

No.

## GOVERNANCE AND AUDIT COMMITTEE

Minutes of a Hybrid meeting held on 22<sup>nd</sup> April, 2024.

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); Councillors P. Drake, E. Goodjohn, M.J. Hooper, J.M. Norman and J. Protheroe; and M. Evans (Lay Member).

Also present: Councillors L. Burnett (Executive Leader and Cabinet Member for Performance and Resources), H.C. Hamilton and E. Williams (Cabinet Member for Social Care and Health).

### ANNOUNCEMENT –

Prior to the commencement of the business of the Committee, the Chair 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”.

### APOLOGY FOR ABSENCE –

This was received from Councillor N.J. Wood.

### MINUTES –

RESOLVED – T H A T the minutes of the meeting held on 11<sup>th</sup> March, 2024 be approved as a correct record.

### DECLARATIONS OF INTEREST –

No declarations of interest were received.

### DIGITAL STRATEGY REVIEW – VALE OF GLAMORGAN COUNCIL (REF) –

The reference from Corporate Performance and Resources Scrutiny Committee of 20<sup>th</sup> March, 2024 as contained within the agenda was presented by the Director of Corporate Resources.

The Chair, Mr. G. Chapman (Lay Member), commented that there was no officer from Audit Wales to present the report or answer any queries. In reply, the Director of Corporate Resources stated that it was normal practice for Audit Wales to only

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present the report at one Council Committee, but the Chair's comments would be fed back to Audit Wales.

Mr. N. Ireland (Lay Member) queried whether there could be more surety in relation to the outcomes coming from the actions highlighted within the report. In reply, the Director of Corporate Resources stated that there was a commitment to carry out an annual review of the Council's Digital Strategy. The updates would also include tracking of the related performance indicators. A report on progress to respond to the recommendations from Audit Wales would comprise part of the regulatory tracking reports on progress provided to the Governance and Audit Committee.

Councillor M. Hooper commented that in a number of ways the use of digital technology was often seen as a way of saving money, but that needed to be better understood from the context of supporting people in the Vale that did not have access to technology. Therefore, Councillor Hooper queried how would the Council better support those who were sometimes digitally excluded. In reply, the Director stated that the Council had identified the use of digital technology as part of its transformational programme which would contribute to savings. However, savings were not the only reason why the Council wanted to use digital, as technology would free up officer time and create capacity within the organisation. The Council's Strategy contained a series of commitments related to digital inclusion and further work was already underway with Council partners to ensure that residents' voices were heard in the decision-making process. The Director stated that he would liaise with Democratic Services in order to circulate the final version of the Digital Strategy.

Councillor J. Protheroe queried whether the Digital Programme Board had been set up yet. In reply, the Director stated that the Council's Strategic Leadership Team had recently met in order to discuss the portfolio of projects within the Council's transformation programme and also in relation to the governance arrangements that would facilitate that. The Digital Programme Board was one of five or six individual boards, and colleagues from across the Council would be nominated to sit on relevant boards. At present, the Head of Digital was working through a Terms of Reference and that would be covered within future reports to Cabinet, Scrutiny and the Governance and Audit Committee.

The Chair queried when was the national all-Wales study being published and would Audit Wales, as part of the study, highlight any good practice. Finally, the Chair reiterated the point emphasised by Councillor Hooper in relation to the use of digital technology and he commented that the Council may need to invest to save over the initial years to realise savings in the future. In reply to the Chair's comments, the Director advised that the national study was expected in the Spring / Summer of the year and it was expected for that report to include case studies of any good practice identified. In terms of digital inclusion and the Council's Strategy, the Director stated that there had been discussions with the Chief Digital Officer for Neath and Port Talbot Council as they were ahead in terms of progression of their Strategy. Therefore, the Council was looking at opportunities to learn from others and there would also be discussions with other Local Authorities as well. The Director also clarified that the Council had made provision for an invest to save and digital resources as part of the reserves strategy that had been established as part of the Council's budget for the current financial year.

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Subsequently, it was

RESOLVED –

(1) T H A T the findings arising from the review of the Council's Digital Strategy (Appendix A to the report), the response of the review findings and Audit Wales' recommendations (Appendix B to the report) be noted.

(2) T H A T the Governance and Audit Committee receive an update report in six months' time as part of the revised monitoring schedule and for any issues and areas of slippage to be highlighted within the report.

Reason for decisions

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

FINANCIAL MANAGEMENT CODE UPDATE 2023/24 (DCR) –

The Financial Management Code (FM Code) was a code that had been introduced by CIPFA to support good practice in financial management and to assist Local Authorities in demonstrating their financial sustainability. It had been prepared for the first time in February 2022 and attached was the update for 2023/24.

For 2023/24 there had also been some independent assessment with the Council's Internal Audit section reviewing a number of elements of the officer self-assessment.

Each Local Authority (and those bodies designated to apply the FM Code) had to demonstrate that the requirements of the Code were being satisfied. Demonstrating this compliance with the FM Code was a collective responsibility of Elected Members, the Chief Finance Officer (CFO) and their professional colleagues in the Leadership Team.

The updated review had been considered by the Council's Senior Leadership Team and was being reported to Cabinet and Governance and Audit Committee for comment.

The Council was required to evidence its assessment of compliance with the Code and identify any areas for further improvement.

Councillor M. Hooper referred to Section 1 of the report which indicated that the assessment was partly compliant and he asked for further information. In reply, the Head of Finance / Section 151 Officer stated that it had been identified that the Council could undertake more work in the context of 'social value' and so, there were a couple of areas for the Council to develop. Further to that point, Councillor J. Protheroe highlighted that as a member of Corporate Performance and Resources Scrutiny Committee she was part of a Task and Finish Review which included looking at how the Council could achieve greater social value outcomes. It was

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hoped that the report would be completed by the Autumn. Once approved, the report may be referred to the Governance and Audit Committee.

Mr. G. Chapman (Chair) commented that it would be useful for more independent external assessment to be undertaken and he also referred to the current financial challenges facing the Council, and stated, that those challenges and implications facing the Council in achieving a balanced budget for future years should be highlighted.

There being no further queries or comments, the Committee

RESOLVED –

(1) T H A T the Statement of Compliance with the Financial Management Code and the contents of the review, as set out in Appendix 1 to the report, be noted.

(2) T H A T Cabinet be advised of the view of the Governance and Audit Committee for the current financial position of the Council, as well as the possible implications and future challenges facing the Council in achieving a balanced budget for forthcoming years, be highlighted.

#### Reason for decisions

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

#### PROGRESS AGAINST THE INTERNAL AUDIT RISK BASED PLAN 2023/24 (HRIAS) –

The report provided a summary of the progress made to date, and therefore a provisional final position, was detailed in Appendix A. It showed that 52 of 75 planned audit reviews had been completed which equated to a completion rate 69%. There were 9 audits still in progress and if any of these audits were concluded over the next few weeks, and an audit opinion provided, they would also be included in the overall annual opinion for 2023/24.

Based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control environment, audit opinions had been given to 48 of the 52 completed audits. 39 audits had been given Substantial or Reasonable assurance and 9 audits had been given Limited assurance. The identified risks found in the Limited assurance reports completed since the last report are detailed below.

Included within the 2023/24 Plan were 21 audits that were not undertaken or completed in 2022-23; however, one had been removed from the Plan as the service had changed and the previous identified risks no longer existed. Appendix B to the report showed the status of the remaining 20 audits; 14 were completed, 4 were in progress and 2 had been deferred until 2024/25.

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A total of 228 recommendations had been made to date to improve the control environment. The progress being made in implementing these was regularly monitored by the Auditors and reported to the Committee.

Mr. N. Ireland (Lay Member) queried when would the Safeguarding Audit be completed and whether it was appropriate for the Governance and Audit Committee to be made aware sooner of when audits were deferred. In reply, the Deputy Head of the Regional Internal Audit Service stated that the Safeguarding Audit had been completed and would be included in the Audit Opinion Report for the year. In terms of the audits deferred to 2024/25, the reasons for the deferrals were mainly due to resources within the Audit Department and those would be picked up in due course. One of the deferred audits relating to capital works had been deferred at the request of the Finance Department as it was felt that there was capacity issue within the Finance Team during the Spring period in order to complete the Financial Statement of Accounts.

Councillor E. Goodjohn stated that he would like to know more about the reasons for any deferred audits and particularly in relation to how important each audit was. For example, the budget savings review had been deferred but that was particularly pertinent given the current financial instability and because of the cost of living crisis. Therefore that was an important piece of work. In reply, the Head of the Regional Internal Audit Service stated that all the planned audits were contained within the Audit Plan, but it was important for the service to prioritise certain areas as there were operational aspects of each service that required consideration and there may also be an issue around resources.

Mr. M. Evans (Lay Member) commented that there could be better planning visibility around the timings of audits in order to avoid busy periods of audit work. In addition, he stated that the Committee should have greater oversight of limited assurance reports as that would improve the accountability environment for the Committee. In reply, the Head of Regional Internal Audit Service stated that in terms of visibility of deferred audits, that would be taken into continued consideration. It would be dependent on the time of the year or the level of resources. In terms of the discussion around limited assurances, the information provided to the Committee was an overview and it would be up to the Committee to request further information or relevant officer attendance.

The Head of Regional Internal Audit Service also stated that he would reflect on the comments in terms of how issues were reported to the Committee.

Mr. G. Chapman (Chair) stated that in terms of the three limited assurance audits highlighted within the report relating to Leisure Centres – contract and performance monitoring, debtors and Residential Homes – food costs and stock control, the respective Directors or Heads of Service should be asked to attend the next meeting of the Governance and Audit Committee in order to provide an update report.

Subsequently, it was

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RESOLVED –

- (1) T H A T the contents of the report and the provisional final position of the 2023/24 Internal Audit Annual Risk Based Plan, be noted.
- (2) T H A T the relevant Directors / Heads of Service for the three limited assurance audits identified within paragraph 2.6 of the report relating to Leisure Centres, Debtors and Residential Homes, be requested to attend the next meeting of the Governance and Audit Committee to provide a report and update on the actions being taken in response to the recommendations following the review of Internal Audit.

Reasons for decisions

- (1) Having regard to the contents of the report and discussions at the meeting.
- (2) In order for the Governance and Audit Committee to be provided with an update in relation to the three limited assurance audits highlighted within paragraph 2.6 of the report.

RECOMMENDATION MONITORING (HRIAS) –

A position statement in respect of internal audit high and medium priority recommendations made, implemented and outstanding as of 28<sup>th</sup> March, 2024 was detailed in Appendix A to the report.

A total of 124 high and medium priority recommendations had been made following the conclusion of audits from the 2023-24 Annual Plan. All had been agreed and to date 66 had been implemented, 58 had a future implementation date and none were overdue.

In addition, no recommendations were overdue in respect of audits completed prior to this current financial year either.

One medium priority recommendation, made in an audit undertaken in 2021-22, still had a future target date for implementation. In addition, 12 recommendations made in 2022/23 audits had a future target date and these continued to be monitored.

The monitoring of recommendations was undertaken regularly by Auditors and any undue delays or issues were highlighted to Senior Management and ultimately this Committee.

Mr. N. Ireland (Lay Member) queried what had happened in relation to the one outstanding recommendation for the Safeguarding Audit undertaken during 2021/22. In reply, the Deputy Head of Regional Internal Audit Service advised that that information was currently showing in Appendix A with a future date for completion included. The Deputy Head stated that the Social Services Directorate was implementing a new process with the aim for that to be completed by July.

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The Chair, Mr. G. Chapman, referred to the previous report considered at the meeting held on 11<sup>th</sup> March, 2024 and in particular the update from the Director of Environment and Housing regarding schools and building compliance. The Chair stated that the Director of Learning and Skills would be able to assist and support the Director of Environment and Housing in that matter which related to health and safety issues. The Chair stated that that was something that could be raised to the Council's Strategic Leadership Team. In reply, the Head of Finance / Section 151 Officer stated that the Director of Environment and Housing was taking a report to the Council's Strategic Leadership Team so there was opportunity for the Director of Learning and Skills to be made aware.

Subsequently, it was

RESOLVED –

- (1) T H A T the contents of the report be noted.
- (2) T H A T, in relation to the health and safety matters and school building compliance, the Director of Learning and Skills assist the Director of Environment and Housing to ensure that the schools identified within the report met the necessary compliance and health and safety regulations.

#### Reason for decisions

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

#### FORWARD WORK PROGRAMME 2024/25 (HRIAS) –

The Governance and Audit Committee had several 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.

The draft Forward Work Programme (FWP) for 2024/25 had been produced and was aligned to the Committee's Terms of Reference.

Committee was requested to approve the updated FWP or request changes for future meetings.

Councillor M. Hooper commented that he had previously asked the question in relation to the Cardiff Capital Region City Deal accounts and he asked whether those accounts had been finalised. In reply, the Head of Finance / Section 151 Officer advised that he would confirm whether the accounts had been signed off and if that was going to be a long period of time, then would be reported back to the Governance and Audit Committee. Councillor Hooper added that in terms of transparency and for Council taxpayers it was important for residents to understand

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where the Vale's contribution to the City Deal was being spent. It was agreed for the matter to be raised with Audit Wales.

The Chair also referred to a possible Extra Meeting to be held during May which would also include the update from the three limited assurance reports referred to in the report considered under Agenda Item 6 – Progress Against the Internal Audit Risk Based Plan 2023/24.

There being no further comments or queries, the Committee

RESOLVED – T H A T the Forward Work Programme be noted, subject to further consideration as to whether a Special / Extraordinary meeting would be required for May 2024.

Reason for decision

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