

## GOVERNANCE AND AUDIT COMMITTEE

28 SEPTEMBER 2021

Present: Hugh Thomas(Chairperson)  
Gavin McArthur and David Price  
Councillors Cowan, Howells, K Jones and Williams

### 21 : APOLOGIES FOR ABSENCE

Apologies were received from Councillors Cunnah and Simmons.

### 22 : DECLARATIONS OF INTEREST

The Chairperson declared a personal interest in Item 12 on the agenda – Urgent Item – Appointment of an Independent Member to the Governance and Audit Committee as the applicant recommended by the Appointment Panel was known to him. The Chairperson remained in the meeting but took no part in the debate or decision.

### 23 : MINUTES

The minutes of the meeting held on 20 July 2021 were approved by the Committee as a correct record.

### 24 : DAVINA FIORE, DIRECTOR OF LEGAL, GOVERNANCE AND MONITORING OFFICER - UPDATE ON DIRECTORATE CONTROL ENVIRONMENT

The Committee received a report providing an update on the control environment within Democratic and Legal Services. The Chairperson welcomed Davina Fiore, Director of Governance and Legal Services to the meeting. The Director was invited to deliver a presentation on the Directorate's control environment. The report provided an overview of the departmental structure of the Directorate and its core functions including a breakdown of staff numbers and a summary of KPIs and external monitoring.

Members were advised that the Directorate Management Team has met weekly since the beginning of the COVID-19 pandemic. Risk and any matters of concern in relation to performance, governance and ongoing issues are discussed. The Directorate Risk Champion and Performance Lead also meets with Operational Managers individually on a quarterly basis to review the risk registers, prior to the risk registers being reviewed by the Director and the Management Team. Where appropriate, a project plan and a more detailed risk register for that project are produced and reviewed at project team meetings, for example during preparations for elections.

Details of the Directorate's approach to risk management and internal audit engagement were also set out in the report.

The Chairperson invited the Committee to comment or raise questions on the information received. Those discussions are summarised as follows:

- Members asked the Director to provide an overview of risk management within the Directorate in terms of how risks are identified and managed. Members were advised that a Directorate Risk Register is in place. Significant risks, such as Safeguarding Children, are escalated to the Corporate Risk Register. A Risk Champion is responsible for managing risk and attends Management Teams meetings. Mitigations for each risk are identified and monitored. Some major directorate risks are managed by project teams, such as the Election Project Team, which has an elections risk register that identifies potential risks in finer detail.

The Chairperson thanked the Director for attending.

RESOLVED – That the report be noted.

25 : INTERNAL AUDIT

26 : COUNTER-FRAUD ANNUAL REPORT 2020/21

The Committee received a report providing Members with an overview of the counter-fraud activities and outcomes during 2020/21. The report provided an appraisal of the Counter-Fraud issues, developments and outcomes in accordance with the Council's Counter Fraud and Corruption Strategy.

Members were reminded by the Audit Manager that investigation team / counter-fraud progress reports are provided to the Governance and Audit Committee on a regular basis. Counter-fraud activities, initiatives risks and issues are also discussed with the Corporate Director Resources and the Cabinet Member for Finance, Modernisation and Performance.

The Counter Fraud Annual Report 2020/21 was appended to the report at Appendix A. The annual report provided details of the counter-fraud developments, campaigns, resources, work and collaboration during the year.

Details set out in Section 2 of the report, included information on training and awareness campaigns; the approach taken with the Senior Management Team for measurement and assurance on fraud and corruption; the approach applied for COVID-19 counter-fraud risk management; and details on policy development and review

Section 3 of the report provided detailed the resources available for counter-fraud purposes within the Corporate Investigation Team supplemented by a wider resource.

The counter-fraud work and collaboration activities during the year were documented within section 4 of the report and Section 5 outlined the impact of the count-fraud work.

The approach to fraud measurement and assurance was outlined in Section 6 of the report. This built upon assessments against best practice government models, participation in a CIPFA fraud and corruption tracking exercise, and corporate

arrangements for assurance statements and risk assessments. The report contained a number of appended assessments, a review of the position against the action plan set in the previous annual report, and a counter-fraud action plan for 2021/22.

The Chairperson, on behalf of the Committee, commended the Audit Manager on the report.

A Member asked whether, in terms of policy development and strategy, there is a standardised process within the authority that requires colleagues to seek the advice of the Count-Fraud and Corruption Team or others. The Audit Manager stated that the Audit and Counter-Fraud Teams are particularly involved in the reviews of core financial procedures such as financial procedure rules and contract standing order and procurement rules. However, their audit engagement takes place across a range of policies. The Counter-Fraud and Corruption Strategy requires Audit and Counter-Fraud to be appropriately engaged by directorates. The Audit Manager confirmed that structural and procedural arrangements are in place and operating in practice.

RESOLVED – That the report be noted.

27 : FINANCE

28 : FINANCIAL UPDATE INCLUDING RESILIENCE ISSUES

The Corporate Director Resources provided an update on current issues, including financial resilience issues and the Budget Strategy for 2022/23.

The Corporate Director confirmed that at Month 4 there was a projected overspend of £4.42 million across all directorates. An overspend of approximately £1.5 million was projected at year-end. The Corporate Director highlighted the significant risks in the Economic Development and Adult Services directorates that were related to the ongoing Covid-19 pandemic. A significant part of the revenue position within Economic Development related to culture and events venues income. Officers have taken a prudent view to within the Month 4 statement that assumed 50% recovery funding from Welsh Government. However, if higher recovery funding is received then this will affect the position. Members were also asked to note the commentaries in the appendix to the Month 4 Monitoring Cabinet report circulated prior to the Committee.

The Corporate Director confirmed that the authority continues to receive support in relation to Covid-19 measures from the Welsh Government. A summary of the total expenditure and income claims made to Welsh Government between April and July 2021 was included in the presentation. The Corporate Director also provided an update on the Budget Strategy 2022/23.

Members asked whether the financial modelling, cost increases and financial pressures referred to in the presentation included fundamental reviews of existing projects and an assessment that the cost benefit is still justified. The Corporate Director stated that the Cabinet is giving consideration to the totality of the Capital Programme and there may need to be choices made where costs have been exceeded. Members were asked to note that the Capital Programme is reviewed on an annual basis.

Responding to comments from the Committee the Corporate Director agreed to circulate a copy of the letter from Policy Review and Performance Scrutiny Committee to the Cabinet Member for Finance, Modernisation and Performance on Month 4 budget monitoring report.

29 : PERFORMANCE

30 : PLANNING AND PERFORMANCE FRAMEWORK - UPDATE AND OVERVIEW ON THE ROLE OF GOVERNANCE AND AUDIT COMMITTEE

The Committee received a presentation providing an update on the role of the Committee. The Head of Performance and Partnerships was invited to deliver the presentation.

The Head of Performance and Partnerships provided an overview of the new and existing legislative requirements in relation to performance management, the framework in place to discharge those responsibilities and the role of the Governance and Audit Committee. Members were advised that a report on this issue will be presented to Cabinet later in the year.

A Member requested further information on how the performance evaluation processes referred in the presentation link into the performance evaluation and training of staff across the authority. The Member noted that there are two substantive corporate evaluations at the mid-year and the year-end. The Member asked whether the performance evaluation of staff through the setting of objectives, monitoring those objectives and their impact also follows a twice-yearly format. The Head of Performance and Partnerships indicated that 95% of staff currently undergo a twice-yearly performance evaluation. Members were advised that as part of their work force planning, when the corporate plan is set each senior manager will undertake a workforce assessment and will produce a workforce action plan based on the performance evaluation of staff. The guidance for managers undertaking Personal Reviews had been reviewed and may need to be updated to reflect the self-assessment process and quality assurance.

Members considered that it was challenging for large organisations to ensure that their corporate planning is integrated with individual performance assessment and demonstrate that integration. A Member recommended that quality assurance testing focussed on demonstrating that there was a continuity between objective setting at a corporate level and the activities and actions of individual members of staff. A Member suggested that a line of enquiry for a future meeting would be to evidence that individual and corporate processes are integrated.

RESOLVED – That the report be noted.

31 : TREASURY MANAGEMENT

32 : TREASURY MANAGEMENT ANNUAL REPORT

The Committee received a report on the Draft Treasury Management Annual Report prior to its submission to Council in October 2021. The Operational Manager,

Capital, Corporate and Treasury stated that the report provides an overview of treasury management activities that are undertaken in accordance with a code of practice developed by CIPFA. CIPFA are currently updating the code and a revised version is anticipated at end of November 2021, the key changes of which will be presented to the Committee.

Members were asked to note that as of 31 March 2021, investments stood at £141.4 million. The annual report includes charts indicating who the investments are placed with and for how long. All investments are deemed recoverable and no losses are required to be recognised in the Council's Statement of Accounts for activities during 2020/21. Interest receivable from treasury investments totalled £0.4 million during the year.

At 31 March 2021, the Council had £810.7 million of external borrowing, with £3.1 million of new borrowing and £21.2 million of scheduled repayments during 2020/21. Interest payable during the year from its revenue budget on this debt was £34 million of which £12.7 million was paid for by the Housing Revenue Account.

The level of internal borrowing is £30 million as at 31 March 2021. Due to restrictive penalty costs, no debt rescheduling was undertaken during the year. Members were asked to note the commentary in the borrowing section of the annual report regarding recent changes to the Public Works Loan Board lending policy aimed at addressing the issue of investment funded by borrowing. In light of this issue, CIPFA are also currently reviewing the Prudential Code and the Treasury Management Code, both of which govern the Council's investment and treasury management. Therefore, this could potentially impact on future reports.

At the start of the financial year, the Council is required to set a number of prudential indicators for capital expenditure and its treasury management activities. During 2020/21, there was no breach of indicators requiring a separate report to Council. Local affordability indicators are also produced highlighting the percentage of the Council's budgets committed to capital financing costs.

A Member asked whether it was appropriate to include some commentary in the report regarding the resilience of the Treasury Management Team throughout the pandemic. The Operational Manager agreed to reflect on this. Members were advised that one of the changes expected from the updated CIPFA code of practice is around skills and knowledge. Therefore, it may be more appropriate to include comments around the resilience of the team in the Treasury Management Strategy which is due to be presented to the Committee in January 2022.

Members were advised that during the pandemic the Treasury team moved to homeworking early. Additional loans were secured to ensure liquidity for the Council at a time when markets were challenged. The Operational Manager reported that team members moved to homeworking effectively, although the pace and impact of continued change in treasury management, as highlighted with examples in the report, will need to be continued to be reflected on. The Corporate Director took the opportunity to thank the Operational Manager and the Treasury Management team for their efforts during the pandemic.

RESOLVED – That the report be noted.

### 33 : OUTSTANDING ACTIONS

The Corporate Director noted that there were a number of actions listed regarding the Statement of Accounts. Responses had been completed in relation to a number of queries. The Corporate Director agreed to circulate the Statement of Account responses received prior to Special Committee meeting on 19 October 2021.

RESOLVED – That the report be noted.

### 34 : CORRESPONDENCE

No correspondence was received.

### 35 : WORK PROGRAMME UPDATE

RESOLVED – That the report be noted.

### 36 : URGENT ITEMS (IF ANY)

*The Chairperson declared a personal interest in this item. He remained in the meeting but took no part in the discussion or decision.*

The Committee received a report on the appointment of an independent member. The report provided details of the composition of the panel and the recruitment process.

Members were advised that Appointment Panel convened on 24 September 2021 and recommended the appointment of the successful candidate.

RESOLVED – That the Committee recommend that Council approve the appointment of the Independent Member shown in Appendix A of the report to the Governance and Audit Committee, subject to receipt of satisfactory references, for an initial a 5-year term of office, with the possibility of reappointment for one further 5-year term.

### 37 : DATE OF NEXT MEETING

The next special meeting of the Committee is scheduled for 2 November 2021.

The meeting terminated at 4.00 pm