

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COUNTY HALL, LLANDRINDOD WELLS ON THURSDAY 12<sup>TH</sup> JANUARY 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, L. R. E. Davies, Ms M. J. B. Davies, M. D. Hodges, E. A. Jones, J. G. Morris, K Pathak, Mrs C. E. Powell, Mrs D. G. Thomas, G. P Vaughan and A. M. C. Weale.

**Officers in attendance:**

Mr G. Petty (Strategic Director – Finance and Infrastructure), Mr S. Cameron (Accountancy Manager), Mr I. Halstead (Internal Audit Manager), Ms C. Williams (Head of Finance), Mr S. Holdaway (Head of Local and Environmental Services), Mr A. Jones (Local Environment Area Manager), Mrs L. Patterson (Committee Clerk).

**Attending:**

County Councillor G. Hopkins (Portfolio Holder for Environment and Regulation).

<b>1.</b>	<b>APOLOGIES</b>	<b>A1-2012</b>
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Apologies for absence were received from County Councillor A. G. Thomas (Portfolio Holder for Resources, Workforce and Housing).

<b>2.</b>	<b>MINUTES</b>	<b>A2-2012</b>
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The Chair was authorised to sign the minutes of the previous meeting held on 21 November 2011 as a correct record subject to amending Item 2 to read 'The Chair was authorised to sign the minutes of the previous meeting held on 29 September 2011 as a correct record'.

<b>3.</b>	<b>DECLARATIONS OF INTEREST</b>	<b>A3-2012</b>
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No declarations of interest were received.

<b>4.</b>	<b>CORRESPONDENCE</b>	<b>A4-2012</b>
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No correspondence was received.

<b>5.</b>	<b>TREASURY MANAGEMENT</b>	<b>A5-2012</b>
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The Accountancy Manager presented the Quarterly Report (copy filed with signed minutes).

It was confirmed that with regard to the Icelandic Investments the Council expected to receive 100% of the Glitnir Investment in February 2012. In respect of Landsbanki Investment the Council expected to receive 97% of the original investment 27% of which would be received imminently and the rest in part payments. It was confirmed that interest on the Icelandic money was included up to the maturity date in 2009. Since then no interest was due on this investment until now in relation to the Landsbanki investment which has been paid into an interest bearing escrow account.

The legal costs relating to the Icelandic funds were shared between other local authorities. To date Powys had incurred £29k as their share of the legal costs. This was likely to rise to around £50k. The Committee were assured that all Members would be advised of the current position with regard to the Icelandic funds in the Treasury Management Training Session on 13<sup>th</sup> January 2012.

Concern was raised that service areas were not able to accurately predict capital spend although it was acknowledged that some delays were down to external factors. For example in respect of the Ystradgynlais School Modernisation Programme the delay was due to the Welsh Government waiting until after the elections to approve the proposals.

Members questioned the possibility of paying off debt now in light of the present economic situation. It was confirmed that this was considered alongside other factors but that the needs of the authority were monitored as it would be inappropriate to pay off debt and then need to borrow later at potentially a higher rate of interest.

<b>6.</b>	<b>WALES AUDIT OFFICE – ANNUAL AUDIT LETTER</b>	<b>A6-2012</b>
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The Wales Audit Office (WAO) presented the Annual Audit Letter on the Powys County Council and Pension Fund Accounts.

It was confirmed that this was a summary of the key conclusions and that it would form an Appendix to the Annual Improvement Report which would be issued shortly.

It was confirmed that the deadlines had been met despite the additional demands placed on local authorities by the new requirement to produce accounts on the basis of International Financial Reporting Standards. No extra resources were available within the Council to undertake the additional work to meet the new standards. The WAO had needed to undertake extra audit work at a cost of £5,719 but it was not anticipated that this would be an ongoing fee.

The Strategic Director explained that level of WAO fees relate to the level of risk in the authority. The Council were aware that there were some areas that were higher risk than others and there would not be a reduction in the level of audit fees charged until the Council can demonstrate improvement and self regulation.

The Annual Improvement Report would be considered at the meeting of the Council in March 2012.

<b>7.</b>	<b>ANNUAL GOVERNANCE STATEMENT</b>	<b>A7-2012</b>
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The Accountancy Manager had been asked to investigate if other local authorities produced an Annual Report. Members were advised that only Conwy collate all the individual reports that Councils are required to produce into one Annual Report. It was suggested that all the relevant reports should be available on one page on the Powys website and the public could be signposted to this via the Red Kite magazine.

Recommended that	Reason for recommendation
All relevant annual reports including the accounts, complaints, equalities be uploaded onto one page on the Powys website and that the public to signposted to this page via the Red Kite magazine.	To promote the existence of reports to the public whilst avoiding the extra expense of producing an overview annual Report that replicates existing reports.

8.	INTERNAL AUDIT	A8-2012
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The Internal Audit Manager presented the Adverse Opinions and Tracker Report (copy filed with signed minutes).

Two adverse reports were presented by the Internal Audit Manager on ROCC System Stores and Construction Depots Highways both within the Local and Environmental Services Directorate. Updated Action Plans were presented by the Portfolio Holder for Environment and Regulation and the Head of Local and Environmental Services.

The Portfolio Holder advised that the service had undergone considerable changes over the last 2 years reorganising into 8 Local Environment (LE) Areas. This had made the service far more accountable and addresses many of the concerns raised in the Internal Audit reports. It was an ongoing programme and whilst progress has not been as fast in some areas as others the changes were continuing.

It was acknowledged that some issues raised in the Internal Audit reports go back as far as 2008 but the publication of an adverse scrutiny report in 2009 had led to changes culminating in the introduction of LE last summer.

- Whilst the service was originally acting on a shire basis with inconsistent provision between different areas the new structure had eliminated this.
- It was acknowledged that there were problems with Health and Safety issues which had led to the HSE imposing an Improvement Notice on Powys. Changes had led to the Improvement Notice being lifted in January 2012.
- A centrally co-ordinated Fleet Management service meant that it was possible to identify if the county already had a piece of equipment rather than hiring in equipment unnecessarily.
- There was a focus on improving efficiency on the more expensive pieces of equipment which proportionally had the most impact.
- A depot manual had been introduced after a trial in Kirkhamsfield covering all the procedures that were undertaken by the service.

There was still work to be done implementing the actions identified by Internal Audit and it was acknowledged that this could take up to a year to complete. The service was working with Internal Audit and would welcome the follow-up visit which would identify the progress made.

Members questioned the dates set out in the action plan against the comment that it was not expected to complete the actions for a further year. It was confirmed that challenging targets were set to try to push forward the changes needed.

It was confirmed that the Fleet Manager considered the replacement of each piece of equipment individually deciding whether to hire or buy depending on volume of use. A procedure for disposal was also in place including the facility for the Council to sell via e-bay.

It was confirmed that Waste Licenses have to be held by each depot appropriate to the work that is being undertaken. The Environment Agency do not allow central licenses to be held in certain cases. For the Green Dragon award it is necessary that all depots comply and hold their own licenses together with copies of licenses for agencies where waste is sent.

It was confirmed that the action plans related to the Internal Audit reports but that improvements in the service went beyond those set out in the Action Plan and would be reviewed on an ongoing basis. The performance management tool Ffynnon was being used to monitor performance and some of the actions from the Internal Audit were being monitored in this way. The Quality Management System used by the service has British Standards Institution (BSI) status and it is necessary to review the Quality Management System to maintain BSI status.

Members queried the value of thefts from the service area including metals. It was confirmed that unannounced spot checks are made and there did not appear to be a particular problem with theft. It was confirmed that stock levels of around £100k were held and that any system to prevent theft needed to be proportionate to the risk.

It was confirmed that each LE area had administrative support but that some LE areas had two depots which did present problems. The administrative support was able to amend data but only with the consent of a manager. It was acknowledged that the term 'manipulate stock figures' (Stock Control Actions Appendix 2) was inaccurate and misleading and should read 'rectify stock figures'.

It was confirmed that the service ran a Computer Controlled Fuel Usage system which required the key fob of a particular vehicle and the mileage of the vehicle to be inputted prior to fuel being dispensed. Records on usage were available to managers. The Powys teaching Health Board had just joined this scheme and commented on how good they find the system.

With regard to stock the service advised that county wide stock lists were planned so that excess stock from jobs could be listed together with items for re-use. The ability to source materials from this list could save expenditure in buying new when materials were already held within the service. It may be necessary to consider stock clearance auctions to bring stock levels down to appropriate levels.

It was confirmed that the teams accurately predicted the amount of tarmac needed for a job but if there was any left over this was used to fill potholes.

<b>Recommended that</b>	<b>Reason for recommendation</b>
<b>the Audit Committee accept the updated Action Plan and assurance from the service that the actions will be implemented and that the Committee be advised of the outcome of the follow-up audit.</b>	<b>To monitor that the actions agreed are implemented.</b>

<b>9.</b>	<b>NOTES FROM JOINT CHAIRS MEETING</b>	<b>A9-2012</b>
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The notes from the meeting held on 23<sup>rd</sup> September 2012 were noted. The Chair advised that the Joint Chairs and Vice-Chairs were looking at the arrangements for scrutiny in Powys and the relationship between scrutiny and the Audit Committee.

<b>10.</b>	<b>WORK PROGRAMME</b>	<b>A10-2012</b>
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The work programme was received. The Internal Audit Manager confirmed that a report on Workshops would be added to the programme for the next meeting.

The Chair of Learning and Leisure Scrutiny Committee confirmed that the Working Group looking at the Leisure Centre Vending Policy was just starting to meet.

**MRS S. C. DAVIES  
CHAIR**

Meeting Closed 12.35pm