

## MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COUNTY HALL, LLANDRINDOD WELLS ON FRIDAY 17 OCTOBER 2014

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

**In Attendance:** Mr M Jones, WAO

**Officers:** David Powell, Strategic Director Resources, Caroline Evans, Business Improvement Officer, Ian Halstead, Internal Audit Manager, Martyn Harding, Principal Enquiries and Awards Officer, Jason Lewis, Head of Professional Services and Commissioning, Jane Thomas, Professional Lead Finance and Richard Williams, Valuer

<b>1.</b>	<b>APOLOGIES</b>	<b>A59– 2014</b>
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Apologies for absence were received from County Councillors F Jump, J Shearer and G P Vaughan

The Chair reported that County Councillor C Davies had stepped down from the Committee. One Member of the Executive could sit on Audit Committee and County Councillor E A Jones had agreed to remain on the Committee following his appointment to the Cabinet. The process of agreeing this membership was queried and further detail would be sought.

<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>	<b>A60– 2014</b>
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There were no declarations of interest.

<b>3</b>	<b>DECLARATION OF PARTY WHIPS</b>	<b>A61 – 2014</b>
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There were no declarations of party whips.

<b>4.</b>	<b>MINUTES</b>	<b>A62– 2014</b>
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The Chair was authorised to sign the Minutes of the last meeting held on 26 September 2014 as a correct record subject to County Councillor E R Davies being removed from those present.

<b>5.</b>	<b>JOINT CHAIRS STEERING GROUP</b>	<b>A63 – 2014</b>
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### **Documents Considered:**

- Notes of a meeting held on 18 July 2014

### **Outcomes:**

- Noted

<b>6.</b>	<b>WORKSHOPS</b>	<b>A64 – 2014</b>
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An oral update was given to Committee pending submission of a final report to Cabinet later in October.

**Issues:**

- New leases have been issued
- 11 have been returned signed – deadline is 31 October
- Some tenants still have concerns
- Some tenants have given notice – the majority of who had been unable to justify usage of the workshops, such as for storage
- Some tenants have bought their own premises
- Once all leases have been returned a decision will be taken to sell surplus units
- Financial forecast has improved – predicting a year end overspend of £16K (reduced from £120K)
- Concern regarding potential job losses – no work has been undertaken in identifying likelihood of job losses
- New leases are on standard terms and are internal repairing only
- 6 sites have been identified for sale
- There will be a rolling programme of renewals of leases – some are 6 year business tenancies, some 3 year licenses
- There is the potential to realise all workshops by 2020
- Concern that properties would be disposed of on the basis of condition and not on need
- The criteria for disposal had not been based solely on condition, but proximity to other infrastructure etc
- The programme had not been co-ordinated with the siting of Welsh Government workshops but this would be considered for inclusion in the Cabinet report
- The right of the tenant to renew had been excluded from new leases

**Outcomes:**

- A breakdown of the £16K overspend would be provided

<b>7.</b>	<b>ANTI FRAUD MEASURES</b>	<b>A65 – 2014</b>
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The Principal Enquiries and Awards Officer gave a presentation on a pilot project to tackle fraud

**Issues:**

- Auditor General has recommended action be taken to address fraud
- Pilot study identified that it would be cost effective to take forward
- Capability within the Authority to undertake the project
- Housing Benefit Fraud has been managed within the Authority but will revert to Department of Work and Pensions (DWP)
- Welfare Reform – potential for fraud to increase
- Need to tackle proactively

- Will address corporate fraud : council tax, pension fund, payroll, blue badge, housing tenancies, direct payments etc
- Recent change in legislation allows local authorities to prosecute housing tenancy fraud
- Already identified 86 cases amounting to £236K
- National issue and other authorities are assessing anti fraud strategies

**Outcomes:**

- Fraud Awareness Package to be developed
- Further report in the April 2015

<b>8.</b>	<b>INTERNAL AUDIT</b>	<b>A66 – 2014</b>
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**Documents Considered:**

- Quality Assurance and Improvement Programme (QAIP)
- Internal Audit Work Programme Q3

**Issues:**

- Public Sector Internal Audit Standards introduced in April 2013
- 209 standards to comply with
- Subject to internal and external assessment
- Structure of team
- 10% of core business being reviewed – below Welsh average
- Work programme to be determined quarterly rather than annually to deal with the rapidly changing focus of the Authority
- Internal Audit must be linked to the Risk Register

**Responses:**

- External assessment required every 5 years
- First external assessment undertaken –the first in Wales under the new requirements
- The Team is currently being restructured and another tier of management will be removed
- Principal Auditors currently spend 80% of their time on specialist audits and 20% on management
- It is intended that the middle of the structure will be reinforced and there will be a reduction in routine work
- The Service will be fit for purpose and is adequately resourced to enable the Internal Audit Manager to provide his Internal Audit Opinion
- There will be more emphasis on core functions

<b>9.</b>	<b>REVIEW OF INTERNAL AUDIT</b>	<b>A67 – 2014</b>
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**Documents Considered:**

- Report of the Portfolio Holder for Finance
- Draft KPMG External Assessment of Internal Audit

**Issues:**

- First internal audit team to be externally assessed in Wales

- Other authorities are considering forming a group to go out to tender
- An Action Plan based on the finalized report will be submitted to the next meeting
- Number of Low or Limited Assurance reports

**Responses:**

- Internal Audit is generally compliant
- Some areas of improvement identified
- As Council changes, audit skills will have to be different
- An issue identified as been the lack of an effective Risk Register
- Resources will need to be targeted towards key risks
- Low and Limited Assurance reports – underlying reasons – need to determine whether methodology or organisational governance is at fault
- Of the 209 standards, the Team has satisfied or partially satisfied 198 – there are some minor points in the remainder and some larger, corporate issues to be addressed
- Skills for the future or alternative methods of delivery will be addressed
- Refocus on training
- The Audit Programme has tended to address traditional risks
- Attitude towards Internal Audit to be addressed
- 12 systems are defined as critical and should be audited once every two years. Remaining systems are risk based and audited once every three or four years

**Outcomes:**

- An Action Plan to be submitted to the next meeting of the Committee

10.	<b>BUSINESS CONTINUITY MANAGEMENT</b>	<b>A68 – 2014</b>
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**Documents Considered:**

- Report of the Strategic Director, Resources
- Action Plan
- Business Continuity Plan

**Issues:**

- The Business Continuity process had lapsed following the departure of the Risk and Insurance Manager and the subsequent decision to delete the post

**Responses:**

- A temporary appointment was made earlier this year and a review of Service Plans was undertaken
- Significant progress has been made in recent months
- Business Continuity Champions have been appointed across all service areas
- The Strategic Director Resources chairs a Business Continuity Management Group
- The corporate Business Continuity Plan will be subject to formal approval by Cabinet on 11 November 2014 and annual review thereafter.
- The Authority now meets its statutory obligations

11.	RISK REGISTER	A69 – 2014
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**Documents Considered:**

- Report of the Strategic Director Resources

**Issues:**

- Risk Register had lapsed following the departure of the Risk and Insurance Manager
- An effective Risk Register is essential to support the work of Internal Audit and the Audit committee
- One catastrophic risk identified

**Responses:**

- Existing risks were taken and combined with risks identified from Service Improvement Plans
- Discussions with Heads of Service to moderate risks
- Workshops to be run with service Management Teams to identify any gaps and assess control measures – process to begin over the next three months
- The Register will be reviewed on a quarterly basis to ensure the document remains live and that control measures have been implemented
- There were too many risks included on the register reflecting the lack of work in the last two years
- Managers must identify risks and also be accountable for mitigating those risks
- Further information on the length of time a risk has been included on the Register to be obtained
- Some risks will always be red
- Once a secure Risk Register has been agreed an Action Plan will be produced to mitigate risks
- Enforcement will occur through challenge at Management Team and Cabinet with individual risks aligned to specific Portfolio Holders

**Outcomes:**

- Quarterly reports for consideration by Audit Committee

12.	TREASURY MANAGEMENT HALF YEARLY REPORT	A70 – 2014
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**Documents Considered:**

- Report of the Portfolio Holder for Finance

**Issues:**

- Level of risk
- LOBOs (Lenders Option Borrowers Option) – can repayments be made if LOBOs are called when interest rates rise

- Local Authority Mortgage Scheme (LAMS)

**Responses:**

- It could be considered that the Authority was too risk averse but it is believed the risk is in line with what is expected
- Interest rates are likely to rise in the medium term and there is sufficient capacity to borrow from PWLB if the need arises. The risk of call in is considered to be low
- There is a difference of opinion between Sector, our Treasury Management advisors, and the Welsh Audit Office on how the LAMS should be accounted for within the accounts. Powys has adopted the approach advised by the Wales Audit Office. This does not affect the operation of the scheme.

**Outcomes:**

- That the report be noted

<b>13.</b>	<b>CLOSURE OF ACCOUNTS</b>	<b>A71 – 2014</b>
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**Documents Considered:**

- Report of the Portfolio Holder for Finance

**Issues:**

- Although an unqualified opinion was given by WAO on the Statement of Accounts a number of key concerns were raised
- Issues raised were similar to those raised in 2013

**Responses:**

- The Finance Team had been reorganised and had been subject to staff losses as had other professional services
- Expertise had been lost and there was a shortage of staff and capacity to deal with all of the queries in a timely manner
- The closure of accounts coincided with a number of other significant pieces of work, such as the revaluation of the County Farms Estate
- Support services were unlikely to see further large cuts
- Difficulties in recruiting to vacant posts – recent advertisements had not produced either the number or calibre of applicants needed
- Alternatives will need to be considered
- The basis of a strong team is emerging but areas outside of Finance were not as responsive as required
- Must be an acceptance that the closure of the accounts is a whole Authority responsibility and not just a role for Finance

**Outcomes:**

- An Action Plan and progress report will be submitted to the next Audit Committee

14.	<b>CERTIFICATION OF GRANTS AND RETURNS</b>	<b>A72 – 2014</b>
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**Documents Considered:**

- WAO report and Action Plan

**Issues:**

- The report had been considered at the July meeting of Audit Committee
- Action Plan now produced

15.	<b>WAO - SUBSTANCE MISUSE ACTION FUND FOR CAPITAL PROJECTS 2011/12 AND 2012/13</b>	<b>A73 – 2014</b>
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**Documents Considered:**

- Letter from WAO to Strategic Director Resources

**Issues:**

- Terms and Conditions of a grant had not been met
- Informal and formal approach to the Council to highlight the issue

**Responses:**

- There is a need to firm up processes and ensure all terms and conditions are met
- Identifies a potential risk
- Correspondence with the Welsh Government needs to be clarified
- A meeting with officers of the People Directorate to ensure any risk is mitigated

**Outcomes:**

- An update on progress to be submitted to the next meeting

16.	<b>WORKING GROUPS</b>	<b>A74 – 2014</b>
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**i) Internal Audit Working Group**

**Documents Considered:**

- Scrutiny summary report

**Outcome:**

- Report received

**ii) Finance and Performance Working Group**

**Documents Considered:**

- Scrutiny summary report

**Outcome:**

- Report received

**iii) Finance Scrutiny Panel**

It was noted that the first Seminar in the project to strengthen financial scrutiny in Powys was held on 10 October 2014

<b>17.</b>	<b>WORK PROGRAMMGE</b>	<b>A75 – 2014</b>
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**Documents Considered:**

- Work Programme

**Outcomes:**

- The work Programme be updated with items identified during the meeting

<b>18.</b>	<b>CORRESPONDENCE</b>	<b>A76 – 2014</b>
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There was no correspondence

**A W DAVIES**  
**Chair**