

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COUNTY
HALL, LLANDRINDOD WELLS ON FRIDAY 28 SEPTEMBER 2012**

Present: County Councillor A W Davies (Chair)
County Councillors J H Brunt, Mrs E R Davies, L R E Davies, Mrs S C Davies, L Fitzpatrick, P Harris, Mrs F Jump, H Lewis, R H Mills, J G Morris, W D Powell, W J T Powell, D Thomas, R G Thomas, G P Vaughan and Mr J Brautigam (Independent Member)

In Attendance: County Councillor D Davies (Portfolio Holder for Finance), Messrs A Veale, J Herniman and M Jones (WAO)

Mr John Brautigam, Independent Member, was welcomed to his first meeting.

1.	ELECTION OF CHAIR	A20 – 2012
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RESOLVED that County Councillor A W Davies be elected Chair for the ensuing year.

2.	ELECTION OF VICE CHAIR	A21 – 2012
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RESOLVED that County Councillor J G Morris be elected Vice Chair for the ensuing year.

3.	APOLOGIES	A22 – 2012
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Apologies for absence were received from County Councillors E A Jones, M J Jones and Mrs A York.

4.	DECLARATIONS OF INTEREST	A23 – 2012
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There were no declarations of interest.

5.	DECLARATION OF PARTY WHIPS	A24 – 2012
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There were no declarations of party whips.

6.	NOTES OF AN INFORMAL MEETING OF THE COUNTY COUNCIL MEMBERS OF THE AUDIT COMMITTEE	A25 – 2012
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Documents Considered:

- 13 July 2012 notes

Outcomes:

- It was noted that County Councillor W D Powell had been present.

7.	JOINT SCRUTINY CHAIRS STEERING GROUP	A26 – 2012
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Documents Considered:

- 13 July and 14 September 2012 notes

Issues:

- Councillors A W Davies and J G Morris had been attending these meetings on behalf of Audit Committee.

8.	STATEMENT OF ACCOUNTS	A27 – 2012
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8.1) **ISA 260****Documents Considered:**

- Audit of the Financial Statements Report, Powys Pension Fund
- Audit of Financial Statements Report, Powys County Council

Issues:

- There were no concerns regarding the qualitative aspects of accounting practices and financial reporting in either the Pension Fund or County Council accounts.
- There were two issues which required reporting to the Audit Committee relating to the Pension Fund:
 - A number of retirement benefits paid in 2012-13 were identified which should have been recorded in the 2011-12 financial statements
 - The controls assurance statement in respect of CBRE was unavailable for the financial year 2011-12
- The way in which pension liabilities in respect of job evaluation and single status were dealt with in the accounts was subject to differing legal views across Wales.
- In the financial statement for 2010-11 an issue had been raised regarding the quality of accounting practices and financial reporting in relation to capital accounting.
- Challenges in producing the final statement of accounts had been encountered following the departure of a key member of staff.

Responses:

- Adjustments were identified as a result of the post year-end review of the ledger and related to lump sum payments made in April and May 2012.
- A controls assurance statement was not available but alternative audit work and procedures were used to achieve the level of assurance required to issue the audit opinion.
- In respect of pension liability with regard to job evaluation and single status negotiations, WAO had agreed that the action taken by the Authority was reasonable in the face of uncertainty of the legal position.
- There had been a significant improvement in the quality of accounting practices and working papers in the area of capital financing.
- Whilst there had been delays in producing the final statement of accounts the audit process had been completed without incurring additional audit costs due to the co-operation and hard work of finance staff.

Outcomes:

- WAO have recommended that the pensions team undertake a post year-end ledger review to ensure that payments for 2011-12 are recorded in the correct period.
- The Authority must ensure control statements are available and if not, why not and make alternative arrangements to ensure the appropriate assurances can be given.

8.2) Letters of Representation**Documents Considered:**

- Letters of representation to the WAO from the Authority regarding the Powys Pension Fund and Powys County Council

Outcomes:

- Both letters approved for signature

8.3) Annual Governance Statement**Documents Considered:**

- Annual Governance Statement 2011/12

Issues:

- Local Government Measure has changed the way in which scrutiny and audit perform.
- More self evaluation is required.
- Development of risk management.
- WAO will assess all authorities' Governance Statements and will respond accordingly.
- What assurances could be given that the three recommendations for improvement identified in the Annual Improvement Report were being addressed and information given was factual?
- Ensuring that the AGS is delivered
- Risk – at what stage is an issue referred for further action?
- Issues which have been identified internally are not addressed adequately prior to external intervention.

Responses:

- The AGS was integral in developing an awareness of self evaluation.
- As self evaluation improves, external intervention should diminish.
- All actions identified within the AIR are being dealt with – whether this was happening quickly enough was another issue.
- The AGS is signed off by the Chief Executive and Executive Leader who have responsibility for delivery. It is the role of Scrutiny and Audit to ensure that this happens.
- The Risk Register is a work in progress and a relatively new process for the Authority. The Authority must capture risk early enough to be able to deal with it effectively. Once the risk has been captured assurances must be given that appropriate action or mitigation measures are in place. If it is found that Senior Officers are not taking Risk Management on board, it becomes an issue of capability.

- Both Members and Officers need to become more self-critical and active in addressing issues earlier. This is a key role for Audit Committee as they have sight of reports from both internal and external sources.

Outcomes:

- The role of both Scrutiny and Audit Committees needs to evolve to ensure effective monitoring which should include more work at grass roots level.
- Joint Chairs Steering Group to monitor issues to ensure Scrutiny and Audit are kept informed.
- The Chief Executive and Leader to be asked how they are monitoring implementation of the AGS.

8.4) **Final Statement of Accounts**

Documents Considered:

- Final Statement of Accounts

Issues:

- Prescribed format
- Final outturn report submitted to Cabinet in June is more user friendly.
- £157K had been identified for capacity and capability
- Training budget
- Council's liability for pension contributions
- Reserves
- Welsh Housing Quality Standard - £18M
- What is the Cabinet doing to monitor spending in individual portfolios and whether that spending is efficient?
- Debtors – comparison with previous years and steps being taken to recover debt.
- Where are corporate land bank and property assets shown.

Responses:

- Capacity and capability research had been commissioned by the Cabinet and Chief Executive through Hays consultants to assess the whether the management structure is able to meet the future needs of the Authority.
- Training was included within budgets. Whether these were sufficient was questionable, as these budgets were liable to be cut where efficiencies were sought.
- The Pension Fund was due to be valued in 2013 with revisions to the Scheme being implemented from 2014. This will mean employees move to a career average pension. Currently the employer's contribution rate is in excess of 22%.
- Although £68M is identified as usable reserves, much of this is allocated to specific projects. Large overspends in some service areas are evident and the cost of wind farm inquiries will have to be met. There was a need for a cautious approach to the use of reserves or budgets to be established to replenish reserves.
- The Authority will have to demonstrate that the housing stock is up to standard or risk the Welsh Government balloting tenants on a transfer

to a registered social landlord. The Authority believed it could bring its stock up to standard and would finance this via Welsh Government grants, capital receipts and prudential borrowing.

- Spending must be monitored and not left to year end. It was the Portfolio Holder's opinion that the budget for Adult Social Care was inadequate due to increased demands. It was every Portfolio Holders' responsibility to have an overview of finance in their areas.
- One of the largest areas for debtors is in Council Tax. However the Authority has one of the highest collection rates in Wales and although the figure seems large, it is only a small percentage of the overall sum collected. Collection practices and some internal processes are being assessed to improve sundry debt collection. Powys was one of the few Authorities where debts were declining.
- Property and assets were listed in the Council Asset Register.

Outcomes:

- A list of those properties available for disposal would be circulated to Members for information.
- The Final Statement of Accounts was approved.
- A comparison of debtors at March 2011 and March 2012 would be circulated.

County Councillors J H Brunt, J G Morris and R H Mills left the meeting.

9.	ANNUAL OPINION ON INTERNAL AUDIT CONTROL 2011/12	A28 – 2012
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Documents Considered:

- Opinion on Internal Control 2011/12

Issues:

- Care and Wellbeing have 68% high and medium risk and are overspent at the end of Q1.
- Risk Management had been identified as an area of concern with a lack of corporate focus, lack of ownership and little service buy-in.
- Business Continuity Planning – plans are required
- Lack of early intervention
- Clarity of responsibility and accountability in Action Plans is essential.

Responses:

- Work on the Improvement Plan is ongoing and documents produced for Cabinet should be copied to Audit Committee.
- Risk Management would be reported regularly to Audit Committee and improvements were already apparent.
- Despite the issue of Business Continuity Planning having been raised some years ago, there was still a lack of planning at individual service levels. Although some plans had now been produced they were of mixed quality.
- There is a need to be proactive at an earlier stage and develop a means of activating reviews etc earlier.
- Service areas deemed to be low risk are responsible for delivering actions. The higher the risk, the more involvement by Internal Audit.

Outcomes:

- Improvement Plan reports to be submitted to Audit Committee
- Risk Management to be included on a quarterly basis on Audit Committee agendas.

10.	REGULATORY PROGRAMME FOR PERFORMANCE AUDIT 2012/13	A29 – 2012
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Documents Considered:

- Regulatory Programme for Performance Audit 2012-13

Issues:

- 4 year cycle to be introduced
- An Improvement Assessment letter on the Powys Change Plan will be submitted. A report will be prepared for Cabinet and the Joint Chairs Steering Group will be invited to attend.

Responses:

- Powys County Council will not be in the first cycle. This initiative is coupled with the move to improved self assessment.
- Last year the Improvement Assessment had made three statutory recommendations and six proposals for improvement. This year there will on be four proposals for improvement.

Outcomes:

- Received and noted

11.	WORKING GROUPS	A30 – 2012
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Documents Considered:

- Scrutiny Summary report

Issues:

- Two groups established to monitor Finance and Performance and Internal Audit.

Outcomes:

- Membership of the Groups was confirmed as follows:

Finance and Performance Monitoring

Chair and Vice Chair, Councillors L R E Davies, W J T Powell, Col T J Van Rees, G P Vaughan and Mr J Brautigam

Internal Audit

Chair and Vice Chair, County Councillors Mrs E R Davies, Mrs S C Davies, E A Jones, Mrs F Jump, D Thomas and Mr J Brautigam

12.

WORK PROGRAMME

A31 – 2012

Documents Considered:

- Work Programme

A W DAVIES
CHAIR

Audit Committee
28-09-2012 14.00-16.40