

**MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD
AT TBC ON THURSDAY, 11 FEBRUARY 2021**

PRESENT

County Councillors JG Morris (Chair), M Barnes, D R Jones, M J Jones, K Laurie-Parry, K Lewis, DW Meredith, WD Powell, D A Thomas, R G Thomas, T J Van-Rees, A Williams, J M Williams, R Williams and Mr J Brautigam,

Cabinet Portfolio Holders In Attendance: County Councillor A W Davies

Officers: Caroline Turner, Chief Executive and Jane Thomas, Head of Finance

Other Officers In Attendance: Ian Halstead, Kevin Price, Kate Ryde and Gail Moore SWAP and Phil Pugh, Audit Wales

1.	APOLOGIES
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There were no apologies for absence.

2.	DECLARATIONS OF INTEREST
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There were no declarations of interest.

3.	MINUTES
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The Chair was authorised to sign the minutes of the previous meeting, held on 10 December 2020, as a correct record.

The Chief Executive reported that the issue of Fraud Training had been discussed at EMT. There was a commitment to raising awareness and fraud training would become part of induction training. It would also form part of a future Member Development day.

4.	INTERNAL AUDIT
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4.1. Risk Management

Documents:

- SWAP Final Report – Risk Management

Discussion:

- It was the role of the Audit Committee to ensure effective risk management was in place including the identification of risks, mitigating measures and reporting.
- The work had been undertaken at the start of the pandemic with the report being released in November 2020

- Partial assurance had been given with eight recommendations for improvement
- The general policy framework was deemed to be fit for purpose
- JCAD was the system widely used for risk management and this too was fit for purpose, but some levels of functionality were not used
- The means by which risks are identified needed to be more embedded
- The risk appetite of the Council is not quantified
- The Strategic Risk Register is reported to the Senior Leadership Team and Cabinet but it is difficult to see how it is reviewed and challenged
- With regard to data, some risks were not in the expected format. Only 46% met the criteria and may not have been risks
- Risk Champions are in place
- There is a need to increase the standing of risk across the Authority
- The Head of Finance reported that improvements have been made since the time of the report. There was significant challenge by EMT and Heads of Service who look at the register to ensure it is comparable across all services and the scoring is appropriate.
- There will be a review during the forthcoming year

Outcome:

- **The report was noted**

4.2. Q3 Performance Monitoring

Documents:

- Performance Monitoring Q3

Discussion:

- The Authority has been operating under a business critical regime only and this has had an impact on the internal audit plan
- The Assistant Director believed he would still be able to offer his annual audit opinion, but this did have its limitations
- Internal audit is being flexible and reactive to the situation and new ways of working are being developed and implemented
- For the forthcoming year a new approach will be taken that will be more agile and responsive to changing priorities
- Audit work will be based on the highest profile risks
- Three months will be planned with a proposed programme for the following three months
- The Plan will be considered by EMT and then Audit Committee for approval
- A new tracking process has been developed and this will give an added level of assurance
- Homelessness has been identified as a risk and will be included in the programme for 2021/22
- Critical financial systems will be reviewed including covid grants and governance and decision making which will enable an annual audit opinion to be given

Outcome:

- **The report was noted**

4.3. Recommendation Tracker

The Committee were given a presentation on the newly developed recommendation tracker.

A decision will be made on the level of access to be given to Audit Committee members to enable them to gain the assurances they need. Licensing issues also need to be resolved before the programme can be rolled out into a safe environment. Resources will be needed to ensure the programme is kept up to date.

4.4. Business Grants

SWAP have been undertaking work around the robustness of the process of issuing grants. This work is ongoing as Income and Awards are busy with rolling out grants.

To date, £67M of grants have been paid. Key checks and balances need to be in place to ensure that fraud and error are minimised. Discussions with the Team regarding control measures have been completed and SWAP are in the process of accessing data to ensure the robustness of the process.

Some payments have been recovered and the Head of Finance assured the Committee that all incidences of potential fraud would be investigated.

5. STRATEGIC RISK REGISTER

Documents:

- Report of the Head of Finance
- Report of the Portfolio Holder for Finance
- Strategic Risk Register
- Heat Map

Discussion:

- The report highlighted Audit Committee's role in gaining assurance that risk is being appropriately managed in the Authority
- The Covid Risk Register is updated weekly however further review is needed as the Register has been in place for several months
- The term 'catastrophic' is to be reviewed and other terminology amended
- Financial risk has been increased but this has been mitigated by additional funding and the Authority's own actions
- Risks associated with regulatory inspections has decreased with many improvements having been introduced in social care and education
- There has been an increase in Children Looked After (CLA) during the pandemic and this has been flagged up as a risk by the service. There has also been an increase in activity at the 'front door' but this is being managed on a daily basis.

Outcomes:

- **The report was noted**
- **Corporate Directors to be invited to Audit Committee to discuss their approach to risk**

6.	FRAUD
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A report by Audit Wales had been considered at the last meeting. Some specific actions were recommended but this has been impacted by business continuity. One of the key issues is to ensure that the roles of SWAP and the Authority are clearly defined and complement each other.

7.	CAPITAL PROGRAMME
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Documents:

- Capital Programme

Discussion:

- The Chair had copied Members of the Committee into an exchange of emails regarding Ysgol Cymraeg Trallwng – this would not be discussed during Committee but would be the subject of a future report.
- There had been concerns regarding the affordability of the capital programme as presented and correspondence between the Chair, Portfolio Holder for Finance and Head of Finance had sought assurances that the strain on the revenue budget would not be so great.
- The Chair of the Finance Panel explained the background and that he had been concerned at the strain the capital programme would put on the revenue budget. Increased costs of £5M this year, £5M the following year and £3M the year after were a cause for concern. The Head of Finance stressed that the capital programme must be considered within the context in which it had been proposed. It also sat alongside the Treasury Management Strategy. Plans must be affordable, and the Council will only approve one year at a time. The cost of doing nothing should also be considered. The increased costs were also attributable to the change in Minimum Revenue Policy (MRP) – the benefits of which had accrued over the preceding years.
- A Member raised the issue of whether small secondary and primary schools would be viable in the future – this was a matter for the Learning and Skills Scrutiny Committee
- A five-stage business case would have to be completed for each proposed capital project. This would include the outcomes achieved including the impact on the revenue budget.
- It was considered that the quality of project management was a concern and that the build quality and scrutiny of work completed needed more attention. The Head of Finance agreed that the Audit Committee could be provided with an overview of project management from an appropriate officer.
- The Chair of the Schools Forum had been invited to attend the meeting but, due to technical difficulties, had been unable to join. The Chair summarised the points that had been raised by the Schools' Forum and a letter was circulated to Members after the meeting. The Schools Forum had concerns regarding escalating costs, strain on budgets and whether the Welsh Government contribution to future projects would remain the same. It was considered that 'Rolls Royce' options were chosen over more basic alternatives.

- The Chief Executive informed the Committee that not all authorities publish a long-term programme and that last year had been the first time that Powys had published a 10-year programme. A framework needed to be in place and horizons should not be narrowed. Governments tend to prioritize capital spend to boost economies. There was a need to consider the programme corporately and to review it regularly. Borrowing is only one element to be considered.
- It was thought that many of the projects would deliver a social dividend but would not pay for themselves. The issue of value for money must be addressed and cost-effective projects considered.
- Audit Wales reminded Members of the remit of an Audit Committee and that a number of points considered today would more appropriately sit with other processes or scrutiny committees. The Committee must understand where it can gain assurances.

8.	TREASURY MANAGEMENT
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Documents:

- Report of the Portfolio Holder

Discussion:

- There have been no significant changes since the last report
- Interest rates are not favourable for investment
- The Authority will look to borrow at the most opportune moment
- The Council remains in an under borrowed position
- Economic forecasting does not show any increase in interest rates
- It was noted that there were more short-term loans being taken out and the Head of Finance was asked why this was happening rather than Public Works Loan Board – short term loans have been taken out for cash flow purposed and the rates were more favourable
- The Head of Finance was asked if consideration had been given to the Municipal bond agency or other forms of bond – it was not considered to be an option at the current time

Outcome:

- **The report was noted**

9.	CLOSURE OF ACCOUNTS
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Documents:

- Report of the Head of Finance

Discussion:

- A project group has already been established
- CIPfA are holding workshops
- The impact of Covid on Health Authorities may influence the audit timetable with a knock-on effect on local government audits

- A review is being carried out in England regarding timescales and whilst there is some flexibility in Wales, discussions are still ongoing
- The Welsh Government have extended the deadline for NHS audits until the end of May which will impact on all public sector bodies
- Audit Wales gave assurances that the audit will be undertaken as promptly as possible

Outcome:

- **The report was noted**

County Councillor JG Morris (Chair)