

**MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD
AT BY ZOOM ON FRIDAY, 24 JUNE 2022**

PRESENT: L Hamilton (Chair).

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

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

Powys County Council Officers: Caroline Turner (Chief Executive), Jane Thomas
(Head of Finance), Wyn Richards (Scrutiny Manager and Head of Democratic
Services), David Morris (Income and Awards Senior Manager), Bets Ingram (Strategic
Equalities and Risk Officer) and Yvette Kottaun (Senior Investigator)

Other Officers In Attendance: Ian Halstead (Assistant Director (Powys) - SWAP), Phil
Pugh (Audit Wales), Bethan Hopkins (Audit Wales)

1.	APOLOGIES
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An apology for absence was received from County Councillor C Walsh.

2.	DECLARATIONS OF INTEREST
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The Committee did not receive any declarations of interest from Members
relating to items to be considered on the agenda.

3.	MINUTES
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The Chair was authorised to sign the minutes of the previous meeting, held on
10-02-2022, as a correct record.

Arising thereon:

Page 4 – There were a number of outcomes which were forwarded. There is a
need for a separate meeting to review the Committee's self assessment and
develop an action plan.

Page 5 – 21st Century schools. The roadmap which the Committee has been
expecting has not been submitted to the Committee to date as it is an important
part of capital planning for the Council. There was also a need for a date to
consider the clarification between Net Zero and Passive House development.
This would be added to the Forward Work Programme.

In relation to the Strategic Asset Review, the Committee asked to see the
outcome of the review as soon as possible. The Committee was advised that the
review was ongoing although some elements of work had been completed. An
update report was to be presented to the Cabinet which could also be considered
by the Committee. This would be added to the forward work programme.

Page 6 – Insurance Policy arrangements – further to a request at the last
meeting it was no longer necessary for SWAP to review these, but it is a matter

which the committee needed to keep under review. Therefore, it was requested that it be added to the forward work programme for any clarification from officers.

Page 8 – The Capital Working Group will need to be established. Add to the forward work programme. At the last meeting it was agreed that membership of Working Groups would be based on the most appropriate Members for the roles following a skills audit of Members.

Page 8 – CIW (Care Inspectorate Wales) Report. The Committee was advised that a CIW improvement check took place on the week commencing 4th May, 2022. A draft report had been received. Once the final letter had been received from the CIW it could be shared with the Committee. Add to forward work programme.

The Chair indicated that she would like to see forward work programmes for the Committee, Working Groups and the Finance Panel so that the work could be co-ordinated and managed between the various bodies.

Outcomes:

Action	Action By / Completion Date
Review Committee self assessment and develop an action plan	JT / WR July 2022
Items to add to the Forward Work Programme: <ul style="list-style-type: none"> • Net Zero / Passive House • Strategic Asset Review • Insurance Policy Arrangements • Establish Capital Working Group • CIW Report 	LH / JT / WR July 2022

4.	STRATEGIC RISK MANAGEMENT - QUARTER 4
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Documents Considered:

- Report of the Head of Finance

Issues Discussed:

- The Strategic Risk Register contains risks which have been scored at a higher level of impact than service risks which are managed at a lower level.
- There are 15 risks on the Strategic Risk Register which are included in the report together with details of progress to give assurance that the mitigating actions are being undertaken and monitored.
- 2 risks have been escalated or changed during Q4:
 - the impact of the Russian invasion and other market pressures due to price variations and inflation and cost rises.
 - Social Services – insufficient capacity to respond to the long term demands in Adults and Childrens Services.
- The Council has an individual Covid-19 risk register. Some of these risks are being embedded in individual service risk registers as risks can be managed at a more operational level.

- Questions:

Question	Response
<p>Some of these risks are linked and interlinked e.g. Council unable to recruit and retain commissioned workforce and HTR shortage of lorry and bus drivers – these seem to overlap one another. How do services and the Committee make sure that the Council is not double counting so there is an accurate reflection of the situation.</p>	<p>The Senior Leadership Team (SLT) review the risk registers collectively and challenge the detail in the risks. SLT has agreed that there needs to be a further review of the risk register as we move into the new financial year, where things are scored and are they appropriate when considered collectively. A working group has been established to look at this.</p>
<p>Who scores the risk initially and where does the score get challenged.</p>	<p>Whoever identifies the risk first and is the risk owner would do the initial scoring and then add the mitigation actions which provides the second score. This is challenged by SLT on a quarterly basis and then any queries or comments are returned to risk holders to review and update the register. There is also challenge at a service level and in discussions with the relevant Cabinet Member as well.</p>
<p>Insufficient capacity to deal with long term demands in Childrens and Adults Services. This goes back to the question about what are risks and what are issues. If we know the projection for the long term demand we should be planning for it which is an immediate issue. There may be risks in how we implement the plan. Is this an issue that we are not confronting. Knowing the long term demand should be part of the business planning process.</p>	<p>The service is looking at those plans going forward. There has been a pressure for services in recruiting staff to fill the posts that they have, made worse by Covid. The service has looked at ways to make posts in Powys more attractive, looked at all forms of agency support which can be brought in, and changed operating models on how caseloads are managed. Demographic modelling is undertaken for the future and each service has an integrated business plan for the next 5 years. The output of those plans is fed into the corporate plan and the corporate budget development. In social care as well preventative measures have been implemented such as early intervention which can stem some of the demand, but availability of the workforce is a national issue. Hopefully the committee is assured that there is planning around the risk.</p>
<p>Is there something the Committee or Council should be considering when there is a change in administration. Something over and above the quarterly cycle?</p>	<p>It is important to distinguish between the different types of corporate document within the Council currently. Some elements outlined will be included in the new corporate plan which is being developed by the new Cabinet.</p>

<p>Section in relation to housing – surprised not to see not just the issue of maintaining standards and statutory obligations of existing housing stock, but also the affordability and availability of housing to attract staff to the county, is a key issue. Also, the dual issue of the escalation of building costs and the blight caused by the phosphates situation, which makes development impossible in many areas. Why is this not included as a risk at a time of critical housing pressure.</p>	<p>The Risk Register is a factual document which should be reviewed regularly but should not change significantly due to a change of administration, although some of the mitigation may change with a change in administration.</p> <p>Has been some significant changes to risk over the past twelve months such as the impact of Brexit is better understood, change in the economy, the war in Ukraine and the long term impact of Covid. Phosphates does have impact on house building and if not included currently will need to be included in forthcoming review.</p> <p>The Council does not have a corporate issues log and whether issues such as childrens’ services should be captured in a high level corporate issues log. If one were developed then pressures on Social Services, phosphates, costs of living might be included.</p> <p>Phosphates is currently in the service risk register. Whether this needs to be escalated to the strategic risk register can be reviewed in the quarterly review.</p>
<p>It appears that there is a high propensity to have Social Care in the top right corner of the heat map even after mitigation is considered. Would it be useful to have a presentation from the Director to understand the mitigations.</p>	<p>That is a good suggestion but the Committee also needs to be mindful of work undertaken by the Health and Care Scrutiny Committee. It might be useful for the Committee to observe briefings to be provided to the Health and Care Scrutiny committee initially so that the Committee compliments the work of the Scrutiny Committee.</p>
<p>There are lots of services which could have low level risks but their cumulative impact could be a high risk to the Council. Are there individual service risk registers?</p>	<p>In understanding risk it is about having an understanding across the organisation and the potential cumulative impact of a number of low level risks when taken collectively which might mean a high level of risk for the council corporately which needs to be reflected in the strategic risk register.</p>

- The Cabinet Member for Finance indicated that in relation to projecting demands on Children’s Services, although the country was moving slowly out of Covid, the expectation was that the demands on Children’s Services would continue to rise which showed how difficult it was to predict demand in social care.

- The Committee was reminded that its role was to seek assurances about the governance of risk and mitigation by Directors and Heads of Service, and not to duplicate the work of Scrutiny Committees.
- The Committee might consider assurance mapping as part of its role which could be assisted by SWAP.

Outcomes:

Action	Action By / Completion Date
Risk Management Framework to be circulated to the Committee for information	WR / BI
Consideration of a deep-dive into Social Care.	LH / JT / WR

County Councillor G Ratcliffe left the meeting 11.13 a.m.

5. SWAP QUARTERLY REPORT

Documents Considered:

- SWAP Quarterly Report

Issues Discussed:

- The plan of Internal Audit work is built on a continual basis and is agile and reactive to the current environment.
- The role of the Committee is to be assured that what Internal Audit is covering is appropriate, that work areas are linked to the key risks, objectives and financial security of the Council. This is also about providing the Committee with assurance that areas are being covered by either Internal Audit work or other assurance providers.
- There are many sources from where the plan is drawn, including service and programme risk, work from other auditors / regulators.
- Appendix A contains the work programme for Quarters 1 and 2 of the year.

- Questions:

Question	Response
How much reliance does external audit take on Internal Audit's work when scoping their work. Do they have any involvement in the planning of Internal Audit's work.	<p>There is regular liaison between Audit Wales and Internal Audit and a high level of co-ordination between the two organisations to ensure there is no duplication of work in the planning process.</p> <p>Audit Wales generally does not place a reliance on Internal Audit's work, but does use it as a risk assessment basis to identify areas where Audit Wales might need to do further work. Audit Wales does liaise with Internal Audit about its programme of work and Audit Wales' programme to ensure there are no overlaps.</p>

<p>Welcome that there will be a tracker which will assist the Committee understand trends.</p> <p>Languishing reports – do we have a body of reports that have not been acted upon and the Committee is pushing on. If we do have these sorts of issues what is the approach to encourage action to be taken.</p>	<p>About three years ago, the Council was behind in implementing recommendations from SWAP reports. A tracker was produced some two years ago to address this which did have an impact on officers following up on actions in reports. That was the position but the culture is better now in terms of services being aware of recommendations and addressing those actions.</p> <p>There are quarterly monitoring reports at Head of Service and Cabinet Member level which gives the opportunity to challenge delivery against the tracker. The Senior leadership Team see this on a quarterly basis as well.</p> <p>A new system will be in place by the end of the year. If there are areas where the Council or Internal Audit are not being agile in relation to audit reports, the Committee will be notified of this.</p>
<p>The Committee agrees the plan, but does it see the terms of reference of individual audits or is that only for the officers.</p>	<p>The detailed scoping of audits is undertaken at an officer level. Any changes to this can be discussed with the Chair, the Head of Finance and the Chief Executive.</p>

Outcomes:

Action	Action By / Completion Date
That the Audit plan for Quarter 1 and 2 is approved.	IH
That the Audit Charter is endorsed.	IH

6.	CORPORATE FRAUD
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Documents Considered:

- Report of the Head of Finance

Issues Discussed:

- The report provides advice and updates on the work and performance of the corporate fraud team.
- The report also identifies any significant system weaknesses which have been identified.
- The Committee will also be asked for comments regarding the team's future work. The report also details improvement work which has been undertaken.

- An e-learning training module on fraud management for officers and Members is being developed, to be implemented from Q3 which will be mandatory training.
- SWAP has undertaken a fraud risk assessment, which is currently being analysed. Following this some detailed areas of work will be undertaken on key risk areas.
- Questions:

Question	Response
<p>P51 – Data matching – what impact do you expect from that and in what areas</p>	<p>There is not much data across Council available for the fraud team to use as yet. The Council every two year runs a data matching exercise. The new licence now allows this to be done with current data sets on a more regular basis. After that we can have a better quality data matching exercise to spot significant frauds or data errors. This has not been rolled out fully, but we are starting to see some aspects of better quality data coming through and spotting frauds earlier.</p> <p>The fraud hub gives an opportunity to match data sooner as well as the ability to draw in additional data sets to widen what the team does.</p>
<p>Is there a de-minimus limits in relation to fraud work and how are investigations prioritised.</p>	<p>The team does a scoping of the initial analysis and decide whether there is enough evidence to take an investigation forward. The trend is not to look at low level overpayments, or low level frauds. However, there is no set limit as such e.g. sums under £500 would not be considered but the Council would look to recover these overpaid sums.</p>
<p>What is the policy in terms of communicating this activity, sharing awareness in terms of good practice and deterrents.</p> <p>Are we bringing any income into the Council by sharing expertise with other authorities or by the team working for other organisations.</p>	<p>Advertising and publicising the work of team is done which can be a deterrent. There is also engagement with services and communicating outwardly.</p> <p>In terms of the commercial side – a commercial aspect has been developed, and the team has been working with Councils in England and we are looking to develop and share commercial offerings with others to develop a fraud impact, prevention,</p>

<p>What was the strategic approach and operating model that is used by the team. It would be good to have some assurance about a strategic report in future. Mandatory training is good news as is the SWAP report.</p> <p>P49 table – current status and values - is there an opportunity to develop that table. At the end of the year it would be worth knowing of the recoverable payments how much was recovered and what value of income has been saved.</p>	<p>process and system.</p> <p>At the strategic level particular attention has been paid to fraud over the past two years. One service fraud case is ongoing and brought fraud to the fore. The Senior Leadership team and Executive Management Team have supported the team, revising policies and giving the message of zero tolerance to fraud. We are waiting for the training module to become available and there will be a need to increase the internal communications to Members and staff. Awareness raising has been undertaken with senior officers and Members.</p>
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Outcomes:

Noted.

7.	TREASURY MANAGEMENT Q4 - 2021-22
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Documents Considered:

- Report of the Cabinet Member for Finance and Corporate Transformation

Issues Discussed:

- Questions:

Question	Response
<p>The council tends to borrow considerable sums in March which we do not use. This is borrowed due to potential invoices coming in on capital projects. What was the position this year.</p> <p>Is the Council getting the right cash flow needs information at the end of the year which historically has not been the case.</p>	<p>Local authority borrowing was taken out in August and will be repaid in the following August.</p> <p>The PWLB borrowing was taken out late last year and rates for 50 year money dipped. The opportunity was taken to borrow at the low rate and hold the cash for a few months. Further sums were not taken out more since then which seemed to be the right decision at the time.</p> <p>We are trying to get better forecasts for the schemes but it is difficult with significant grants coming from Welsh Government at the end of the financial years.</p>
<p>Cash flow fluctuations – do we benchmark cash management with other authorities.</p>	<p>No but this could be considered.</p>

<p>The report states that the Council is £40m under-borrowed. Can you explain this please</p>	<p>We set a capital programme and how it is to be funded, as well as identifying what grants and other funding can be gained. What remains is the sum that needs to be borrowed. There are daily or monthly cash fluctuations during the year (surplus and deficits), so there is money in reserves earning interest. The Council therefore only borrows as a last resort when we run out of cash. The capital financing requirement is the amount we should have borrowed but because of the availability of cash it is better to use this cash rather than borrow. This is how you get the under-borrowing.</p>
<p>As interest rates increase is it better to borrow.</p>	<p>The forecast is that interest rates will go down so we try and borrow at the most optimum time and at the best rates possible.</p> <p>Because of the impact of borrowing on the revenue budget and revenue funding have been decreasing the Council has looked at other options to support the capital programme instead of borrowing.</p>
<p>The capital programme shows how much of the capital programme is funded from Welsh Government grants, and the cost of capital schemes. If the Council receives a grant then any increase in cost has to be found by the Council. However, additional grants from Welsh Government at year end cannot be guaranteed, therefore this could be an additional risk for Council having to borrow more to cover these schemes.</p>	<p>This depends very much on the scheme. Much of the grants relate to 21st Century schools schemes, and these are based on each individual scheme. Dialogue is kept open with Welsh Government about costs where they are part funding the scheme. The Council needs to make sure it can keep within the funding envelope.</p> <p>We are unlikely to see the level of funding from Welsh Government that we have seen in past and we do not plan that will be the case. Also, an increase in construction costs will mean we will have a higher borrowing requirement. All of this will be factored into the Medium Term Financial Strategy and a conversation is ongoing with the Cabinet about the capital programme and how we finance this over 10 – 15 years.</p>
<p>Appendix P72 – purchase cards – at</p>	<p>These are all options that we have.</p>

<p>this level of error should we be fining services or cancelling cards.</p>	<p>Whilst there is a large amount on purchase cards all of this is not recoverable e.g. some of the VAT cost may not be recoverable. The majority of the issues is around VAT that should not have been reclaimed. Work is ongoing to educate card holders. The use of cards is also far safer than using cash especially in deterring fraud.</p> <p>Cards can be withdrawn or cancelled where cards are misused. No disciplinary action against a member of staff has been undertaken to date but that would be a last resort. Where this involves schools, the team for schools reinforces these messages with schools.</p>
<p>Schools are audited. Is this something that can be audited with schools.</p>	<p>Internal Audit recognise that purchase cards are an area of potential fraud, it is an area which works efficiently but there are risks. In the audit plan for Q2 there is an audit of purchase cards which will identify the issues and what are the root causes. Schools audits do include a comment on how they use purchase cards.</p>

Cllr Graham Breeze left the meeting 12:08

Cllr Ange Williams left the meeting 12:30

**Outcomes:
Noted.**

8.	MONITOR AND REVIEW RISING ENERGY COSTS, OTHER COST IMPLICATIONS AND SUPPLY CHAIN ISSUES
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Documents Considered:

- None – verbal presentation by the Head of Finance

Issues Discussed:

- A process has been established to formally review this and to monitor price increases across the Council.
- Where there are specific issues a register has been established to monitor and manage the impact.
- Principles in policies from Welsh Government have been adopted and the Council follows an open book process to look at a contractor or suppliers' financial position where there are concerns from suppliers and contractors about costs and where inflationary increases need to be applied.
- The council therefore has a good process to monitor this but there will be a time when it has a monetary impact. Services will look to manage that from within their service budgets in the first instance and issues will be highlighted in the quarterly monitoring reports.
- If services are not able to manage through their own resources the Council has a robust virement scheme which can be used.
- This was raised as a risk when the budget was set with reserves set aside to manage this issue. The MTFS (Medium Term Financial Strategy) is also being revised as a result as well as the assumptions within it.
- Questions:

Question	Response
We are not always dealing with sophisticated accounting systems with suppliers so the Council needs to take a light touch in undertaking an open book exercise. In relation to school budgets for the autumn heating budgets will be insufficient. What special arrangements have been made for this sector.	Last year additional funding came for schools from Welsh Government and the schools team is working with schools on how they can draw on the benefits they received. In addition, we do buy some energy in advance through national procurement arrangements. Schools may have to reflect on their budget plans and the Council will provide information and support them as much as it can in preparing next year's budgets.

Outcomes:
Noted.

9.	AUDIT WALES - QUARTER 4 PROGRAMME UPDATE - FOR INFORMATION
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Documents Considered:

- Audit Wales – Quarter 4 Update

Issues Discussed:

- Financial Audit. Audit Wales will start to look at the Council’s statutory accounts in July. Welsh Government has extended the deadline to publish its accounts to the end of November. Audit Wales are working to get Council audits completed by the end of October before starting work on Pension Funds.
- Audit Plans will come to the July Committee meeting.

**Outcomes:
Noted.**

10.	WORK PROGRAMME
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Documents Considered:

- Draft Work Programme.

Issues Discussed:

- There has been a Joint Working Group with the Economy, Residents and Communities Scrutiny Committee looking at HOWPS. Would be worth this group continuing to look at the reintegration
- A work programme is to be developed for the next year.
- Questions:

Question	Response
<p>CIW Inspection Report – what does this relate to.</p> <p>Extra Care Facilities in the Wales and West Facility, Newtown.</p> <p>HOWPS Report</p> <p>How are service levels monitored and actions arising progressed. How renewal processes are managed for services commissioned by the Council but provided by others.</p>	<p>This was an improvement check looking at Childrens and Adult Social care and a report should be received in few weeks.</p> <p>The Member agreed to speak to the Head of Finance to identify the issues. The Head of Service could then speak to the service to find out what can be achieved and then that can be considered for the work programme.</p>
<p>The Committee could look at key partnerships and how the Council’s ability to deliver core services depends on other partnerships. Consider what are the key partnerships and how they function in terms of impacting on how we deliver services.</p>	<p>Internal Audit is doing work currently regarding partnerships and partnership risk and governance and this report will come back to the Committee.</p> <p>Audit Wales are going to be auditing Corporate Joint Committees (CJCs). Some all Wales work by Audit Wales would be useful to help the development of CJCs.</p>

**Outcomes:
Noted**

L Hamilton (Chair)