

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COUNTY HALL, LLANDRINDOD WELLS ON THURSDAY 16 JULY 2015

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

Officers: Gareth Rees, WAO, David Powell, Strategic Director Resources, Caroline Evans, Business Continuity and Risk Management Officer, Ian Halstead, Internal Audit Manager, Jane Thomas, Professional Lead Finance

1.	APOLOGIES	A47– 2015
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Apologies for absence were received from County Councillors E R Davies, L R E Davies, L Fitzpatrick, E A Jones, G Ratcliffe and R G Thomas and Mike Jones, WAO

2.	DECLARATIONS OF INTEREST	A48– 2015
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There were no declarations of interest.

3	DECLARATION OF PARTY WHIPS	A49 – 2015
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There were no declarations of party whips.

4.	MINUTES	A50– 2015
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The Chair was authorised to sign the Minutes of the last meeting held on 29 June 2015 as a correct record.

5.	JOINT CHAIRS STEERING GROUP	A51 – 2015
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The Committee received the notes of a meeting of the Joint Chairs Steering Group held on 20 May 2015.

6.	CERTIFICATION OF GRANTS	A52 – 2015
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Documents:

- WAO Certification of Grants and Returns 2013-14

Issues:

- Qualifications issued for eight of the twelve grants certified
- There had been a decrease in the number of claims received on time by the Authority's from 87% to 75%
- Three significant adjustments were made – ie exceeding £10,000

Responses:

- Members were concerned whether there were sufficient staff resources in place following redundancies and if apprenticeships were being considered within the Directorate to alleviate the situation – apprenticeships were being considered

- The Committee suggested that more robust processes were required to obtain evidence from third parties and queried what recourse the Authority had if grants had not been correctly applied - the options available are to cease activity or commence formal recovery procedures
- In response to a question the WAO were able to reassure the Committee that there had not been an increased occurrence of grants being inappropriately used, but that the risk of occurrence had been heightened
- Certification of specific grants – the number of specific grants is likely to be reduced by Welsh Government and replaced with more general grants
- Nationally, one in four claims are qualified and one in three in Powys
- Amendments to claims run at one in seven nationally, and one in three in Powys

Outcome:

- An Action Plan would be prepared for consideration by the Committee

ITEM 11, Treasury Management, was considered at this point in the meeting

County Councillor W D Powell arrived at 2.30pm.

7.	SELF ASSESSMENT OF AUDIT COMMITTEES	A53 – 2015
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Documents:

- Report of the Internal Audit Working Group

Issues:

- CIPFA 'Self-Assessment of Good Practice and Evaluating the Effectiveness of the Audit Committee had been considered by the Internal Audit Working Group and a checklist completed for consideration by Committee
- Members recognize that an effective Audit Committee is key in ensuring good governance and assists the Authority in discharging its statutory functions
- The findings of the self-assessment can be used to develop further training opportunities for the Committee
- Members noted that one recommendation was to raise the profile of Audit Committee across the Council

Outcomes:

- Action Plan be prepared for consideration by the Internal Audit Working Group

8.	ANNUAL INTERNAL AUDIT REPORT 2014/15	A54 – 2015
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Documents Considered:

- Report of the Internal Audit Manager
- List of Internal Audit Activity 2014/15

Issues:

- Requirement of the Public Sector Internal Audit Standards
- Internal Audit also certifies grant funding valued at £6M

- Key financial systems are monitored and new measures, such as *No Purchase, No Pay*, ensure processes are more robust
- The percentage of audit opinions with effective control is increasing
- Members sought clarification of the categories of recommendations made
- As with other service areas, Members continue to question whether the loss of staff has impacted adversely on the work that can be undertaken- end of year results reflect that the service is recovering from the loss of key staff
- It was acknowledged that not all services welcome an internal audit but it was noted that perceptions were changing and Internal Auditors were being seen as advisors
- Internal Audit also undertake work for other bodies, including auditing of grant aided projects for the Brecon Beacons National Park Authority

Outcome:

- That the current position be noted and that further monitoring be undertaken

9.	RISK MANAGEMENT	A55 – 2015
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Documents Considered:

- Report of the Business Continuity and Risk Management Officer
- Heat Map
- Risk Register
- Risk Assessment Matrix

Issues:

- Progress continues to be made
- Corporate risks have been reduced to 20 – service risks have been removed and corporate risks streamlined
- Further work to strengthen mitigating controls to be undertaken together with defining ownership of risks
- Cabinet will consider the Corporate Risk Register on a quarterly basis, and the Leader provided with a monthly briefing
- Service level workshops are continuing with three areas left to complete
- The Programme Office is developing Risk Registers for each Programme
- An assessment of the budget process is being undertaken
- Members queried whether new policies were assessed for risk prior to implementation and if risks were identified, whether those policies would be withdrawn – such policies would be assessed for risk and equalities. If issues arose a decision would have to be made based on the level of significance of those issues.
- Other Authorities are approaching Business Continuity and Risk Manager for advice and support – Members asked whether this could be a source of income generation
- In respect of the Risk Register itself, Members commented that the risk rating for ‘lack of management of the procurement process within services’ had been rated as ‘medium’ but that a later agenda item referred to a WAO review into the letting of a domiciliary care contract which had failed.

Outcome:

- A Risk Champion to be invited to a future meeting to provide a viewpoint from the service areas

10.	WAO REVIEW OF LETTING A DOMICILIARY CARE CONTRACT	A56 – 2015
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Documents Considered:

- Report of the Strategic Director Resources

Issues:

- WAO review will consider the Authority's internal contract letting process
- A review of documents has commenced and interviews with key members of staff will follow
- The Strategic Director, Resources is the Lead Officer for the project

Outcomes:

- WAO to provide an update in September

11.	TREASURY MANAGEMENT	A57 – 2015
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RESOLVED to exclude the public for the following items of business on the grounds that there would be disclosure to them of exempt information under category 5 of The Local Authorities (Access to Information) (Variation) (Wales) Order 2007).

11.1 Treasury Management Review 2014/15**Documents Considered:**

- Report of the Portfolio Holder for Finance

Issues:

- Temporary borrowing increased during the year
- An update was given on funds held in an Iceland
- Internal Borrowing

Responses:

- Temporary borrowing increased at one period during the year to meet salary payments. The Authority then received unexpected grant payments and some significant income from invoices. Members queried the cost of this short term borrowing and were advised that surplus funds were invested in deposit accounts with any costs recouped through interest gained.
- Internal Borrowing is high. Interest rates are constantly monitored to ensure long term borrowing can be achieved at the most appropriate time.

Outcomes:

- That the report be noted

The Committee returned to open session

11.2 Quarterly Report

Documents Considered:

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

Issues:

- Debt maturity schedule
- LOBOs to be changed PWLB
- Discount rate and its effect on Pension fund liabilities

Responses:

- Debt is under constant review and it is necessary to continue to monitor to ensure that there are no gaps in the debt maturity schedule. The Committee would not wish to see any future Authority having an expensive debt liability. A query regarding a large spike in borrowing 2054 was raised - this was attributable to borrowing associated with the Housing Revenue Account.
- Officers were asked whether there were opportunities to change LOBOs to PWLB loans. LOBOs are currently on good rates and it is not envisaged that any will be called – if this were to happen, there would be ample opportunity obtain alternative borrowing.
- Concern was expressed that ½ % change in the discount rate had affected Pension Fund Liabilities by £60M – as demonstrated in the recent Draft Statement of Accounts. Since the last Actuary's review the Discount Rate had changed by 2% and this would have a significant effect on the Pension Fund. The Strategic Director reported that an Actuary's review is due on the Pension Fund during the current year and that he would provide a broad overview of the current situation for Members' information.

Outcomes:

- An overview of the Pension situation would be provided at the next meeting

12.	SCRUTINY GROUPS	A33 – 2015
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i) Adult Social Care/Audit

Documents Considered:

- Scrutiny summary report

Issues:

- Group established following an exchange of correspondence between the Chair and the Leader
- Information had been sought and a further meeting held with the Portfolio Holders and officers from Finance and Performance
- Price Waterhouse Coopers are conducting a full review and the Joint Working Group will be invited to scrutinize their findings

Outcome:

- Report noted

ii) **Finance and Performance Working Group**

Documents Considered:

- Scrutiny summary report

Outcome:

- Report received

iii) **Internal Audit working Group**

Documents Considered:

- Scrutiny summary report

Outcome:

- Report received

13.	WORK PROGRAMME	A59 – 2015
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Documents Considered:

- Work Programme

Outcomes:

- The Work Programme be agreed subject to the addition of items discussed during the meeting.

14.	CORRESPONDENCE	A60 – 2015
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There were no items of correspondence.

The next meeting is scheduled for 30 September 2015 at 2 pm.

**A W DAVIES
Chair**