

**Minutes of the Meeting of GOVERNANCE AND AUDIT COMMITTEE  
held via video conferencing on Thursday, 3 June 2021**

**PRESENT:** Councillors Elizabeth Evans(Chair) Councillors Gareth Davies, Keith Evans and Rowland Rees-Evans

Independent Member: Prof.Ian Roffe JP

**ALSO IN ATTENDANCE:** Councillors Gareth Lloyd (Cabinet Member)

**OFFICERS IN ATTENDANCE:** Ms Elin Prysor, Corporate Lead Officer-Legal and Governance & Monitoring Officer; Mr Alun Williams, Corporate Lead Officer- Policy, Performance and Public Protection, Mr Stephen Johnson – Corporate Lead Officer- Finance & Procurement, Mr Justin Davies – Corporate Manager – Core Finance, Mr Rhodri Llwyd – Corporate Lead Officer – Highways & Environment, Mr Arwyn Davies – Corporate Manager – Growth and Enterprise , Ms Nia Jones, Corporate Manager – Democratic Services, , Mrs Amanda Roberts, Corporate Manager- Internal Audit, Legal and Governance Services, Ms Alison Hodgson- Corporate Performance and Improvement Officer, Ms Hannah Rees- Governance Officer, Ms Stephanie Land, Apprentice Assistant Auditor, Mrs Dana Jones, Democratic Services and Standards Officer

Audit Wales -Mr Jason Blewitt and Ms Non Jenkins

(9.30am 1:05pm)

- 1 Apologies**  
Councillor Peter Davies MBE, Matthew Woolfall Jones and Ray Quant MBE apologised for their inability to attend the meeting.
- 2 Personal Matters**  
None.
- 3 Disclosures of Personal / Prejudicial interest**  
None.
- 4 Report on Revised Minimum Revenue Provision (MRP) Policy for 2021/22**  
It was reported that Under the Local Authority (Capital Finance and Accounting) (Wales) Amendment regulations 2008, Local authorities were required to set aside 'prudent' revenue provision for debt repayment (MRP) where they had used borrowing or credit arrangements to finance capital expenditure. MRP for the Council's Supported Borrowing was calculated using the Capital Financing Requirement (CFR) as a base. The CFR was a measure of the Council's underlying need to borrow for capital purposes.

During 2015 a review of the MRP Policy was undertaken which resulted in Council revising the 2015/16 MRP Policy. The largest element of the MRP relates to historic and supported debt which the Council agreed to provide for on a 2% straight line basis over the estimated life of the assets which was 50 years.

Officers had recently undertaken a further review to ensure that the Policy continues to remain prudent. Details of issues that had been considered during the review was outlined, and the following changes were reflected in the proposed Revised MRP Policy Statement for 2021/22 and would be considered by Council on 17 June 2021.

- i. **Historic and Supported Debt** – adopt Option 3 (Asset life method) of the 2018 WG guidance and applying the Annuity Method with an interest rate of 4.20% (the average borrowing rate of loans outstanding as of 01/04/21) over a 44 year period commencing 01/04/2021.
- ii. **New Supported Borrowing** – adopt Option 3 (Asset life method) of the 2018 WG guidance and apply the Annuity Method.
- iii. **PFI credit arrangements** - adopt Option 3 (Asset life method) of the 2018 WG guidance and apply the Annuity Method.
- iv. **Historic Unsupported Prudential Borrowing** – adopt Option 3 (Asset life method) of the 2018 WG guidance and apply the Annuity Method with an interest rate of 3.68% (the weighted average interest rate of the borrowing concerned) over a 38 year period commencing 01/04/2021.
- v. **New Unsupported Prudential Borrowing** – adopt average estimated useful life of assets using Option 3 (Asset life method) of the 2018 WG guidance and apply the Annuity Method.

It was AGREED:-

- (i) to support the proposed Revised MRP Policy for 2021/22 subject to periodic reviews; and
- (ii) that revenue savings be included in the report that will be presented to Council on 17 July 2021, Audit Wales had agreed to this amendment.

## 5 **Report on Capital programme Quarter 3**

Consideration was given to Quarter 3 Capital Programme Monitoring report which had been presented to Cabinet. The report was presented to the Committee in order to ensure that Committee was aware of the contents of the report, and to provide an opportunity for comment.

Following questions from the floor, it was AGREED to note the contents of the report.

Clarification would also be sought from Customer Services regarding the £150,000 spent on smartphones, this would be reported back to committee accordingly.

## 6 **Audit Wales Work Programme Update**

Consideration was given to the report on the Audit Wales (AW) Work Programme Update. The report had been presented to provide Members with updates on the progress with studies the AW had undertaken or were undertaking. This ensured that the Council responded to the AW findings appropriately and agreed that the actions had been completed to the Committee's satisfaction.

There are two elements to the report:

- 1) to provide details of progress to date on previous reports from Audit Wales, and
- 2) to report on current work with Audit Wales.
  - Ceredigion County Council 2021-2022 Audit Plan
  - Local reports received:
    - Audit Wales Certification of Grants and Returns 2019-20 – Ceredigion County Council

National reports received: none

- Certificates Received: none
- Management Response Forms in progress/completed:
  - Excel Spreadsheet of MRF Responses
  - 'Raising our Game' Tackling Fraud in Wales (30/7/2020)
  - Review of Public Service Boards (7/10/19)
  - Rough Sleeping in Wales – Everyone's Problem; No-one's Responsibility (23/7/2020)
  - The 'Front Door' to Adult Social Care (11/9/19) (Progress in implementing the Violence Against Women, Domestic Abuse and Sexual Violence Act (21/11/19)
  - Well-being of Future Generations: An examination of the design and implementation of the Council's Integrated Services Model – Ceredigion County Council (20/12/19)
  - The National Fraud Initiative in Wales 2018-20 (13/10/20)
  - Welsh Community Care Information System (15/10/20)
  - Effectiveness of Local Planning Authorities in Wales (6/6/2019)
  - Commercialisation in Local Government (6/10/2020)
- Asset Valuation Update (verbal)
- Audit Wales Protocols

### **1) Current Work**

- Project Brief- Value for Money of Direct Payments
- Project Brief- Review of Planning
- Financial Sustainability Assessment Project 2020-2021

Audit Wales reiterated their concerns regarding the communication and revaluation issues of the Estate Service raised in several ISA 260 reports in relation to the Statement of Accounts. This information had been requested in January but had not been forthcoming. A meeting had been held with the Chief Executive and AW in March, and they had been given

assurance that this information would be available to complete the audit. This also had an impact on finalising the Statement of Accounts for 2020/21. In response, the Corporate Manager – Growth and Enterprise reported that AW were correct in their comments, and valuations had been carried out last October and November, however, they were currently completing the final assessment of the internal process of these valuations. A few issues were required to be addressed, however, he stated that he was confident on the quality of the valuations and their audit trail. Also officers would be available in September to address any issues from AW, therefore the key points in the ISA 260 would be addressed confidently. .

Members reiterated their concerns on this continued issue, and if there were any further concerns and delays, AW should contact the Chair of the Committee.

It was AGREED to note the reports subject to the following :-

- (i) that an update be provided at the September meeting on recruitment , communication and revaluation process of the Estates service in order that the committee receive assurance that issues raised in the statement of accounts have been addressed;
- (ii) that a meeting be arranged between the Chief Executive ,Chair and Vice Chair to discuss the process to address the issues raised in (i); and
- (iii) to consider the possibility of a designated officer to be a contact point between Audit Wales and the Estate Service if issues were raised during the forthcoming statement of accounts

**7 Report on further changes relating to Governance and Audit Committee arising from Local Government and Elections (Wales) Act 2021**

Consideration was given to the Report of the Corporate Lead Officer: Legal & Governance/Monitoring Officer upon the Changes to the Governance and Audit Committee per Local Government and Elections (Wales) Act 2021. The report had been presented to the Committee in order to provide an update on the Local Government and Elections (Wales) Act 2021 and its impact on Audit Committees.

It was AGREED to note:-

- (i) the requirements of the Local Government and Elections (Wales) Act 2021 which affect the Committee, including proposed changes to the Constitution.
- (ii) the ongoing recruitment process of lay members to the Committee; and
- (iii) the requirement for the Mid Wales Corporate Joint Committee to have a Governance and Audit Sub-committee.

**8 Report on Annual Governance Statement 2021/22 Progress - Current year Action Plan from Annual Governance Statement**

Consideration was given to the Report on Annual Governance Statement 2021/22 Progress - Current year Action Plan from Annual Governance Statement. The report had been presented to the Committee in order to provide an update regarding progress with the 2021-2022 Annual Governance Statement and Current Year Action Plan

It was AGREED:-

- (i) to note the progress report on actions set out in the AGS; and
- (ii) that the AGS would be reported quarterly to the committee in the future.

**9 Report on Statutory Guidance on performance and governance of principal Councils under Part 6 of Local Government and Elections (Wales) Act 2021**

Consideration was given to the report on the Welsh Government's Statutory Guidance on Performance and Governance of Principal Councils under Part 6 of the Local Government and Elections (Wales) Act 2021 and publication of consultation responses.

Following question from the floor, it was AGREED to note the contents of the Statutory Guidance regarding the Council's exercise of its performance and governance functions under Part 6, Chapter 1, of the Local Government and Elections (Wales) Act 2021, including the role and duties of the Governance and Audit Committee.

**10 Report on Ceredigion County Council Response to Welsh Government Consultation Questions on draft General Power of Competence (Commercial Purpose) (Condition) (Wales) Regulations 2021**

An update was provided on the County Council Response to Welsh Government Consultation Questions on draft General Power of Competence (Commercial Purpose) (Condition) (Wales) Regulations 2021.

It was reported that the current position regarding the consultation documents were circulated to all Council Political Group Leaders and to the members of the Council's Governance and Audit Committee on 13 April 2021, with an opportunity provide comments. A Workshop was also held for the Council's Governance and Audit Committee on 27 April 2021 to provide the Committee with an opportunity to comment.

The Corporate Lead Officer – Legal and Governance/Monitoring Officer informed the Leadership Group of the Consultation on 14 April 2021.

The Council's Response to the Consultation was being prepared (the Consultation period ends on 11 June 2021) and the Council's Response, which shall be submitted by the deadline.

The intention of the Welsh Government was to analyse the responses to the consultation over the summer and consider whether any changes may be required before laying the draft regulations in the autumn. It is then intended that they be brought into force on 1 November 2021, in line with the commencement of the GPOC for principal councils.

It is intended to amend the draft Regulations between November 2021 and May 2022 so as to extend their application to eligible community councils.

Following a question from the floor, it was AGREED:-

(i) to note the updated report upon the Consultation on the draft General Power of Competence (Commercial Purpose) (Conditions) (Wales) Regulations regarding Part 2 of the Local Government and Elections (Wales) Act 2021;

(ii) to note that the Committee had received the Council's Response to the Consultation; and

(iii) to note that it was envisaged that further guidance from Welsh Government in relation to the eligibility of Town and Community Councils on their competence for GPOC would be received in due course.

**11 Internal Audit Progress Report 2020/21 - 1/1/2021-31/3/2021**

Consideration was given to the report of the Corporate Manager-Internal Audit on the Internal Audit Progress Report Quarter 4 (1/1/2021-31/3/2021). The report had been presented to ensure that the Committee was satisfied that the Internal Audit Section was undertaking sufficient and appropriate work in order to provide a realistic assurance at year-end, whilst adding value and assisting the Council in achieving its objectives.

It was AGREED to note the work undertaken and current position of the Internal Audit Section.

**12 Internal Audit Annual Report 2020/21**

Consideration was given to the Internal Audit Annual Report 2020/21. The Annual Report provided a summary of the internal audit activity during the year to 31 March 2021 and incorporates the audit opinion.

It also documents the current resource position, and the Section's quality, improvement and progress plans.

It was AGREED :-

(i) to approve the report;

(ii) that the internal audit service seeks an explanation regarding the communication problem that arose within the estates service, that led to the delays in providing information to Audit Wales; and

(iii) that the quarterly internal progress reports continue for the forthcoming year, along with the annual report, in order to ascertain the work of the service at full capacity.

**13 Internal Audit Annual Counter Fraud Report 2020/21**

Consideration was given to the Internal Audit Annual Counter Fraud Report 2020/21. It was reported that the report supports the Annual Report & outlines the counter fraud work IA have been involved in during the year.

It was AGREED to approve the report.

Members were of the opinion that all services should adopt this style of report when presenting to committees as it was clear and concise to the reader. This message would be relayed to Leadership Group.

**14 Internal Audit Report - Risk Management**

It was reported that the Internal Audit Section recently reviewed the Council's Risk Management Framework and the supporting corporate procedures in place during the 2020/21 financial year.

Only minor actions were identified, one of which was actioned immediately, resulting in the Internal Audit Section providing high assurance that there is a sound system of controls, governance and risk processes in place.

It was AGREED to note the content.

**15 Internal Audit Report - Governance Framework Review 2020/2021**

A review had recently been undertaken of the Framework supporting the Annual Governance Statement (AGS) for 2020/21.

The Governance Framework, AGS and Local Code of Corporate Governance were presented to the Committee in February 2021. Members of the Committee were also involved in its review.

Audit Wales provides an audit opinion on the AGS based on its consistency with their knowledge and compliance with legislation.

The Internal Audit review consists of an assessment of the procedures in place to compile the governance framework, the scoring methodology used, and consideration of the 'evidence' noted in the framework.

This review therefore complements AW's work on the AGS, and provides assurance that the procedure is robust, focussed and effective.

It was AGREED to note the content.

**16 The Council's Strategy on Counter Fraud, Bribery & Corruption (to include Anti-Money Laundering)**

It was reported that Ceredigion County Council had a duty to the public to safeguard money that should be used in the public interest. To assist organisations achieve this by addressing their risks to fraud, CIPFA had produced a Code of Practice on Managing the Risk of Fraud and Corruption. The Code states that an organisation needs a counter fraud strategy setting out its approach to managing risks and defining responsibilities for action.

This document was intended to serve this purpose, and applies to all employees, elected Members and Lay Members of the Council.

It was AGREED to endorse the Strategy for presentation to Cabinet and Council for final approval.

**17 Corporate Risk Register**

It was reported that regular reports were provided to the Governance and Audit

Committee regarding the Council's Corporate Risk Register to provide on-going information and assurance that risks continue to be managed. This assists the Governance and Audit Committee in their role of providing independent assurance to Council and management of the adequacy of the risk management framework. App

Since March 2020 when the Covid-19 pandemic reached Wales, the Council's response to the Covid-19 outbreak has taken priority. Risk R018 sets out the details of the risk and the mitigating actions that are required to reduce the spread of the disease in Ceredigion.

All risks have been reviewed and include updated commentary. Governance and Audit Committee are asked to note the following changes to the Register since the last update:

- R003 Corporate Improvement and Performance – the overall risk score has increased mainly due to the introduction of the Local Government and Elections (Wales) Act in April 2021. The Act introduces a new performance regime for principal councils based on self-assessment and requires a new process to be developed during 2021/22 to support its introduction. The score has therefore increased from 9 to 12 on the register.
- R016 Brexit – the risk score has decreased to reflect the latest situation regarding the risks associated with leaving the EU, and in particular that leaving with a deal has mitigated the risks significantly. The Council continues to monitor the impact of Brexit via a sub group of officers, which reports to Leadership Group.
- R019 Climate Change and Coastal Erosion / Flooding - this is a new risk combining the previous risks of Carbon Management (R012) and Coastal Erosion (R013) into an overarching risk on climate change. The new risk includes the wider implications of climate change such as increased instances of flooding, drought and storms. The Council recognises it needs to lead by example and address these risks. Mitigating actions are in place including the development of a Corporate Climate Change Strategy and action plan detailing how the Council will achieve net carbon zero by 2030. Given the potential impacts and likelihood, this risk has been scored as 25 on the register.
- Risk 20 – Ash Dieback is a new risk this quarter reflecting the significant impact that the Ash Dieback Disease could have across Ceredigion and Wales. It is estimated that there are 42,000 mature Ash trees along the county roads alone and a further 10,000 on the Council's Corporate Estate. Ash Dieback is already widespread and visible across the County. Mitigating actions have been put in place including the production of an action plan, a steering group set up along with a survey of high priority areas to identify locations of Ash trees and their condition.
- Risks R004 Business Continuity, R005 Medium Term Financial Plan, R006 Through Age & Well-being Programme, R009 Information Management - Security, R015 Support Local Food Businesses, R017 Safeguarding and R018 Covid-19 have no changes to risk scores since last reported, but mitigating actions have been reviewed and the commentary updated.

**It was AGREED:-**

- (i) to note the update; and
- (ii) that Members welcomed the combined risk R019 Climate Change and Coastal Erosion / Flooding; which had replaced the previous risks of Carbon Management (R012) and Coastal Erosion (R013) into an overarching risk on climate change

**18 Forward Work Programme**

It was AGREED to note the content of the Forward Work Programme as presented.

**19 To confirm the Minutes of the Audit Committee held on 24 February 2021 and to consider any matters arising from those Minutes**

It was AGREED to confirm as a true record the Minutes of the Meeting of the Committee held on 24 February 2021.

**Matters arising**

Minute 4- The Chair sought views of Members on the number of items on the agenda. It was agreed that the structure of the agenda would be considered by officers following the meeting. Also Audit Wales reports could be considered in more detail in a meeting with AW officers prior to presenting the reports to the committee.

**Confirmed at the Meeting of the Governance and Audit Committee held  
on 9 September 2021**

**Chairman:** \_\_\_\_\_

**Date:** \_\_\_\_\_