exhibit 4, Corporate governance review. What was the timescale for this review now?	The Audit Lead (Performance Audit) felt that sufficient time needed to be given to the Council before a corporate governance review could take place, as the recommendations may not be implemented fully. It was anticipated that this would be undertaken in the next calendar year, near the end of the financial year.
Could colleagues expand further on the new ISA 315 standard? It appears	The Audit Manager (Financial Audit) noted that the new ISA 315 standard

<p>that there would be more overlap between internal and external audit work.</p> <p>The Chair noted that SWAP had undertaken an internal audit of the Council's IT arrangements, and questioned whether there would be overlap with the Audit Wales reviews.</p>	<p>required an intensive assessment of any audit work carried out by other people. Previously, reliance on others' work would take longer due to the assessment required. The Audit Manager also noted that the focus would be different, as Audit Wales were focusing on the input of data into the Accounts, whilst SWAP was focusing on internal controls.</p> <p>The internal reports are used by Audit Wales to inform judgement, rather than taking all the elements of the internal audit reports.</p> <p>The SWAP Assistant Director noted that both SWAP and Audit Wales looked at slightly different areas, however collaboration would be required between internal and external audit.</p>
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Observations:

- The Committee received and considered the Audit Wales Audit Plan for 2023.

5. AUDIT WALES - WORK PROGRAMME AND TIMETABLE - 31 MARCH 2023

Documents Considered:

- Audit Wales – Work Programme and Timetable – 31 March 2023

Background:

- Quarterly update of Audit Wales' Work Programme and Timetable for PCC, as at 31 March 2023.

Observations and Recommendations:

- The Chair noted that the Quarter 4 update had been superseded by the Quarter 1 update which was contained in the following agenda item.

6. AUDIT WALES - WORK PROGRAMME AND TIMETABLE - 30 JUNE 2023

Documents Considered:

- Audit Wales – Work Programme and Timetable – 30 June 2023.

Background:

- Outlined the current Audit Wales projects and the status of the project.

- 2021/22 year was completed, the only outstanding item was the Asset Report which was due to be presented to GAC once the Service had reviewed the report for factual accuracy.
- Audit Year 2022/23 included thematic projects which had already started. The Capital Programme Management thematic had not yet started.
- Audit year 2023/24 incorporated the Scrutiny Follow-up follow-on review into the Corporate Governance review.
- Page 8 outlined the national Local Government studies which were planned.
- Page 13 outlined the national reporting outputs.

Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
	<p>The Audit Lead (Performance Audit) noted the unscheduled care work by Audit Wales and noted the input from both Local Government (due to the social care provision) and Health. Despite the crossover, unscheduled care was within the Health remit. The fieldwork was complete, and the report was now being drafted. The aim was to publish the report in September/October 2023. The work was significant as there would be national, regional and local outputs.</p> <p>It was noted that the digital thematic listed in the Quarter 1 plan was a Local Government digital thematic. However, there was also a digital thematic which sat within the Health Plan. There was no single digital review, however the findings of both reports could be share between Audit Wales teams, such as integrated risks and positive joint working examples.</p> <p>The Audit Lead (Performance Audit) noted that the cyber security review was considered confidentially due to the nature of the report.</p>
<p>How does Audit Wales select the areas of focus for the upcoming audit period? There was scrutiny currently regarding the topic of emergency mental health, with recent announcements that the police would no longer be willing to cover</p>	<p>The Audit Lead (Performance Audit) noted that planning work was undertaken before reviews, alongside risk assessment. A combination of factors was utilised to influence which work is undertaken when. Performance reports, conversations</p>

<p>emergency mental health provision. Would this topic be likely to move up the agenda for the forward work programme?</p>	<p>with relevant parties.</p> <p>Local audit work was determined by considering performance reports, having local conversations with the Local Authority, and understanding what areas had not been audited recently.</p> <p>Mental Health had been a topic discussed at Audit Wales. It was noted that there were a number of high-level risks at the moment.</p> <p>The forward work programme for Health would include mental health.</p> <p>When scoping the work, feedback would be provided in terms of police not responding to mental health calls for example. With capacity limited at times, these topics may be planned over a number of years.</p>
<p>After the report had been issued by Audit Wales, what work is then done to ensure that any recommendations had been actioned?</p>	<p>Audit Wales noted that audit reviews of services, for example the Planning Service, would be fed into the GAC and relevant scrutiny committees. A follow up review would then be undertaken, which may be within 6 months, or more time may be given to allow the recommendations to be actioned. The follow-up review would then look at each recommendation, and would identify areas of both good practice and the areas which still require improvement.</p> <p>The follow-up process would use the same procedure of reporting to Committees.</p> <p>The Cabinet Member for a Connected Powys noted that internal assurance could be provided quarterly throughout the year before Audit Wales return to undertake a follow-up review. Audit Wales affirmed this statement.</p> <p>The Audit Manager (Financial Audit) reported the upcoming audit work for the next quarter. It was noted that the audit of the Council's Accounts was due which was previously discussed. The</p>

	<p>Audit Manager also noted the upcoming audit of the Powys Pension Fund, and that the associated Audit Plan should be ready to receive at the next meeting of the GAC.</p>
<p>The Chair noted the Springing Forward – Examining the Building Blocks for a Sustainable Future report, and asked would there be a potential contribution to the implementation plan for Sustainable Powys.</p>	<p>The Audit Lead (Performance Audit) noted the scope of Springing Forward, which had been split into two sections – Workforce Management which had already been received by GAC, and the Assets Report which was exploring asset management across the Local Authority. Audit Wales then looked at the strategic and operational plans of the Council relating to these areas, and how that would link in with the sustainable development principle. It was noted that the Assets Report was with Officers for factual accuracy.</p> <p>The Head of Finance confirmed that Sustainable Powys would contain those elements of work.</p>

Observations and Recommendations:

- The Committee noted the contents of the work programme and timetable.

7.	PCC - TECHNOLOGY ASSURANCE FRAMEWORK REVIEW
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Documents Considered:

- SWAP PCC – Technology Assurance Framework Review

Background:

- The Chair noted that the SWAP Technology Assurance Framework Review was not providing an audit opinion.
- The Chair had requested that this item be included on the agenda for the next meeting of GAC, for Senior Officers within the ICT and Digital Service Area to respond.
- The SWAP Assistant Director (Specialist Technology and Digital) noted that the purpose of the Framework Review was to enable a value-added and fully resourced internal audit plan for technology and digital going forward.
- An end-to-end framework review was therefore necessary.
- An opinion was not formed due to no detailed testing being undertaken.
- It was noted that the audience of the report were the GAC Members and the Senior Leadership Team, rather than the Head of Economy and Digital, who was already working with the SWAP Assistant Director.

- The SWAP IT Team were already liaising with PCC’s ICT/Digital Team to address the first audit derived from the Framework Review, specifically around the Council’s ICT strategy. The audit would provide a level of assurance to the Head of Economy and Digital, who would then be able to respond.

Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
<p>The report does not mention artificial intelligence, will this be included in future reviews/audits?</p>	<p>Artificial intelligence was considered an emerging technology. SWAP would not prevent the Council from using artificial intelligence, however SWAP would consider the risks involved with the technology and application, and the technology must be assessed carefully.</p> <p>The SWAP Assistant Director reported that no Local Authority within the SWAP partnership had yet to adopt a policy on artificial intelligence.</p> <p>Work was ongoing within government and industry which could see artificial intelligence solutions specifically for local authorities.</p>
<p>Page 70 referred to the technical area around the policies. There did not appear to be clarification on how the responses would be relayed to staff, and how the adherence to the policies would be monitored.</p> <p>Page 73 referred to a timescale of 31st October 2023. It was not exactly clear in what needed to be undertaken by the 31st of October.</p> <p>Page 82 – The management response was ‘we will support any further work required to provide further assurance’. The timescale given was 30th September. Would this further work be complete by 30th September?</p>	<p>For Officer response in September meeting.</p>
<p>Regarding the details of missing mobile phones and tablets listed on page 7, are you confident that the data that has been provided reflects an accurate position?</p>	<p>For Officer response in September meeting.</p> <p>The SWAP Assistant Director noted that the review was based upon the</p>

	data provided by the Service.
<p>In other organisations, there was still a reliance on machines using Windows 7 operating systems which were no longer provided security updates; some software does not run on more modern versions of the Windows operating system. Were you aware of these instances occurring when undertaking the review?</p> <p>Do you benchmark the digital infrastructure against other Authorities to compare where PCC stands against other Local Authorities?</p>	<p>It was noted that a specific question was asked of the Service to confirm which operating systems were used across the Authority. There were circumstances with legacy systems, where the system could not be updated to a newer version of the operating system. The framework review found no evidence of Windows 7 machinery still in use within Powys County Council, based on the information provided by the Service.</p> <p>Regarding benchmarking, the added benefit of the framework review was the same as was done across the SWAP Partner Local Authorities. For these reasons, an assurance opinion was not given. Overall, SWAP noted that the findings of the review were very similar to the findings from other Authorities.</p>
<p>Page 3 – Point 3 referred to data centre and hosting arrangements. The Council and the GAC had relied upon external assurance that there were adequate safeguards relating to the Gold ISME Standard. Were you suggesting that relying on the Gold Standards were insufficient, and how could assurance be enhanced in this area?</p> <p>Should these framework reviews therefore be undertaken more regularly, for example on an annual basis?</p>	<p>The Gold Standard relates to the operation of the data centre. SWAP was interested in how the operation of the data centre interreacts with other elements of the business. Reliance on the data centre, including its resilience, is paramount if the Council was impacted by a cyber-attack, for example. SWAP was not only interested in the technical specification of the Gold Standard, but also other configuration items, such as contracts for fire management, the air conditioning and deep cleans for example.</p> <p>It would depend on the level of assurance provided, and the level of assurance expected by the GAC, which may feel that more regular reviews were necessary.</p>
<p>What was the opinion of EMT regarding the Framework Review?</p>	<p>The Director of Corporate Services noted that detailed work had been undertaken between the IT/Digital</p>

<p>The Chair also noted interest around work with the Health Board; would this be by a service-level agreement where the Health Board pays the Council to provide the services? Would Powys Teaching Health Board (PTHB) receive any of the work completed around resilience?</p>	<p>Service Area and SWAP. The Director requested that the Service be allowed to respond to questions about the Review at the next meeting of GAC.</p> <p>EMT had considered the priorities, categorised by A, B, C, D, and dealt with by priority. Resources had been aligned to the programme, with the commitment, subject to budget, that the programme was taken forward.</p> <p>The Head of Finance confirmed that a Section 33 Agreement was used to essentially pay for services provided by the Council on behalf of the Health Board.</p> <p>The Director of Corporate Services noted that findings would be fed back to the Joint Partnership Board (between PTHB and PCC) on a regular basis. The Section 33 Agreement was currently under review, with additional discussions to be had regarding the work of the Regional Partnership Board.</p>
<p>The benefits of not working in isolation with other stakeholders was noted, to reduce duplication of work.</p>	

Actions:

- The Chair requested that the item be included on the agenda for the next meeting of GAC, for Senior Officers within the ICT and Digital Service Area to respond.

8.	SWAP - INTERNAL AUDIT PLAN 2023-24
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Documents Considered:

- SWAP Internal Audit Plan 2023-24

Background:

- The SWAP Assistant Director (Powys) noted that the Internal Audit Plan had previously been presented to Committee for feedback, with the amended report being presented again to GAC.
- The Internal Audit Plan was produced according to a number of factors, such as risk assessments, corporate objectives, systems, input from managers, elected Members and previous work undertaken by SWAP.

- The risk assessment was contained in page 92 of the agenda pack, split into four areas:
 - Local, regional, national and core areas of a healthy organisation.
 - Coverage across the healthy organisation spectrum, which were deemed satisfactory.
- Internal Audit Plan was contained within Appendix 1.
- It was noted that the dates listed were indicative, due to the unknowns involved in auditing and would be defined as the scope progresses.
- The Report also listed the timeframes and resources required to undertake the audit activities.
- Members were reminded that the Charter was the formal document which outlined the purpose, authority and responsibilities of the relationship between Internal Audit and the Council. The Charter also defined the framework of how Internal Audit operated.
- The SWAP Assistant Director (Powys) asked Members to note and approve the Internal Audit Plan and Charter.

Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
<p>Regarding the two Levelling-Up planned assignments listed in Appendix 1, it was noted there were 20 days for each. Were governance and project management processes in place that could be applied to every project, therefore, to only require one audit? Was each project deemed to be so unique that it would require separate governance and project management processes?</p>	<p>The SWAP Assistant Director (Powys) reported that general learning resulting from project management and governance internal audit would be shared where relevant.</p> <p>It was noted that the planned assignments related to Theatr Brycheiniog and the Montgomeryshire Canal Project, and the planned audit approach was slightly different for this year. Audit could be undertaken at the end of the project, whereas for the planned assignments in question, time had been allocated within the Plan to support the Council through all aspects of the delivery of the project. It was noted that the process was more agile. Information which could be relevant to other areas would be shared by the SWAP Assistant Director (Powys).</p>
<p>Regarding Page 4 of the Report relating to employment, there were several bullet points relating to audit coverage over the period. Should it be considered that another bullet point is added regarding an assessment of the New Ways of Working hybrid-working approach? There were comments made by the Head of</p>	<p>The Cabinet Member for a Connected Powys noted the need for a cautious approach when deciding on the range or boundaries of a specific element of the audit plan. It was further noted that Service Areas should not be restricted due to the findings of one Service Area regarding New Ways of Working. There were examples of good practice where a</p>

<p>PPPP at the previous GAC meeting relating to the issues of home working for the Service, whilst other Services reported working well via the fully virtual-working approach.</p>	<p>hybrid-working approach worked well for Services.</p> <p>The Chair noted that the Audit Plan was risk-driven.</p> <p>The SWAP Assistant Director (Powys) noted that it was important for internal auditors to listen to Members' views and risks. Responding to the question specifically regarding employment, it was noted that the points were taken from the Corporate Objectives.</p> <p>Whilst there was no specific Objective relating to New Ways of Working, the mobilisation of the workforce was important, and there were issues which would need to be considered as part of Internal Audit. The SWAP Assistant Director (Powys) reported that staff wellbeing was to be considered, and would discuss workforce mobilisation with Officers alongside the framework to report back to GAC.</p>
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Actions:

- The motion to approve the Audit Plan was moved by Cllr W Powell and seconded by J Brautigam.

RESOLVED that the Governance and Audit Committee approved the Audit Plan.

Observations and Recommendations:

- The Chair noted that the next meeting of the Internal Audit Working Group was for Members to understand the planning process and to make continuous improvements to the work.
- The SWAP Assistant Director (Powys) reported that there would be an opportunity to present the new audit system to Members at the next Internal Audit Working Group meeting, noted that real-time information would be more agile for consideration.
- The SWAP CEO noted that the Internal Audit Working Group would be a more dynamic and transparent process for Members.

<p>9.</p>	<p>FRAUD REPORT</p>
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Documents Considered:

- Quarter 1 Fraud Report.

Background:

- The Report highlighted the ongoing areas of investigation and review, including the rebills and overpayments raised which were recoverable.
- Projected gains and savings which would have been made by stopping the progression of applications.
- The Senior Investigator noted that improvements had been made to the report following previous Members' comments, regarding fraud overpayments.
- Review of NDR, alongside Welsh Government grants.
- Council Tax review undertaken.
- A Fraud module had been prepared following translation, the Whistleblowing Policy which was to be mandatory for all staff was finalised and awaiting translation.
- Codes of Conduct to be finalised by Legal Services.
- Work was ongoing with Recruitment regarding vetting of candidates.
- The Chair noted that the Fraud Team asked for comments and suggestions for areas of focus.

Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
<p>Regarding the Council Tax reduction scheme, there were 9 ongoing investigations. Were the Fraud Team reviewing whether the paperwork and systems were correct, as there were a number of possible fraud investigations with no outcome.</p>	<p>The Senior Investigator noted that as the public could report fraud, the Fraud Team were required to investigate all referrals despite the possibility that no fraud had occurred. The Fraud Team ensured that cases could be reviewed using data already held in the Council's information systems, to ascertain whether the referral had substance and thus required progression.</p>
<p>How were vexatious complaints handled and monitored? Was there a system in place to deal with these issues?</p>	<p>The Senior Investigator reported that Powys County Council had not experienced issues with repeated complaints. Often referrers would contact the Fraud Team expecting a response to their referral, despite Data Protection laws forbidding the disclosure of the information.</p> <p>If there were internal vexatious referrals, this would be highlighted to the Human Resources Service Area.</p> <p>The Head of Finance noted that where processes reveal findings, reflection on such processes would be undertaken to drive improvement. It was reported that Income and Awards Officers met with</p>

	<p>Senior Officers to discuss potential issues with the view to change processes.</p> <p>Complaints were dealt with according to the Complaints Procedure, which were logged.</p>
<p>How much time did Officers spend responding to reported incidences of fraud, versus the time spent by the Fraud Team investigating fraud proactively?</p> <p>Point 2.2 of the Report mentioned promoting and raising awareness of the Fraud and Money Laundering Policies. An update on how the exercise went, including feedback from staff using the policies would be helpful.</p>	<p>The Senior Investigator noted that it was difficult to understand and quantify the time taken during proactive and reactive fraud investigation. Prior to 2014, for example, most of the Council’s work was reactive especially around areas such as benefits. It was reported that half of the work undertaken by the Fraud Team was used to gain a greater understanding of how proactive work could be increased.</p> <p>A series of proactive reviews and data matching were undertaken, which was repeated cyclically. The findings of these investigations could then be used to inform the frequency of reviews required. Proactive work was also undertaken to understand emerging frauds.</p> <p>The Senior Investigator noted two previous incidences of Council employees who had approached agencies first, and then came to work for the Council, which could not be identified using data matching from the Cabinet Office. It was reported that proactive work was required to build relationships with the agencies who may support the Council’s Services, to identify potential fraud. The Fraud Team had worked with the Human Resources Service Area to ensure that agency staff were not working for other employers in addition to PCC, unless shifts did not align, and hours worked did not exceed the Working Time Regulations for example.</p> <p>The Senior investigator noted that she would think about how time spent on proactive and reactive work could be quantified better, and to promote the relevant policies. It was further noted that Council staff could report potential fraud, however a ‘report fraud’ button</p>

	<p>which featured on the staff intranet had been removed and was not available on the new staff intranet page. This meant that staff would have to either visit the public website, or contact the Fraud Team directly.</p>
<p>Referring to Section 6 and the table listed, there were four actions with a red statement, which required GAC input. Please could the Senior Investigator expand on those statements?</p>	<p>The Senior Investigator noted the first point regarding Net Consent which allowed staff to acknowledge and accept policies. It was reported that information from the Business Intelligence Team was still awaited, to gain understanding of the 650 employees who may no longer work for the Authority or were temporary workers. This was a concern due to the potential of employees who had not accepted the Council's policies. Once identified, work would be undertaken to ensure those employees do accept the relevant policies.</p> <p>Regarding the second point around the lack of a "report fraud" button functionality on the staff intranet, the Senior Investigator believed that fraud referrals were decreasing and would continue to do so.</p> <p>The Code of Conduct was due to be strengthened both for Officers and Members. Direct anti-fraud references were to be included to strengthen the Codes of Conduct. The Head of Legal Services advised that these additions were not possible for Members, due to the Member's Code of Conduct being set nationally by the Public Services Ombudsman for Wales. It was reported that the Head of Legal Services suggested that an email to all Members could be undertaken, however the Senior Investigator wanted to seek the views of GAC Members relating to this matter.</p> <p>John Brautigam noted that he would not be content with an email sent to all Members, and that it would require a more strengthened approach.</p>
<p>Did the Senior Investigator feel that there was sufficient protection</p>	<p>The Senior Investigator noted that not all members of staff working for the Council</p>

<p>regarding third parties, contractors or departing Officers who may work in the capacity of a fixed-term consultant to the Authority.</p>	<p>were directly employed by the Council and may be contracted via a third-party or working on a consultancy basis. The Senior Investigator felt that the due diligence around these appointments needed strengthening, and was liaising with Services such as Employment Services, Recruitment and Human Resources.</p> <p>It was further reported that individuals could legally purchase false documentation such as bank statements and qualifications. Therefore, the Senior Investigator noted that stringent checks should be in place where individuals work for the Council or have access to the Council's data.</p>
<p>Have you contacted any other Authorities regarding how they deal with Code of Conduct issues?</p>	<p>The Senior Investigator reported that colleagues from other Authorities involved in the Wales Fraud Officer Group were not aware of these issues relating to amending the Member's Code of Conduct.</p> <p>The Senior Investigator noted that this could be an opportunity to report the issue of amending the Member's Code of Conduct with the Public Services Ombudsman for Wales. The Senior Investigator reported that she was able to contact the Head of Legal Services/Monitoring Officer to seek his opinion on whether she should contact the Ombudsman directly, or whether he would prefer to do so.</p> <p>The Chair noted an action that the Committee should write to the Head of Legal Services/Monitoring Officer noting the discussions with the Senior Investigator, with the Committee's preference being that there should be an amendment to the Member's Code of Conduct to include anti-fraud references.</p> <p>The Senior Investigator also noted that regarding the vetting of candidates relating to financial fraud risk. The work had started around this issue, although the Senior Investigator was waiting for</p>

	Human Resources and Recruitment colleagues to respond to suggestions of improvements that other Authorities had already implemented.
Was further information going to be sought regarding the inability to implement a “report fraud” button on the staff intranet?	<p>The Senior Investigator agreed with the Member’s point and noted that the previous Income and Awards Manager pushed for the change, however, was told that there was not a place for this function.</p> <p>The Head of Finance noted to the Director of Corporate Services that this issue should be reviewed. The Chair noted an action point to seek further advice on the implementation of a fraud referral button on the staff intranet.</p>
Before the Committee receive a response from the Monitoring Officer, was there something that needed to be done for Councillors in the meantime, for example recirculating the fraud policy to all Members?	The Senior Investigator agreed that the policy would include the anti-fraud references and noted that if the Committee felt this was necessary then it could be arranged. It was further noted however that a more robust measure was required.

Actions:

- The Committee requested that a “report fraud” button be implemented into the Staff Intranet as was previously available. Further advice was to be sought from Officers to explain the reasoning as to why this would not be possible.
- The Committee did not agree with the Monitoring Officer’s suggestion, and requested the Monitoring Officer to write to the Public Services Ombudsman for Wales, to ask for the Member’s Code of Conduct to be strengthened and updated with anti-fraud references.

Observations and Recommendations:

- The Senior Investigator was to share the Fraud policy with all Councillors.

10. TREASURY MANAGEMENT - YEAR END REPORT
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Documents Considered:

- Treasury Management – Year End Report 2022/23

Background:

- The Head of Finance noted that there was not much change since reporting the previous quarters.

- The Authority aimed to achieve the optimum return on its investments, whilst being mindful of the security, liquidity and low risk appetite regarding security of investments.
- Interest rates for investments remained lower than borrowing rates.
- The use of cash reserves as opposed to borrowing remained a prudent and cost-effective means of managing treasury activity.
- The Head of Finance noted that bank interest rates had increased.
- The Council continued to hold some surplus funds in deposit accounts which had this year attracted a level of interest not seen in recent years.
- Investment returns on inter-Authority lending had increased.
- It was noted there were no changes to the credit rating for the Authority's position in the last quarter.
- Section 3.9 outlined the Capital position, which had also been reported via the Capital Report.
- Inflation was continuing to severely impact the cost of schemes, particularly the material and construction costs which were still significantly higher than in previous years. Mitigations included cutting back on certain schemes to reduce costs.
- The Finance Team had continued work with the Council's treasury advisors to reschedule borrowing where possible.
- It was reported that with the increase in gilt rates, the last two LOBO loans were redeemed. Whilst there was a slight increase in costs until financial year 2023/24 as a result, it was anticipated that a discounted saving of around £1 million over the period of the loans could be made.
- Debt rescheduling opportunities had been limited due to the current economic climate, as existing borrowing rates remained lower than current rates.
- Finance costs related to the revenue stream (Section 3.32) were still within reasonable limits. The Head of Finance noted that this would likely be further challenged by future Audit Wales work. It was noted that some English Authorities could not balance their budgets, therefore requiring Section 114 Notices to be issued, which the Council were mindful of.
- Sundry Debt was still high, although the figure had reduced from £16.13 million at the previous quarter, to £11.64 million at year-end.
- Deep dive into Adult Social Care debt was ongoing, once completed the report would be presented to Cabinet and shared with GAC.

Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
<p>The Cabinet Member for Finance noted Appendix A regarding the economic background and the forecasts, and further noted that 2022/23 was an incredibly difficult year due to the economic situation. It was noted that 2023/24 would likely be as or more difficult, due to high levels of wage and general inflation relating to food costs, despite energy inflation reducing.</p>	

<p>The Cabinet Member for Finance also highlighted the interest rates table for 2023/24, which showed an interest rate of 4.5% for June which was already out-of-date. It was further noted that the Cabinet Member felt that the Treasury Management team and function worked effectively for the 22/23 period.</p>	
<p>Regarding the Sundry Debts section of the Report, there was reference to a significant number of aged debts with respect to the Health Board due to social care matters. Did the Head of Finance or Cabinet Member feel reassured that these debts were able to be resolved.</p>	<p>The Head of Finance noted that at the end of a financial year, many of the outstanding invoices were raised, so there was usually an increase in debt reported. Similarly, the time taken to settle debt was longer.</p> <p>The Head of Finance reported that Officers had developed a good working relationship with colleagues in the Health Board, where both the Head of Finance and Accountants within the Service Area worked together with their equivalents in the Health Board. This eased the dialogue regarding open disputes and aided information sharing, therefore the Head of Finance felt that debt reporting would improve through the new financial year.</p>
<p>Regarding internal debts, there were large figures relating to HTR and Adult Services. How would the Service Areas be able to manage these debts, particularly the aged debts over 30 and 90 days, especially when winter pressures begin later in the year?</p> <p>Did the Cabinet Member for Finance feel confident that the other Portfolio Holders were aware of what was within their budgets, and where budget deficits existed, were they liaising with the Cabinet Member for Finance?</p>	<p>The Head of Finance explained that when an invoice was raised, the Service Area would receive the income to the relevant accounts. The debt was held on the balance sheet rather than individual Services having the debt not shown on their records. It was therefore important for the Finance Teams to work with the Services who needed to recover debt.</p> <p>It was further noted regarding Social Care debts that the levels of what was charged were significant. The Deep dive information should allow the Service to identify how to improve, which could be fed into practices across the Council.</p> <p>The Cabinet Member for Finance and Corporate Transformation reported that</p>

	<p>he would be concerned if other Portfolio Holders were not aware of the issues ongoing within their own Service Areas. The Quarter 1 outturn would be reviewed to gain a greater understanding of the financial situation. The Cabinet Member for Finance and Corporate Transformation was fairly confident that all Portfolio Holders were abreast of the developments within their relevant Service Areas.</p>
<p>Regarding the table contained within the Sundry Debt section of the Report, how did that compare with other Authorities if a comparison was possible? The opening paragraph of the section (3.41) explained the cash flow and the need for short-term borrowing to cover the level of debt, was there a figure showing how much that was costing the Council?</p>	<p>The Head of Finance noted that short-term borrowing now would be more beneficial as interest rates are likely to fall.</p> <p>The Head of Finance noted that she did not have the figure to hand, however it was possible to obtain and provide to GAC. The current stance was reconfirmed that borrowing in the short-term was more beneficial than longer-term borrowing, due to interest rates being higher currently.</p> <p>The Head of Finance explained that it was difficult to compare levels of debt as there were different delivery models used across other Authorities. There were ratios that would allow comparison, and these data did exist which can be shared with GAC, however it was noted that it was only useful to an extent, as Authorities can be very different in what they deliver and charge for.</p>
<p>Capital was budgeted for good reasons and not spending capital was not a virtue. Progress on capital budget was very slow.</p>	<p>In the previous year, Services were asked to spend only where they could, provided that it would not cause concerns for the Authority.</p> <p>Any underspend in a budget was ringfenced due to the level of capital spend being lower than anticipated. Therefore, funds would be available to deliver on the capital programmes in the new financial year. Reprofiling and gaining a greater understanding of when capital needed to be spent was not yet fully satisfactory. Improvement</p>

	was being made across Service Areas alongside the Capital Oversight Board.
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Observations and Recommendations:

- The Committee received and noted the Treasury Management Year-End Report for 2022/23.

11.	ANNUAL SELF-ASSESSMENT REPORT AND ANNUAL GOVERNANCE STATEMENT
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Observations and Recommendations:

- The Committee endorsed the Annual Self-Assessment Report and AGS.

12.	ANNUAL SELF-ASSESSMENT REPORT
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Documents Considered:

- Annual Self-Assessment Report

Background:

- Reports prepared to support the requirements of the Council under Part 6 of the Local Government and Elections (Wales) Act 2021.
 - Necessity to review that the Council was exercising its functions effectively,
 - Using resources economically, efficiently and effectively,
 - And the extent to which its governance was effective for securing the above.
- GAC input was received during a private seminar session held on 21st July 2023.
- The Self-Assessment Report provided an overview of the Council’s performance against the 2022/23 Corporate Improvement Plan and Strategic Equality Plan (Vision 2025).
- Cabinet considered the degrees of ambition, defined using the Future Generations Journey Tracker. The four objectives were:
 - Being more adventurous,
 - Making simple changes,
 - Being more adventurous but moving towards owning our ambition,
 - Making simple changes as well as being more adventurous.
- SWOT (Strengths, Weaknesses, Opportunities and Threats) document aligned to the Well-being Goals, based on information provided by Services from their own self-assessments.
 - Highlighted both opportunities and threats to the Council for the future.
- Performance measures and public engagement.
- The Report was presented to GAC to seek endorsement of the Annual Self-Assessment.

Observations and Recommendations:

- The Committee endorsed the Annual Self-Assessment Report, which was to be considered by the Cabinet on 1 August 2023.

13.	ANNUAL GOVERNANCE STATEMENT
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Documents Considered:

- Annual Governance Statement

Background:

Annual Governance Statement

- Demonstrated the extent to which governance was effective.
- Provided an overall assessment of the Council's assurance.
- The AGS also rated assurance against the seven CIPFA principles and SOLACE.
- The finalised assurance ratings were set at:
 - Principle A – Substantial,
 - Principle B – Reasonable,
 - Principle C – Reasonable,
 - Principle D – Substantial,
 - Principle E – Substantial,
 - Principle F – Reasonable,
 - Principle G – Reasonable.
- Report presented to GAC to seek endorsement of the AGS before it was formally approved at the September meeting of GAC.

Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
Was there an update on the recommendation to make risk management training mandatory for all Officers across the Council?	The Director of Corporate Services updated Members regarding the recommendation to require all staff to undertake risk management training. The Executive Management Team considered the recommendation, and concluded to identify specific Officer roles which would require risk management training to be made mandatory.
Following on from the previous question, when were training requirements reviewed by the Senior Leadership Team (SLT) for staff roles?	The Director of Corporate Services explained that performance was monitored quarterly against the mandatory training requirements, similarly to appraisals and sickness reviews. Wider workforce planning, training needs and analysis for roles, this was undertaken annually as part of integrated business planning. Workshops were set-up for September/October with each Service

	<p>Area.</p> <p>The Director of Corporate Services also noted that the draft People Strategy was recently shared with SLT, which aimed to strengthen organisational development across the Council.</p>
<p>The Committee previously discussed the volume of work involved in preparing these annual Reports. Could Audit Wales reduce the burden and cost involved in producing these Reports?</p>	<p>The Director of Corporate Services agreed that there was significant work required to undertake which included the AGS, Corporate Self-Assessment, Annual Council Reporting Framework, the Area Report for the Regional Partnership Board, Annual Reports for the Wellbeing objectives under the Public Service Board in addition to the Corporate Joint Committee.</p> <p>It was noted that the Council was undertaking one piece of work which could serve multiple purposes to condense the volume of work involved. The Corporate Plan included the Corporate and Strategic Equality Plan which was inclusive rather than separate.</p> <p>The Director of Corporate Services noted the Corporate Self-Assessment had been condensed by providing links to evidence, which was available for people who wanted to drill down to an even greater level of detail. This learning was to be implemented into the next AGS.</p> <p>It was further noted that the process undertaken to prepare the AGS using a seminar session of GAC to scrutinise Cabinet/EMT's initial assurance ratings was helpful.</p>

Actions:

- The Committee endorsed the AGS, which was to be considered by the Cabinet on 1 August 2023 and would be presented again to GAC for formal approval alongside the Authority Accounts on completion of the audit.

14. SUSTAINABLE POWYS - UPDATE

Documents Considered:

- A verbal update was provided by the Head of Finance.

Background:

- Sessions with Senior Managers undertaken.
- Information shared based on what options other Authorities were exploring.
- Sessions undertaken on the organisational culture, to help Heads of Service and Managers to involve and support Officers in moving towards new models of working.
- Communications work and support to be sourced externally, messages sent to residents regarding Sustainable Powys were noted as being fundamental for its success.
- Roadmap developed with timescales.
- Member briefing in July undertaken and further workshops planned.
- Analysis and collation of data, identified ‘quick wins’, established sprints to action these.
- Assessment of the Integrated Business Plans.
- Into Spring 2024, to bridge the £10 million gap in the budget.
- Budget model to be updated.
- To refresh the Medium-Term Financial Strategy alongside the other work of Sustainable Powys.
- The Head of Finance noted the earlier comments around digital exclusion, investment had been made over a number of years, to ensure future generations were served effectively regarding access to digital services.

Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
<p>The Cabinet Member for Finance and Corporate Transformation noted that the public perception was highly important relating to Sustainable Powys, and how the Council provided services to residents.</p>	
<p>It was noted that artificial intelligence (AI) could be useful for residents and in improving the financial sustainability of Council services when used correctly. It was reported that Durham County Council used self-service portals utilising AI. How could the Council ensure that all generations of people were not excluded, to be able to access digital services going forward?</p>	<p>The Director of Corporate Services noted that many households across Powys had already signed up to digital services, around 66,000 registered accounts out of a population of 133,000. It was noted that there were areas where services could be improved or changed to maximise the use of AI tools, whilst retaining the value of human involvement in good customer service, for example.</p>

	<p>The Director of Corporate Services also noted the draft People Strategy which would be presented to Members once staff were consulted. The Strategy could help equip the workforce to adopt and utilise new technologies.</p> <p>The Director further noted the recent Sustainable Powys workshop with Members, which discussed the challenges of housing, especially for young people, the outward migration from Powys, apprenticeships and graduate schemes. Although the Council would have less money to spend on the redesigned services which may look different to before, the services could provide a better service.</p>
<p>The Chair asked the Head of Finance how benefits of Sustainable Powys would be tracked, specifically the quantitative and qualitative benefits? Was there a methodology for tracking the benefits?</p>	<p>The Head of Finance responded that previous challenge of the Council on reviewing the impact of previous cost-saving measures had already provided learning. As options were developed, the Council must be clear from the outset what would be recorded and monitored to effectively report on the benefits realisation moving forward.</p> <p>The Head of Finance noted that transformation bids were required to be aligned with Sustainable Powys, however, expectations also needed to be set based on that investment.</p> <p>The Chair recommended that a methodology be used that could be described to all stakeholders, including the Council’s individual Services and Officers but also the public. A methodology would assist in outlining the qualitative and financial benefits of Sustainable Powys, which may include longer-term investment plans before benefit realisation occurred. It was noted that a balance would need to be struck between delivering the financial savings, whilst not distorting the overall programme to enable an outcome- and services-driven, sustainable improvement programme.</p>

	<p>The Director of Corporate Services noted invest to save proposals, for example to remedy homelessness and poverty in Powys. The invest to save proposals could be measured and evaluated as part of Sustainable Powys.</p>
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Observations and Recommendations:

- The Chair recommended that a methodology be developed to enable qualitative and quantitative benefits of Sustainable Powys to be tracked and communicated to all stakeholders.

15.	WORKING GROUPS
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Documents Considered:

- Governance and Audit Committee – Capital Working Group Report 29-06-2023.

Observations and Recommendations:

- The Committee received and noted the report of the Capital Working Group held 29 June 2023.

16.	SELF-ASSESSMENT ACTION PLAN UPDATE
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Documents Considered:

- Governance and Audit Committee Self-Assessment Action Plan.

Background:

- A verbal update on the Governance and Audit Committee’s Self-Assessment Action Plan was provided by the Head of Democratic Services and Head of Finance.

Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
<p>The Chair noted Item 1.2 which related to public engagement and how the Committee could involve the public in future meetings. The Chair felt that it would be difficult to find ways in which the public could be engaged on governance and audit business, and sought suggestions.</p>	<p>The Head of Democratic Services noted that the Council’s Communications Team were able to provide support with GAC communications, such as sharing meeting recordings and to highlight the work of the Committee.</p>

<p>The Chair also noted the skills audit of GAC Members needed to be reviewed, specifically around digital and scrutiny questioning skills.</p>	
<p>It was noted that the Self-Assessment Action Plan mentioned GAC Member training. Was a training log or training plan available which could list each Member and the training received?</p>	<p>The Head of Democratic Services confirmed that a training log was kept which outlined the training received by Members.</p>
<p>Member training was noted as being an element of the Annual Report for individual Councillors. It was understood that each Councillor's online profile recorded their training.</p>	
<p>The Director of Corporate Services noted that the Council had already attempted to increase the awareness of public participation in local democracy and scrutiny, such as the "make a suggestion" function for Scrutiny Committees. It was noted that GAC could be more difficult to follow compared to the items considered by Learning and Skills or Health and Care Scrutiny Committee.</p> <p>The Director of Corporate Services asked the Audit Lead (Performance Audit) whether there were any specific Local Authorities that had best practice examples.</p>	<p>The Audit Lead (Performance Audit) agreed that much of the information discussed at GAC could be quite technical, which may be a barrier to public participation. However, it was noted that the accessibility of the meeting, rather than its contents, would be more relevant for the people who wanted to attend GAC anyway. The content of the meeting was a separate issue which resulted from agenda development.</p> <p>There were no specific example Local Authorities, however earlier work by Audit Wales on scrutiny arrangements were transferrable, such as ease of access to live meetings and recordings, advertisement via social media channels and accessing agendas. Indicators for wider public participation could be drawn from both the number of viewers watching the live meetings and the recordings.</p>
<p>Page 386 (of the agenda pack) noted internal audit reporting was agile which resulted in reports being received slightly quicker. However, there were occasions when internal audit reports were slow to be presented to GAC, after which time the subject had lost relevance.</p>	<p>The Chair agreed with the comments made by the Member, and noted that it would be helpful to improve the pattern and timeliness of reporting, including responses from Officers.</p> <p>The SWAP Assistant Director (Powys) agreed with the comments, and noted that an effective internal audit process required actions to be communicated</p>

	<p>immediately to the client to address. It was further noted that the Internal Audit Working Group could review the metrics.</p> <p>It was noted the new internal audit system could allow live oversight of Officer's reporting on actions, providing a real-time view of each action which should increase assurance. The SWAP Assistant Director (Powys) noted that the risk still existed whilst internal audits were not actioned.</p>
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Observations and Recommendations:

- Recommended that the Chair and Democratic and Scrutiny Support Officer review:
 - the approach to public engagement with GAC,
 - the skills audit, training needs and log for GAC Members.

17.	WORK PROGRAMME
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Documents Considered:

- Governance and Audit Committee Work Programme

Issues Raised by the Committee and Responses Received:

Issues Raised by the Committee:	Responses Received:
<p>Due to the high workload of the GAC currently, could more sessions be scheduled so that that the regular items and quarterly reports be received and considered, with a supplementary meeting to receive items such as updates on Sustainable Powys, Working Group reports and action plans?</p>	<p>The Chair noted that she was unsure whether the Member's proposal would be feasible, however was open to discussion on the issue of workload. The Chair noted further whether a meeting was required for October due to the length of meetings, and the volume of agendas.</p> <p>The Head of Democratic Services reported that the number of GAC meetings had increased to eight per year. There were regular agenda items such as quarterly reports, however there were also additional reports from Audit Wales and SWAP which needed to be received and considered by the GAC.</p> <p>The Head of Democratic Services also noted that a review of the frequency of agenda items being considered by</p>

	<p>GAC may be helpful. There were other methods to consider reports which could be explored, rather than scheduling more meetings which can become difficult with conflicting meetings.</p>
<p>The notion of reducing the number of agenda items by increasing meetings was welcomed, however it was noted that this would be challenging for Members to balance with other commitments.</p>	<p>The Chair agreed with the Member's comments and noted that a way forward without increasing meeting frequency would be needed.</p>
<p>The difficulty in attending all meetings and other Committee commitments, employment and personal life, whilst contributing effectively was noted.</p> <p>Increasing meeting frequency may be suitable for some Members. However, for those Members that had other employment, attending additional meetings would be challenging, and risked omitting Members who relied on employment alongside their elected Councillor duties.</p> <p>It was acknowledged that when Officers were required to produce reports for the Committee, this in-turn would reduce their capacity to undertake the other duties of their role. Shorter meetings that were more focused were more productive.</p>	<p>The Chair agreed and noted the Member's comments.</p>

Actions:

- To move the Statement of Accounts item from the September to November meeting.
- To add an item to the agenda to receive the presentation from the Head of Workforce and Organisational Development.
- Noted that the Committee had discussed the issues relating to large agendas, and that the Chair would explore alternative arrangements with Scrutiny Service Officers to reduce agenda and report volume.

Observations and Recommendations:

- It was noted that a presentation from the Head of Workforce and Organisational Development was to be received by GAC.

L Hamilton (Chair)

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