

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COUNCIL CHAMBER - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON MONDAY, 9 NOVEMBER 2015**

**PRESENT**

County Councillor J G Morris (Chair)

County Councillors S C Davies, D E Davies, L R E Davies, E R Davies, L Fitzpatrick, G Hopkins, M J Jones, F H Jump, P J Medicott, R H Mills, JG Morris, WD Powell, D R Price, D A Thomas, D G Thomas and R G Thomas and Mr J Brautigam (Independent Member)

<b>1.</b>	<b>ELECTION OF CHAIR</b>	<b>A80-2015</b>
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**RESOLVED that County Councillor J G Morris be elected Chair.**

The Chair paid tribute to the former Chair and the considerable work he had undertaken in moving Audit Committee forward.

Pursuant upon the Vice Chair having been elected Chair, an election for Vice Chair was undertaken.

**RESOLVED that Mr J Brautigam be elected Vice Chair.**

<b>2.</b>	<b>APOLOGIES</b>	<b>A81-2015</b>
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An apology for absence was received from County Councillor T J Van Rees.

<b>3.</b>	<b>DECLARATIONS OF INTEREST</b>	<b>A82-2015</b>
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There were no declarations of interest.

<b>4.</b>	<b>DISCLOSURE OF PARTY WHIPS</b>	<b>A83-2015</b>
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There were no disclosures of party whips.

<b>5.</b>	<b>MINUTES</b>	<b>A84-2015</b>
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The Chair was authorised to sign the minutes of the previous meeting, held on 28 September 2015, as a correct record.

It was noted that the WAO report regarding Domiciliary Care was not yet available and this would be considered at the next meeting.

<b>6.</b>	<b>RISK MANAGEMENT AND BUSINESS CONTINUITY</b>	<b>A85-2015</b>
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**Documents:**

- Update report of the Business Continuity and Risk Management Officer
- Policy, Strategy and Methodology
- Heat Map
- Risk Register

**Issues:**

- Scoring mechanism
- Budget savings
- Draft Strategy
- Grouping of risks in higher categories

**Responses:**

- The Committee requested details of regarding the scoring of risk and the consultation process. In consultation with officers, and the use of a matrix, a simple formula is used to multiply probability by impact to achieve a numeric, inherent risk score. Officers have been issued with guidance to ensure consistency across the Authority. Probability is based on whether an event would occur within the year, in one to five years or whether it was unlikely to occur. The impact considers financial risk, ability to achieve and corporate objectives. Members asked whether there was an independent assessment of the scoring – this is undertaken by Management Team. Services continue to manage risk through their own management teams.
- One of the Business Continuity Champions had been invited to attend the meeting and comment on procedures from a service perspective. The Communications Manager informed Members that the process had been easy to follow and assess. A Business Continuity Champions Group meets regularly enabling networking and challenge across the Authority. The Communications Manager is also a member of the Dyfed Powys Local Resilience Forum which ties in with his work as Business Continuity Champion
- It was suggested that a peer review, either by the Public Service Board or another authority, could be undertaken to ensure greater challenge and this suggestion was welcomed by officers. Further consideration would be given as to whether this would be an effective method to further strengthen the service.
- The revised Strategy supports the process. A draft is due to be submitted to Cabinet for approval in January 2016. Cabinet review the Risk Register on a quarterly basis with the Leader and Business Continuity and Risk Management Officer meeting monthly. Management Team review the Register on a quarterly basis and each risk identified on the Corporate Risk Register is 'owned' by a member of Senior Management.
- Members sought assurance that the budget proposals and associated Strategic Impact Assessments would be included within the Register where appropriate. The Impact Assessments were currently being analysed and would be presented to Cabinet in December.
- Concern was expressed at the number of risks in the High/High category with none in the Low/Low or Low/Medium categories. It was considered that the spread of risks should be across all categories and not concentrated in the High sector. Originally there were 85 corporate risks. The Authority is improving in identifying and categorizing risks. The level

of challenge is also improving and risks may move between categories. However, it was inevitable that some risks would remain High.

- The Portfolio Holder, Finance, informed the Committee that the failure to meet constraints was a budget risk. A recent announcement regarding cuts to local government funding of 30% over four years in England would have to be monitored to assess how this would affect funding to Wales. Cabinet will have to address savings in high risk areas in order to achieve the required level of savings.
- The Heat map would be aligned with the budget going forward
- The Finance Scrutiny Panel with its overarching, independent review of proposals will have to consider the associated risks
- The progress in developing the risk register was noted. This area of work had not been a priority following the departure of the previous officer and the post having been left vacant. Managers were now on board with the new processes. Other authorities were taking an interest in the development of the processes and had requested advice from the Business Continuity and Risk Manager.

**Outcome:**

- **The draft Policy, Strategy and Methodology be approved for submission to Cabinet**

<b>7.</b>	<b>COMMERCIAL SERVICES</b>	<b>A86-2015</b>
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The Committee received a presentation on the work of the Commercial Service Team by the Professional Lead, Commercial Services.

**Issues:**

- Northgate
- Cumulative savings
- Collaboration with other authorities
- Cost of producing invoices
- Double accounting of savings

**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 1 of The Local Authorities (Access to Information) (Variation) (Wales) Order 2007**

- The Committee was provided of an overview of the requirements Northgate were expected to deliver
- Northgate were reskilling the Commercial Services Team and would start to withdraw after 18 months. Their contract ends in September 2017.
- Members requested that net figures be given in reports
- The Portfolio Holder was asked if he would consider using this type of contract in the future. He responded that this had been a good example and would be used where appropriate.
- As the Council becomes more commercially aware there would inevitably be a need for fewer staff – however, commercial rigour would still be required as the Council moves to a commissioning model

**The Committee returned to open session.**

- Further clarity was needed regarding ‘cumulative’ or ‘anticipated savings. The move to a three year budget should provide that clarity but the Strategic Director invited Members to challenge any further instances where jargon was used.
- Many purchases were made through the Wales Purchasing Consortium but there was no direct collaboration with other authorities. It was hoped to progress to greater collaboration once the Authority’s own processes were more developed
- It was noted that the current cost of processing an invoice was £25 in line with the national benchmark. The Committee were concerned that there were many thousands of invoices processed valued at less than £20. The Professional Lead informed Committee that she hoped that this level would fall following recent intervention but that the data was not yet available.
- An ongoing concern of Members was that the same savings may be being accounted for in different areas. All lines for savings have been consolidated although it was acknowledged that there had been some initial confusion. The Professional Lead for Finance was undertaking a wide ranging task to assess this issue. This was nearing completion and the findings would be reported to Members.
- Cost reductions did not always lead to budget reductions
- Members were pleased that payment was no longer made against invoices which did not include a purchase order but questioned why this had happened at all. The Authority had had a low level of purchase order compliance but this was now much tighter. Compliance had risen to 90%, excluding schools, from 35%. The change had caused some difficulties to local suppliers. Financial discipline continues to improve.
- Members noted the next steps to be taken with regards spend control and cited examples of where they thought there could be tighter financial control – for example in travel and accommodation. All requisitions are now approved by the Professional Lead but must have a proven business case or Head of Service approval.

**Outcome:**

- **That the presentation be noted.**

<b>8.</b>	<b>CLOSURE OF ACCOUNTS</b>	<b>A87-2015</b>
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**Documents:**

- Report of the Professional Lead, Finance

**Issues:**

- The WAO Memorandum of Accounts has been issued recently
- The Finance Officers’ Group will respond
- An improvement on the previous year had been noted but officers were aware of the need for continuous improvement
- Further consideration will be given to the information to be made available and an assessment made to streamline the process

- Workshops will be held with service areas where difficulties in obtaining information have occurred
- There are too many feeder systems - a project is underway to ensure that all information is fed into e-financials directly

**Outcome:**

- **That the report and the ongoing progress in closing the accounts be noted.**

<b>9.</b>	<b>TREASURY MANAGEMENT</b>	<b>A88-2015</b>
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**Documents:**

- Report of the Portfolio Holder for Finance
- Credit Rating list (confidential)

**Issues:**

- Changing situation
- Funds held in Iceland
- Inflation levels

**Responses:**

- An announcement regarding base rates had been made since the report had been written – it is now thought unlikely that there will be any movement in interest rates until end of 2016
- There has been no further progress with funds held in escrow in Iceland pending decisions by the Icelandic government
- Concern was expressed at the low level of inflation incorporated into forward proposals and the Portfolio Holder was questioned as to whether this would be revised. The Portfolio Holder informed the Committee that this was being considered by the Cabinet.

**Outcome:**

- **That the report be noted.**

<b>10.</b>	<b>AUDIT COMMITTEE</b>	<b>A89-2015</b>
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**Document:**

- Report of the Solicitor to the Council

**Issues:**

- Members were invited to debate the composition of the Audit Committee following a recent self-assessment indicating that a reduction in numbers could be considered and the ongoing for savings to be made in the operational costs of committees generally. The report detailed the composition of other Audit Committees across Wales – Powys has the largest with 22 members although it was noted that there were a number of vacancies.

**Member Comments:**

- Concern regarding workload of Members
- Concern regarding the engagement of some Members
- All committees should be subject to review not just Audit
- Current arrangements had been devised to ensure every Member sat on one scrutiny or regulatory committee
- Some Members no longer sit on any committee
- There should be parity of responsibility
- The functions of the committees would have to be reviewed following any alterations
- Attendance details for Audit Committee showed that, with the exception of the former Chair and Lay Member, attendance was less than 50%
- If a smaller Committee were to be agreed there must be a commitment from Members to attend
- Members debated how to encourage engagement
- The Strategic Director was of the opinion that the Committee needed more focus on some issues and a smaller committee may be the means to achieve that focus
- The Independent Remuneration Panel for Wales was proposing amendments to Cabinets in attempt to drive down the costs of democracy
- There should be more corporate responsibility by all Members

**Outcome:**

- **Members agreed that consideration could be given to change but that this must be across all committees**

<b>11.</b>	<b>WORKING GROUPS</b>	<b>A90-2015</b>
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<b>12.</b>	<b>FINANCE AND PERFORMANCE</b>	<b>A91-2015</b>
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**Document:**

- Scrutiny summary report

**Issues:**

- Consideration of financial issues had improved although consideration should be given to receiving Cabinet's response to the Financial Overview and Forecast report prior to the Group's consideration of the reports
- Performance reporting had been problematic and no improvements had been forthcoming. The issue was to be reported to the Joint Chairs Steering Group for further consideration.

**Outcome:**

- The report be noted

<b>13.</b>	<b>FINANCE SCRUTINY PANEL</b>	<b>A92-2015</b>
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**Document:**

- Scrutiny summary report

**Issues:**

- The Panel continues to move forward
- There is some overlap with Political Group considerations
- The Panel is now meeting Heads of Service regarding budget proposals

**Outcome:**

- **The report be noted**

<b>14.</b>	<b>INTERNAL AUDIT WORKING GROUP</b>	<b>A93-2015</b>
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**Documents:**

- Scrutiny summary report
- Oral update of recent meeting

**Issues**

- Despite improvements in project management in recent years there is a general perspective that there is still a shortfall in this area going forward
- Post Implementation Audits should be a basic requirement
- An Organisational Development Board, chaired by a senior LHB officer and with the Strategic Director, Resources as Deputy Sponsor, will monitor future developments.
- It is essential to recruit and retain the right people

**Outcomes**

- The report be noted

<b>15.</b>	<b>WORK PROGRAMME</b>	<b>A94-2015</b>
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**Documents:**

- Forward Work Programme

**Outcome:**

- That the Work Programme be noted and items arising from the meeting be included.

<b>16.</b>	<b>CORRESPONDENCE</b>	<b>A95-2015</b>
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There were no items of correspondence.

**County Councillor J G Morris**