

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COUNTY HALL, LLANDRINDOD WELLS ON THURSDAY 29<sup>TH</sup> SEPTEMBER 2011**

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

County Councillors G. R. Banks, Mrs L. V. Corfield, A. W. Davies, Mrs E. R. Davies, L. R. E. Davies, Ms M. J. B. Davies, M. D. Hodges, K Pathak, Mrs C. E. Powell, Mrs D. G. Thomas, and A. M. C. Weale.

**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 J. Jeffreys (Shire Manager), Ms S. O'Grady (Shire Manager Montgomeryshire), Mr S. Holdaway (Head of Local and Environmental Services), Mr. G. Richards (Energy Management Officer), Mrs L. Patterson (Committee Clerk).

**Attending:** Mr J. Herniman (Wales Audit Office).

County Councillor Mrs M. R. Harris (Portfolio Holder for Social Services, Care and Health).

<b>1.</b>	<b>APOLOGIES</b>	<b>A33 - 2011</b>
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Apologies for absence were received from County Councillors G. P Vaughan (who was Chairing the Pension and Investment Committee), A. G. Thomas (Portfolio Holder for Resources, Workforce and Housing) (also in Pension and Investment Committee), Mr G. Petty (Strategic Director – Finance and Infrastructure) and M. Jones (Wales Audit Office).

<b>2.</b>	<b>MINUTES</b>	<b>A34-2011</b>
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The Chair was authorised to sign the minutes of the previous meeting held on 27 June 2011 as a correct record.

<b>3.</b>	<b>DECLARATION OF INTEREST</b>	<b>A35-2011</b>
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No declarations of interest were received.

<b>4.</b>	<b>CORRESPONDENCE</b>	<b>A36-2011</b>
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The Chair had received one item of correspondence which was an Internal Audit Report on Short Term Care. This had been completed too late for inclusion on the agenda for this committee. The next scheduled meeting of the Audit Committee was not due until January 2012 and it was the view of the Chair that this item should be considered before that date. The item would receive a verbal briefing under Item 6 of the agenda.

<b>5.</b>	<b>INTERNAL AUDIT</b>	<b>A37-2011</b>
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The Internal Audit Manager presented the Adverse Opinions and Tracker Report (copy filed with signed minutes).

## 5.1 Purchase Card System

The Accountancy Manager responded to the Internal Audit report submitting an updated Action Plan (copy filed with signed minutes).

Question	Answer
<p>Para 2.1.8 How can limits to the amount that can be spent on a card be increased?</p>	<p>There are strict controls on card limits which can only be increased with the authority of the Director of Finance. On occasion temporary increases can be agreed for specific projects.</p>
<p>Para 2.1.10 Is the current list of suppliers up to date?</p>	<p>All suppliers have to be approved and there is a considerable amount of paperwork involved in gaining approval. Work is ongoing to ensure that the current list of suppliers is being used.</p>
<p>How can it be ensured that for example someone is not buying a sofa?</p>	<p>The purchase card is a system to allow an item to be bought. There are a series of controls but it is ultimately down to the budget holder to ensure that the transactions are correct. It is confirmed that the Internal Audit uncovered no suspicion of fraud with regard to Purchase Cards.</p>
<p>How many people are authorised to use each Purchase Card. The more people who are authorised to use a card the more risk there is of fraud.</p>	<p>For multiple user cards there are usually 2-3 named persons. This is necessary for the service to be able to continue to use the card in the event of sickness, leave or a vacancy. Physically the card must be returned to the service manager after use ie they would not be left unattended in vehicles.</p>
<p>Para 2.1.11 In March 2011 there was £73,000 in a suspense account. How long has the money stayed in the suspense account and what happens to this money when the source of the spending cannot be identified.</p>	<p>There will always be a rolling amount of money in a suspense account. Most of the items are in the suspense account for less than one month. If items remain for more than two or three months then action is taken to trace the job code. The spending will always be allocated against a job code eventually as it can be traced back to who made the card payment. Sometimes this can take longer than usual for example if materials are purchased for a job and not all of the materials are used then they can go into store for another job.</p>

<p>Action Plan ref 8.6 Actions agreed by client states that ‘if purchases were made for purposes other than council business, the disciplinary action could be taken’ This should read ‘disciplinary action <b>will be</b> taken’.</p>	
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The Accountancy Manger recognised that a number of actions had been identified and welcomed this. The action plan was in the process of implementation and this would be under constant review to ensure that when Internal Audit undertake the follow-up audit the service would not receive a further adverse opinion.

### **Business Continuity – Adult Services**

The Internal Audit Manager explained that it had been a difficult audit as Adult Care had not engaged in the process and therefore it had been necessary to make assumptions.

The Shire Manager apologised that the officer who was meant to attend committee was on sick leave. She presented a report on the Business Continuity Plan (copy filed with signed minutes).

Members expressed disappointment that the service had not provided an updated action plan and further that they had felt unable to provide the updated Business Continuity Plan referred to in the report which was due for sign off at the Senior Management Team on today’s date.

The Shire Manager thanked the Internal Audit Manager and team for highlighting the issues and explained that Business Continuity Planning was something the services undertook on a daily basis. It was acknowledged that the paperwork was not in place but it was confirmed that the service did take it seriously. The Business Continuity Plan was acknowledged to be out of date but it was signed off the morning of the meeting and was a living document which would need to be kept up to date.

Question	Answer
<p>Now that the Plan has been agreed how will staff be made aware of it?</p>	<p>It is an information sharing process which will be undertaken via staff meetings. Domiciliary Care staff are already aware of it.</p>
<p>Concern expressed that it is impossible for Members to undertake proper consideration of the service areas response to the internal audit due to lack of provision of an updated action plan. Concern also expressed that it appeared that the service appears only now to be taking the matter seriously with the plan going for approval on the same day as Committee.</p>	<p>The Shire Manager assured Members that work had been ongoing to address the concerns raised and that it was not being left to the last minute.</p>

<b>RESOLVED THAT</b>	<b>REASON FOR RESOLUTION</b>
<b>The Business Continuity Adult Services report be brought back to the next Audit Committee for full consideration with the service area providing a detailed and up to date action plan to identify what steps have been taken to address the issues raised by Internal Audit</b>	<b>To monitor the implementation of the action plan.</b>

### **Short Term Care**

This item was raised by the Chair as an urgent item. An Internal Audit into Short Term Care had been issued too late for consideration by this Committee. The next meeting of Audit Committee was not until January 2012 which was considered to be too long for this item to be left.

The Portfolio Holder expressed concern that this item had been raised at the meeting suggesting that a conversation with the service area would demonstrate that it was not necessary to raise this matter as one of urgency.

The Chair confirmed that this item had been brought to her attention. She had requested a verbal update and was minded to call an extra meeting of the Audit Committee to properly consider the matter.

The Internal Audit Manager confirmed that it was correct for the matter to go through the due process and that an Internal Audit report should be presented along with an Action Plan from the service area.

<b>RESOLVED THAT</b>	<b>REASON FOR RESOLUTION</b>
<b>Short Term Care be considered at the next meeting of the Audit Committee with the service area providing a detailed and up to date action plan to identify what steps have been taken to address the issues raised by Internal Audit.</b>	<b>To monitor the implementation of the action plan.</b>

### **Follow Up Audit – Waste Management Bring Sites**

The Internal Audit Manager advised that a Follow-up audit into Waste Management Bring Sites had been undertaken. The original internal audit had been undertaken in March 2009. The service had attended Audit Committee in January 2010 presenting an updated action plan and a follow up audit had recently been completed.

The result of the follow up audit was of Qualified Assurance which indicated that the majority of key controls are in place and there is an improved likelihood of the service achieving its objectives. The service area will now be subject to a normal timetable of internal audits.

## 5.2 Energy Management Update

The Head of Local and Environmental Services presented a report on Energy Management Internal Audit update (copy filed with signed minutes).

Question	Answer
Does the energy management requirement for the Council extend to buildings the Council does not own for example Church in Wales schools?	This applies to all schools as does the opportunity to access loan funding via the Energy Loan Scheme. This is assessed by examining the payback time against the capital cost. The threshold payback time is 5 years but in some cases it could be extended to 10 years if it was a permanent saving.
How does this relate to the Local Service Board and One Powys Plan objectives?	There has been much debate about aligning targets and these have been brought closer together
8.13 of the action plan states that a significant number of readings are based on estimates. How does this impact on the project?	An increasing number of schools and youth centres were providing metre readings but it can be difficult to achieve as metre reading is voluntary. Requests by email are proving to be a good prompt.
Could schools save money by purchasing energy directly?	This is largely dependent on when a contract comes up for renewal. Powys is able to purchase power at a discounted rate and generally it is cost efficient for schools to take advantage of this.
At present Display Energy Certificates are required on Council properties above 1,000sqm. What further requirements are expected?	The Council has 66 properties above 1000sqm. European legislation is intending to bring this down to 500sq in 2013/14 which would increase the number of properties the Council has be an additional 60-70. There is a long term aspiration to reduce the size to 250sqm. It is unclear at present whether or not the reductions in size will be confirmed in Europe. It costs £400 for an initial Display Energy Certificate and £100 annually for renewal.

Concern was expressed by Members that the LSB were putting forward targets for energy reduction aspirations which were unachievable.

The service area would be subject to a follow-up audit which would be reported to Committee.

The meeting broke for lunch.

Afternoon Session

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

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

**In attendance**

County Councillor A. G. Thomas (Portfolio Holder Resources, Workforce and Housing).

**Officers in attendance:**

Mr G. Petty (Strategic Director – Finance and Infrastructure), Ms C. Williams (Head of Finance), Mr S. Cameron (Accountancy Manager), Mr C. Leah (Principal Accountant), Ms D. Richards (Principal Accountant), Ms A. Owen (Treasury Manager), Mrs L. Patterson (Committee Clerk).

**Attending:** Mr J. Herniman and Ms H. Pugh (Wales Audit Office).

<b>6.</b>	<b>PENSION FUND</b>	<b>A38-2011</b>
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The Principal Accountant presented a report on the administration costs of the Pension Fund (copy filed with signed minutes).

Question	Answer
Can the increase in administration costs of 44% be explained.	There has been an increase in the staff time spent on the pension fund due to the increase in work undertaken around the triennial valuation.
What is the percentage charge on the fund of administrative costs? How does this compare against similar funds?	Approximately 0.25-0.3%. A comparison against a similar sized fund will be undertaken.
Is the administrative system well placed to identify members about to retire?	Yes. The system is set up to identify those Members approaching retirement age.

<b>RESOLVED that</b>	<b>REASON FOR RECOMMENDATION</b>
<b>The report be noted</b>	<b>To monitor the administration of the Pension Fund</b>

<b>7.</b>	<b>TREASURY MANAGEMENT</b>	<b>A39-2011</b>
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The Treasury Manager presented a report on Treasury Management (copy filed with signed minutes).

Question	Answer
Please provide an update on the position with regard to the Icelandic Funds.	There was an appeal in the Icelandic Court two weeks ago with a decision expected at the end of October. If preferential creditor status is confirmed it is expected that the Council will receive

	100% of Glitner funds at the end of 2011 and 94.85% of Landsbanki funds over a longer period.
8.6 of the report states that £13million prudential borrowing was agreed in the Capital Programme. Why has the Council only prudentially borrowed £300k?	The Council is at present cash rich and it makes sense to use the cash reserves to fund projects. Capital projects tend to not require full financing at the beginning of the year and funding is requested over the period. It is always necessary to look at the cost of borrowing to try to ensure that borrowing is undertaken at the best price.
Why is the profile of capital schemes inaccurate year after year?	It is likely that service areas are over optimistic about how soon capital projects can be started.
Where does money from sale of assets go?	The asset sale results in a capital receipt which is ringfenced for capital expenditure. Whilst it is waiting to be used for a capital project it is invested by the Treasury Management Team.

The Portfolio Holder advised that Treasury Management was considered at Audit Committee, Modernisation and Improvement Scrutiny Committee and Cabinet. He had spoken to the Chairs of these Committees and would be proposing that Treasury Management is from now on considered at Audit Committee and Cabinet. This would not preclude a scrutiny committee from considering the matter but would streamline the process.

<b>RESOLVED that</b>	<b>REASON FOR RECOMMENDATION</b>
<b>The report be received</b>	<b>To monitor the administration of Treasury Management.</b>

<b>8.</b>	<b>STATEMENT OF ACCOUNTS</b>	<b>A40-2011</b>
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## **8.1 ISA260 – Audit of Accounting Statements – Report to those charged with Governance**

### Powys County Council Accounts and Powys Pension Fund Accounts

The Wales Audit Office (WAO) presented the Audit of Accounting Statements – Report to those charged with Governance (copy filed with signed minutes) and thanked the officers for all the work that had gone into preparing the accounts. The WAO explained that in respect of both sets of accounts an unqualified opinion would be issued subject to the approval of the accounts at Audit Committee. Both sets of accounts had no mis-statements, any recommended adjustments had been made (see Appendix 3 of the report) and no material weaknesses identified. It had been a very challenging year for all Local Authorities as it was the first year of working to the IFRS (International Finance Reporting Standards). The working papers had not been of a similar quality as previous years and the WAO would be supporting Officers in improving the working papers over the coming year.

The Strategic Director for Finance and Infrastructure thanked both the Audit team and Accountancy Team for all the work that had been undertaken to prepare the accounts. The service had undertaken the work, including the additional work to meet IFRS, whilst implementing a 4.2% cut in budget. The implementation of IFRS has taken a disproportionate amount of work at a time of financial hardship but there was no option but to implement it or the authority would not be complying with good Corporate Governance practice.

With regard to the Pension Fund Accounts there was one point to bring to the attention of Members namely that there were uncertainties around the figure of unquoted investments which may have changed since 31 March 2011 due to the volatility of the global market.

Question	Answer
Now that authorities are being encouraged to work jointly how does this impact on an authority's audit?	If a joint committee is formally constituted then it would be necessary to have a separate audit for this area of joint work. At present Powys does not have any formal joint Committees.
Now that the market value of the Pension Fund has fallen can the fund meet its commitments?	If all current fund members were to retire now the fund would not be able to meet its commitments. However, due to the nature of the scheme this would not happen. The LGPS was a funded scheme and Powys Pension Fund was approximately 70% funded. At present the fund was receiving more cash than was being paid out.

RESOLVED that	REASON FOR RECOMMENDATION
The report be noted	To comply with Statutory requirements

## 8.2 Approval of letter of representation for Annual Accounts and Pension Fund Accounts.

### Annual Accounts and Pension Fund Accounts

The letter of representations for both sets of accounts were approved

RESOLVED that	REASON FOR RECOMMENDATION
The letter of representation be approved and signed	To comply with Statutory requirements

## 8.3 Annual Governance Statement

The Accountancy Manager presented the Annual Governance Statement (copy filed with signed minutes) and explained that this was a live document which would evolve over time.



Members expressed concern that there was insufficient time to debate this item and requested that it be considered at the additional meeting of the Audit Committee to be arranged in the autumn.

<b>RESOLVED THAT</b>	<b>REASON FOR RECOMMENDATION</b>
<b>The Corporate Governance Statement be considered at the next meeting of the Audit Committee</b>	<b>To allow sufficient time for full consideration of the item.</b>

#### **8.4 Final 2010/11 Statement of Accounts for approval**

The Committee received the Final 2010/11 Statement of Accounts.

<b>RESOLVED that</b>	<b>REASON FOR RECOMMENDATION</b>
<b>The statement of Accounts be approved for signature.</b>	<b>To comply with statutory requirements.</b>

<b>9.</b>	<b>AUDIT COMMITTEE WORK PROGRAMME</b>	<b>A41-2011</b>
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The work programme was noted.

**MRS S. C. DAVIES  
CHAIR**

Meeting Closed 2.45pm