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GOVERNANCE AND AUDIT COMMITTEE

Minutes of a Remote Meeting held on 17th July, 2023.

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

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

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

Also present: Councillor A. Asbrey and J. Owen (Audit Wales).

218 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”.

219 MINUTES –

RESOLVED – T H A T the minutes of the meeting held on 12th June, 2023 be approved as a correct record.

220 DECLARATIONS OF INTEREST –

No declarations of interest were received.

221 CORPORATE RISK REGISTER QUARTER 4 UPDATE (CX) –

The report, presented by the Director of Corporate Resources, provided Members with an overview of the Corporate Risk Register for Quarter 4 (April 2022 – March 2023).

The Corporate Risk Summary Report (Annex A) provided an overview of all the corporate risks in the Register in terms of their inherent score, effectiveness of control score and residual score and provided an outline of the direction of travel for both current and forecast. It also provided a brief analysis of the emerging risk issues associated with risks on the Register.

It was reported that there were 17 corporate risks on the Register. During the Quarter 4 period, 6 risks had scored high, 3 risks medium-high, 7 risks medium and the remaining 1 risk scored a medium-low. There had been some movement in risk statuses during the fourth quarter of the year. The high-risk status (risk score of 12)

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of Project Zero risk reflected the challenging circumstances that the Council was currently operating in. By contrast the Brexit risk had decreased to a medium status (risk score of 6).

In terms of forecast direction of travel, it was anticipated that the Information Security, Financial Fragility, Market Fragility, Workforce, Project Zero, Demand Management and Service Capacity would continue to escalate over time. It was also anticipated that the legislative change and local government reform, integrated health and social care and Brexit risks would continue to diminish over time. The remaining risks on the Register were forecasted to remain static.

Councillor M. Hooper raised a series of questions, the first related to the direction of travel and the impact of budgetary pressures. Councillor Hooper also referred to Project Zero which had a very high-risk status and he queried as to whether the status should be revised to catastrophic given the challenges associated with the project. In addition, Councillor Hooper referred to the cost-of-living crisis and inflationary pressures and whether the static risk was still appropriate. Finally, Councillor Hooper asked whether the Brexit risk was reflective of current issues as most areas would be covered under other risks within the Register.

In reply, the Director of Corporate Resources advised in regard to financial fragility, the Council was forecasting an increase in risk over time, and it had been recognised that the 2023/24 budget setting process would be extremely challenging and a report on that would be presented to the next Cabinet meeting. The forthcoming year's budget would be challenging because of such things as escalating costs of supplies and the increased complexity of people presenting for Council services. As the setting of the Welsh Government's budget in December would be closer, the Council would have a better idea of the financial challenges upcoming. With regard to Project Zero, Councillor Hooper was correct in that the next level up on the risk framework would be catastrophic and at present it was considered that the risk was very high, which in some ways would be offset by the effectiveness of the controls in place for a wide range of activities. Therefore, the inherent nature of the risk would need to change as would the Council's ability to affect control in order for the status to change to catastrophic. Regarding the cost-of-living crisis, there had been a lot of discussion at the Insight Board and Strategic Leadership Team where it was considered that the current status was correct. However, it had been recognised that the winter period would be challenging for residents so that risk would be kept under close scrutiny. In terms of Brexit, the Director stated that the Committee had previously suggested that the impacts would be articulated throughout the rest of the Register but the Brexit risk had remained because there were some legacy issues. For example, there were still some trading arrangements that needed to be finalised and that was still impacting on the Council but the majority of impacts had been covered and so it may well be time to remove Brexit from the Risk Register which was something that the Governance and Audit Committee could recommend to Cabinet.

Mr. N. Ireland (Vice-Chair and Lay Member) asked for clarification regarding the effectiveness of controls scoring mechanism. Mr. Ireland commented on the Brexit risk, and he stated that he agreed that the majority of issues would be probably covered elsewhere. Mr. Ireland also referred to Project Zero and the current risk

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score and he asked at what point would a review conclude that the objectives of Project Zero were unachievable. In reply, the Director of Corporate Resources stated that in terms of the effectiveness of controls score, it was a notional calculation that was made by looking at the ability of the controls to influence both the impact and the likelihood scores. With regard to the Project Zero risk, the Director stated that that would be influenced by the Council's data return to be submitted to Welsh Government over the next couple of months and as part of that analysis, Welsh Government would be able to understand some of the scale and national challenges being faced. Therefore, the Council would be able to better understand the areas of activity that it needed to look at, so that would be the next major driver of a review of the overall risk rating.

Mr. M. Evans, (Lay Member) stated that he supported the removal of Brexit from the Risk Register and he queried whether the Council had been exposed to the recent "Move It" vulnerability. In reply, the Director stated that he would check with his colleagues within information security and would provide an answer to Members via email.

Councillor Hooper referred to comments related to Project Zero and stated that the Council should not shy away from classing the status as catastrophic as the accurate position needed to be reflected. In support of Councillor Hooper, Councillor J. Protheroe commented that the picture around Project Zero for all public sector organisations was challenging, particularly in relation to the reduction of carbon emissions and the risk rating of catastrophic was actually what was happening. In reply, the Director stated that he would be happy to provide feedback directly to the Project Board.

Mr. G. Chapman (Chair and Lay Member) stated that a catastrophic status for Project Zero would not show a sign of weakness and it was important for the Council to reflect the issues at hand. The Chair commented on financial fragility and he referred to Welsh Government legislation regarding social care and children looked after and the impact on private sector providers of residential care placements which should be something that needed to be flagged up within the Register. In reply, the Director stated that he would feed back issues to Social Services, and he was aware that the issues were being considered and progressed with the Transformation Programme within Social Care which was led by the Director of Social Services. There was also a workstream being looked at around capacity planning and plans were in place to develop provision within the care sector for looked after children but a further update on this could be provided on the next Risk Register update.

Subsequently, the Committee

RESOLVED –

- (1) T H A T the Quarter 4 position of corporate risks (April 2022 – March 2023) as outlined in the risk Summary Report (Annex A) to the report be noted.
- (2) T H A T the comments of the Governance and Audit Committee be referred to Cabinet for endorsement at the meeting when Cabinet will consider a report on the

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Corporate Risk Register for Quarter 4, the comments of the Governance and Audit Committee being:

- For consideration to be given to the removal of Brexit from the Risk Register given that most impacts are incorporated under other themes and Risks.
- For Cabinet and the Project Zero Board to give regard as to whether Project Zero should be attributed a risk impact status of catastrophic, given the seriousness of meeting challenges associated with implementation. The Council should also not shy away from attributing a catastrophic status.
- For further consideration to be given to the impact on the capacity on Looked After Children residential care placements and new legislation from Welsh Government, particularly in relation to private sector providers and market fragility.

Reason for decisions

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

222 UNAUDITED STATEMENT OF ACCOUNTS 2022/23 (HOF/S1510) –

The Draft 2022/23 Vale of Glamorgan Statement of Accounts was in the process of being completed and had been made available prior to the Governance and Audit Committee meeting.

The Shared Regulatory Services Statement of Accounts and Regional Adoption Service Statement of Accounts were now complete and were attached as appendices to the report.

The audits of the 2022/23 Vale of Glamorgan Council, Shared Regulatory Service and Cardiff, Vale and Valleys Regional Adoption Service Accounts had now commenced.

Due to the impact of the ongoing impact of the Covid 19 Pandemic, resourcing and the Oracle Fusion implementation, the Council completed the draft accounts by 30th June, 2023 rather than the 31st May, 2023 deadline, and this was advertised on the Council website in accordance with regulations.

The 2022/23 Vale of Glamorgan Statement of Accounts would be subject to external audit and the audited accounts would be presented to the Governance and Audit Committee once the audit was finalised along with the external auditor's ISA260 report prior to being submitted for approval by Council.

The final audited accounts had to be signed by the Auditor General before 30th November, 2023.

Councillor Hooper queried whether the current ways of working such as hybrid / working from home had hindered the process around the completion of the

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Statement of Accounts. In reply, the Operational Manager for Accountancy stated that there was a mixed picture with officers more on site this year than previously and it was helpful for the team to be in the same room considering issues. However, it was recognised that a mixed approach was required, particularly in relation to attracting new staff who would expect a level of flexibility within the role.

Councillor Hooper referred to the accounts for the Cardiff Region City Deal and the complexity of those accounts and he stated that in the need for transparency the public needed to fully understand the complexity that was being referred to. In reply, the Operational Manager stated that she had not seen the accounts for the City Deal Region, but it was her understanding that the issues of complexity related to investments. She was unable to comment fully but she would be able to share the accounts once finalised. The Committee held a consensus that it would be of benefit for the City Deal accounts to be shared with Members of the Governance and Audit Committee and this request would be taken up with Cardiff Council who managed the accounts.

Having considered the report, it was

RESOLVED –

(1) T H A T the unaudited Vale of Glamorgan Council Statement of Accounts for 2022/23 be noted and the comments of the Committee be referred to the Head of Finance as Section 151 Officer for subsequent discussion with the Council's external auditors, Audit Wales.

(2) T H A T the unaudited Shared Regulatory Services Joint Committee Statement of Accounts for 2022/23 and the Shared Regulatory Services Governance Statement be noted.

(3) T H A T the unaudited Vale, Valleys and Cardiff Regional Adoption Service Statement of Accounts for 2022/23 be noted.

Reasons for decisions

(1) To allow for the initial review of the unaudited Vale of Glamorgan Council Statement Accounts by those charged with governance.

(2&3) Having regard to the contents of the report and discussions at the meeting.

223 DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23 (HOF/S151O) –

The Council, as part of its arrangements for corporate governance, was required to undertake an annual review of internal control and governance and the resulting Annual Governance Statement (AGS) must be included within the Statement of Accounts.

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The AGS therefore provided an assessment of the Council's corporate governance arrangements and an appraisal of the controls in place to manage the Council's key risks and identified where improvements needed to be made.

The AGS concluded that from the review, assessment and ongoing monitoring work undertaken that reasonable assurance could be given that the governance arrangements for the Vale of Glamorgan Council continued to be regarded as fit for purpose in accordance with the governance framework.

The AGS would be reviewed as part of the external audit on the Statement of Accounts and should reflect any governance issues right up to the date that the Auditor General for Wales signed off the Statement of Accounts for 2022/2023.

Councillor Hooper stated that the Council needed to ensure that the document was more accessible for the public. In reply, the Head of the Regional Internal Audit Service stated that following approval, a more user-friendly document would be produced, and he would clarify with the Communications Team regarding promotion and whether the document was as accessible as it could be. Further to this point, the Head of Finance / Section 151 Officer suggested that it could be possible for an Executive Summary to be added to the AGS and this would be considered further. The Committee concurred with the suggestion of an Executive Summary, and it was noted that a revised AGS would be considered by the Committee when the Audited Statement of Accounts would be presented in September.

Mr. N. Ireland (Vice-Chair and Lay Member) asked for greater information to be incorporated regarding stakeholder engagement and how successful it had been following the introduction of an E-Petition system. Mr. Ireland also asked for further detail in relation to the risk management strategy and the role of members of the Governance and Audit Committee. The Head of Service confirmed that these requests would be considered.

Councillor E. Goodjohn queried the narrative around the Council's complaints policy. In reply, the Director of Corporate Resources advised that members of the Governance and Audit Committee would be invited to a workshop event to consider the Council's Corporate Complaints report, so there was opportunity for further discussion.

Subsequently, it was

RESOLVED – T H A T the draft Annual Governance Statement for 2022/2023 be agreed in principle subject to the document being revised following consideration by the Governance and Audit Committee prior to it being recommended for adoption by the Leader and Chief Executive.

Reason for decision

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

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224 STANWELL SCHOOL CAPITAL PROJECT UPDATE (HRIAS) –

The findings of the Stanwell School audit report had been discussed at Governance and Audit Committee on 12th June, 2023 as part of the Annual Internal Audit Report 2022/23.

As a result, the Committee recommended that further, more detailed work with regards to the capital project was required as a matter of urgency.

The Auditors visited the school and spoke to relevant personnel with regards to the project at the school on 19th June, 2023. Additional documentation was also obtained onsite and via email since that date.

A report was being compiled but a verbal update was given at the meeting of the findings to date.

The Head of Regional Internal Audit Service stated that the audit was still ongoing, and the audit team had met with the school's Senior Leadership Team and the school Governing Body which had been advised of the Council's audit report. In terms of the current position, not much had changed since the last meeting and the audit team was working proactively with the school in terms of finalising the audit work.

The Committee noted that the audit work was planned to be completed by September so a further update report would be provided at the Committee's meeting.

Subsequently, it was

RESOLVED – T H A T the update provided to the Governance and Audit Committee be noted.

Reason for decision

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

225 ANNUAL CORPORATE FRAUD REPORT 2022/23 (HRIAS) –

One of the core functions of an effective Governance and Audit Committee was to consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements.

The Annual Fraud Report at Appendix A to the report summarised how the Council managed the risk of fraud during 2022/23 with the aim of prevention, detection and subsequent investigation and reporting of fraud.

The Counter Fraud Strategy and Framework 2021 to 2024 underpinned the Council's commitment to prevent all forms of fraud, bribery and corruption, whether it be attempted externally or from within. The Framework included reactive and proactive

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work; the proactive work being presented in an action plan. The action plan had been updated and the current position was shown within the report.

The Council participated in the National Fraud Initiative (NFI). This was a biennial exercise co-ordinated in Wales by the Wales Audit Office. The results of the data matching exercise during 2022/23 were detailed within the Annual Report. A total of 77 possible frauds or errors equating to £149,839 of recoverable funds had been identified. In addition, the single person discount matching exercise identified £112,515 of recoverable funds.

Reactive fraud work could be generated by a concern raised via the Speak Out initiative or by any Officer or Manager directly to Internal Audit or to the Corporate Fraud Officer. A summary of the reactive fraud work undertaken during 2022/23 was included within the Annual Report.

During 2022/23 the Council agreed to joint working with the Department of Work and Pensions if a suitable case was identified. In addition, the Corporate Fraud Officer was working closely with the Council's Revenues and Benefits teams with a view to undertaking investigations where a possible fraud of Council benefit was identified. To compliment this an Enforcement and Prosecution Policy was being developed.

Mr. N. Ireland (Vice-Chair and Lay Member) referred to actions 2, 4 and 13 within Annex 1 stating that the completion dates had been extended, but for the purpose of transparency a reason for the extension should also be included.

Councillor E. Goodjohn stated that it would be useful if a comparison to last year's information could be included. Councillor Goodjohn also queried a statement regarding a creditor and whether that issue had been resolved. In reply, the Deputy Head of the Regional Internal Audit Service stated that the issue related to duplicate payments and the audit team had worked with the Council department and could confirm that it was a duplication which was as a result of a manual error.

Having considered the report, it was

RESOLVED – T H A T the contents of the report, the measures in place and the work being undertaken to prevent and detect fraud and error be noted.

Reason for decision

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

226 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 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.

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

The updated Forward Work Programme for 2023/24 was attached at Appendix A to the report.

Committee was requested to approve the updated Forward Work Programme or request changes for future meetings.

The Chair commented that the list of items for the 18th September Committee meeting should also include an update on Stanwell School.

Mr. M. Evans (Lay Member) queried the submission of the Governance and Audit Committee's Annual Report. In reply, the Head of the Regional Internal Audit Service stated that a report had been drafted but it required oversight by the Committee Members before publication. Therefore, the Annual Report had been moved back to September.

Subsequently, it was

RESOLVED – T H A T the Forward Work Programme be endorsed subject to the inclusion of an update report regarding Stanwell School for the next meeting, 18th September, 2023.

Reason for decision

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