

**MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD
BY TEAMS LIVE ON FRIDAY, 5 NOVEMBER 2021**

PRESENT

County Councillor, JG Morris (Chair), Mr J Brautigam, 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

In attendance: County Councillor P Roberts

Cabinet Portfolio Holders In Attendance: County Councillor A W Davies

Officers: Ian Halstead, Jane Thomas, Morris and Clive Pinney, Head of Legal and Democratic Services and Jane Thomas, Head of Finance

Other Officers In Attendance: Non Jenkins, Rachel Harries and Bethan Hopkins, Audit Wales, Ian Halstead, SWAP

1.	APOLOGIES
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Apologies for absence were received from County Councillors

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 8 October 2021, as a correct record.

4.	CORPORATE FRAUD
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Documents:

- Report of the Head of Financial Services

Discussion:

- The report detailed the cumulative position regarding fraud and error as at the end of the second quarter
- During the year the focus will be on council tax and business rates. The work programmed is on track
- Nine joint investigations with the Department of Work and Pensions Fraud Team are on hold pending the DWP resuming work in this area
- Within the Powys Team there were 82 investigations, 31 of which were ongoing, 21 required no further action, 8 had insufficient evidence and 6 were closed with recommendations to the service for improvements
- Fifteen cases were proven to be fraudulent
- £320K has been identified as recoverable overpayments

- System and process recommendations have been made to service areas
- Following an audit by Audit Wales and SWAP, actions had been identified and were being progressed
 - Net Consent sign off by staff upon reviewing fraud policies– over 2000 have been completed with 650 left
 - There is work ongoing with Communications to raise awareness of anti-fraud and prevention work
 - The e-learning module will become mandatory
 - Integrated business planning is to include a section regarding fraud risk – this will be developed further over future years
 - SWAP will provide a full fraud risk assessment for the Authority
- The Committee asked for assurance that plan was appropriate and whether this had been checked. The Senior Manager of Income and Awards reported that there were no particular issues to raise. Specific modules relating to fraud were in place. Key competency training for managers was to be undertaken to enable them to identify risks. Further training is being developed for services and Councillors for fraud awareness and prevention. This will include cyber fraud training.
- The Chair asked if there were any checks on capital spend. The fraud risk assessment will highlight new risks for future work. During the next quarter it is the intention to ask the Governance and Audit Committee where they might consider risks for further consideration.
- Where individual cases have been investigated, the Team has the opportunity to recommend additional control measures to the service involved and more widely across the Authority or to Audit Wales. Powys also hosts the Fraud Forum and contributes to other strategic forums to share threats etc.
- The audit has resulted in structural improvements and future work plans will be considered alongside the risk assessment that is being completed. Therefore, the action plan will not have been considered in isolation and is a working document.
- The Assistant Director SWAP reported that he is comfortable with the progress being made and that joint working will continue

Outcome:

- **The report was noted**

5.	AUDIT WALES FOLLOW UP REVIEW OF SCRUTINY ARRANGEMENTS 2021
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Documents:

- Report of the Head of Legal and Democratic Services

Discussion:

- Audit Wales reported that there had been limited progress since the original report in 2018 and work was still required to address the recommendations made at that time
- The difficulties encountered due to the pandemic were acknowledged, for example committees had been unable to commission their own reports due to the Council operating under business continuity

- Audit Wales had not found clear or shared understanding of roles which they believed was the root cause and was hindering effective scrutiny
- It was noted that the recommendations regarding Finance Panel had already been addressed but there was scope to improve work plans and the role of the Co-ordinating Committee
- There was further scope to improve public involvement and for scrutiny to become more innovative
- It was considered that the Council could do more to support scrutiny
- 10 recommendations have been made which, if implemented, will support scrutiny
- The Head of Legal and Democratic Services recognised the substance of the report and intended that progress would be embedded before the next council term
- Improvements have been introduced including a pro forma for completion by Heads of Service indicating the reason a report is being considered by scrutiny – this has been in place since June and will be evaluated in December
- External providers have been engaged to train Chairs and Vice Chairs. A recent session had had to be cancelled at short notice and would be rearranged
- The WLGA have been engaged to undertake one to one sessions with Chairs and to provide feedback. Mentoring commenced in July and recommendations are expected for consideration in December
- Training has been provided on the Wellbeing of Future Generations Act
- Engagement is being strengthened with a page on the website inviting public suggestions
- A proforma has been designed to present scrutiny recommendations to Cabinet which enables the Cabinet to record its acceptance or rejection of a recommendation and the reasons for the decision
- Committees have recently started a reflection session at the end of each formal meeting and a mechanism for self-assessment will be completed at the end of each year
- A number of recommendations relate to the ability of Chairs and Members to put forward matters for consideration. The Co-ordinating Committee has been abolished which enables Committees to have greater control over their own work programmes.
- A number of working groups were operating prior to the pandemic and these will recommence as business returns to normal.
- Scrutiny now have access to data provided by research and analytics officers
- A restructure of the section is being revived and the Head of Legal and Democratic Services indicated that he would consult with Scrutiny Chairs on the new model. The Committee had been aware that savings from the section had been expected for some time and questioned whether the restructure would be compatible with meeting the requirements of the audit. The Head of Legal and Democratic Services indicated that the predicted savings may not be achievable in full.
- Clarity regarding whether the Governance and Audit Committee was considered to be a scrutiny committee was sought. The Constitution had been amended with the Governance and Audit Committee becoming a regulatory committee. Members were of the opinion that some scrutiny

- training would be beneficial to ensure that the role of the scrutiny committees was fully understood and duplication was avoided.
- The Chair was of the opinion that a cultural change was needed to ensure scrutiny could develop and questioned how the Action Plan would be monitored. The Head of Legal and Democratic Services indicated that it would be a continuous improvement process and the Plan would be monitored.
 - All Action Plans can be monitored by Members through the Regulatory Tracker which is available online. If recommendations are closed down, the Committee will be asked for formal agreement and this will provide assurance.

Outcomes:

- **The report and Action Plan were noted**

6. GOVERNANCE AND AUDIT COMMITTEE
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Documents:

- Report of the Head of Legal and Democratic Services

Discussion:

- The Head of Legal and Democratic Services reminded Members of the additional responsibilities of the new Governance and Audit Committee
- All Councils will be required to undertake a self assessment
- The Act also provides for the Auditor General for Wales to undertake a special inspection if performance fails and it will be the responsibility of the Committee to consider the response should this occur
- Amendments have been made to the Constitution to reflect the changes to the Committee

Outcomes:

- **Members noted the report and the changes to the Constitution**

7. INTERNAL AUDIT UPDATE Q2

Documents:

- Internal Audit Quarterly Update

Discussion:

- The Assistant Director, SWAP indicated that he had reasonable assurance at the end of the second quarter
- Issues causing concern have been considered by the Governance and Audit Committee including Y Gaer and Children's Services Budget Management. Those action plans are being tracked but have highlighted wider concerns regarding the Authorities ability to manage projects and financial management.
- 18 pieces of work have been undertaken during the period with substantial assurance given in most cases. There have been 38 actions but only one of those was a Priority 1.

- SWAP are covering the right areas as indicated by the top 15 risks. This will continue to build throughout the year. There is a need to remain flexible as risks are likely to change and therefore the work programme will also be amended to reflect those changes.
- The Team are working closely with the Fraud Team on the Fraud Baseline Assessment and National Fraud Initiative. There is currently some joint work ongoing around supply chains.
- Members of the Committee have access to the Action Tracker – only a few recommendations are outstanding and those are Priority 2 or 3. This is the best performance that has been achieved in some time and reflects the additional monitoring being provided, including that by the Committee.
- 5 actions have not been agreed and a further report will be provided giving the detail behind these actions
- Risk mapping is being undertaken across all partners as is assurance mapping
- Data analytics have improved giving greater accessibility to data
- It was noted that there were two outstanding areas – Declarations of Interest and Financial. The Head of Legal and Democratic Services indicated that the work on Declarations of Interest was still being progressed, but would be completed shortly. The Head of Finance advised that there was one element of outstanding debt with a key partner and discussions at a senior management level were ongoing.

Outcomes

- **The report was noted**

8.	TREASURY MANAGEMENT Q2
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Documents:

- Report of the Portfolio Holder for Finance and Transport

Discussion:

- There had been little change during the quarter
- Some reprofiling of capital had taken place
- Significant borrowing would be required and the Capital Financing Requirement had been updated
- Some inter authority borrowing had been taken out
- 50year borrowing has been fixed at a reasonable rate
- An economic background was also provided
- The question of LOBOs was raised – there was little change in rates but all rates were fixed at a market rate
- The Committee was informed that the Authority could not borrow to generate a yield. However if the primary purpose of a project was regeneration with yield as a secondary or lesser factor, PWLB loans could be accessed.

Outcomes

- **The report was noted**

9. CLOSURE OF ACCOUNTS

Documents:

- Report of the Head of Finance

Discussion:

- Closure of the Pension Fund accounts is on track and the Committee will consider the final audited reports at their next meeting on 18 November 2021
- The project management approach continues
- New deadlines have been set and whilst there was some leeway during the pandemic, these were likely to be implemented for the closure of the current year's accounts

Outcomes

- **The report was noted**

10. CAPITAL WORKSTREAM

10.1. Capital Governance Framework

Documents:

- The Committee had been keen to review capital for some time including concerns regarding some large projects, their management and financial accountability
- In July the Committee had commissioned some work to look at processes and governance arrangements
- This first report invites the Committee to consider the governance framework and assess its effectiveness
- Issues had been raised in 2019 and a new governance framework was introduced in 2020
- The five-case business model had been adopted
- A number of approval gateways are included to provide more disciplined governance
- Prudence, sustainability and affordability are key
- The reporting and communicating of decisions has been improved
- The 21 Century Schools project has used the five-case business model
- Training is being rolled out
- The Committee was invited to review and consider the effectiveness of the approach rather than go through individual projects in detail
- It was noted that the cost of the project was not mentioned until Step 6 of the process. The Head of Finance replied that a number of factors had to be considered including the cost of maintaining the status quo, cost of change and benefits in terms of cost or service delivery. Options are considered and affordability is considered more informally until options are refined. Step 6 lies between the business justification and commitment stages.

- There is no assumption that a project will be funded until it has been through the process. Options for funding are also considered as this may not solely be through borrowing.
- It was suggested that if this was the accepted method for reviewing 21 Century School projects, the Authority should have adopted it sooner. The Head of Finance agreed and that this method was now used for all projects.
- The Chair of the Learning and Skills Scrutiny Committee was invited to speak to the Committee – he had concerns that decisions regarding education provision and whether or not a new school needed to be built did not necessarily indicate the capital cost of the project. Scrutiny Committees would also need to know the revenue implications of any capital spend. Whilst there may be a saving to a delegated budget, the overall implication on the Authority's budget should be clear so it can be assessed whether education decisions are affordable.
- The Head of Finance noted that the financial implications had to be understood for both individual projects and the wider capital programme.
- The Chair suggested that a working group be established to consider the matter in more detail. Members would be invited to register their interest in joining the working group.

Outcomes:

- **The workstreams were noted and it was agreed that a working group be established to consider the matter in more detail**

10.2. Capital Programme Project Appraisals and Business Cases

Documents:

- Capital Programme Business Cases and Appraisals
- Bro Hyddgen
- Business Case guidance

Discussion:

- Specific information regarding Bro Hyddgen was provided to demonstrate how the process worked and the information that was provided
- This could also be considered in more detail in the working group

Outcome:

- **More detailed consideration of the reports to be undertaken in the Working Group**

11. WORK PROGRAMME

Documents:

- Work Programme

Discussion:

- The Chair reported that the SWAP report into Covid Business Grants may be ready for consideration at the next meeting
- The SWAP report regarding Ysgol Calon Cymru would not be ready for the next meeting.

Outcomes

- **The work programme was noted**

County Councillor JG Morris (Chair)