

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COUNTY HALL, LLANDRINDOD WELLS ON FRIDAY 13TH APRIL 2012

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

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

Officers in attendance:

Mr J. Patterson (Chief Executive), Mr G. Petty (Strategic Director – Finance and Infrastructure), Ms C. Williams (Head of Finance), Mr I. Halstead (Internal Audit Manager), Mr C. Jones (Senior Manager – Building Control), Mrs L. Patterson (Scrutiny Officer).

Attending:

Mr M. Jones (Wales Audit Office) and Mr A. Veale (Wales Audit Office)

1.	APOLOGIES	A11-2012
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Apologies for absence were received from County Councillors L. R. E. Davies, M. D. Hodges, G. P. Vaughan, A. M. C. Weale and A. G. Thomas (Portfolio Holder for Resources, Workforce and Housing).

2.	MINUTES	A12-2012
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The Chair was authorised to sign the minutes of the previous meeting held on 12th January 2012 as a correct record.

3.	DECLARATIONS OF INTEREST	A13-2012
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Councillors Mrs Corfield, Mrs S. Davies and E. A. Jones declared an interest as Members of the Powys Pension Fund in respect of item 5.3 of the agenda. This was not a prejudicial interest because the business concerned relates to the functions of the Authority in relation to Members' Allowances pursuant to paragraph 12 (2) 9b) 9iv) of the Code of Conduct.

4.	CORRESPONDENCE	A14-2012
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The Chair confirmed that she had received a letter which would be included on the next agenda of the Audit Committee.

5.	WALES AUDIT OFFICE	A15-2012
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5.1 Annual Improvement Report

The Chief Executive presented the Wales Audit Office (WAO) Annual Improvement Report – January 2012. (Copy filed with signed minutes).

He explained that the WAO have a role to seek improvements by Councils and undertake this by looking back at what had been achieved and by looking forward at the capacity to improve. There has been a theme in improvement reports from the WAO that local

authorities need to be able to demonstrate that they are capable of self evaluation. In particular the underlying theme in Powys is that cultural and behavioural issues need to be addressed to be able to action improvement.

The report included three statutory recommendations and 6 proposals for improvement. Two of the statutory recommendations related to Adult Social Care which would be considered by the Children, Social Care and Health Scrutiny Committee on 19th April 2012. The following issues were considered:

Capacity and Capability

This was a statutory recommendation first made in the summer of 2011. The Council had started to address this but the WAO were not satisfied that the speed of progress was sufficient and had therefore included it in the Annual Improvement Report.

For improvement to be successful change was needed and Management need to understand that change is part of their role. Resources were available to support this but without management owning the process improvement will not happen. It was necessary to have the right people with the right skills in the right places. Currently the problems being experienced in some areas with capacity and capability are due to not having the correct skill mix and a Workforce Strategy is being produced to address this.

In the short term Consultants have been engaged in key areas to undertake improvement roles. This position is not sustainable politically or financially in the long term. Over the next 12-18 months it is intended that Powys staff will have benefitted from a transfer of skills from consultants and there will be a managed withdrawal from consultants and interims employed.

During this time Hay Consultants have been engaged to assess across the whole organisation which managers have the skills to undertake the required role, who could acquire the skills with training and those who do not have the skills and/or are not committed to acquiring the necessary skills to undertake their required role. It is also necessary to look at management in terms of the number of layers of management (are there too many) and the spans of control of managers (where managers should be managing an optimum number of at least 5 staff). It was confirmed that where this process has been undertaken elsewhere that frontline staff are unaffected.

The new Cabinet will need to consider the Workforce Strategy and develop HR policies which will enable the Council to effectively deal with capability issues.

It was confirmed that Management Team were currently looking at a talent spotting scheme for rising stars.

Inconsistent Performance

The Chief Executive acknowledged the findings of the WAO with regard to inconsistent performance in areas including Adult Social Care, Education and Waste Management.

This position had developed over time and in each of these services some areas were performing well but others poorly. Unfortunately only the well performing areas were being reported to Cabinet Members and this has led to the difficulties with inconsistency.

The Adult Social Care issue would be considered in detail by the Children, Social Care and Health Scrutiny Committee.

In Education the June 2011 Estyn Inspection found the service adequate but inconsistent. Exam results in Powys are good but this masks underlying problems with the focus being on a good number of students getting the best grades, but less focus on the poor performing students. The Welsh Government has banded schools and 2 schools in Powys are in the lowest band and 2 in the second lowest band. This was not a matter of needing more resources but of attitude, behaviour and culture.

In Waste Management there had been falling performance but the service had introduced new ways of working to address behaviour and communication issues and improve management ownership of the service. The service is now improving and it is hoped that as the new way of working is rolled out across the county over the next 6-9 months this year's targets will be met.

Members queried how the authority had fallen from the 2nd place to bottom place in Wales in respect of recycling. It was explained that originally rules for calculating recyclable waste allowed leaf mulch from road sweeping to be included. The extensive road network in Powys meant that high levels of recycling were achieved but this masked poorer performance in household recycling. The position of Powys in the league tables led to a level of complacency within the service and as other authorities improved their recycling, Powys became left behind. When the rules changed to disallow leaf mulch Powys' position in the league tables plummeted. The new ways of kerbside collection trialled in Ystradgynlais and being rolled out across the county have led to an increase in the level of recycling. Countywide figures show that although the authority is still bottom in the league tables a figure of 42% should be achieved imminently. In areas where the new scheme has been introduced a figure of 52% is being achieved.

Culture

The WAO report acknowledges that Powys is not alone in having a culture with a tendency to paint an overly positive picture of how well it is delivering its services to citizens. However, to be able to demonstrate self evaluation it is necessary for the authority to have presented a true assessment of performance at all levels within the organisation. There is a need for a more constructive challenge at Cabinet level – i.e. amongst Portfolio Holders, at Head of Service level and in scrutiny. Changes have started to improve scrutiny with scrutiny committees receiving an analysis of information presented. These changes need to be faster to support Members in constructive challenge.

The organisation needs to be open to critical evaluation and move away from the tendency to hide poor performance. Management needs to accept that problems can occur and need to be addressed rather than trying to hide poor performance and denying the existence of problems. The behavioural work being undertaken with Hay is designed to address this.

5.2 Powys County Council response to Annual Improvement Report

The Strategic Director – Finance and Infrastructure presented the Powys County Council response to the Annual Improvement Report (copy filed with signed minutes).

It was confirmed that the draft response had been sent to Colin Davies at the WAO and any comments made would be incorporated into the response.

Members expressed concern over how it would be possible to keep departments running if key members of staff left. It was confirmed that business continuity and succession planning were a fundamental part of Workforce Planning.

Members queried the extent to which the views of the public were taken into account when reviewing service provision. It was confirmed that it was necessary for the Council to acknowledge the views of the public when reviewing service provision. For example, the public rated Leisure Centres highly and whilst it may be necessary to review the estate of leisure centres it will be necessary to respond to the public view on leisure provision. Conversely there was high public acceptance to charge for post 16 transport. However, there was no political will to take this forward.

Members expressed concern about the credibility of performance information in the light of the findings in respect of Adult Social Care.

It was confirmed that the authority needed to produce a suite of measures for all services similar to the Early Warning Measures which Children's Services use to highlight areas where performance indicates that problems need to be addressed.

The Strategic Director – Finance and Infrastructure advised that if the WAO had any comments on the response from the Council to the Inspection then the amended response would be brought back to the next Audit Committee.

The Chair thanked the Officers for their presentations and responses and was pleased to see that the organisation was taking the findings of the WAO seriously and responding accordingly.

RESOLVED THAT	REASON FOR RESOLUTION
<p>i) The WAO Annual Improvement Report be received and the response thereto be received subject to the inclusion of any comments from the WAO (to be reported to the next Audit Committee), and</p> <p>ii) that the Joint Chairs Steering Group ensure that the recommendations from the AIR are addressed and arrange for monitoring to be undertaken by Scrutiny or Audit as appropriate.</p>	<p>i) to ensure that the Audit Committee are advised of the final response to the January 2012 Annual Improvement Report,</p> <p>ii) to ensure that the authority makes the necessary improvements as identified by the WAO in the Annual Improvement Report.</p>

5.3 Audit Outlines

The Audit Outlines for Powys County Council and the Powys Pension Fund were presented by representatives from the Wales Audit Office.

RESOLVED that	REASON FOR RESOLUTION
The reports be noted.	To comply with Statutory requirements.
6. INTERNAL AUDIT	A16-2012

6.1 Audit Work Plan

The Internal Audit Manager presented the Internal Audit Work Plan for the first quarter of 2012/13. Work was ongoing to produce the full year plan which used Service Business Plans to help identify areas of work. The Service Business Plans were currently being finalised and it was confirmed that the full year Audit Plan would be presented to the next Audit Committee.

Each Internal Audit would now include consideration of:

- Information security
- Key Performance Indicators - to ensure that they are appropriate and robust, and
- Value for money

It was accepted that value for money would be hard to define but each service area should have targets against which performance can be monitored.

It was confirmed that traditionally value for money was compared with other Welsh authorities and it was intended to link financial data with performance data to be able to calculate for example what the public subsidy per swim is or how much does an hour of Domiciliary Care cost.

RESOLVED that	REASON FOR RESOLUTIONN
The Internal Audit Work Plan for the first quarter of 2012/13 is received and the full year work plan be brought to the next meeting of the Audit Committee.	To comply with Statutory requirements.

6.2 Adverse Opinions and Tracker Report

The Internal Audit Manager presented the Adverse Opinions and Tracker Report. He confirmed that no new adverse opinions had been concluded for the period January – March 2012. Four areas had been subject to follow-up audits namely:

- Grants to Voluntary Bodies
- Waste Management Contracts
- Public Transport, and
- Workshops.

In the first three areas the follow-up audits had identified that sufficient progress had been made to enable these to be signed off.

The Committee welcomed the progress made by each of these service areas to achieve sign off.

Members noted that a number of Internal Audits requiring monitoring went back to 2008/9 and expressed concern that the issues were not being concluded.

The Internal Audit Manager confirmed that it was planned to undertake a follow-up audit of all of longstanding adverse opinion audits in 2012. The only exception to this was with regard to BPU authorised signatories which had been delayed to allow new systems to be embedded. Members requested that follow-up audits were undertaken in a timely manner.

Workshops

The fourth area of Workshops had received an opinion of 'Limited Control Assurance'. The Internal Audit Manager presented the Internal Audit Report on Workshops (copy filed with signed minutes) and the Senior Manager - Building Control presented the response from the service (copy filed with signed minutes).

The Senior Manager – Building Control confirmed that he had taken over this area in January 2012. Both the Head of Service (who was on annual leave) and the Economic Regeneration Manager (who had a medical appointment) sent their apologies. It was understood that the Portfolio Holder was aware that this meeting was being held.

The Senior Manager – Building Control confirmed that he shared the concerns expressed in the report and was committed to ensuring that there is appropriate management of GVA together with appropriate management of the debt recovery process. There will be a full review of the processes and protocols which are in place.

Concern was expressed that in certain places a number of units were let to the same tenants which blocks new start-ups. It was confirmed that there is a balance to be struck between having full occupancy and the opportunity to let to new business start-ups. At present there is a vacancy rate of around 9% but this should be evenly spread across the county. The service also needs to have policies to move growing businesses from workshops to receive support from the regeneration team.

It was confirmed that there had been a problem with the way leases and licenses had been drafted across the three shire areas. GVA had originally been instructed for two years to review the Workshop Strategy but started to manage the portfolio. Their contract had been extended for a further year to move all 116 start-up businesses onto a standard lease. This new lease would include recharges which had not historically been charged across the whole county.

RESOLVED THAT	REASON FOR RESOLUTION
The Audit Committee request an update on progress in three months time from the service and Portfolio Holder to include a detailed action plan.	To monitor the implementation of the action plan.

7.	TREASURY MANAGEMENT	A17-2012
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7.1 Treasury Management Policy Statement

The Head of Finance presented the Treasury Management Policy which had been agreed at Council on 1st March 2012. It was to confirm that Treasury Management would be considered by Cabinet and Audit Committee with no requirement for it to be reported to a Scrutiny Committee.

7.2 Treasury Management Quarterly Report

The Head of Finance presented the Treasury Management Quarterly Report (copy filed with signed minutes). She confirmed that the Council would receive 100% of the money deposited with Glitnir and 98% of the money deposited with Landsbanki. This money had been paid into an escrow account in Iceland which was interest bearing. It was not possible to draw on this account at present due to Icelandic Government currency trading restrictions.

The Strategic Director – Finance and Infrastructure confirmed that a press release had been produced advising of the current position with regard to retrieving the Icelandic bank funds. This had not received the publicity that the original issue had received. He confirmed that he would speak to the Senior Communications Manager with regard to the possibility of placing an article in the Red Kite magazine.

8.	JOINT CHAIRS AND VICE-CHAIRS MEETING	A18-2012
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A summary of the notes from recent meetings were received (copy filed with signed minutes). The proposals for changes to the Scrutiny and Audit Committees would be considered at County Council on 25th April 2012.

9.	WORK PROGRAMME	A19-2012
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The work programme was received subject to the inclusion of items identified during Committee. The proposed Joint Chairs Steering Group would be pivotal in driving the work programme of the Scrutiny and Audit Committees in the new Council.

The Chair thanked Members of the Committee and Officers for the hard work undertaken over the last four years and the support given to her as Chair throughout this time.

**MRS S. C. DAVIES
CHAIR**

Meeting Closed 1.20pm