

**MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD  
AT TBC ON FRIDAY, 30 JULY 2021**

**PRESENT**

County Councillors JG Morris (Chair), D R Jones, M J Jones, K Lewis, DW Meredith, D A Thomas, R G Thomas, A Williams, J M Williams and R Williams and Mr J Brautigam

Cabinet Portfolio Holders In Attendance: County Councillors M Alexander, B Baynham, A W Davies and R Powell

Officers: Paul Bradshaw, Head of Workforce and Organizational Development, Nigel, Brinn, Corporate Director, Economy and Environment, Ali Bulman, Corporate Director, Adults and Children, J Chappelle, Capital and Financial Planning Accountant, Yvette Kottaun, Senior Investigator, Andrea Mansfield, Project Officer Civil Contingencies and Events, David Morris, Income and Awards Senior Manager and Jane Thomas, Head of Finance

Other Officers in Attendance: Ian Halstead, SWAP, Bethan Hopkins and Phil Pugh, Audit Wales

<b>1.</b>	<b>APOLOGIES</b>
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Apologies for absence were received from County Councillors M Barnes, WD Powell and T J Van-Rees

<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>
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There were no declarations of interest.

<b>3.</b>	<b>MINUTES</b>
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The Chair was authorised to sign the minutes of the previous meeting as a correct record.

<b>4.</b>	<b>AUDIT WALES</b>
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4.1. Letter to Chairs of Governance and Audit Committees

**Documents:**

- Letter to Chairs of Audit and Governance Committees

**Discussion:**

- Audit Wales had attended the Chairs' Network meeting in November 2020
- Reports were being considered differently across authorities and it was hoped to achieve consistency. All regulator reports should be considered

by Governance and Audit Committees for assurance purposes. The Committee could then refer the report to the appropriate scrutiny committee and monitor the implementation of recommendations.

- The Committee noted that on previous occasions they were not able to discuss issues with the Chair of the Improvement and Assurance Board. Audit Wales confirmed that the Governance and Audit Committee have a responsibility to liaise with other bodies and need to be assured recommendations are being taken forward and action being taken.
- The Chair had met the Head of Transformation and Communications to discuss the tracker now in place to monitor and track progress for all regulator external reports.

**Outcomes:**

- **The availability of the tracker to be confirmed together with training for Members in its use**

4.2. Audit Wales Work Programme

**Documents:**

- Audit Wales Work Programme and Timetable

**Discussion:**

- Quarterly updates regarding the work programme will be provided to Governance and Audit Committee as required by the Local Government and Elections Act
- Timescales were indicative
- The Pension Fund Audit is required to be completed by the end of November – audit resources are currently prioritised to complete the Councils' statutory Statement of Accounts first for completion and sign off by the end of September.
- Audit Wales and the Head of Finance meet regularly to review the position.
- The final report regarding Financial Sustainability had recently been issued with a national summary due to be released in early September. The national summary would highlight themes raised across all 22 local authorities in Wales
- The Scrutiny report had been submitted to the Council in draft
- Audit Wales liaise with other regulators and will provide a summary across all bodies
- The Chair reminded Members that the Committee was required to formally consider all relevant national reports but would not necessarily undertake a detailed review of the report

**Outcomes:**

- **The report was noted**

<b>5.</b>	<b>STRATEGIC RISK REGISTER</b>
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**Documents:**

- Report of the Head of Finance
- Cabinet report
- Strategic Risk Register

- Heat Map

**Discussion:**

The Chair explained that the Committee would consider one or two items in detail at each meeting.

5.1. Health and Care Workforce Development

The Committee welcomed the Corporate Director, Adults and Children, Head of Workforce as well as the Portfolio Holders for Workforce, Adult Services and Children's Services.

**Discussion:**

- The Corporate Director had been invited to discuss Workforce Development in Health and Social Care
- Risk WO021 was wider than just social care
- The adult care sector relies on manual labour which is not particularly well paid. The cost and availability of staff may not be sufficient to meet future, increasing demand.
- Transformation is key
- If the risk is not mitigated people's needs may not be met in the future
- A variety of processes are being trialled.
- The Authority has a Workforce Board, but this has been suspended during the pandemic
- There is a high vacancy rate in the Head of Workforce's team
- A Workforce Cell has been established to ensure staff are being redeployed effectively
- Currently there are 15 apprentices in social care with 15 further career grade apprentices since January 2020. Some of these have been recruited to permanent posts.
- The service is currently working with care leavers to become apprentices
- 19 placements have been made under the Kickstart Scheme – there have only been a few referrals from the Department of Work and Pensions and further work is being undertaken to ascertain why take up is low
- A bid has been submitted to Academy of Wales Graduate Scheme for February 2022
- The 'Grow Our Own' programme for social workers has led to 10 qualifying in the last three years. The service is supporting 15 more to train and qualify.
- Within Children's Services there are 36 vacancies and 34 agency workers employed. Agency staff had reduced to around 20 pre pandemic which had been a significant reduction. There is an expectation that face-to-face meetings are conducted with children on the Child Protection Register and there has been resistance from some agency workers to undertake that role. Staffing pressures are currently in the south of the county, but these could arise in any part of the county.
- The Powys Pledge has been launched to support the care sector
- Continued transformation of services is key
- Members asked if BREXIT had had affected recruitment – the Corporate Director reported that there had been no significant impact in social care.

- She also chairs a weekly Wales wide meeting and reports that there were food shortages in care homes were unfounded
- The Committee asked whether a social worker was contracted to work for a specific length of time once qualified as a social worker through the Grow Our Own Scheme – there were no timescales in place, but this was subject to review. The service was assessing how to support newly qualified social workers. The Corporate Director aimed for the Authority to be the employer of choice.
  - WCCIS was a major issue and is being addressed as best as it can within contractual arrangements. This has been cited as a cause of low staff morale.
  - The Portfolio Holder for Adult Services also noted that there were complexities to consider as it was not yet clear what the post covid era may look like. There had been a sharp decline in those going into residential care and an increase in more intensive packages of care at home – it remains to be seen if this pattern will be sustained.

**Outcomes:**

- **The Committee was assured that appropriate mitigation was in place to address Strategic Risk WO0021**

**WCCIS**

- The Corporate Director briefed the Committee on issues with the WCCIS system which is the data base for social care and holds all care and support plans.
- It is a national shared system for Health Boards and Local Authorities
- There have been significant concerns for 9 months such as planned and unplanned outages and slow system performance.
- Its underperformance is impacting on staff morale and the recording of delivery of statutory targets
- IT Services manage the package but is of such concern that the Corporate Director is now attending national groups dealing with it
- Options were currently being considered alongside the implications
- The position is untenable, and the Corporate Director does not have assurance that the system is fit for purpose
- A briefing note had been prepared for the Chief Executive and this would be circulated to Members of the Committee for information.
- It was reported that the Health and Care Scrutiny Committee had also been briefed on the issue and were also concerned.
- Vulnerable people could be put at risk through the failure of the system
- Audit Wales were also aware of the problem and continue to monitor through their audit and risk arrangements

**Outcomes:**

- **The Committee were not assured around the risk associated with WCCIS but supported the actions taken by the Corporate Director**

5.2. Brexit

The Committee welcomed the Corporate Director, Economy and Environment, and the Project Officer Events and Civil Contingencies

**Discussion:**

- There were two working groups, one external and one internal, which meet regularly to ensure that up to date guidance has been provided and disseminated
- Many of the issues expected prior to Brexit have not materialised
- There had been a separate risk register for Brexit, but these risks are now being incorporated into service risk registers
- Support from the Welsh Government had been provided to employ a Brexit Co-ordinator. That work has been split between two existing members of staff, but a dedicated officer may be recruited following a restructuring of the Regeneration Team

**Outcomes:**

- **The Committee was assured that appropriate mitigation measures were in place**

**Heart of Wales Property Services (HOWPS)**

- The Committee had requested an update following the decision to bring the service back in house in 2022
- Weekly meetings are taking place with transition staff and a dedicated Project Manager has been put in place
- There have been significant levels of communication with HOWPS staff
- A Transition Team has been established to consider and manage all the implications of the change, this includes payroll, fleet, pensions etc
- 150 staff are affected
- There is high assurance from Kier that there will be business as usual over the next 12 months
- Clear expectations have been established
- The Authority are looking to minimise costs during the handover. There was awareness that there had been criticism at the start of the joint venture with the introduction of a new fleet and livery
- The costs of JV transition will be shared equally between the partners
- Regular reports will be made to the HOWPS Working Group
- A new risk noted that there was a shortage of building materials – this risk is corporate and will be reflected in the Strategic Risk Register

**Outcomes:**

- **The Chair would liaise with the Scrutiny Committee Chair and monitor progress of HOWPS**

<b>6.</b>	<b>FRAUD</b>
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**Documents:**

- Report of the Head of Finance
- Powys Baseline Assessment for Fraud
- SWAP Cross-cutting baseline assessment for fraud
- Audit Wales – Raising Our Game, Tackling Fraud in Wales

**Discussion:**

- The Chair reminded Members that the report was not around specific cases of fraud but the response to the Audit Wales report, first considered by Committee in December 2020, and subsequent work undertaken by SWAP
- The SWAP review into fraud risk maturity indicated that frameworks and strategies were in place and effective. There had been six themes and 27 assessment areas each of which had been given a RAG status.
- An effective counter fraud team was in place that was appropriately skilled
- Policies were in place and were being refreshed
- However, there was a lack of awareness and training across the Council and limited reporting
- There needed to be greater awareness of avenues for staff and public to report concerns
- Future internal audit work will be aligned to fraud work and would be more proactive than reactive
- The cross-partner report indicated that Powys was in second place with more green but also more reds. Local authorities were in similar positions regarding their baseline maturity assessment.
- The Committee questioned why some issues were described as ‘amber’ when in fact they had not been completed at all and should be ‘red’. The Assistant Director explained that the assessments covered many criteria and that he was happy with the scorings given. The document was live and would be reviewed regularly.
- Fraud work had continued throughout the pandemic, but the reporting had not. A regular report would be provided for the Governance and Audit Committee going forward.
- Many other authorities had lost their fraud investigation specialism
- £2M overpayments have been recovered over 4 years
- Policies are in place and had been approved by both Audit Committee and EMT. These have been rolled out with all officers and Councillors expected to accept the policies
- There have been 67 investigations in 2021 with 10 cases of fraud proven and one case closed with recommendations to the service for process improvements
- The Team also provide support and advice to services
- Weaknesses are identified – a current case has highlighted a process failure, practice and systems and a manipulation of recording systems – EMT have been informed and Internal Audit has been asked to review the work
- In response to the Audit Wales report, structural changes have been implemented and improvements to training rolled out.
- The Committee had previously recommended that fraud training be mandatory for all staff – an e-learning package existed but was not currently mandatory, but EMT are reviewing the position
- The Chair reminded Members that significant values could be involved – anything between £100M and £1B (based on figures estimated by the Cabinet Office)
- It was key that officers and Members declare their interests and that management are also aware of those interests. SWAP had undertaken an audit of declarations of interest which had highlighted that elements of

the framework were lacking and the process was flawed. Some actions have been delivered but further work is needed.

**Outcomes:**

- **The Committee were assured that progress was being made**

<b>7. INTERNAL AUDIT</b>
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**Documents:**

- Internal Audit Opinion Report 2020/21

**Discussion:**

- It is a requirement that this report be provided for those charged with governance to consider
- The pandemic has had a significant impact on assurance work undertaken but alternative methods were deployed
- There had been coverage over the main risk areas although less than normal
- 64% of reports provided reasonable assurance with 34% having limited or low assurance
- Generally, the Council is addressing reports effectively and timely
- Two data analysts have been appointed and are key to understanding process
- Benchmarking across partners is undertaken
- One page reporting helps respond to the speed of risk
- Sound systems of governance were in place, but some minor issues needed to be addressed

**Outcomes:**

- **The report was noted**

7.1. Q1 Performance Report

**Documents:**

- SWAP Q1 Performance Report

**Discussion:**

- There are 199 actions currently on the tracker with 10 of those being overdue
- This represents an improvement since the tracker was introduced when 34 actions had been overdue
- Overall, the Council is mitigating risks and they are being well managed
- It was noted that a number of outstanding actions were attributable to Education – the risk was thought to be small and mainly related to one primary school. It was hoped that these would all have been addressed by the next meeting
- The introduction of the tracker has been welcomed

**Outcomes:**

- **The performance report was noted**

7.2. Q2 Audit Plan

**Documents:**

- Internal Audit Plan Q1 and Q2

**Discussion:**

- Risks across the sector are identified and work aligned to those risks
- Further assurance mapping will be undertaken going forward
- The Committee questioned how topics for inclusion were determined and whether this was an independent process – a number of factors were considered including risk, previous audit work, Head of Service requests, network groups etc. All this is considered, and an independent decision taken by the Head of Internal Audit

**Outcomes:**

- The work plan was endorsed

<b>8. CAPITAL PROGRAMME GOVERNANCE AND ASSURANCE</b>
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**Documents:**

- Report of the Head of Finance

**Discussion:**

- The issue of the affordability of the capital programme had been raised in a previous Audit Committee. Since then, the Chair, Vice Chair and Head of Finance have been working on providing more oversight of the governance of the capital programme including affordability
- The report set out some specific pieces of work that will assist the Committee in scrutinising the arrangements to seek assurance that the appropriate systems control and processes are in place to ensure that capital projects are considered, approved, procured and managed effectively and that value for money is secured
- The Welsh Government 21 Century Schools programme uses the 5- case business model and Committee will be provided with more detail on this to provide them with greater assurance on the robustness of the process
- Committee welcomed the proposals and agreed that the work be commissioned
- It was also asked that the benefits accruing to the revenue budget also be provided – this should be part of the project appraisal
- The Committee also asked that environmental costs be considered – this will be considered as there is a clear focus on net 0 emissions

**Outcomes:**

- **The proposal was welcomed, and the Committee hoped that this would be implemented as soon as possible**

<b>9. TREASURY MANAGEMENT - Q1</b>
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**Documents:**

- Report of the Portfolio Holder for Finance

**Discussion:**

- The position had not changed significantly but the funding received for the Global Centre for Rail Excellence was now included
- The Capital Programme had been reprofiled and had increased to £115M from £101M for the current year
- Capital Financing Requirements have fallen but this is a deferral rather than a reduction
- Short-term borrowing at year end had been repaid – it was likely further short term borrowing would be required in August to support cash flow and the capital programme
- Revised indicators show that there will be a significant impact in the next two years due to the Minimum Revenue Provision (MRP) policy change and reprofiling of the budget
- It is likely that interest rates will start to rise and the Committee drew attention to the need for longer term borrowing to be entered into in the near future
- Short term borrowing is likely to remain sustainable until the end of the financial year
- A new table in the report showing cost and revenue streams was welcomed – a further request to include numerical values was accepted
- A previous report had shown poor performance against VAT for purchase cards – this had been due to a number of invoices which were not VAT invoices. It had been concluded that there was no VAT on the purchases questioned and this has improved performance levels for purchase cards
- Work had been planned to reduce the number of errors and improve efficiency – this transformation work had not been rolled out as quickly as hoped due to the pandemic but was now back on track
- The Committee asked if the future Generations Act had been considered for the adjustment to the MRP policy and whether SWAP had investigated the issue. The Committee was advised that Audit Wales would consider this rather than SWAP and they had been involved prior to the change in policy being implemented. Any decision made had to consider the requirements of the Future Generations Act.
- Members, whilst welcoming the investment for GCRE, remained cautious about the risk and sought assurances around the management of the project. The Head of Finance confirmed that the funding had been accepted early in the project and the risk had been highlighted and understood. A detailed business case was not yet available. If the level of risk changes, The Council would need to consider provision under the MRP.
- Outline planning permission for the project had recently been granted. Members questioned why this model had been picked but this query would need to be addressed to the Welsh Government
- The Portfolio Holder welcomed the investment

**Outcomes:**

- **The Chair and Head of Finance would write separately to the Welsh Government seeking an explanation of the model of financing the project**

<b>10.</b>	<b>WORK PROGRAMME</b>
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**Documents**

- Work Programme

**Discussion:**

- The internal audit report on Y Gaer was still awaited and a special meeting would be arranged to consider the report
- The Capital Programme work would be added to the work programme
- Audit Wales Financial Sustainability – local report and national summary to be included in the work programme

**County Councillor JG Morris (Chair)**