

## MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COUNTY HALL, LLANDRINDOD WELLS ON FRIDAY 11 OCTOBER 2013

**Present:** County Councillor A W Davies (Chair)  
County Councillors Mrs S C Davies, L Fitzpatrick, , H Lewis, M J Jones, Mrs F Jump, D Mayor, J G Morris, W D Powell, W J T Powell, Mrs J Shearer, D Thomas, R G Thomas, Col T J Van Rees, G P Vaughan and Mr J Brautigam (Independent Member)

**In Attendance:** Mr M Jones WAO

<b>1.</b>	<b>APOLOGIES</b>	<b>A57– 2013</b>
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Apologies for absence were received from County Councillors J Brunt, Mrs E R Davies, E A Jones and R H Mills.

<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>	<b>A58– 2013</b>
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County Councillors Mrs S Davies and D A Thomas declared personal interests in Ystradgynlais Schools and County Councillors H Lewis and Col Van Rees declared personal and prejudicial interests in the County Farms Estate.

<b>3</b>	<b>DECLARATION OF PARTY WHIPS</b>	<b>A59 – 2013</b>
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There were no declarations of party whips.

<b>4.</b>	<b>MINUTES</b>	<b>A60– 2013</b>
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The Chair was authorised to sign the Minutes of the last meeting held on 26 September 2013 as a correct record.

<b>5.</b>	<b>RISK MANAGEMENT</b>	<b>A61 – 2013</b>
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### **Documents Considered:**

- Report of the Portfolio Holder for Finance.

### **Issues:**

- 67 risks identified by service areas
- Should include mitigating measures and time frame
- 87% risks high or medium
- Some risks are dated over a year ago
- Some data is out of date
- Inaccurate information should not be published
- Emerging risks due to budget cuts, including loss of knowledge

### **Responses:**

- There is more of an onus to identify high risks
- Some areas of risk cover more than one service area and should only be recorded once.
- Some risks had been lost in the Service Improvement Plan process but these have been picked up and included in the Register

- It is proposed that a thorough review of the risks and mitigating actions be undertaken to ensure defined controls are in place
- The Risk Manager was not yet assured that there were discrete, definable actions in place and acknowledged that the process needed to be improved
- There was no certainty that all risks should be as high as identified – in some cases the probability may have been overestimated.
- The ability to manage future cuts was a key challenge for everyone. The appropriate support for delivering the cuts must be in place.
- The risks associated with emerging budget cuts are not yet included in the Register
- The Strategic Director, Resources will need to ensure that future budgeting is effective

**Outcomes:**

- A revised Risk Register will be brought to the next meeting
- The Strategic Director, Resources, will highlight the need for Risk Management to be strengthened at Management Team

<b>6.</b>	<b>TREASURY MANAGEMENT QUARTERLY REPORT</b>	<b>A62 – 2013</b>
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**Documents Considered:**

- Report of the Portfolio Holder for Finance
- Credit Rating List (Confidential)

**Issues:**

- Potential for financial disruption if USA fails to deal with its debt ceiling by 17 October
- Icelandic funds update

**Outcomes:**

- Noted

<b>7.</b>	<b>COMPARATIVE COSTS – SCHOOL BUILD</b>	<b>A63 – 2013</b>
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**Documents Considered:**

- Summary for Learning and Leisure Committee, March 2012
- Cost Model for new primary school

**Issues:**

- Suggestion that build costs in Powys are higher
- Uncertainty over what is included in headline costs
- Variables at each site
- Figures provided show that cost per square metre in Powys compare favourably with other areas
- Communication with local Members
- Cost control and project management
- Consultants – how effective have consultants been across the Authority
- Brecon Campus – approved by Cabinet without all financial information being available

## Responses:

- Full tendering process always undertaken
- Variables between projects do not permit direct comparisons of total project cost expressed as cost per m<sup>2</sup> or per pupil – on the Ystradgynlais projects for example, mine workings were discovered and there was a problem with Japanese knotweed
- Local Members indicated that the intention had been that the Ystradgynlais schools would provide a blue print for future schools however, it was not always possible to replicate designs on other sites – for example the proposed site at Clyro is too small to accommodate an Ystradgynlais design and a two storey school will need to be built. At the proposed site in Newtown the access from the Trunk Road has proved problematic impacting on the final floor plan of the school
- Difficulty in defining precisely what the client requires
- Same design cannot be used at all sites due to site variables such as topography etc
- Additional costs could be incurred if seeking planning permission in the National Park for example
- Welsh Government 21 Century Schools are moving towards investigating the use of a pattern book design. The Construction, Procurement and Premises Manager is to sit on an all Wales Working Group to explore how a standardized approach can be applied across Wales
- Continual learning process. There have been many changes in building regulations and design techniques with further changes planned.
- Work to BREAM standards
- More mindful of splitting costs where dual use occurs
- Procurement undertaken via a Construction Framework – larger firms are used which reduces the need for bonds, risk of liquidation etc. There is a commitment from those larger firms to use local contractors. The larger firms welcome the continuity of work.
- The Ystradgynlais primary school contracts had been let on a design and build basis. The initial design to planning stage was undertaken by Capita with Wilmot Dixon and their designer taking over the second stage of design and build. The overall project costs included Powys County Council project management costs. It is difficult to compare these costs as no other authority was building four primary schools concurrently. In Pembrokeshire utilitarian schools are provided to a minimum standard with projects being designed and managed by Council officers
- If Powys were to employ its own staff to undertake all the design and consultancy work the cost would be about the same as employing the current framework provider as the fee structure for both are broadly the same. The Council had decided to go with the Framework approach to provide the staff for the Ystradgynlais projects. It was acknowledged that there had been difficulties with communication in the early stages. Current projects are being dealt with differently. The Authority has employed a temporary Contract Architect for new projects but the resources are not available to do full, traditional design in house. There was a benefit to bringing in additional resources at the appropriate time. The work carried out by the framework consultants Quantity Surveyor was welcomed and such resources were not available in house.
- Professional fees tend to be 15% - 20% of the total project budget

- Strategic Outline Programme - WG specified that inflation costs were not to be included, however, these costs will now have to be absorbed. Current professional body (BCIS) estimates indicate that inflation will run at 3 – 3 ½ % per annum over the next few years.
- Is there duplication when a project is designed to RIBA Stage C or D and then handed on to another designer? In practice there is very little duplication when the handover is made at stage C prior to the planning application being submitted. This allows the concept design to be developed to meet the client requirements The contractor is more aware of 'buildability' issues and would prepare a detailed design through to planning stage and to completion
- The Audit Committee must have assurance that the costs of large projects will be adhered to
- Provision must be what is needed and not what is wanted
- Cabinet must keep tight control of costs.

**Outcomes:**

- Project Management Costs to be circulated
- A report on the processes involved to be prepared for the next meeting
- Capital Asset Policy to be circulated
- Joint Chairs Steering Group to be asked to prioritize a Working Group into the role of Consultants.
- Local Members to be kept informed of developments in their areas

County Councillor L Fitzpatrick left the meeting at 12.15

8.	<b>ADULT SOCIAL CARE – BUSINESS CONTINUITY</b>	<b>A64 – 2013</b>
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**Documents Considered:**

- Business Continuity Plan

**Issues:**

- Plan had been subject to Internal Audit
- Plan had not been tested
- Training issues
- Business Continuity Planning across the Authority

**Responses:**

- Testing has now been undertaken and this has been reflected in amendments to the Plan – for example the bad weather over the winter has lead to the use of 4 x 4 vehicles being incorporated into the Plan
- Team are working closely with Emergency Planning
- Ground plans of all leisure centres have been obtained to ensure those running Rest Centres in emergencies have been able to pre plan
- The document is live and is being amended accordingly
- A formal review is overdue but will be completed
- Business Continuity Planning was lacking in some services and needed to be addressed
- Emergency Planning is a separate issue

**Outcomes:**

- The Internal Audit Working Group to consider the wider issue of Business Continuity across the Authority

<b>9.</b>	<b>CLOSURE OF ACCOUNTS</b>	<b>A65 – 2013</b>
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The Strategic Director reported that he had been impressed with the work carried out by staff in difficult circumstances. However some key issues were evident such as Quality Assurance had not been undertaken and the timetable had not been adhered to. In future, a clear timetable will be in place which will have been agreed with the WAO. It was thought that the appropriate numbers of staff were employed but that their deployment should be reviewed.

The WAO would submit their report and an Action Plan later in the year and this would be considered by the Committee in January.

Members remained concerned that not all data was accurate and registers were not properly maintained.

<b>10.</b>	<b>TRACKER OF REGULATORY ACTIONS</b>	<b>A66 – 2013</b>
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**Documents:**

- Process flow chart
- Draft Tracker

**Issues:**

- Agreed by Joint Chairs Steering Group
- Still need to decide the means of extracting information from quarterly reports to include in the Tracker
- Will be in place by January including a RAG status
- Reports back from WAO not consistent in addressing the previous years' recommendations

**Outcomes:**

- Tracker to be available for the next Audit Committee meeting
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<b>11.</b>	<b>WORKING GROUPS</b>	<b>A67 – 2013</b>
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**11.1 Finance and Performance**

**Document:**

- Scrutiny Summary Report

**Issues:**

- Access to regular, timely information
- Outstanding information from Adult Social Care

**Outcome:**

- Further meeting with Adult Social Care to be arranged

## 11.2 Internal Audit

### **Document:**

- Scrutiny Summary Report

### **Issues:**

- Fair Funding Formula perpetuating potentially unfair funding
- Action Plans still not in place following Internal Audit
- After School Clubs / Voluntary Funds
- Apportionment of overheads

### **Responses:**

- The Lead Member of Internal Audit Working Group and Chair of Audit Committee are to meet with Ceredigion's Director of Education to discuss the Formula
- After School Clubs and Voluntary Funds may not have appropriate governance arrangements in place in all instances. There were too many variables across the Authority with a lack of clarity regarding accountability and responsibility. There are issues surrounding VAT returns, payroll, record keeping, leasing arrangements. The Authority's position must be defined before liability can be determined.
- Clear roles and guidance must be in place
- Role for LEA Governors
- Engagement with Schools Service required
- The true cost of services must be known but the means of apportioning central costs was thought to be outdated. The Portfolio Holder was reviewing the issue.

### **Outcome:**

- Letter to be sent to the Senior Education Officer detailing the Committee's concerns
- Internal Audit Working Group to monitor the review of overheads

County Councillor J G Morris left the meeting at 13.40

<b>12.</b>	<b>WORK PROGRAMME</b>	<b>A68 – 2013</b>
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### **Document:**

- Work Programme

### **Outcome:**

- Noted

<b>13.</b>	<b>CORRESPONDENCE</b>	<b>A69 – 2013</b>
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There were no items of correspondence.