

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON THURSDAY, 7 JULY 2016

PRESENT

County Councillor JG Morris (Chair)

County Councillors A W Davies, G Hopkins, P J Medicott, WD Powell, D G Thomas, T J Van-Rees, S L Williams and Mr J Brautigam

In attendance: County Councillor W T Jones

Officers: David Powell (Strategic Director - Resources), Jane Thomas (Professional Lead, Finance), Caroline Evans (Risk and Assurance Manger), Vince Hanly and Louise Barry (Head of Operations for Adult Services)

Apologies for absence were received from County Councillors D E Davies, E R Davies, L R E Davies and R G Thomas

1.	APOLOGIES	A39-2016
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Apologies for absence were received from County Councillors D E Davies, E R Davies, L R E Davies and R G Thomas.

2.	DECLARATIONS OF INTEREST	A40-2016
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There were no declarations of interest.

3.	DISCLOSURE OF PARTY WHIPS	A41-2016
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There were no disclosures of party whips.

4.	MINUTES	A42-2016
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The Chair was authorised to sign the minutes of previous meetings, held on 15 April and 11 May 2016, as correct records.

5.	INTERNAL AUDIT	A43-2016
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43.1. Annual Review

Documents:

- Annual Internal Audit Report 2015/16

Discussion:

- Requirement of Public Sector Internal Audit Standards (PSIAS)
- 76% of opinions provide Substantial or Reasonable Assurance – an increase in line with previous years demonstrating that control continues to improve
- Close working links with service areas are essential
- Any audit showing inadequate assurance is tracked by the Internal Audit Working Group
- Fundamental systems are good with only one area having issues which are being addressed
- There will be a move to post transaction checking rather than pre transaction
- Details of special work were noted

County Councillor T J Van Rees arrived at 10.15.

- There were increasing attempts in electronic fraud
- Processes are in place to deal with fraud
- The Team proactively support change by challenging and supporting new systems and developments
- The Team was sufficiently well resourced to deliver the Internal Audit Plan but further savings may be required. Consideration was also being given to future delivery of the service.
- The Internal Audit Manager confirmed there had been no restrictions placed on him
- Technical skills within the Team were improving
- A peer review would be conducted during the forthcoming year
- The Internal Audit Manager was able to confirm that the control environment was generally effective and assurance was satisfactory
- The Committee asked whether a breakdown was available where an adverse opinion had been given regarding value for money. This was not available but an outcome report was in the process of development which would highlight all weaknesses.
- The Chair commented that it was pleasing that 100% of grant funding was compliant
- He also thanked the Internal Audit Working Group for their detailed work on limited and low assurance items. The proactive way in which the Planning Department had dealt with a report into S106 Agreements was noted. The issue of business continuity in ICT would continue to be monitored closely to ensure the action plan was fulfilled.

Outcome:

- **That the report be noted**

43.2. Annual Audit Plan

Documents:

- Report of the Internal Audit Manager
- Internal Audit Planning Strategy
- Work Programme 2016-17

Discussion:

- The Audit Committee are required to ensure that Internal Audit cover key areas across the Authority
- The Strategy details the key drivers for the plan and prioritising the work programme
- In addition, discussions with Heads of Service can highlight further areas for consideration
- Contract management will be essential as the Council moves forward
- There remain gaps across the Authority in commissioning skills
- The Team must remain flexible as the Council transforms
- A review of the Medium Term Financial Strategy (MTFS) is underway and will be considered by the Finance Scrutiny Panel (FSP) once completed
- Members asked whether Internal Audit were being asked to audit contracts at an early stage. The Internal Audit Manager confirmed that some commissioning exercises to assess the processes being employed had been reviewed. This will continue with some commissioning projects being selected for review. Some will be considered pre commissioning and some after. The Internal Audit Manager confirmed that he was aware of commissioning activity although there was no central point of information. The Strategic Director, Resources was of the opinion that good progress was being made. He informed the Committee that a draft Resource Plan had been completed which identified the major change activities over the next three years. The FSP would be considering the Plan in detail at their next meeting.
- Further concerns were raised that monitoring of commissioning projects must follow right through the project. The Joint Chairs and Vice Chairs Steering Group had raised concerns regarding the Commissioning and Procurement Board with Cabinet and were awaiting a response. An officer in HR was to review the position regarding commissioning and the Committee would monitor that review
- A further issue was raised regarding the awarding of a contract to a company which had still not resolved issues with another project. The Strategic Director, Resources agreed to assess the concerns and email a response to Committee Members.
- The Committee noted the difficulty in recruiting to the Authority. This was also referred to in the Corporate Risk Register later on the agenda and the Committee considered that this needed to be further investigated. The Strategic Director, Resources acknowledged that recruitment was difficult in some areas due to a combination of location and salary levels. He was of the opinion that the Authority needed a greater depth of resource that could be drawn on and a variety of skill sets. Members were concerned to note that approximately £2M was spent on agency staff. It was also noted that there seemed to be a reluctance for professionals to take up employment in local authorities although the public sector has traditionally

been able to recruit more easily during times of recession. It was further noted that the MPQH was a requirement for Head Teachers in Wales but not in England and consideration may be given to making this qualification 'desirable' rather than 'essential' to aid recruitment of Head Teachers. It was suggested that the issue be referred to the Joint Chairs and Vice Chairs Steering Group for further consideration.

Outcome:

- **The review into commissioning to be monitored by Audit Committee**
- **The Strategic Director, Resources would email a response regarding the letting of a contract following concerns regarding issues with a previous contract**
- **That the Joint Chairs and Vice Chairs Steering Group be asked to consider the issue of recruitment**

43.3. External Quality Assessment - Follow Up

Documents:

- Internal Audit Manager report
- KPMG External quality Assessment – follow up

Discussion:

- Progress was made in implementing the actions arising from the original report
- An Audit Management System had not been progressed pending consideration of alternative delivery methods
- The Authority would be conducting soft market testing for the service in the near future
- The Committee noted that the report highlighted the strategic role of Internal Audit within the Council
- The Chair and Vice Chair of the Committee had been interviewed as part of the follow up process

Outcome:

- **The report was noted and a final action plan will be considered by the Audit Committee once there is clarity regarding alternative delivery models**

6.	DOMICILIARY CARE	A44-2016
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Documents:

- Action Plan – WAO review regarding domiciliary care contract

Discussion:

- The WAO review was one of three following the letting of the domiciliary care contract
- Members commented that the Corporate Risk Register identified issues regarding not getting full agreement for the direction of travel of the service and queried whether the high level of risk was reflected

- adequately in the action plan. The overall risk was accepted but this was in relation to the whole service with the action plan reflecting one item at a point in time.
- The Audit Committee had been concerned that failures in the letting of the contract may be replicated across other services and sought assurance that the actions were being implemented across the Authority where appropriate. The Strategic Director, Resources acknowledged that lessons had to be learned and it did highlight wider issues across the Authority. This was part of the role of the Commissioning and Procurement Board and the need to be more strategic. The principles will be applied to other contracts
 - The Head of Operations reported that domiciliary care was constantly changing in a fragile market. Good governance was essential.
 - One action remained amber – relating to the capacity to deliver the service. It was acknowledged that this was an issue but it was being constantly monitored and would be complete by the end of September
 - The Internal Audit Working Group had considered the issue of Direct Payments – the Internal Audit Manager reported that two strands of work were ongoing. The appropriate resource was not in place to audit Direct Payments and a case of overpayment of 22 weeks had been discovered whilst undertaking fraud error work. It was thought that this was an isolated case. As the service moves to other providers, better communications and processes will be in place. The responsibility remains with the individual to notify the Authority of any change in circumstances.

Outcome:

- **The Action Plan would be reconsidered when it was nearing completion**

7.	FINANCIAL RESILIENCE	A45-2016
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Documents:

- Report of the Strategic Director, Resources

Discussion:

- A further review into financial resilience will be carried out by the WAO as part of the revised Corporate Assessment process
- A self-assessment identifying key characteristics has been prepared and the Authority will assess itself against those characteristics
- The WAO reported that the project brief for the review was imminent with the work to be carried out in August and September
- Whilst the report previously considered had reflected Powys County Council's own circumstances, it formed part of a national review which would be published shortly

Outcome:

- **The action plan and self-assessment were agreed**

8.	RISK MANAGEMENT	A46-2016
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Documents:

- Update Report on Risk Management
- Corporate Risk Register
- Heat Map
- Risk Assessment Matrix

Discussion:

- Two risks relating to recruitment and the living wage had been escalated from the Adult Social Care risk register to the Corporate Risk Register
- Adoption of the LDP remained a high risk despite a 6 month extension
- Schools transformation has been elevated to a high risk given the political risk of non-delivery
- Changes in the Risk Register reflect services assuming ownership
- The Risk Registers are now being used to support delivery of objectives – one service area uses its register as a basis for prompting refresher training, another incorporates it into management team meetings
- Risk Registers are now much more embedded
- Data Protection was noted but there were concerns that Members were not specifically referred to – this would be drawn to the attention of the Information Governance Team
- It was noted that CG1 had been included prior to 2014 and Members asked when that item was reassessed
- The Committee suggested that the consequences of Brexit on services should be included. The Portfolio Holder for Finance informed the Committee that he would be briefing the Members' Budget Seminar but that it was difficult to predict consequences at this stage. There had been suggestions that inflation could rise to 4% by the end of 2017 which would add £8M to Council costs. In recent years, services have been expected to absorb inflation costs and consideration will have to be given to dealing with increased inflation. There was also the potential for a greater shortfall in the Pension Fund given the volatility in stock markets. The triennial valuation of the Pension Fund has been discussed at WLGA and it is possible that the revaluation could be postponed for 12 months to allow for more certainty in the markets.
- Members asked whether Brexit would influence the recently published draft statement of accounts. The Strategic Director explained that a 'post balance sheet event' may have to be posted and the WAO confirmed that this may be across all authorities and not specific to Powys.

Outcome:

- **The Information Governance Team to be advised that Members training should be included**
- **The Solicitor to the Council will be asked to comment on risk CG1**

9.	COMMERCIAL SERVICES	A47-2016
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Documents:

- The Committee received a presentation on the work of the Commercial Services Team

Discussion:

- It was confirmed that the aims of the Commercial Services Team aligned with the Council objectives for regeneration
- Every opportunity for local contractors and employment will be taken forward
- 13% of budget is spent within Powys, 50% across Wales – it is hoped that these figures will improve
- The National Procurement Service acts across the country but £1.65B is not controlled by the NPS. Whilst there are some good aspects of NPS, it can be beneficial to act more locally.

Outcome:

- **Copies of the presentation will be emailed to Members**

10.	ALL WALES PENSION POOLING UPDATE	A48-2016
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Documents:

- Report of the Portfolio Holder for Finance

Discussion:

- There are 98 pension funds across England, Wales and Northern Ireland
- Pooling arrangements are being discussed to ensure savings can be achieved from pension providers
- Wales has agreed to come together as a group of 8 pension funds
- The proposals do not seek to abolish the Powys Pension Fund but to pool arrangements
- There is no choice regarding pooling, merely which group to join

Outcome:

- **Audit Committee will be kept informed**

11.	CORPORATE ASSESSMENT	A49-2016
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Members were aware that the Authority would not be undergoing a full corporate assessment but would undergo three reviews – Financial Resilience, Governance and Transformation. The Committee was informed that project briefs for Financial Resilience and Governance would be available shortly but that the Transformation review would be later in the year or in early 2017.

The introduction of the Wellbeing of Future Generations Act will influence the way in which the WAO will conduct reviews. The Auditor General is consulting with all affected bodies as to how the work will be delivered to ensure it complies with legislation and improves outputs to individual bodies.

12.	TREASURY MANAGEMENT	A50-2016
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Documents:

- Report of the Treasury Management Officer and Scrutiny Officer

Discussion:

- The Annual Review and Q1 report are not yet available
- A suggestion had been put forward that these documents be circulated to Members by email for approval as soon as they are available

Outcome:

- **Members will be asked to approve the Annual Review and Q1 reports as soon as they are available**

13.	FINANCE SCRUTINY PANEL	A51-2016
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Documents:

- Scrutiny summary report

Discussion:

- A report relating to the MTFS had been submitted to Cabinet and a draft response considered by the Panel
- The most recent report on Budget Assumptions will also be submitted to Cabinet in due course

Outcome:

- **The Panel's report on Budget Assumptions will be circulated to Audit Committee members for information**

14.	INTERNAL AUDIT WORKING GROUP	A52-2016
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Documents:

- Scrutiny summary report

Outcome:

- **The report be noted**

15.	WORK PROGRAMME	A53-2016
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Documents:

- Audit Committee work programme 2016/17

Discussion:

- The Chair reported that discussions would be held with the Chief Executive, Strategic Director, Resources and Chair of People Scrutiny Committee regarding a joint scrutiny of schools delegated budgets and their use and whether the Fair Funding Formula was fit for purpose

Outcome:

- **That the work programme be approved**

16.	JOINT CHAIR'S STEERING GROUP	A54-2016
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Documents:

- Notes of meeting held on 24 May 2016

Outcome:

- **Noted**

17.	CORRESPONDENCE	A55-2016
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There were no items of correspondence.

County Councillor JG Morris (Chair)