

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON WEDNESDAY, 5 APRIL 2017

PRESENT

County Councillor JG Morris (Chair)

County Councillors D E Davies, L R E Davies, G Hopkins, M J Jones, P J Medicott, WD Powell, D G Thomas, R G Thomas, S L Williams and Mr J Brautigam

Cabinet Portfolio Holders In Attendance: Jones, Wynne (Deputy Leader of the Council)

Officers: David Powell (Strategic Director - Resources), Jane Thomas (Head of Financial Services), Caroline Evans (Business Continuity and Risk Management Officer) and Garry Hudson, Senior Performance Management Officer

Other Officers In Attendance: Ian Halstead and Ian Baker, SWAP and Phil Pugh, Justine Green and Colin Davies, WAO

1.	APOLOGIES
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Apologies for absence were received from County Councillors A W Davies, E R Davies and T J Van-Rees

2.	DECLARATIONS OF INTEREST
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There were no declarations of interest.

3.	DISCLOSURE OF PARTY WHIPS
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There were no disclosures of party whips.

4.	MINUTES
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The Chair was authorised to sign the minutes of the previous meeting, held on 3 February 2017, as a correct record subject to adding Mr Phil Pugh, WAO, to those present.

5.	WAO - AUDIT PLAN
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Documents:

- WAO 2017 Audit Plan - Powys County Council
- WAO 2017 Audit Plan – Powys Pension Fund

Discussion:

- The documents detail the legislative requirements, timetable and WAO fees together with the responsibilities of both the WAO and the Council

- Details of risks were identified together with the proposed audit response
- The detail regarding certification of grant claims and returns was in the process of being finalised but it was expected that a similar fee to that charged in 2015/16 would apply
- It was noted that the estimated fee would be reduced by 8.1% and not as detailed in the original report. An amendment was circulated to the Committee via email during the meeting.
- Details of the proposed performance audit were given. The WAO seek to provide assurance of improvement particularly in light of the austerity that all authorities were dealing with. The Local Government Measure was still in place whilst local government reform was under consideration and the WAO would monitor statutory requirements under the Measure. This work would also cover assessment of the Authority's progress in implementing the Wellbeing of Future Generations Act –this would lead to more detailed work in future years.
- Local risk based work would also be undertaken and it was expected that this would include Highways, Transport and Recycling as it modernises.
- The WAO drew Members' attention to the controls that had been included to ensure that one officer of the WAO, who had a potential conflict of interest with regards Adult Social Care, would not be involved in any aspect of auditing Adult Social Care. After some debate, Members were satisfied that this was appropriate.
- Last year's Statement of Accounts would need to be restated in accordance with new requirements
- The level of materiality will be reported in due course. The trivial level would be set at 5% of materiality which, based on last year's Statements would be less than £205K. This would be less than £250K with regard to the Pension Fund.
- Members' attention was drawn to a key risk relating to the changes of Heads of Service as this represented a material risk by nature rather than value.
- The appropriateness of journal entries would also be considered together with any significant transactions outside normal business trends to ensure there had been no management override
- The third thematic review regarding Transformation, identified last year, was currently being scoped and would commence in May 2017
- The WAO were asked what the future of auditing pension funds across Wales would be in light of pooled pension fund arrangements. The WAO responded that it was too early to have any detail but each Authority would continue to hold a Pension Fund account which would still be subject to audit. The WAO would endeavour to avoid duplication when auditing of the pooled arrangement was determined.
- The Committee sought assurance that staffing levels and continuity were adequate in the light of difficulties encountered in previous years. Although there were no absolute guarantees the greater proportion of the WAO team were the same as last year with some new officers. Where accounts overlap or similar information is required the Team will ensure that there is no duplication and will aim that one Auditor will consider any overlap areas. A further question was put regarding the frequency with which Team members were refreshed to ensure that over familiarity did not become an issue. The WAO noted that a balance between continuity

- and rotation needed to be made and that policies were in place to ensure this happened.
- The WAO were asked if the level of sampling would be the same – this was likely, but dependent on what emerges and at what risk level
 - The Committee were concerned that a number of baselines set within the Wellbeing of Future Generations Act were out-with the Authority's control – WAO activity would be restricted to those areas where they would have an impact.

Outcomes:

- **The proposed Audit Plans were noted**

6. WAO CHARGING FOR SERVICES AND INCOME GENERATION

Documents:

- Report of the Strategic Director, Resources
- WAO - Charging for Services and Generating Income by Local Authorities

Discussion:

- The Committee had previously considered the WAO report prepared following a national review
- Income generation was thought to be key in austerity measures
- Powys County Council had been one of the field areas and the report had highlighted the schools cashless project
- The Income and Cost Control Board has been reintroduced and is chaired by the Head of Financial Services
- 7 recommendations had been contained within the report and these had all been fully or partly met – further work was required on unit costs
- Good progress was being made and the report would be relevant going forward
- Future Audit Committees would receive progress reports

Outcomes:

- **The report was noted and updates would be included in the forward work programme**

7. WAO FINANCIAL RESILIENCE- ACTION PLAN

Documents:

- Report of the Strategic Director, Resources
- WAO – Savings Planning – Powys County Council
- Financial Resilience Action Plan

Discussion:

- A full Corporate Assessment had not been planned in 2016/17 but the Authority was informed that it would be subject to three 'light touch' reviews – Financial Resilience, Governance and Transformation
- The Financial Resilience review considered savings plans
- The review had been scoped on the basis of national issues

- An Action Plan has been prepared
- Management Team are monitoring on the Action Plan to ensure savings are planned, reported on and achieved
- Audit Committee will be kept informed of progress

Outcomes:

- **The report was noted**

Item 19 - WAO Report – Good Governance when determining significant service changes – was considered at this point on the agenda

8.	CLOSURE OF ACCOUNTS
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Documents:

- Report of the Head of Financial Services

Discussion:

- A project management approach is continuing in the current year
- Income and Expenditure has to be restated in line with a change to the Code of Practice and work is already underway on this issue
- It has been decided at a national level that the Highways Network Asset Code will not be introduced at this time as the benefits are outweighed by the costs of implementation
- Members recalled that the closure of accounts had been affected by staff sickness absence and that this had been included as an ongoing risk. However work to mitigate this is in progressing.
- The Head of Financial Services is ensuring that all services have a turnaround time limit of three days to enable the accounts to be closed down in a shorter time scale as required
- Work towards the closure of accounts is currently on track
- The WAO were concerned that upload problems from feeder systems had been identified. Any potential for errors or incompleteness were a cause for concern. The Internal Audit Manager informed the Committee that a review into interface files had been factored into the Internal Audit Work Plan and suggested that he co-ordinate with the WAO around this issue.
- The WAO have already commenced testing to enable the earlier closing agenda to be met. Income and Expenditure is already being assessed for the first 10 months of the 2016/17

Outcomes:

- **Progress on the closure of accounts was noted**
- **The Internal Audit Manager and WAO will liaise regarding issues around feeder systems**

9.	RISK MANAGEMENT
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Documents:

- Report of the Business Continuity and Risk Management Officer

- Heat map
- Summary
- Risk Register
- Risk Assessment Matrix

Discussion:

- Regular, quarterly update on the Corporate Risk Register
- The Impact Assessment Toolkit is being refined following the budget process based on feedback from users and Members
- The Authority has been shortlisted for an excellence in leadership award which will be judged in May. A video and poster are being prepared to show at the awards ceremony.
- 3 risks have been deleted
 - ASC1 (failing to get agreement on direction of travel) – Adult Services Risk Register to be reviewed to reflect the emerging Directorate Plan
 - ASC10 (Services delivered for less) – Adult Services Risk Register to be reviewed to reflect the emerging Directorate Plan
 - RPC8 (Property disposals programme) – property disposals are ahead of schedule and the risk can safely be removed
- Other risks which have been amended:
 - CR17 (Living wage and increased pension requirements leading to increased financial pressure) – this risk has been decreased as funding has been identified for 2017/18 and will be included in the base budget going forward
 - CR11 (implementation of WCCIS) – this has been increased as a delay due to information governance issues having been raised by the Health Board
 - LC1 (incident at leisure centre) – this risk has been merged with PL1 which deals with health and safety processes
- 3 risks have not changed level despite mitigation
 - CR11 – WCCIS
 - RPC2 – landfill liability – the Authority has been given leave to appeal the decision but this may not happen until late 2017
 - SS1 – schools transformation programme. Decisions have been made recently which may affect mitigation, however Members were concerned that school transformation was not happening and was still a significant risk
- Members queried whether the position of CR7 (transition post-election of the Pensions Committee) could remain in the low risk category – the Pensions Board would continue to operate and provide support until such time as the new Pensions Committee is in place and fully trained
- A further query was put to the lead officer regarding whether the register was updated quickly enough. An example was quoted of the LDP where considerable movement had taken place in the preceding 12 months – all risks are updated quarterly and it was agreed that the presentation of the data may have caused some confusion. This matter would be discussed with the Head of Service.

Outcomes:

- **The current position regarding corporate risk was noted**

- **The Chair paid tribute to the Risk Management and Business Continuity Officer and her team on the achievements in progressing risk management in the last two years**

10. INTERNAL AUDIT

The Committee considered reports in the following order:

10.3
10.1
10.2

10.1. Audit Charter

Documents:

- Report of the South West Audit Partnership (SWAP)
- Internal Audit Charter

Discussion:

- An Internal Audit Charter defines the relationship between the organisation an Internal Audit and ensures that Internal Audit maintains its independence
- The document presented to Committee is the first Charter provided by the South West Audit Partnership

Outcomes:

- **The Internal Audit Charter dated March 2017 was approved**

10.2. Interim Internal Audit Plan

Documents:

- Report of the South West Audit Partnership (SWAP)
- Q1 Internal Audit Plan 2017/18

Discussion:

- A transitional Q1 plan was presented to Committee – a full Plan will be provided for the next meeting of Audit Committee in July
- The Plan is risk based and can be flexible
- The Plan has to be sufficiently detailed to enable the Internal Audit Manager to be able to form an opinion as regards there being sufficient controls in place – there was sufficient time allocated within the Plan to enable that opinion to be formed but the Internal Audit Manager would not wish to see that Plan diminished
- There will be engagement between the Management Team and SWAP to establish priorities and develop an appropriate full year Plan
- SWAP intend to work collaboratively and take the role of ‘Trusted Advisor’
- Being within the Partnership will enable greater access to benchmarking, good practice etc between all 24 partners

- The Internal Audit Working Group had been very useful and SWAP confirmed that this would continue
- The Assistant Director of SWAP was asked what synergies he saw which would add particular value to Powys' Internal Audit work – he responded that he would be able to provide a fuller answer at the next Committee meeting following greater engagement with Management Team. More automated processes were available which would increase efficiency and assist in delivery of the service.

Outcome:

- **The Interim Internal Audit Plan was approved**

10.3. South West Audit Partnership

Documents:

- Report of the Strategic Director Resources (S151 Officer)

Discussion:

- The Committee have been kept informed of progress in transferring Internal Audit services to the South West Audit Partnership (SWAP)
- The transfer was completed on 1 April 2017
- The Authority is joining a well-established organisation and will be partners in that organisation
- The first Board meeting will take place on 19 April 2017 with the Strategic Director, Resources being the Council's representative on the Board. The Chair of Audit Committee will attend the Members' Board in due course.
- Individual meetings were held with all staff who wished to and engagement sessions have been held with SWAP and the Internal Audit Team
- The Internal Audit Manager will remain as the lead officer for Powys County Council Internal Audit
- The Strategic Director, Resources, thanked the Internal Audit Manager for his support during the transfer

Outcome:

- **The report was noted**

11. REGULATORY TRACKER

Documents:

- Report of the Portfolio Holder for Finance

Discussion:

- The report outlined the position as at the end of Quarter 3
- There were 9 actions which were not on track with major issues or no planned action undertaken to date
- The WAO and Committee were concerned that some actions dated back to 2014

- In some instances the lack of clear performance data was delaying implementation of all actions
- Key Performance Indicators (KPIs) were becoming more widely accepted within the Council
- Financial performance was regularly monitored and this needed to be extended to performance monitoring
- Members asked to see improvement in these 9 indicators or detailed explanations of why they had not been achieved by the next Audit Committee
- The WAO welcomed the new arrangements to report the Regulatory Tracker to Audit Committee – Regulators make recommendations to drive improvement and it is critical that these are acted upon. They would add value to the Authority's work and were aimed to assist in that process and not distract from it.
- The Committee suggested that consideration should be given to linking the Tracker to the risk management tracker – the Strategic Director suggested that there may be overlap but that this could be considered and may highlight any gaps
- The Strategic Overview Board actions would be embedded in future documents
- Officers were asked to include dates in the tracker to ensure events were still current and appropriate
- 11 recommendations were put forward for approval to be archived as they were complete – the Committee was cautious about archiving some actions but were assured they were still available for monitoring after archiving

Outcomes:

- **The report be noted and the 11 recommendations for archiving be approved**
- **Further detail regarding dates to be included in the Tracker**
- **Improvement in the 9 red actions to be sought or detailed explanations of why these have not been achieved to be presented to the next Audit Committee in July 2017**

12. THE HOLDING AND USE OF RESERVES
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Documents:

- Report of the Head of Financial Services

Discussion:

- The Committee has previously considered the Welsh Government's document 'Scrutiny of Local Authority Holding and Utilising of Reserves' and the report provides an update following the latest information being available
- Comparators with other Welsh Local Authorities were given for information
- The level of reserves is set by the Authority

- The Section 151 Officer was of the opinion that the issue was getting the balance right. He would be concerned if there were too many specific reserves.
- The Chair reiterated the need for planned use of reserves to ensure that these are not depleted
- Members wished to see reserves used appropriately and not as a general support to budgets

Outcomes:

- **The report be noted**

13. FINANCE SCRUTINY PANEL

Documents:

- Scrutiny summary report

Discussion:

- The FSP had submitted detailed reports on budget proposals and the overspend in Adult Social Care (ASC)
- A Joint Working Group with the ASC Working Group of the People Committee had undertaken considerable work on the reasons behind the overspend in ASC
- There had been some debate regarding the data upon which the report was based and it was discovered that the correct information had not been available to the Working Group
- The findings of the Group were not diminished when the correct data was established
- The report had been critical of procedures and had highlighted areas of major concerns and it was essential that these issues were addressed
- To date the Portfolio Holder for Adult Social Care has offered a personal response but a formal response was awaited. It was expected that this would be available at the Cabinet meeting on 11 April 2017.
- The Portfolio Holder, ASC presented additional data which was also subsequently found to be incorrect
- The Chair of Audit requested that a proactive response be submitted
- The WAO noted that the use of data was critical. Data must be accurate to enable decisions to be made.
- The Portfolio Holder for Finance confirmed that his response to the budget proposals was contained within the Cabinet agenda for 11 April

Outcomes:

- **The report was noted**

14. WORK PROGRAMME

Documents:

- Work Programme

Outcomes:

- The work programme be updated with items highlighted during the meeting

15. JOINT CHAIRS AND VICE CHAIRS STEERING GROUP
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Documents:

- Notes of a meeting of the Joint Chairs and Vice Chairs Steering Group, 28 February 2017

Discussion:

- Members noted that a response was being prepared relating to the Welsh Government White Paper: Reforming Local Government: Resilient and Renewed

Outcomes:

- The minutes were noted

16. CORRESPONDENCE

There were no items of correspondence.

17. ACCESS TO INFORMATION

18. BRECON CULTURAL HUB

This item was withdrawn.

19. WAO - GOOD GOVERNANCE REVIEW

Documents:

- Report of the Professional Lead – Corporate Insight
- WAO Report – Good Governance when Determining Significant Service Changes
- Management Response

Discussion:

- The report was welcomed in providing guidance to the Council going forward
- The general direction of travel was in line with WAO's expectations
- There are some challenges which Management Team will develop with the new Cabinet following the local government elections in May
- The role of scrutiny and engagement with Cabinet is currently being reviewed and is one area for development

- The Strategic Director, Resources will monitor progress against the Management Response and keep Audit Committee updated

Outcomes;

- **The WAO report was noted**
- **The Management Response was approved**
- **The Strategic Director, Resources will monitor the Management Response and provide an update to Audit Committee by 31 December 2017**

County Councillor JG Morris (Chair)