

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COUNTY HALL, LLANDRINDOD WELLS ON MONDAY 27<sup>TH</sup> JUNE 2011**

**PRESENT:** County Councillor Mrs S. C. Davies (**Chair**)

County Councillors G. R. Banks, Mrs L. V. Corfield, A. W. Davies, L. R. E. Davies, E. A. Jones, J. G. Morris, K Pathak, Mrs D. G. Thomas, G. P Vaughan and A. M. C. Weale.

Portfolio Holders County Councillors A. G. Thomas (Resources, Workforce and Housing), Mrs M. R. Harris (Social Services, Care and Health).

**Officers in attendance:**

Ms C. Williams (Head of Finance), Mr S. Cameron (Accountancy Manager), Mr C. Leah (Principal Accountant), Ms D. Richards (Principal Accountant), Mr I. Halstead (Internal Audit Manager), Ms C. Ketteringham (Auditor), Ms B. Smith (Interim Contracts and Commissioning Manager), Ms L Rossiter (Human Resources Manager), Mr L. Marshall (Senior Manager Waste Services), Ms S. O'Grady (Shire Manager Montgomeryshire) Mrs L. Patterson (Committee Clerk).

**Attending:** Mr C. Davies and Mr M. Jones (Wales Audit Office).

**Observing** County Councillor L. Fitzpatrick (Change, Communication and Performance).

1.	<b>ELECTION OF CHAIR</b>	<b>A21-2011</b>
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**RESOLVED THAT Councillor Mrs S. Davies be elected Chair for the ensuing year.**

2.	<b>ELECTION OF VICE-CHAIR</b>	<b>A22-2011</b>
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**RESOLVED THAT Councillor L. R. E. Davies be elected Vice-Chair for the ensuing year.**

3.	<b>APOLOGIES</b>	<b>A23-2011</b>
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Apologies for absence were received from County Councillors Mrs E. R. Davies, Ms M. J. B. Davies, M. D. Hodges, Mrs C. E. Powell and Mrs D. G. Thomas and Mr G. Petty (Strategic Director – Finance and Infrastructure).

4.	<b>MINUTES</b>	<b>A24-2011</b>
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The Chair was authorised to sign the minutes of the previous meeting held on 31 March 2011 as a correct record.

5.	<b>DECLARATIONS OF INTEREST</b>	<b>A25 - 2011</b>
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Cllr Mrs S. Davies declared a personal but not prejudicial interest in Item 10.2 on Leisure Centre Vending as a Member of the Ystradgynlais Leisure Centre Management Committee appointed by the County Council.

<b>6.</b>	<b>CORRESPONDENCE</b>	<b>A26-2011</b>
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No correspondence had been received.

<b>7.</b>	<b>STATEMENT OF ACCOUNTS</b>	<b>A27 -2011</b>
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The Portfolio Holder for Resources, Workforce and Housing advised that procedures had changed with regard to approving accounts. The Pensions and Investment Committee no longer had to approve the accounts prior to consideration by the Audit Committee. The draft accounts would be presented to the Audit Committee for consideration but would be signed by the Section 151 Officer only at this stage. The final accounts would be presented to the Audit Committee for approval in September. The Portfolio Holder thanked the officers in Finance for all their work in preparing the accounts.

#### Statement of accounts

The Principal Accountant gave a presentation on the Statement of Accounts 2010-11 (copy filed with signed minutes).

The accounts would be open for public inspection for 20 working days from 13<sup>th</sup> July 2011. Members would have the next two months to raise any questions on the accounts with the Finance Section prior to submission for approval.

It was confirmed that although the Council's accounts are not signed off until September, Management accounts will be signed off by Cabinet in the near future. Managers receive regular financial monitoring reports throughout the year to ensure that actions are taken promptly where necessary.

With regard to the wide variation in under and overspends in the schools delegated budgets it was confirmed that some schools regularly operate with high overspends and that this is a risk to the authority. The Portfolio Holders for Schools and Finance interview the Head Teacher and Chair of Governors of schools with large deficits to agree a programme to bring the budget back into balance. It is the intention of the Cabinet to undertake such interviews at an earlier stage before the problem becomes too entrenched.

It was noted that the level of reserves had increased markedly over the last year. It was explained that departments had introduced cost cutting measures over the year in response to the economic situation and when set against the agreed budget this had resulted in an increase in reserves. The finance available for capital spend was set to reduce by 40%, with the Council keen to progress the School Modernisation Programme and invest in the highway infrastructure. The Portfolio Holder would wish to use the reserves to fund capital spend rather than to cut Council tax.

### Annual Governance Statement

The Accountancy Manager gave a presentation on the Annual Governance Statement (copy filed with signed minutes).

This document replaced the old Statement of Internal Control as part of the Statement of Accounts. Further work was needed on the document which would be brought back to the Audit Committee in September as part of the Statement of Accounts.

Concern was expressed as to whether the Governance arrangements for the Local Service Board were in place. It was confirmed that this work was ongoing.

### Pension fund accounts

Concern was expressed that the Powys pension fund was not performing as well as others it was benchmarked against and that the administration fees that the pension fund was charged had increased dramatically. It was confirmed that other bodies who have joined the Powys Pension Fund pay 5% of their costs towards administration.

**RESOLVED THAT a breakdown of the Pension Fund administration costs be provided to the next meeting**

8.	WALES AUDIT OFFICE	A28 - 2011
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### Audit Outcomes

The Wales Audit Office presented a report on the Financial Audit Outline for Powys County Council and the Powys Pension Fund. (Copy filed with signed minutes).

It was confirmed that the Pension fund has thirteen separate funds with separate fund managers which does increase the risk that a fund is not managed properly. Expert advice had been sought on this issue and it was proposed to assess the outcome of the fund's monitoring activities.

It was confirmed that the pension fund invested in funds which tracked the top 250 companies and would include companies involved with tobacco, alcohol and arms. The tension between the Council's Anti-Smoking Policy and investments by the Pension Fund was acknowledged.

### Regulatory Programme for Performance Audit

The Wales Audit Office presented a report on the Regulatory Programme for Performance Audit 2011-12. (Copy filed with signed minutes).

No questions were raised.

### Grants to Voluntary Bodies

The Portfolio Holder for Social Services, Care and Health introduced this item and confirmed that this was in response to an Internal Audit report rather than a Wales Audit Office report.

The Interim Commissioning and Contracts Manager presented a report (copy filed with signed minutes).

The more complete action plan was welcomed but concern was expressed regarding the vacancy in the unit and what impact this vacancy has had on the performance of the unit.

The Portfolio Holder explained that she sat on the Third Sector Commissioning Group along with the Portfolio Holder for Resources, Workforce and Housing and the Interim Commissioning and Contracts Manager. She acknowledged that there was a need to monitor:

- Grants to voluntary bodies
- Duplication of service provision amongst voluntary bodies
- Duplication of funding (from different departments within Powys County Council and from other grant aiding bodies eg Powys Teaching Health Board)
- Possible top-slicing of grant by the overarching organisation

The Portfolio Holder acknowledged the excellent work undertaken by voluntary bodies but confirmed that the Council's responsibility for taxpayers money meant that the spending had to meet the aims of the Council and provide value for money. The Council is under instruction to demonstrate collaboration and it was necessary that voluntary bodies should also collaborate to share back office functions for example.

Concern was expressed regarding the relationship that the Council has with individual voluntary organisations and how this works in practice with the overarching body. It was explained that the overarching body had originally facilitated contracts on behalf of Powys County Council but now the Council dealt directly with the individual organisations.

The Internal Audit Manager confirmed that a follow up Audit of Grants to Voluntary Bodies was timetabled. The outcome of this would be reported to the Audit Committee.

<b>9.</b>	<b>WHISTLEBLOWING POLICY</b>	<b>A29 - 2011</b>
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The Human Resources Manager presented the draft Whistleblowing Policy. (Copy filed with signed minutes).

The Wales Audit Office confirmed that the Council had taken up the offer made at the last Audit Committee for the WAO to examine the draft Whistleblowing Policy. The WAO had no comments to make regarding the policy.

It was also confirmed that the Standards Committee had received the draft Whistleblowing Policy and had recommended the policy for approval.

It was requested that a review date be added to the policy and it was confirmed that the role of Audit Committee be included under the Head of Finance.

**RECOMMENDED that the Portfolio Holder approve the Whistleblowing Policy.**

<b>10.</b>	<b>INTERNAL AUDIT</b>	<b>A30 - 2011</b>
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#### Opinion of Internal Control

The Internal Audit Manager presented a report on the Opinion of Internal Control 2010/11 (copy filed with signed minutes).

The Wales Audit Office confirmed that there was no set way of reporting this and that different authorities reported in different ways.

It was confirmed that it was unrealistic to expect that every area of work in an organisation the size of Powys County Council would be working perfectly. The role of Internal Audit was to examine areas of risk and this changed from year to year. The overall opinion was calculated from the individual audits and whilst this gave an overall picture it was based on different areas each year.

It was confirmed that not all work undertaken by Internal Audit had an opinion for example a fraud investigation would not result in an opinion.

It was confirmed that Internal Audit Reports regarding schools are sent to the Head Teacher and it was the Head Teacher's responsibility to inform the Chair of the Governing Body.

#### Adverse Internal Audit Opinions and Tracker Report

The Internal Audit Manager presented a report on the Adverse Internal Audit Reports Q4 2010/11 and Tracker. (Copy filed with signed minutes).

#### Waste Management

The Senior Manager Waste Services confirmed that the Waste Team have a proactive response to the Internal Audit Report. The world of waste has moved quickly over the last two years and whilst two years ago Powys County Council were having to pay for waste to be taken away it is now the position that companies will pay to remove waste.

It was possible for organisations like Cae Post and Cwm Harry to get grants which the County Council is unable to access. It was also confirmed that the rollout of the changed kerbside collection across the north of the county would be considered by the Cabinet in September.

The Committee referred to the Whistleblowing Report which was considered in the March meeting which related to concerns regarding the involvement of external

individuals in Waste Management projects. Whilst the WAO had recognised that the concerns were unfounded the Committee advised officers to be cautious regarding the involvement of external individuals in future.

<b>RECOMMENDED THAT</b>	<b>REASON FOR RECOMMENDATION</b>
<b>i) the Chair of Audit Committee speak to the Portfolio Holder regarding the involvement of external individuals in the contracts process.</b> <b>ii) that the Internal Audit Report on Waste Management be noted and that any further adverse opinion be reported to the Committee</b>	<b>i) to address the committees concerns arising from the Whistleblowing Report</b>  <b>ii) to respond to the internal audit opinion of the service</b>

### Energy Management

Concern was expressed that not all the Invest to Save fund had been utilised.

Concern was also expressed that Schools were not submitting meter readings for energy consumption and were then complaining about receiving estimated bills.

<b>RECOMMENDED THAT</b>	<b>REASON FOR RECOMMENDATION</b>
<b>the Portfolio Holder for Energy Management and the Head of Local and Environmental Services attend the next Audit Committee to provide an updated Action Plan</b>	<b>to inform Members of the progress made on the action plan</b>

### Leisure Centre Vending

Concern was expressed that there was a wide variety of performance across different centres. It was acknowledged that a number of issues raised within the report should properly be dealt with via the Internal Audit process but that there were a number of policy issues raised by the report which should properly be dealt with by conducting a scrutiny review.

<b>RECOMMENDED THAT</b>	<b>REASON FOR RECOMMENDATION</b>
<b>i) a request to the Joint Chairs and Vice-Chairs of Scrutiny Committees be made to consider a scrutiny review of the policy for Leisure Centre Vending</b> <b>ii) the Internal Audit report be noted and any further adverse opinion be reported to Audit Committee</b>	<b>To ensure that good practice can be disseminated and value for money be achieved with regard to Leisure Centre Vending</b>  <b>ii) to respond to the internal audit opinion of the service</b>

## Direct Payments

The Shire Manager for Montgomeryshire presented the updated action plan on Direct Payments (copy filed with signed minutes).

It was confirmed that a number of payments were still being paid above the current rate but that these payments will not increase until the current rate has caught up.

It was confirmed that recipients are able to retain up to 8 weeks of contingency funding. If a person has fluctuating needs then there can be a difference in payments over time. There is a need for the contingency figure as individuals in receipt of direct payments are employers and are responsible for employee costs.

It was confirmed that Direct Payments were made to approximately 150 people. This was out of a service user population of several thousand. Direct payments were not currently popular with Older People.

Members stressed the need to ensure that actions were clearly defined with dates for completion and officers responsible for the actions. This helped in monitoring progress of the implementation of the action plan.

The Portfolio Holder confirmed that it was the intention to reinstate the Social Services Steering Group which had ceased existence in May 2011 with the change to a Cabinet system.

**RECOMMENDED that any further adverse opinion on Direct Payments be reported to the Audit Committee.**

11.	<b>MEETING OF THE JOINT CHAIRS AND VICE-CHAIRS</b>	<b>A31 - 2011</b>
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The notes from the meetings held on 14<sup>th</sup> April 2011 and 10 June 2011 were noted.

12.	<b>AUDIT COMMITTEE WORK PROGRAMME</b>	<b>A32 - 2011</b>
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The Forward Work Programme was received.

**MRS S. C. DAVIES  
CHAIR**

Meeting Closed 5.00pm