

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COUNTY
HALL, LLANDRINDOD WELLS ON FRIDAY 25 APRIL 2014**

Present: County Councillor A W Davies (Chair)
County Councillors J Brunt, C Davies, E R Davies, L R E Davies, E M Jones, M J Jones F Jump, H Lewis, R H Mills, J G Morris, W D Powell, D Thomas, R G Thomas, T J Van Rees, and Mr J Brautigam (Independent Member)

WAO: Messrs J Herniman and M Jones

In attendance: County Councillors G R Banks and A G Thomas

Officers: I Halstead, Internal Audit Manager, C Pinney, Solicitor to the Council, S Bolter, Head of Regeneration, Property and Commissioning, K Lewis, Economic Regeneration Manager, J Rollin, Pensions Manager, S Offa, Senior Accountancy Assistant, C Evans, Business Improvement, J Lewis, Head of Professional Services and Commissioning

1.	APOLOGIES	A16– 2014
-----------	------------------	------------------

Apologies for absence were received from County Councillors Sandra Davies, L Fitzpatrick, E A Jones, P Medicott and J Shearer

2.	DECLARATIONS OF INTEREST	A17– 2014
-----------	---------------------------------	------------------

County Councillors J Brunt, C Davies, L R E Davies, M J Jones, H Lewis, A G Thomas, T J Van Rees and G P Vaughan declared personal interests in item 13 Triennial Pension Valuation, as members of the Pension Scheme.

3	DECLARATION OF PARTY WHIPS	A18 – 2014
----------	-----------------------------------	-------------------

There were no declarations of party whips.

Item 13, Triennial Pension Valuation was considered following Item 9, Wales Audit Office.

4.	MINUTES	A19– 2014
-----------	----------------	------------------

The Chair was authorised to sign the Minutes of the last meeting held on 17 January 2104 as a correct record.

Arising thereon:

Housing Repairs and Maintenance

The Head of Service had undertaken to produce a suggested list of KPIs for this service. This had not been achieved due to his long term absence.

Outcome:

- The issue of KPIs for Housing Repairs and Maintenance be referred to the Strategic Director

5.	JOINT CHAIRS STEERING GROUP	A20 – 2014
----	------------------------------------	-------------------

Documents Considered:

- Notes of meetings held on 24 January and 14 February 2014

Outcomes:

- Noted

6.	ACCESS TO INFORMATION	A21 – 2014
----	------------------------------	-------------------

It was agreed that Item 7, Wales Audit Office report Review of Allegations Under the Whistle Blowing Policy, was not confidential as the findings were in the public interest.

A further debate was held regarding Item 8, Workshops. An amendment was put that the report up to paragraph 2.2 and the Briefing Paper should not be confidential. On being put to the vote, the amendment was lost.

RESOLVED to exclude the public for Item 8 only on the grounds that there would be disclosure to them of exempt information under category 3 of The Local Authorities (Access to Information) (Variation) (Wales) Order 2007).

7.	WALES AUDIT OFFICE – REVIEW OF ALLEGATIONS UNDER WHISTLE BLOWING POLICY	A22 – 2014
----	--	-------------------

Documents considered:

- Review of Allegations Under Whistle Blowing Legislation

Issues:

- Allegations of improper involvement of the Council's Chief Executive Officer in Job Evaluation outcomes affecting the Council's democratic services officers
- Propriety of decisions relating to the agreed departure of the Strategic Director, Law and Governance
- Involvement of consultants in the Council's modernisation agenda and the value for money arising from their appointment
- Probity of decisions relating to the disposal of Leighton Model Farm to include the conduct of members involved with the process

Responses:

- No evidence of impropriety or bias by officers of members of the Council was found in relation to the allegations
- There was however, a lack governance - no audit trail, evidence for decisions or supporting paperwork
- Similar issues were raised in 2010 which have not been addressed
- Decision log required
- Concern that allegations made directly to the WAO – lack of confidence in the Council's own procedures
- The Authority is actively engaged in producing a new Whistle Blowing Policy which it is hoped will be approved by Standards Committee in June.

Outcomes:

- Officers will produce an Action Plan addressing the issues raised by the WAO for consideration by the Committee at its next meeting.

8.	WORKSHOPS	A23 – 2014
-----------	------------------	-------------------

Documents considered:

- Briefing Paper
- Report of the Portfolio Holders for Property and Assets and Regeneration and Planning, submitted to Cabinet on 1 April 2014

Issues:

- Ongoing concern for several years
- Unsatisfactory progress despite concerns
- Future role of Workshops

Responses:

- Historic tenancies over multiple sites
- Will take time to review and put in order – a further report to go to Cabinet in October 2014
- The Portfolio Holder indicated that the matter would be dealt with swiftly but could take some time to sort out
- The role of the Workshop portfolio has changed over time
- GVA provided the service under terms agreed
- Losses have been absorbed through the regeneration budget or from reserves
- Objectives in May 2011 were different to those now
- A Scrutiny Review had been completed in the last Council with little progress having been made since

Outcomes:

- The Committee would be provided with an update in July 2014
- A copy of the Scrutiny Review to be circulated to Members of the Committee
- GVA reports to the Authority to be circulated
- The following information to be supplied:
 - Breakdown of individual licenses and leases
 - Properties to be sold and likely sale price
 - Properties to be leased
 - Cost of putting portfolio in order
 - Rent reviews
 - Details of properties improperly used
 - Outgoings for all properties
 - Arrears of rent and steps taken to recover debt

9.	WALES AUDIT OFFICE	A24 – 2014
-----------	---------------------------	-------------------

9.1 Financial Statements Memorandum**Document considered:**

- Report of the WAO

Issues:

- Challenging sign off of accounts last September
- Financial reporting
- IT Environment and Systems

Responses:

- The main issues had been reported to the Committee last September and this report formally recorded those and other minor issues
- Responses have been discussed with officers and an Action Plan is being addressed
- Budgetary control systems were effective in identifying material variances but financial reporting could be strengthened by improving the quality and detail of information provided to officers and Members
- The Committee had asked the Strategic Director, Resources, shortly after his appointment, if he had the resources to deliver appropriate and timely accounts. He had indicated that with some restructuring and additional training he was confident that this could be achieved. A commitment had been given to check the readiness of the section and Price Waterhouse Cooper were currently undertaking this piece of work.
- Internal Audit complies with professional standards but recommendations were made for further improvement. A restructure of the Internal Audit Team may lead to additional resources but with the current level of resource, the Internal Audit Manager was able to give assurance on the level of internal control
- Not all recommendations in the Action Plan had a completion date included

Outcome:

- The Strategic Director be asked to confirm that he has the appropriate resources in place to deliver the Final Accounts and to provide the findings of the PWC project
- Recommendations would be included in the Tracker of Regulatory Actions for monitoring
- Completion dates to be included in the Action Plan

9.2 **Annual Audit Outline**

Document considered:

- Report of the WAO

Issues:

- Annual requirement to report on the Council's outturn position
- Third Party Grants
- WAO Fees

Responses:

- The report provides a summary of the main audit risks and proposed responses

- There were concerns that there were issues surrounding confirmation of third party grants. Terms and conditions were to be placed on third parties to overcome this issue.
- WAO fees would be confirmed shortly following approval by the WAO Board

Outcome:

- Report received

County Councillor J Brunt left the meeting at 12.20

9.3 Annual Audit Outline – Pension Fund

Document considered:

- Report of the WAO

Issues:

- Inherent risks as for main accounts

Outcome:

- Report received

10.	TRACKER OF REGULATORY ACTIONS	A25 – 2014
------------	--------------------------------------	-------------------

Documents considered:

- Regulator’s Recommendations: Response/Action Plan Tracker

Issues:

- Process still being refined
- Data presented for Q3
- Management Team and Cabinet will also receive the Tracker along with Performance Report
- Financial Audit recommendations not yet included
- Third Party grants

Responses:

- It was suggested that Audit Committee could approve removal of recommendations which have been achieved. This was not thought to be appropriate without further information and would be considered as part of the development of the Tracker
- Third party grants had been identified as an issue earlier in the meeting but was categorised as blue on the Tracker – further investigation was needed.

County Councillors C Davies and T J Van Rees left the meeting at 12.55

Outcomes:

- Joint Chairs Steering Group to clarify their role in monitoring the Tracker and to determine the process whereby blue measures are removed
- Contact points to be included in the Tracker for ease of reference

County Councillor G P Vaughan left the meeting at 13.10

The meeting was adjourned until 13.40

Present: County Councillors A W Davies (Chair), E R Davies, L R E Davies, Eldrydd J Jones F Jump, H Lewis, J G Morris, W D Powell, D Thomas, R G Thomas, and Mr J Brautigam (Independent Member)

11.	INTERNAL AUDIT	A26 – 2014
------------	-----------------------	-------------------

11.1 Interim Internal Audit Plan 2014/15

Documents considered:

- Report of the Internal Audit Manager
- Internal Audit Planning Strategy

Issues:

- Interim Plan for Q1
- Budget cuts
- Risk Management
- Increasing number of adverse reports

Responses:

- An interim plan has been submitted to allow risks to be more clearly defined and a full Plan will be prepared
- Risk Management has not been adequately addressed in the last year
- The Risk Register must be aligned with Corporate Objectives and Service Improvement Plans
- The Internal Audit Manager is to advise the Strategic Director in identifying key risks for the Authority and ensuring proper measures are put in place
- Some posts have been lost following budget cuts. The section is to be reconfigured which may free up resources.
- Assurance that statutory responsibilities can be delivered
- There are slightly more adverse reports than in previous years – proportionality is to be introduced indicating whether limited or low assurance reports would pose a minimal or high risk to the Authority

Outcomes:

- A full Internal Audit Plan to be submitted to the next meeting

11.2 Internal Audit Charter

Documents considered:

- Report of the Internal Audit Manager
- Internal Audit Charter

Responses:

- The Charter is to ensure that the framework is in place to allow Internal Audit to operate independently and without interference from management
- Value for money should be included within the scope of Internal Audit work

Outcomes:

- The Charter be amended to include Value for Money

12.	BUSINESS CONTINUITY MANAGEMENT	A27 – 2014
------------	---------------------------------------	-------------------

Documents Considered:

- Report of the Strategic Director Resources

Issues:

- Lack of current Business Continuity Plan

Responses:

- A temporary response had been issued pending a permanent solution which may depend on collaboration with other organisations or by creation of a post
- Acknowledgement that there has been little progress on the Corporate Business Continuity Plan, service specific continuity plans or the Risk Register
- As an interim measure the Internal Audit Manager has been asked to advise the Strategic Director on risks to the Authority and a temporary appointment will be made to address Business Continuity Management

13.	TRIENNIAL PENSION VALUATION	A28 – 2014
------------	------------------------------------	-------------------

Documents Considered:

- Triennial Pension Valuation

Issues:

- Actuarial Valuation as at 31 March 2013
- Valuation has not yet been considered by Pensions and Investment Committee
- Fund in deficit

Responses:

- Most Pension Funds in England and Wales are in deficit
- Prior to 1990 all Funds were required to be 100% funded
- Central Government changed legislation in the early 1990s to 75% funded
- The former Powys County Council agreed to take a holiday from contributions
- Legislation was subsequently amended to return to 100% funded
- At the last valuation in 2010 the Pension Fund was 71% funded -h this has risen to 79% with the current valuation
- £13.8M has been removed from the deficit
- The deficit could be addressed over a 40 year period, but the Authority has agreed that this would be dealt with in 25 years – 23.4 years remain until the Fund is fully funded.
- Budgets are dominated by staffing costs – there will be no increase in contributions in the current year, but there is agreement to increase employer's contributions in the following two years. Any increase will have a significant effect on service area budgets. The Authority is not in a financial position to accelerate the employer's rate.
- Some concern that the deficit should be dealt with earlier and not left for future generations

- Under the new pension scheme, employees will have the option to take up to a 50% reduction in contributions
- Calculations will in future be based on CPI not RPI

14.	TREASURY MANAGEMENT QUARTERLY REPORT	A29 – 2014
------------	---	-------------------

Documents Considered:

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

Issues:

- Capital budget
- Voluntary Funds
- Partial exemption VAT reporting

Responses:

- Recurring issue of capital funds not being spent
- Reflects poor budgeting and treasury management becomes more difficult
- Essential to know where underspends are occurring
- It had been agreed at the last Audit Committee that the Strategic Director draft a letter to all School Governors and Head Teachers regarding the need for proper accounting of Voluntary Funds. A letter had been drafted but additional information and a standardized form were to be produced to be sent out at the same time. It is hoped that this would be sent to schools at the start of the summer term.
- Governors must be aware of all of the funds held by a school and ensure these have proper accounts and are audited and are adequately reported
- Balance sheets were available for all schools and should be sent to Governors at year end
- Copies of all school balance sheets to be requested for submission to the Finance and Performance Working Group
- All financial measures are now in place to avoid penalties in relation to partial exemption of VAT but overall control is still required

Outcomes:

- A report on capital expenditure to be submitted to the Finance and Performance Working Group including underspends at the end of the financial year on a service basis
- All school balance sheets to be submitted to the Finance and Performance Working Group

County Councillor L R E Davies left the meeting at 2.35 pm

15.	WORKING GROUPS	A30 – 2014
------------	-----------------------	-------------------

15.1 Internal Audit

Document:

- Scrutiny Summary Report

Issues:

- A watching brief is being kept on a number of areas
- A meeting had been held with the Director of Change and Governance and Programmes and Governance Senior Manager regarding a number of IT projects - the IT Strategy was to be reviewed in the next few months and all purchasing had been brought under central control

15.2 Finance and Performance**Document:**

- Scrutiny Summary Report

Issues:

- Medium Term Financial Plan to be monitored by the Group and assumptions tested

16.	WORK PROGRAMME	A31 – 2014
------------	-----------------------	-------------------

Document:

- Work Programme

Outcome:

- Received and items discussed during the meeting to be included

17.	CORRESPONDENCE	A32 – 2014
------------	-----------------------	-------------------

There were no items of correspondence.

A W DAVIES
CHAIR