

No.

GOVERNANCE AND AUDIT COMMITTEE

Minutes of a Remote meeting held on 12th June, 2023.

The Committee agenda is available [here](#).

The recording of the meeting is available [here](#).

Present: G. Chapman, M. Evans and N. Ireland (Lay Members); Councillors P. Drake, E. Goodjohn, M.J. Hooper, J.M. Norman, J. Protheroe and N.J. Wood.

Also present: Councillors R.M. Birch (Cabinet Member for Education, Arts and the Welsh Language), L. Burnett (Executive Leader and Cabinet Member for Performance and Resources), C.P. Franks and G. John (Cabinet Member for Leisure, Sport and Wellbeing); S.J. Byrne (Audit Wales), J. Mansfield (Acting Headteacher – Stanwell School – Observing only).

91 ANNOUNCEMENT –

Prior to the commencement of the business of the Committee, the Democratic and Scrutiny Services Officer read the following statement: “May I remind everyone present that the meeting will be live streamed as well as recorded via the internet and this recording archived for future viewing”.

92 APPOINTMENT OF CHAIR –

RESOLVED – T H A T G. Chapman (Lay Member) be appointed Chair for the current Municipal year.

93 APPOINTMENT OF VICE-CHAIR –

RESOLVED – T H A T N. Ireland (Lay Member) be appointed Vice-Chair for the current Municipal year.

94 MINUTES –

RESOLVED – T H A T the minutes of the meeting held on 25th April, 2023 be approved as a correct record, subject to it being clarified that under minute number 944 – Regional Internal Audit Service Charter, that the Committee’s suggestion for there to be specific reference to Lay Members related to the 2023/24 Charter.

95 DECLARATIONS OF INTEREST –

No declarations of interest were received.

96 VALE OF GLAMORGAN COUNCIL – THE APPLICATION OF THE SUSTAINABLE DEVELOPMENT PRINCIPLE IN SERVICE AREAS (REF) –

The reference from Corporate Performance and Resources Scrutiny Committee of 24th May, 2023 as contained within the agenda was presented by the Director of Corporate Resources.

During 2021/22, Audit Wales raised concerns regarding the Council's approach to addressing a proposal for improvement arising from the review of Outsourced Leisure Services. This related to strengthening the application of the sustainable development principle in the renewal of the Council's leisure contract. Whilst considerable assurance was taken from the Council's subsequent actions in response to the concerns raised, further assurance was sought by Audit Wales to ensure the learning was being embedded across the Council's services.

A review was subsequently undertaken by Audit Wales in the latter half of 2022 to gain further assurance that the Council was strengthening its arrangements for ensuring service areas were applying the Sustainable Development Principle.

The report (attached at Appendix A to the report) outlined the key findings of this work. The review findings were positive and concluded that, 'the Council's arrangements for ensuring service areas apply the sustainable development principle were largely effective, although there was scope to further develop some elements.' Key findings included:

- The Council's senior officers, supported by a corporate framework, were helping to drive a positive culture that supported services to apply the Sustainable Development Principle, but this was not fully incorporated in its project management toolkit;
- There was effective corporate support to help service areas to apply the Sustainable Development Principle, but there was an opportunity for the Council to strengthen its learning and development offer; and
- The Council had mechanisms in place that helped it to assess whether service areas were effectively applying the Sustainable Development Principle and was applying learning to strengthen its arrangements.

Two recommendations were made:

- R1: The Council should develop its project management toolkit to ensure that those documents helped officers to apply the Sustainable Development Principle from the outset.
- R2: The Council should develop its learning and development offer to help to ensure that staff across the organisation understood the Well-being of Future Generations Act (Wales) 2015 and were able to apply the Sustainable Development Principle as needed in their roles.

In response to the above recommendations, the Director of Corporate Resources had developed an action plan (attached at Appendix B to the report) which would be progressed by the Council. In line with the Council's performance monitoring

No.

arrangements, progress against regulatory improvement areas would be monitored via the Insight Tracker.

It was noted that an update report to monitor progress of the action plan, would be provided on a 6 monthly basis.

Subsequently, it was

RESOLVED –

- (1) T H A T the proposed Council actions contained in Appendix B to the report be endorsed, and an update on progress be provided on a 6 monthly basis
- (2) T H A T the report be referred to Cabinet for its consideration and approval.

Reasons for decisions

- (1) Having regard to the contents of the report and discussions at the meeting.
- (2) For Cabinet to consider and approve the actions contained at Appendix B.

97 VALE OF GLAMORGAN COUNCIL: ANNUAL PERFORMANCE CALENDAR 2023/24 (REF) –

The reference from Cabinet of 25th May, 2023 as contained within the agenda was presented by the Director of Corporate Resources.

The Director advised that the purpose of the report was to provide an overview on the performance related activities that the Council would be undertaking over a 12-month period.

The report also outlined the key findings and learning from the previous year's Annual Self-Assessment review approach and made proposals to further enhance the process in readiness for the 2022/23 self-assessment. Appendix A to the report outlined a rolling programme of collaborative work with Members throughout the 2023/24 Annual Performance Calendar to develop their skills and knowledge and strengthen their involvement in shaping and refining the key plans, reports and processes that would support them in their key role of assessing whether the Council was achieving its Well-being Objectives, delivering value for money and improving the well-being of its citizens.

Councillor M. Hooper queried how the public engagement activity differed to that carried out last year and how did the Council use the public as a "sounding board". Councillor Hooper also commented on workshops arranged for Elected Members, stating that some should be held in person. Finally, Councillor Hooper also referred to making special provision around the engagement with the Trade Unions. In reply, the Director stated that Trade Unions were extremely important and there was specific legislation that required the Council to engage with the Trade Unions on the Annual Self-Assessment. The Director added that that the Council's relationship

No.

with the Trade Unions was positive and constructive, and engagement with the Trade Unions would be added to the timetable shown under paragraph 2.13 of the report. In terms of workshops, the Director stated that he was very keen to get as much feedback and involvement as possible, so he was happy to look at the way that workshops were held. With regard to how could the Council improve its ability to use the public as a sounding board and to engage with them, the Director advised that there were two aspects to this. The first was how the Council reflected more comprehensively within the Self-Assessment, and should detail the conversations through the engagement, activities and, consultations that had been carried out within that 12-month period. As a result, the Director was working with colleagues to look at opportunities for larger and more wider scale engagement exercises to influence and feed into the Self-Assessment process. The Director also highlighted that as part of the Council's Annual Delivery Plan, there would be engagement around such areas like the budget setting process.

Councillor Hooper commented that it was important for the public to feel that their contributions had been heard and taken into account, even if the Council did not agree with the points raised.

Further to Councillor Hooper's comments, the Chair, G. Chapman, stated that engagement with staff, the public and other key stakeholders was scheduled to take place during August which was when a lot of people were on holiday. There was also the issue of the school summer term. The Chair therefore suggested that the length of time for the engagement activity planned for August should be extended. The Chair also concurred with Councillor Hooper's points about the public feeling that they had been heard, and for comments to be included to show how comments were taken into account.

There being no further comments or queries, the Committee

RESOLVED –

(1) T H A T the Vale of Glamorgan Annual Performance Calendar 2023/24 and the proposed approach to engaging with Members in-year to shape and refine the Annual Performance Calendar of activities and to support Members in their scrutiny role be noted.

(2) T H A T Cabinet be advised of views of Members of the Governance and Audit Committee, these being:

- For consideration to be given to extending the public engagement activity scheduled for August 2023 as many people will be on holiday and because of the school summer term.
- That the Council ensures that members of the public feel that their views have been heard and responses provided to indicate how those views have been taken into account.

Reason for decisions

(1&2) Having regard to the contents of the report and discussions at the meeting.

98 Q4 UPDATED: AUDIT WALES WORK PROGRAMME TIMETABLE 2022/23
– VALE OF GLAMORGAN COUNCIL (DCR) –

The report presented to Members the Q4 update of Audit Wales' work programme timetable as aligned to the Vale of Glamorgan Council's Annual Audit Plan 2022.

Governance and Audit Committee Members were requested to review and note the progress made on the Vale of Glamorgan Audit Work Programme as at Q4 and upon consideration, to refer the report to Cabinet for their oversight.

By way of an update, S.J, Byrne (Audit Wales) advised the Committee that work was still ongoing in relation to an audit of grant claims and returns for 2021/22 that was initially due for completion in May. In respect of the audit of the 2022/23 statement of accounts, it was anticipated for the draft accounts to be ready over the next couple of weeks and audit colleagues would be in contact with the Council's finance team to firm up timescales. In terms of other pieces of work, that included review work around capital program management for all 22 Councils in Wales. Other thematic review work being undertaken across Wales included the use of performance information, Unscheduled Care and the strategic approach to 'Digital'.

Councillor E. Goodjohn queried whether Audit Wales would be doing any work as a follow up to report published the U.K. Government relating to Climate Change. In reply, S.J. Byrne advised that Climate Change was one of the key priority areas for Audit Wales and some initial work had been carried out with further review work expected. The exact details of the future work had yet to be determined.

Having considered the report, the Committee

RESOLVED –

- (1) T H A T the contents of the report be noted.
- (2) T H A T the report be referred to Cabinet for their oversight.

Reason for decisions

(1&2) Having regard to the contents of the report and discussions at the meeting.

99 ANNUAL INTERNAL AUDIT REPORT 2022/23 (HRIAS) –

The report provided the Head of Internal Audit's Annual Opinion on the Council's control environment in relation to governance, risk management and internal control. It also informed the Governance and Audit Committee of the work and performance of Internal Audit for the Financial Year 2022/23. This information was provided to comply with the Public Sector Internal Audit Standards.

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From the work undertaken during the financial year 2022/23 and considering other sources of assurance, the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2022/23 was of reasonable assurance.

The Annual Internal Audit Report was at Appendix A which summarised the reviews undertaken during 2022/23, the recommendations made and any control issues identified. A total of 41 reviews were completed with an audit opinion and a total of 208 recommendations made. A breakdown was included at Annex 1 of the appendix. The annual report also discusses the performance of the internal audit service during the year and highlights individual staff development and training that had taken place. The detailed position against the audit plan was at Annex 2 and Annex 3 was the recommendation monitoring position statement.

In respect of the no assurance opinion relating to Stanwell school, the full internal audit report was shown at Annex 5 to the report.

With regard to the satisfaction survey which had a return rate of 71%, the Head of Regional Internal Audit Service clarified that as 41 opinions have been issued, then 41 surveys would've been sent out.

Councillor M. Hooper queried the direction of travel and comparative yearly data for the number of reviews with a reasonable opinion, the Head of the Regional Internal Audit Service advised that information would be circulated. Councillor Hooper also queried the impact on the control environment from staff working from home. In response, the Head of the Internal Audit Service stated that in some circumstances, staff working from home had meant timescales to complete an assessment or receive information had had to be extended. Overall, it was considered that working from home did not have any significant negative impact on the control environment.

M. Evans (Lay Member) queried the reviews categorised last year as high priority which had been carried forward into 2023, and sought clarification regarding the process around how reviews were progressed. In reply, the Head of the Regional Internal Audit Service advised that there was a combination of risk management and risk assessment of the audit plan to make sure that there was appropriate coverage. In addition, there was a range of service issues that had to be considered, such as, the element of risk or if a new system or manager was in place. All areas of risk would be fed into a detailed list of potential audits, from which specific audits would be picked out for review, which would depend on available resources and the need to ensure that all Directorates received appropriate audit coverage.

The Head of the Regional Internal Audit Service also clarified that follow up audits would be undertaken for all limited and no assurance opinions.

The Chair referred to 97 future targets as shown within Annex 3 and asked for an extra column to be included to show expected completion dates.

The Committee raised a query regarding policies within schools relating to unofficial fund expenditure, and it was suggested for further review work to be undertaken on such policies by the Learning and Skills Directorate.

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Debate then moved onto to Annex 5, and a no assurance opinion report issued relating to Stanwell School.

Councillor J. Norman asked when was the last time that the school had been audited in such manner and how long had the school been operating in the way it had. In reply, the Head of the Regional Internal Audit Service stated that he would find out when the school was last audited and provide further information. The Head of the Regional Internal Audit Service also clarified that as it was a no assurance opinion report, and further follow up work would commence in due course.

Councillor J. Protheroe queried a statement provided by Stanwell School regarding procurement, which stated that the school considered that it was not bound by the local authorities financial and contract regulations, which caused concern as to whether that was a regular occurrence.

Councillor E. Goodjohn, queried the oversight within the school of the £700k capital project which had become overspent.

The Chair stated that he had drafted a number of recommendations, some of which covered the points raised by Councillor Protheroe and Councillor Goodjohn. The recommendations for the Committee to consider in relation to Stanwell School were as follows:

- The Local Authority should consider issuing a warning notice to the school under the School Standards and Organisation (Wales) Act 2013.
Reason. To ensure that the Local Authority considers all possible responses given the seriousness of the situation at Stanwell School and the need to see urgent progress.
- The internal audit report should be formally shared by the Council with all governors on the governing body and that the Director of Learning & Skills and Head of Internal Audit should meet urgently with all governors and the Senior Management Team of the school (in separate meetings) to present the internal audit report.
Reason. To ensure that there was complete transparency, openness and a full understanding of the serious financial situation that had developed at Stanwell School.
- This Committee receives an update on the progress made against the action plan at the meeting scheduled for the 18th September 2023 and that the Headteacher and a representative of the Governing Body from the School are in attendance to provide relevant updates and answer questions from Committee members.
Reason. To ensure continued progress given the seriousness of the situation.
- That the Internal Audit Service work with Stanwell School to incorporate management responses to any recommendations that did not have a management comment currently, where appropriate.
Reason. To ensure full regard is given to the audit process.
- That the internal audit of the control environment at the school that was planned for the Autumn be prioritised and scheduled as early as possible and

No.

that Governance and Audit Committee receives an update following that work being undertaken.

Reason. Given the seriousness of the audit findings and the need for an urgent follow up.

- That all arrangements around delivering the contract for the new well being building be further reviewed to highlight any specific procedural weaknesses and identify any appropriate follow up actions. The interim findings of this review to be brought to the Governance and Audit Committee meeting on the 17th July 2023

Reason. Given the seriousness of the situation around the management of the contract at Stanwell School, this furthermore detailed work is urgent.

- The Internal audit reporting in respect of Stanwell School contained in (annex 5) of Agenda Item 9 of the Governance and Audit Committee of the 12th June 2023 and the recommendations made be drawn to Cabinet's attention. Any subsequent report and recommendations be referred to Cabinet as and when they arise.

Reason. For the attention of Cabinet

The Committee agreed to the suggested recommendations with the additional reference to the procurement process to be added to the recommendation relating to the review of arrangements around delivering the contract for the new well being building. The Committee also agreed to an additional recommendation referring to a review of school policies across the Vale of Glamorgan relating to unofficial funds.

Councillor J. Norman stated that it was important to ensure that there was support available to the school's staff.

RESOLVED –

(1) T H A T the Annual Internal Audit Report for the Financial Year 2022/23 including the Head of Internal Audit's Annual Opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control be approved.

(2) T H A T in relation to Stanwell School, the Local Authority should consider issuing a warning notice to the school under the School Standards and Organisation (Wales) Act 2013.

(3) T H A T in relation to Stanwell School, the internal audit report should be formally shared by the Council with all Governors on the Governing Body and that the Director of Learning and Skills and Head of Internal Audit should meet urgently with all Governors and the Senior Management Team of the school (in separate meetings) to present the internal audit report.

(4) T H A T in relation to Stanwell School, the Governance and Audit Committee receives an update on the progress made against the action plan at its meeting on 18th September, 2023 and that the Headteacher and a representative of the Governing Body from the school are in attendance to provide relevant updates and answer questions from Committee Members.

No.

(5) T H A T in relation to Stanwell School, the Internal Audit Service work with Stanwell School to incorporate management responses to any recommendations that do not have a management comment currently, where appropriate.

(6) T H A T in relation to Stanwell School, the internal audit of the control environment at the school that is planned for the Autumn be prioritised and scheduled as early as possible and that Governance and Audit Committee receives an update following that work being undertaken.

(7) T H A T in relation to Stanwell School, all arrangements around delivering the contract, including the procurement process, for the new wellbeing building be further reviewed to highlight any specific procedural weaknesses and identify any appropriate follow up actions. The interim findings of this review to be brought to the Governance and Audit Committee meeting on 17th July, 2023.

(8) T H A T the Internal audit reporting in respect of Stanwell School contained in Annex 5 of Agenda Item 9 of the Governance and Audit Committee of 12th June, 2023 and the recommendations made be drawn to Cabinet's attention. Any subsequent report and recommendations be referred to Cabinet as and when they arise.

(9) T H A T the Council (Learning and Skills Directorate) undertake further work in regard to school policies across the Vale of Glamorgan relating to unofficial funds.

Reasons for decisions

(1) Having regard to the contents of the report and discussions at the meeting.

(2) To ensure that the LEA considers all possible responses given the seriousness of the situation at Stanwell School and the need to see urgent progress.

(3) To ensure that there is complete transparency, openness and a full understanding of the serious financial situation that has developed at Stanwell School.

(4) To ensure continued progress given the seriousness of the situation.

(5) To ensure full regard is given to the audit process

(6) Given the seriousness of the audit findings and the need for an urgent follow up.

(7) Given the seriousness of the situation around the management of the contract at Stanwell School, this further, more detailed work is urgent.

(8) For the attention of Cabinet.

(9) To conduct a review of policies within schools regarding unofficial funds.

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100 INTERNAL AUDIT STRATEGY AND RISK BASED PLAN 2023/24 (RIAS) –

In line with the Public Sector Internal Audit Standards, the Head of Internal Audit must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The risk based audit plan should cover the Council's overall control environment including risk, governance and internal controls as far as practicable.

Consideration of the Regional Internal Audit Service's Audit Strategy and Annual Risk Based Plan was one of the Governance and Audit Committee's key responsibilities.

The proposed Internal Audit Strategy for 2023/24 was attached at Appendix A and the Annual Risk Based Plan for 2023/24 was attached at Appendix B to this report.

The Strategy demonstrated how the Internal Audit Service would be delivered and developed in accordance with the Committee's Terms of Reference. The Strategy would be reviewed and updated annually in consultation with stakeholders, namely the Governance and Audit Committee, Senior Leadership Team, External Auditors and Senior Management.

The Plan provided the Committee with an overview of the work to be undertaken which would offer sufficient coverage to be able to provide an opinion at the end of 2023/24.

N. Ireland (Lay Member) commented on the need for clarity of the linkages between audits planned and the Council's risks, and also the process around how audits were prioritised, particularly those high priority audits that were carried forward from last year. He also commented on a request for timings and completion dates to be added, even if there simply represented a quarter. In respect of timings, the Deputy Head of the Regional Internal Audit Service advised that a column would be added to the document in order to show when audits were expected to be completed. The Deputy Head clarified that as soon as the Audit Plan was approved, it would be circulated to Directorates with a request to outline specific timescales. However, there was also the element of available resources with each partner authority allocated a set number of days for audit activities. With regard to high priority audits, the Deputy Head advised that on occasions audit work would be changed to reflect Council priorities, for example financial systems in a school could be a medium risk but as the Audit Team had to look at wider aspects such as fraud in order to provide Directorates with assurance across the board. Audits would also be undertaken based on the experience of the Auditors and resources available. Further to that point, the Head of Service stated that the Audit Team did have regard to the Corporate Risk Register and there would an assessment if anew system that had been implemented, there was a change in management arrangements or if there was concern with fraud. These were all part of the risk assessment process.

The Committee agreed for there to be further discussion outside of the meeting regarding the understanding of priority levels, the format of the Plan and also the level of detail contained within it.

No.

The Chair commented that there should be some further prioritisation of high level audits which were carried forward from previous years. In reply, the Deputy Head of Service advised that there were 10 audits that were not started in 2021/2 that were carried into the 2022/23 plan and 4 had been completed in 2022/23. 2 audits had been covered through other audit work, for example waste had waste was had been covered through the risk audit and consultancy work had been undertaken on Oracle fusion rather than a full audit because of the delay in implementation.

Further to the point raised by the Chair, N. Ireland commented that it was reassuring to hear that progress had been made, but it would be good for the Committee Members to have sight of some of the holistic reviews undertaken as part of the risk management process. N. Ireland also commented that it would of benefit for Members to have a greater understanding of any review work that had been done around then the overall risk management process. That would also be a useful audit to include in the plan at some point.

The Head of Regional Internal Audit Service agreed to take into account the comments raised.

Subsequently, it was

RESOLVED – T H A T the Internal Audit Strategy (Appendix A to the report) and the Annual Risk Based Audit Plan for 2023/24 (Appendix B to the report) be approved.

Reasons for decision

Having regard to the contents of the report and discussions at the meeting.

101 UPDATED FORWARD WORK PROGRAMME 2023/24 (HRIAS) –

The Governance and Audit Committee had a number of core functions and responsibilities within its remit.

It received a number of reports and presentations throughout the year to enable it to carry out those core functions and responsibilities effectively and to provide it with confidence in the financial governance of the Authority.

To enable the Committee to provide this assurance and to ensure it was covering its range of responsibilities, a Forward Work Programme (FWP) was presented at each meeting, setting out the reports to be presented at future meetings, for approval or amendment, as necessary.

The updated FWP for 2023/24 was attached at Appendix A to the report. Committee was requested to approve the updated FWP or request changes for future meetings.

It was noted that further update reports relating to Stanwell School would be scheduled for July and September.

No.

RESOLVED – T H A T the Forward Work Programme be endorsed subject to the inclusion of update reports relating to Stanwell School scheduled for the Committee meetings set for 17th July and 18th September, 2023.

Reason for decision

Having regard to the contents of the report and discussions at the meeting.