

## Audit Committee

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Meeting Venue  
**Committee Room A - County Hall,  
Llandrindod Wells, Powys**

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Meeting Date  
**Thursday, 7 July 2016**

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Meeting Time  
**10.00 am**

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For further information please contact  
**Lisa Richards**  
01597 826371  
lisa.richards@powys.gov.uk



County Hall  
Llandrindod Wells  
Powys  
LD1 5LG

1 July 2016

### AGENDA

1.	<b>APOLOGIES</b>	<b>A39-2016</b>
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To receive apologies for absence.

2.	<b>DECLARATIONS OF INTEREST</b>	<b>A40-2016</b>
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To receive declarations of interest from Members.

3.	<b>DISCLOSURE OF PARTY WHIPS</b>	<b>A41-2016</b>
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To receive disclosures of prohibited party whips which a Member has been given in relation to the meeting in accordance with Section 78(3) of the Local Government Measure 2011.

(NB: Members are reminded that under Section 78 Members having been given a prohibited party whip cannot vote on a matter before the Committee.)

4.	<b>MINUTES</b>	<b>A42-2016</b>
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To authorise the Chair to sign the minutes of the previous meetings held on 15 April and 11 May 2016.

(Pages 5 - 16)

<b>5.</b>	<b>INTERNAL AUDIT</b>	<b>A43-2016</b>
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**5.1. Annual Review**

To consider the report of the Internal Audit Manager.

**5.2. Annual Audit Plan**

To consider the report of the Internal Audit Manager.

(Pages 17 - 36)

**5.3. External Quality Assessment - Follow Up**

To consider the report of the Internal Audit Manager and External Quality Assessment.

(Pages 37 - 58)

<b>6.</b>	<b>DOMICILIARY CARE</b>	<b>A44-2016</b>
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To consider progress against the Action Plan following a WAO review into the letting of the domiciliary care contract.

(Pages 59 - 76)

<b>7.</b>	<b>FINANCIAL RESILIENCE</b>	<b>A45-2016</b>
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To consider the report of the Strategic Director, Resources.

(Pages 77 - 88)

<b>8.</b>	<b>RISK MANAGEMENT</b>	<b>A46-2016</b>
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To consider the report of the Business Continuity and Risk Management Officer.

(Pages 89 - 188)

<b>9.</b>	<b>COMMERCIAL SERVICES</b>	<b>A47-2016</b>
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To receive a presentation on the work of the Commercial Services Team.

<b>10.</b>	<b>ALL WALES PENSION POOLING UPDATE</b>	<b>A48-2016</b>
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To consider the report of the Portfolio Holder for Finance.

(Pages 189 - 194)

<b>11.</b>	<b>CORPORATE ASSESSMENT</b>	<b>A49-2016</b>
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To receive an oral update.

<b>12.</b>	<b>TREASURY MANAGEMENT</b>	<b>A50-2016</b>
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To consider the report of the Treasury Management Officer.

(Pages 195 - 196)

<b>13.</b>	<b>FINANCE SCRUTINY PANEL</b>	<b>A51-2016</b>
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To consider the scrutiny summary report.

(Pages 197 - 198)

<b>14.</b>	<b>INTERNAL AUDIT WORKING GROUP</b>	<b>A52-2016</b>
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To consider the scrutiny summary report.

(Pages 199 - 200)

<b>15.</b>	<b>WORK PROGRAMME</b>	<b>A53-2016</b>
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To consider the forward work programme and whether any additional items should be included.

(Pages 201 - 204)

<b>16.</b>	<b>JOINT CHAIR'S STEERING GROUP</b>	<b>A54-2016</b>
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To receive the notes of the Joint Chairs Steering Group held on 24 May 2016.

(Pages 205 - 210)

<b>17.</b>	<b>CORRESPONDENCE</b>	<b>A55-2016</b>
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To receive any item of correspondence which, in the opinion of the Chair, is of sufficient urgency to warrant consideration.

## MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON FRIDAY, 15 APRIL 2016

### PRESENT

County Councillor JG Morris (Chair)

County Councillors D E Davies, E R Davies, L Fitzpatrick, G Hopkins, M J Jones, F H Jump, P J Medicott, R H Mills, D R Price, G W Ratcliffe, D A Thomas, D G Thomas, R G Thomas, T J Van-Rees, J Brautigam and D R Jones, Chair People Scrutiny Committee and W T Jones, Portfolio Holder for Finance and Performance

**WAO:** Ms Justine Morgan, Performance Audit Lead, Messrs Colin Davies, Lead Performance Audit, Phil Pugh, Audit Manager and Anthony Veale, Engagement Director

**Officers:** David Powell, Strategic Director, Resources, Jane Thomas, Professional Lead for Finance, Ian Halstead, Internal Audit Manager, Caroline Evans, Business Continuity and Risk Management Officer, Lee Anderson, Senior Strategic Commissioning Manager and Dylan Owen, Head of Transformation, Adult Social Care

<b>1.</b>	<b>APOLOGIES</b>	<b>A1-2016</b>
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Apologies for absence were received from County Councillors L R E Davies, S Davies and W D Powell.

<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>	<b>A2-2016</b>
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There were no declarations of interest.

<b>3.</b>	<b>DISCLOSURE OF PARTY WHIPS</b>	<b>A3-2016</b>
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There were no disclosures.

<b>4.</b>	<b>MINUTES</b>	<b>A4-2016</b>
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The Chair was authorised to sign the minutes of the previous meeting, held on 4 February 2016, as a correct record.

<b>5.</b>	<b>WAO</b>	<b>A5-2016</b>
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### 5.1. Powys County Council Statement of Accounts 2014-15

#### Documents:

- WAO letter to Strategic Director, Resources

#### Issues:

- 2014/15 accounts could not be certified due to the ongoing review into the letting of the domiciliary care contract

- This had been concluded and receipt of the letter formally concluded the 2014/15 Financial Statements

**Outcome:**

- **That the letter be noted**

**5.2. Assessment of Financial Resilience**

**Documents:**

- Financial Resilience Assessment

**Issues:**

- A national study had been undertaken with authorities receiving individual feedback
- Three areas had been considered – financial planning, financial control and financial governance
- An overall rating of ‘medium’ risk had been given
- An Action Plan would be produced in due course

**Discussion:**

- The WAO had acknowledged the improved approach taken by the Authority
- The Finance Scrutiny Panel (FSP) had started to have an impact
- Scrutiny of performance was inadequate. The Committee noted that finance and performance would be vested in one Portfolio Holder and hoped that this would improve the situation
- The WAO acknowledged the difficult circumstances in which budgets were being set and noted that traditional budget setting arrangements may no longer be adequate. Investment in the FSP was beginning to show improvements but this should continue to ensure rigorous scrutiny and challenge is ongoing
- Impact assessments had been identified as good practice and the benefits of ensuring rigorous assessment were noted
- Members commented that whilst some service areas had submitted clear and robust impact assessments, others required improvement. The committee would wish to see the initiative continued and improved to increase the usefulness of the documents
- It had previously been acknowledged that scrutiny of finance and performance needed to be strengthened. Proposals for combined reporting are under discussion
- The WAO were asked how Powys ranked against other authorities – it was reiterated that Powys had been classified as ‘medium’ showing that there is more work to do but that there were no concerns that Powys was not attempting to address improvements. There was no precise definition for ‘medium’.
- The FSP had considered the report at a meeting on 11 April and welcomed the acknowledgement the Panel had received. The Panel noted the Business Partner arrangement that was ongoing with the BBC but remained concerned that there were capacity issues which may hinder ongoing work. It had been acknowledged for some time that the Audit Committee’s Finance and Performance working group had not been as effective as hoped but that the committee and working group structure

- was currently under review. The need for further improvements to impact assessments in some areas had also been commented on
- The Strategic Director was asked whether the risk register would influence the action plan in the response to the WAO. Key elements were being brought together and, whilst there was better correlation between the register and strategic plans, there is not yet a complete overlap.
  - The Portfolio Holder for Finance was asked whether outstanding savings from 2014/15 had been achieved. Savings had not been met in the schools service and the Portfolio Holder is awaiting details of plans to cover the shortfall. A further £31K had not been achieved in relation to lease cars but this would be rectified over the three year period of the lease
  - The Chair reported Joint Chairs' Steering Group concerns in relation to the Commissioning and Procurement Board
  - The WAO was asked whether it thought the Council was positioned to assess the impacts of future changes. An opinion was expressed that the Council was suitably positioned, with the extent of predictions in the medium term being as robust as could be expected. Assumptions must be revisited on a regular basis.

**Outcome:**

- **An Action Plan to be prepared, incorporating comments made by the Finance Scrutiny Panel, and monitored by the Audit Committee.**

**5.3. Pension Fund Audit Plan**

**Documents:**

- 2016 Audit Plan

**Issues:**

- Financial audit only
- Aims to conduct work to achieve an opinion that the Pension Fund accounts are free from misstatement or error
- Key risks are identified and proposed responses included

**Outcome:**

- **Noted**

**5.4. Audit Plan**

**Documents:**

- 2016 Audit Plan

**Issues:**

- Financial and performance audit
- Statutory duty of the Auditor General for Wales and discharges responsibilities under the International Standards of Auditing
- The principles are the same as the Audit of the Pension Fund but with different risks identified
- Risks identified include the change to the minimum revenue position, transfer of leisure services and ongoing themes identified in the previous year.

- Grant claims work would also be undertaken and it was expected that this would be for between 13 and 16 claims

**Discussion:**

- Members noted that there had been difficulties with continuity of WAO staff during the last audit necessitating the authority's staff to repeat work. The WAO assured the Committee that there would be continuity throughout the audit with the core element remaining consistent.
- Meetings at officer level have taken place to consider options for improvement on both sides. Issues identified will lead to improvements.
- The WAO were asked if sampling would take place at the same level as the previous audit. This would be determined by the risks identified and the audit approach.

**Outcome:**

- **Noted**

County Councillor D R Price left the meeting at 11.20

**5.5. Letting of domiciliary care contract**

**Documents:**

- Report of the Portfolio Holders for Adult Social Care and Finance and Performance
- Original and updated Action Plans
- Learning Document – Adult Social Care

**Issues:**

- The Strategic Director, People was responsible for one element of the Action Plan and the Strategic Director, Resources responsible for two elements
- The report had been accepted by Cabinet
- The Action Plan had been updated and circulated to Members

**Discussion:**

- Names against some actions still needed to be updated
- Members expressed concerns that commissioning was being adequately dealt with – not only the initial commissioning but the managing and monitoring of projects. The Strategic Director, Resources informed the Committee that the Authority had taken steps to strengthen commissioning and a Commercial Services Team was now in place. This would ensure greater engagement in the future. He went on to say it was essential that sufficient resource was available to ensure continuing improvements and deliver change. Senior managers had also developed a greater awareness of commissioning.
- A comment was made that both the Chief Executive and Leader had been leading when the initial contract had been let, and were now responsible for implementing corrections. A query was raised whether there would be any external oversight. It was noted that the commissioning of the domiciliary care contract was a corporate issue and that Management Team had considered best practices to ensure that there would not be a reoccurrence.



- The Chair of People Scrutiny Committee had concerns that resources to remedy the domiciliary care issue had disadvantaged other projects such as the re-letting of the residential care contract. He asked whether there was sufficient resilience and resource within the Council to deal with these issues. The Strategic Director, Resources responded that there was sufficient resource and acknowledged the delays in taking the contract forward. Lessons must be learned. The Senior Strategic Commissioning Manager informed the Committee that commissioning over the next two to three years had been prioritized and resourced appropriately. A team is being put together to support the Adult Social Care Commissioning Team to ensure the residential care contract is delivered on time. This additional resource had been provided to cover not just the reletting of the BUP contract but more extensive work to address provision in both the private and voluntary sectors over the next 25 to 30 years. The Head of Transformation noted that there was no evidence to suggest that better terms could have been negotiated if the contract had been dealt with earlier. He reassured Members that work was in hand to ensure planning was in place for April 2017.
- The Committee noted the references to scrutiny and were of the opinion that the matter should have been considered by scrutiny earlier in the process
- The Chair informed the Committee that concerns regarding challenge of the Commissioning and Procurement Board had been raised and sought assurance that the Board were fully aware of their role and responsibilities
- It was acknowledged that this had been a wider corporate failure and not just People Services that lessons had to be learned. One of the driving factors in commissioning domiciliary care had been the need to deliver savings and the process had been undertaken quickly. More preparation time should have been allowed which may have enabled more effective scrutiny to take place. The Strategic Director Resources confirmed meetings were taking place with Heads of Service to ensure that all savings identified over the next three years are supported by a robust plan. The level of support required needs to be quantified and the Authority must recognise that transformation will require funding. This must be factored into individual business cases
- The Chair questioned the level of engagement with scrutiny and Audit Committee despite both being mentioned in the Action Plan

**Outcome:**

- **That the implementation of the Action Plan continue to be monitored by the Audit Committee**

<b>6.</b>	<b>CORPORATE ASSESSMENT</b>	<b>A6-2016</b>
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**Documents:**

- Local Government studies programme and 2016-17 performance audit programme

**Issues:**

- A full corporate assessment would not now take place as planned

- Unprecedented change has taken place including austerity measures, the demise of the Local Government Measure 2009 and the Future Generations and Wellbeing Act.
- The WAO had also had budgets reduced and this would affect the improvement programme
- All authorities will be subject to three, themed studies
  - Financial Resilience – a stronger focus on savings plans and initiatives alongside the content and robustness of those plans
  - Governance – decision making and scrutiny particularly around the setting of the budget
  - Transformational Change – an expert panel is scoping this element and it is anticipated that this study will not take place until the last quarter
- The studies will identify areas where further assurance is required for those authorities that have not yet completed a full corporate assessment. This could potentially focus on leadership and vision and integration
- The Portfolio Holder for Finance and Performance reported that a task group had already been established to identify weaknesses. Work undertaken in preparation for a full corporate assessment would continue to ensure a joined up approach was taken. He considered this to be good practice irrespective of the audit regime.

**Outcome:**

- **The change to the performance monitoring framework was noted**

<b>7.</b>	<b>RISK MANAGEMENT</b>	<b>A7-2016</b>
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**Documents:**

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

**Issues:**

- Single Integrated Impact Assessments (SIIAs) had analysed risks
- Feedback from Members and officers had been received and templates would be revised. Would now be known as Impact Assessments (IAs)
- Training of officers and Members responsible for signing off IAs to be undertaken to ensure better information is included
- IAs of savings for 2017/18 are currently being completed and will be completed by mid-June – these will then feed into budget planning meetings
- Training regarding risk assessment had been undertaken with Members immediately prior to the Committee. This had also been delivered to Cabinet and will be rolled out to remaining Members in due course.

**Discussion:**

- The training session was welcomed by Members
- Members again raised the issue that some risks were owned by both the Leader and Chief Executive and queried where accountability lay. All

officers are accountable and measures are in place to ensure this occurs. It was noted that the WAO had oversight of the Authority and that the Chief Executive was subject to a rigorous annual review by an external partner and Group Leaders. The One Powys Plan has shared objectives and there will be ongoing discussions with the WAO regarding arrangements. Assurance will be gained through the three themed studies that are replacing the Corporate Assessment.

- Improvements to the risk management process were welcomed but Members sought assurance regarding the robustness of some of the plans behind risk management. These were always discussed with Heads of Service and should be living documents subject to regular review
- Internal Audit had conducted a review of Risk Management – the report will be available to Members in due course and may address the issues raised

**Outcome:**

- **Noted**

<b>8.</b>	<b>SCRUTINY OF RESERVES</b>	<b>A8-2016</b>
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**Documents:**

- Report of the Professional Lead, Finance
- Statement of reserves
- Report of the Portfolio Holder for Finance
- Reserves Policy

**Issues:**

- Additional information for Members following on from a document considered at the last meeting regarding scrutiny of reserves
- A Reserves Policy was agreed by Cabinet in 2015
- Monthly monitoring reports are submitted to Cabinet

**Discussion:**

- Further information would be provided regarding usable and unusable reserves
- The Portfolio Holder for Finance reported that the budget was expected to be balanced for 2015/16 and the previously identified use of reserves would no longer be required. He believed it was unacceptable to maintain reserves at 4% while services were being cut – there was an expectation that the reserves level would be between 3 and 3 ½ % when the accounts were finalized
- A £1.019M Budget Management Reserve was maintained to mitigate any failures to achieve savings. This could be rolled forward to the current financial year.

**Outcome:**

- **A further report on the reserves position would be submitted following the closure of accounts**

<b>9.</b>	<b>CLOSURE OF ACCOUNTS</b>	<b>A9-2016</b>
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**Documents:**

- Report of the Professional Lead for Finance

**Issues:**

- Project Team meets fortnightly throughout the year to resolve issues as they arise
- Phase 2 will be completed by the end of April
- A meeting with the WAO audit team has already been held and proved to be beneficial

**Discussion:**

- Officers were asked whether the Authority would be in a position to deliver an earlier completion date as required by Welsh Government – the timescale will be shortened in 2018/19 and again in 2020/21. New internal targets have been implemented and service accounts will be closed by 29 April
- As the authority devolves services, contracts are clear with regard to future timescales

**Outcome:**

- **The report be noted.**

<b>10.</b>	<b>TREASURY MANAGEMENT</b>	<b>A10-2016</b>
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**Documents:**

- Report of the Portfolio Holder for Finance
- Credit rating list

**Issues:**

- Interest rates were not changing
- Current investment rates remained low but the lower level for borrowing was more important
- The Capital budget is more closely aligned to the Revenue Budget

**Discussion:**

- The Local Authority Mortgage Scheme cannot be extended. Members were of the opinion that this was a lost opportunity given the low wage economy and high property prices

**Outcome:**

- **The report be noted**

<b>11.</b>	<b>WORKING GROUPS</b>	<b>A11-2016</b>
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**Documents:**

- Scrutiny summary report – Internal Audit Working Group

**Issues:**

- Delivery of S106 Agreements had been disjointed across the Authority – following the Internal Audit Review Members were pleased to note that Planning had actively developed a co-ordinated approach to improve delivery of S106
- Procurement of Portable IT Equipment – the Group had asked that a letter to be sent to schools regarding the purchase of equipment outside of a corporate contract to be strengthened. The Chair reminded Members that many of them were LEA governors and asked that if the delegated budgets were to be used to purchase equipment, that every effort be made to ensure that such items were compatible with corporate systems.

**Outcome:**

- **A copy of the letter being sent to schools to be copied to all Members**

<b>12.</b>	<b>WORK PROGRAMME</b>	<b>A12-2016</b>
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**Documents:**

- Work Programme

**Outcome:**

- **The work programme be approved**

<b>13.</b>	<b>JOINT CHAIRS' STEERING GROUP</b>	<b>A13-2016</b>
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**Documents:**

- Notes of the Joint Chairs' Steering Group held on 18 March 2016

**Outcome:**

- **Noted**

<b>14.</b>	<b>CORRESPONDENCE</b>	<b>A14-2016</b>
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There were no items of correspondence.

**County Councillor JG Morris (Chair)**

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# Public Document Pack

Audit Committee Wednesday, 11 May 2016

## **MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON WEDNESDAY, 11 MAY 2016**

### **PRESENT**

County Councillors J G Morris (Chair), A W Davies, D E Davies, E R Davies, L R E Davies, M J Jones, W D Powell, D G Thomas, T J Van-Rees, S L Williams and Mr J Brautigam

<b>1.</b>	<b>APOLOGIES</b>	<b>A29-2016</b>
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Apologies for absence were received from County Councillors G G Hopkins and R G Thomas.

<b>2.</b>	<b>ELECTION OF CHAIR</b>	<b>A30-2016</b>
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**RESOLVED** that County Councillor J G Morris be elected Chair for the ensuing year.

<b>3.</b>	<b>ELECTION OF VICE CHAIR</b>	<b>A31-2016</b>
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**RESOLVED** that Mr J Brautigam be elected Vice Chair for the ensuing year.

<b>4.</b>	<b>INTERNAL AUDIT WORKING GROUP</b>	<b>A32-2016</b>
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**RESOLVED** that County Councillors E R Davies, J G Morris, W D Powell, D G Thomas, and S L Williams and Mr J Brautigam be appointed to the Internal Audit Working Group.

**County Councillor JG Morris (Chair)**

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## CYNGOR SIR POWYS COUNTY COUNCIL.

### AUDIT COMMITTEE

7<sup>th</sup> July 2016

**REPORT AUTHOR:** Internal Audit Manager

**SUBJECT:** Internal Audit Plan 2016/17

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**REPORT FOR:** Decision

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#### **1.0 Introduction**

- 1.1 One of the functions of the Audit Committee is to be satisfied there is effective internal audit coverage of the Council's systems, mechanisms, policies and practices to be able to gain assurance that the Council has a robust internal control framework.

#### **2.0 Objectives of Internal Audit**

- 2.1 Internal Audit's objective is to carrying out independent appraisals of the Council's control mechanisms to identify areas for improvement by Management.
- 2.2 The achievement of this objective involves:
- Reviewing and appraising the soundness and adequacy of Internal Control
  - Promoting value for money
  - Ascertaining levels of compliance with established plans, policies and procedures
  - Protecting the Council's assets and safeguarding from losses
  - Determining the reliability of management information produced by the Council
  - Conducting special investigations where appropriate
  - Advising and supporting management

#### **3.0 Internal Audit Strategy**

- 3.1 The internal audit strategy (see appendix A) is based on a comprehensive understanding of the Council's corporate framework i.e. corporate plans, performance measurement, risk management and policies together with its culture, management, systems, structures and operations.

It provides a balanced and proactive programme of audit activity that is co-ordinated as necessary with other review agencies. The strategic and functional approach to audit activity reflects the principal risks to the achievement of the Council's objectives and the controls established to manage the key risks faced.

- 3.2 The nature, extent and wide ranging array of services the council provides mean that Internal Audit do not have the resources to effectively cover all of the auditable areas. Therefore, conformance with the planning strategy effectively prioritises resources to those areas that are judged to add value to the Council. However, it should be recognised that there are still a number of areas that have no resources available to enable audit coverage, but still represent significant risk.
- 3.3 The plan itself has been constructed to ensure that it delivers against the Public Sector Internal Audit Standards and the requirement to produce an annual audit opinion and assurance framework. The preparatory work for the new internal audit plan started in January 2016 through consultation with operational stakeholders. This liaison process, together with a more focused risk management process, has given greater direction to the Council's requirements of internal audit.
- 3.4 Top risks facing the Council are the financial pressure to make savings and the effective response to new sets of legislation in the Well-Being of Future Generations Act 2015 and the Social Services and Well-Being (Wales) Act 2014. Effective commissioning, procurement and project management are an essential element in meeting the Council's objectives. In addition, other risk areas include recruitment and workforce development, redesign of services, safeguarding, information security, project management and fraud.
- 3.5 As the Council implements innovative methods of delivering services, it should be mindful that in many cases the responsibility for service delivery still lies with the Council and that risks cannot necessarily be transferred to another party. Therefore, effective contract management should be in place that has definable delivery standards against which performance can and should be measured.

#### **4.0 Limitations**

- 4.1 Risk management within the Council has improved considerably over recent years, but will take more time until it can be considered embedded as part of the culture. In the meantime, the results of the risk register are regarded as a reasonable indicator of how resources may be applied with greater influence evolving as the process continues to mature.

#### **5.0 Resources**

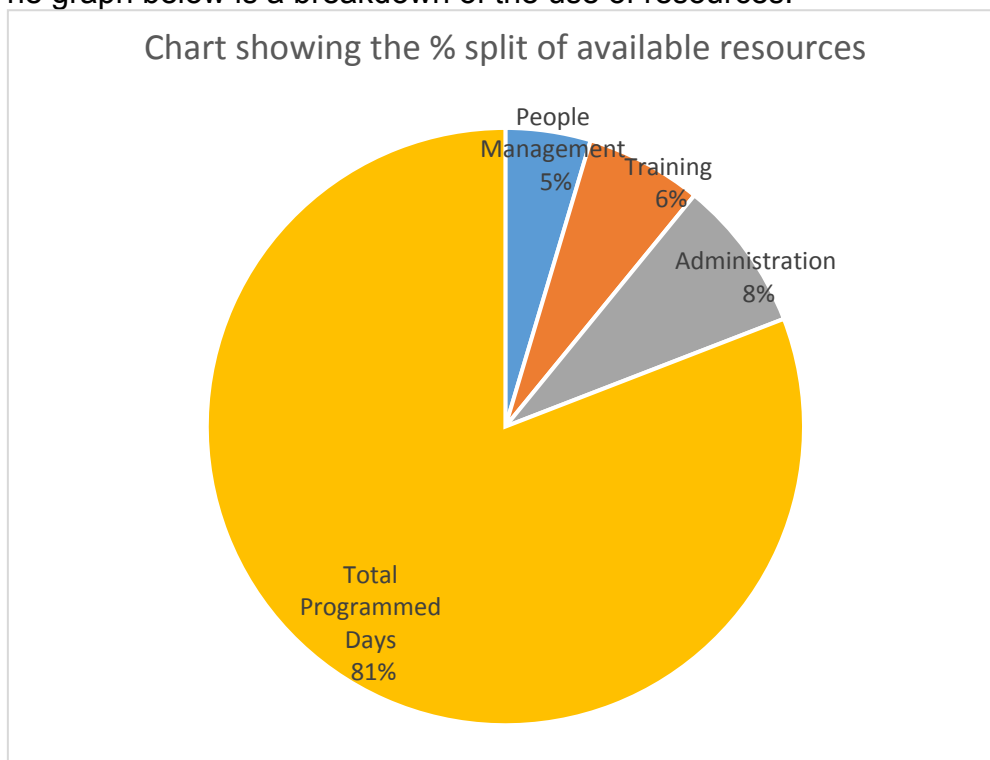
- 5.1 The Council continues to go through a period of unprecedented change that is impacting on the majority of service areas, processes, risks and ultimately internal control. Fewer managers, greater spans of control and reducing professional and administrative support is changing the natural control environment with less supervision, quality control, and performance

monitoring. This in turn increases the opportunity for fraud, corruption and error occurring.

- 5.2 The Internal Audit Service has continued to see a rationalisation of resources with a 30% reduction in FTE staff since 2013/14. The internal Audit Team will be expected to contribute further to cost savings for 2016/17. This resource reduction comes at a time when there is a potential increase in demand.
- 5.3 The establishment structure of the internal audit team consists of 7.1 full time equivalent posts. These are:
- Audit Manager x 1
  - Principal Auditor X 1.5
  - Senior Auditor x 1.6
  - Auditor x 2
  - Audit Assistant x 1
- 5.4 A principal post is continuing a long term secondment to a corporate project. Whilst a number of remedial in-house and external arrangements have been implemented to bridge the absence, the position is not sustainable in the longer term. Therefore, the Internal Audit Team will be subject to a service redesign/ restructure in 2016/17.
- 5.5 In particular, the team have effective skills in finance, information technology, systems, governance, environmental, establishment, procurement and counter fraud. Skills continue to be developed across the wider team with a forthcoming emphasis on project management, contract management commissioning and formal professional training. All members of the team have regular staff appraisals where continuing professional development is considered.
- 5.6 The table below is a breakdown of the estimated programmed days available for 2016/17:-

Resource Uses	Allocation
Total Days	1650
Less Leave & Sickness	348
Total Available Work Days	1302
Less People Management	60
Less Training	82
Less Administration	107
<b>Total Programmed Days</b>	<b>1053</b>

5.7 The graph below is a breakdown of the use of resources:



## 6.0 Activity

- 6.1 A current approach to the planning process has a much more transparent linkage to risk and the other key drivers in the Council. Management Team have considered the provisional plan and have been asked to provide feedback.. The Audit Committee will be informed if there are any significant changes to the proposals.
- 6.2 The provisional outline internal audit plan for 2016/17 is attached in appendix B.
- 6.3 The audit plan is an indication of the audit work to be undertaken over the year. However, there is some flexibility in the planning process to allow the Section to react to changing situations, new demands and requests from Services.

## 7.0 Decision

- 7.1 Whilst Internal Audit should retain independence in the planning process, it is important that Audit Committee should be satisfied that there is adequate audit coverage for the 2016/17 financial year.

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
The provisional Internal Audit Plan (appendix B) be endorsed by the Audit Committee.	To ensure adequate internal audit coverage to enable the Head of Audit to give an evidence based opinion on the internal control environment.

<b>Person(s) To Implement Decision:</b>	Internal Audit Manager
<b>Date By When Decision To Be Implemented:</b>	With immediate effect

Contact Officer Name:	Tel:	Fax:	Email:
Ian Halstead	01597 826821		ian.halstead@powys.gov.uk

### **Background Information used to prepare Report:**

**Public Sector Internal Audit Standards**  
**Powys Corporate Plans and SIP Plans**  
**Powys CC Corporate Risk Register**



# ***INTERNAL AUDIT PLANNING STRATEGY***

DRAFT

***Version: 1.2***  
***Release Date: April 2014***  
***Last Review : April 2016***  
***Next Review: April 2017***

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<b>Contact Officer:</b>	Ian Halstead, Audit Manager
<b>Address:</b>	Powys Internal Audit County Hall Llandrindod Wells, Powys. LD1 5LD
<b>Telephone:</b>	01597 826821
<b>Email:</b>	<a href="mailto:ian.halstead@powys.gov.uk">ian.halstead@powys.gov.uk</a>



## **1.0 INTRODUCTION**

1.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion on the control environment. This is done by effectively contributing to the statutory requirement in the Accounts and Audit Regulation 2014 (Wales) for the Council to maintain sound systems of internal control.

1.2.1 The purpose of the Internal Audit Planning Strategy is to :

- provide independent and objective assurance to Members and Senior management on the effectiveness of Powys County Council's control environment
- identify and address risks that may impact on the Council's corporate objectives
- develop and promote our role to make a significant contribution to the Council's priority to modernise and deliver efficient and improve services to our customers.
- add value and support senior management in maintaining effective control
- support the Strategic Director of Resources in fulfilling the obligations as the Council's nominated Section 151 Officer.
- To meet the requirement of the external auditors.

## **2.0 SCOPE**

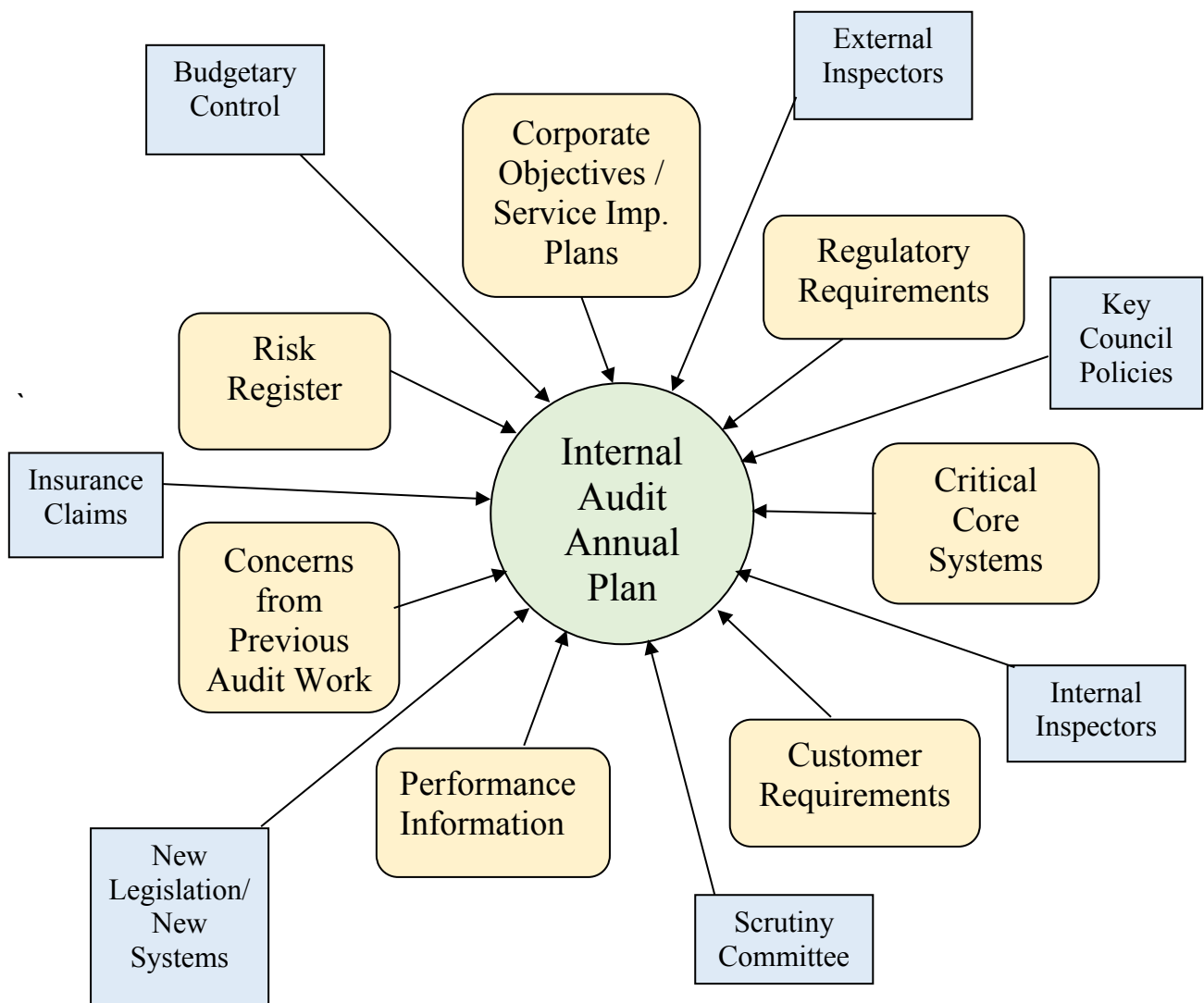
2.1 The intention of the Internal Audit Planning strategy is to embed integration of internal audit work with governance and risk to produce a co-ordinated risk based approach to the audit of business / operational systems and process across the council.

2.2 This strategy informs audit work at the following levels:

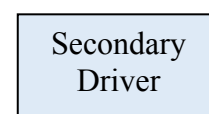
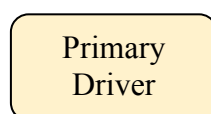
- Annual Planning
- Assignment Planning
- Performance Management

### 3.0 PLANNING INFORMATION SOURCES

- 3.1 The following diagram is a visual representation of the key drivers that are considered to help inform the decisions when developing the internal audit annual plan.



#### KEY



## 4.0 ANNUAL PLANNING PROCESS

- 4.1 Our work provides a risk based approach that allows the Internal Audit Manager to form and evidence his opinion on the control environment to support the Council's annual review of its governance arrangements. Our work seeks to co-ordinate with other assurance functions, external or internal, to prevent duplication and co-ordination of audit work and regulatory work.
- 4.2 Over the past 3 month, the Internal Audit Manager and Principal Auditors held planning / risk meetings with the all key operational officers of the Council. This consultation involved detailed discussion about each of the drivers i.e. the information sources of assurance, and the results of this exercise will be used as the key source for the risk based internal audit plan.
- 4.3 Whilst the internal audit plan uses an annual risk based approach, there are also rolling cycles of work that have been selected because of their inherent risk, with the work factored over a number of years to allow an effective balance of coverage and resource. The table below outlines the main cyclical programmes that are supported by the annual assessment.

<b>Area</b>	<b>Jobs</b>	<b>Type</b>	<b>Cycle</b>
Mission Critical and Core Operational Systems	Payroll Expenses Pensions Accounts Payable Accounts Receivable Main Accounting Collaborative Planning* EProcurement* Council Tax NNDR Housing Benefit CTax Reduction Scheme* ROCC (Operations) * Draig (Adult & Child) * Housing Rent	System System System System System System System System System System  System System System System	These areas may be subject to an annual audit which may cycle between full and light touch depending on the risk status.  Those marked (*) will be subject to a minimum two year cycle unless the risk status changes.
Regulatory	Data Protection RIPA Freedom of Information	System System System	Every 2 years (Note: Co-ordinated with external Inspections)
Regulatory	WG Grants European Grants BIS Grant AGS (Input only) HIA Opinion	Cert Cert Cert Cert Cert	Every Year as a condition of claiming the grant

Schools	Secondary Schools Special Schools Primary Schools	On-site On-site On-site	Every 4 years Every 4 Years Every 5 Years
Registrar	Need to be reviewed	On-site	Every 5 Year
Income Collection Offices	Main Supplementary Random Cash up	On-site On-site Spot Check	Every 2 years Every 3 Years Sample annually
Social Care Centres	To be agreed annually with individual service	On-site	

- 4.4 To ensure the Council has a robust control environment, it is essential that Internal Audit not only identify control weakness and help to develop remedial actions, but also that they gain assurance that these have actually been implemented. Clearly, Management are solely responsible for the implementation of these actions.
- 4.5 All significant audit reports that have an adverse opinion (i.e. Low or Limited Assurance) are reported to the Audit Committee Sub Group where Members track the delivery of actions by requiring those responsible to update the group on the status of the agreed action plan.
- 4.6 Internal Audit will also undertake a series of follow-up reviews at some points once they have been signed off by the Audit Committee Sub Group. The Internal Audit Manager will use his expertise to determine the need for, the timing of and process used to best suit the circumstances. Resources for these reviews should be included in the internal audit plan.

## **5.0 LIMITATIONS**

- 5.1 A risk-based approach to internal audit planning relies on the Council having both mature risk management (risk identification, risk mitigation, risk acceptance and risk action planning) and effective identification of the corporate business objectives and how those are delivered at operational levels. Whilst the risk management process has improved considerably.

## **6.0 ACKNOWLEDGEMENTS**

- 6.1 The Internal Audit Manager wishes to thank all of those officers that have contributed to the development of the Internal Audit Planning Strategy 2016/17.

## INTERNAL AUDIT- WORK PROGRAMME 2016-17

CORPORATE PROJECTS					
Service	Area	Risk	Risk Map	Activity	Days
Cross Cutting	Medium Term Financial Strategy/Plan	Inability to meet the savings required and increased risk of error, fraud and poor service delivery	CR1, CR4, RCP8, SS1	The review the council's control and governance arrangements around the need to generate savings. This will include a review of financial models and budget monitoring to ensure that plans to achieve the savings are robust and achievable. There will also be a consultative role where advice is provided to ensure there are not gaps in key controls where services are reshaped.	12
Cross Cutting	Contract / Project Management	The Council may fail to effectively deliver the key goals without sound project management	ASC11, CG1, CR11, CR4, CR5,SS1	To ensure projects are being managed effectively in accordance with Council principles and methodology and that sound governance and risk management arrangements are in place.	20
Cross Cutting	Information security - Access to records	Breach of data protection resulting in significant penalties. Significant reputational impact	CG2,	A review of the Councils Compliance with the key principles of the Data Protection Act and the Freedom of Information Act. This reviewed with determine whether the Council's responses are proportionate.	15
Cross Cutting	Collaborations and partnerships		ASC10, ASC 11, CR3	To ensure that there are effective governance arrangements around collaboration agenda and that anticipated improvements and saving are materialising	10
Cross Cutting	Business Cont & Disaster Recovery	The Council will fail to support its citizens in the event of an emergency	CR6, ICS1	Test the approach in place when service delivery is critically threatened	10
Cross Cutting	Safeguarding	Reputational damage from serious safeguarding failure		To assess the operational controls in place relating to DBS to ensure they are efficient and effective and in accordance policies and procedures. The review will provide an overall compliance health check.	12

Cross Cutting	Good Governance	Reputational damage to the Council if actions and activities are not fair and transparent.	CG1, CR3	To provide assurance that key corporate governance processes are in place within the Council. This will include a review of the code of conduct for Officers and Members together with contributing to the production of the Annual Governance statement.	10
Cross Cutting	Commissioning Reviews	Failure to meet required objectives and targets. Services not being deliver to meet users needs	ASC10,AS C11, CR11,CR5	To provide evidence based reviews on commissioning projects to learn identify successful and unsuccessful aspect of each project that can be used to inform future projects	25
Cross Cutting	Supporting Project Groups	Failure of project to have effective challenge and governance arrangements	CR11, CR4	The Internal Audit Section provide advice to support emerging project teams	4
Cross Cutting	Job Evaluation	Grading decisions may not be supported by a sound and transparent system if challenged		To review the job evaluation process to ensure all decisions are evidentially supported	12
Cross Cutting	Commercial Services (Procurement)	The Council are not complying with it regulation and cannot therefore demonstrate value for money	ASC10, CR5, ASC11	To examine the process of identifying and negotiating corporate contracts and to examine whether services are	20
Cross Cutting	Voluntary Severance	Ineffective business cases lead to a failure to reduce cost		To review a sample of business cases to see if they adequate support a severance decision. A review of the structures and cost to determine that those cost savings are visible	12
				<b>Sub-Total</b>	<b>162</b>

BUSINESS CRITICAL / CORE SYSTEMS					
Service	Area	Risk	Risk Map	Activity	Days
Professional	Core Financial	Loss of key members of Staff, External audit reliance	CR1 , CR5	Full system and compliance audits to provide assurance over the effectiveness of the Councils core financial systems that are material to the production of the Councils Accounts	100
Business	Core Revenue & Business Services	Loss of key members of Staff, External audit reliance, potential fraud and error	CR2, CR5	Full system and compliance audits to provide assurance over the effectiveness of the Councils core financial systems that are material to the production of the Councils Accounts	45

Business	Core Employment Services Systems	Loss of key members of Staff, External audit reliance	CG2, CR5	To review the operation, efficiency and effectiveness of the Councils payroll system using a systems based approach that will consider key risk exposure and controls.	50
				<b>Subtotal</b>	<b>195</b>

<b>CONSULTANCY / PROJECT SUPPORT</b>					
<b>Service</b>	<b>Area</b>	<b>Risk</b>	<b>Risk Map</b>	<b>Activity</b>	<b>Days</b>
Professional	Integrated Financial System	Ineffective project outcomes	CR1,	Project and Consultancy to aid in the development of the new financial management system	3
Schools	Cashless catering - Project Group	Failure to meet project goals	CR4, SS1	Supporting the project team and providing expertise on control matters	3
Schools	Thematic Control Review	Lack of focus on training and awareness. Failure to detect emerging control issues.	SS1	Analyse work across the wider school environment to identify patterns and trends in control risk to help inform future awareness and training	3
Social Care	Supporting CCIS project	Failure of project to have effective challenge and governance arrangements	CR11, CR4	Supporting the project team and providing expertise on control matters	3
Business	New Revenues Systems	Project may not meet the desired outcomes		To support the selection and implementation of the new Income and Awards system	3
Housing	Traveller Sites project	Project may not deliver desired outcome or may cost more.	CR4	To support the project to provide Traveller site in the north of the County. In addition to sign off the Welsh Government Grants	3
Housing	Domestic Abuse	Responding to in-house event		To review the system for dealing with cases of domestic abuse	8
Housing	HRA Funding Arrangements	Funds may be incorrectly allocated giving an unclear position of the budgetary position		To review financial activity in the HRA to ensure effective budgetary control, allocation of expenditure/ oncome and effective management reporting	8
				<b>Sub Total</b>	<b>34</b>

OPERATIONAL SYSTEMS					
Service	Area	Risk	Risk Map	Activity	Days
ICT	Firewall/ end point security	The Council will be vulnerable to attacks that could suspend critical services	CG2,	A review of end point security such as usb, anti virus etc.	12
ICT	Cloud Computing	The Councils data is lost or stolen. Reliance on a third party.	CG2,	To ensure the Council has assurances that data is sound and secure	12
Regen, Prop & Com	Planning Development	Potential breaches and increases in appeals	RPC6,	To provide necessary assurances that planning applications are in accordance with the councils procedures and processes and that overall decisions are clearly evidenced	15
Regen, Prop & Com	Building Control	Claims against the Council and risk of corruption	RPC6,	To review the Building Control systems to ensure they are robust and support the decisions made. In addition, ensure there protection against conflicts of interest	12
Regen, Prop & Com	County Farms - Lettings	Decisions may not be supported. Conflicts of interest	RPC12	The examine the letting County farms to ensure that decision is transparent and fair	8
Schools	cashless catering pilot exercise and audit visits	Failure to meet project goal , reputational damage and non delivery of promised savings	SS1	review functional operation of cashless facilities sin school to ensure an effective roll out across the county and consistency	15
Schools	Teacher Centre System	Failure to provide accurate information used for decision making	CG2,	To review aspects of the system and data to ensure it effectively support school activities	15
Schools	Unauthorised Absences penalties	failure to improve attendance		to review to compliance with the Council's policy on unauthorised absence to determine if it is consistently applied	8
Operations	Fleet-vehicle tracking / CCTV	failure to ensure and efficient workforce		To evaluate the vehicle tracking system to ensure that the Councils fleet assets are properly utilised	6
Operations	Vehicle Maintenance	Private works, ineffective procurement and inaccurate recharging		To review the processes surrounding the vehicle maintenance process including costings, procurement and recharging.	12
Operations	Fleet Management systems	Failure to provide effective management information		Undertake a systems based review of the fleet management IT system to ensure it is fit for purpose and being effectively operated.	6



Housing	Common allocations Register	Incorrect allocations made or failure to defend a challenge		To provide assurance that Council properties are allocated to those with the most need and in accordance with policies.	10
Housing	Rent Arrears	Inconsistent collection approach and loss of income		To review the rent collection process once personal accounts are classed as in need of recovery to ensure consistent and effective outcomes	10
				<b>Sub Total</b>	<b>141</b>

REGULATORY					
Service	Area	Risk	Risk Map	Activity	Days
Schools	Grant Certification - Education	Failure to meet terms and conditions could result in clawback	Regulation	To provide regulatory verification and certification of multiple educational welsh government grants .	25
Regen	Grant Certification - Other	Failure to meet terms and conditions could result in clawback	Regulation	To provide regulatory verification and certification of European and BIS grants	10
				<b>Sub Total</b>	<b>35</b>

ESTABLISHMENTS					
Service	Area	Risk	Risk Map	Activity	Days
Schools	Schools Programme	Inappropriate governance arrangements and ineffective financial management leading to poor educational achievements. Helps the council comply with the conditions of Welsh Government grants for EIG, PDG and Post 16.	CG2, CR5	Provide assurance over the financial and governance arrangements in schools via a risk assessed rolling programme of audit at individual schools . This will also include a controlled risk self-assessment process.	90
Operations	Environmental Audit	Loss of the Trunk Road Agency		To undertake the external Environmental Audit that is a requirement maintaining the Trunk Road Agency Contract	10
				<b>Sub Total</b>	<b>100</b>

GOVERNANCE					
Service	Area	Risk	Risk Map	Activity	Days
Cross Cutting	Quality Assurance and Improvement Programme Review of Internal Audit / QAIP	Failure to Comply with the Public Sector Internal Audit Standards (PSIAS) and external Auditors unable to rely on IA work	Regulation	To carry out a review ensuring compliance with the Accounts and Audit Regulations (Wales) and Public Sector Internal Audit standards	2
Cross Cutting	External Review of Internal Audit	Failure to support collaborative activities	Regulation (PSIAS) and collaboration	As part of a collaborative arrangement between Welsh Councils, Powys will be undertaking the external quality assessment for Wrexham Council	5
Cross Cutting	Audit Committee, Internal Audit Working Group	Failure of the Audit Committee to fully perform their functions in accordance with the terms of reference		This allocation covers member and officer reporting procedures , mainly to the audit Committee and its sub groups.	30
Cross Cutting	EMT, Service Liaison, Section 151 Support, and Service Management Support	Ineffective engagement on control principles		This allocation covers officers reporting procedures including control updates, plan formulation and monitoring.	20
Cross Cutting	Follow-Up	Risk of significant failing in the control environment that can lead to fraud and/or error	CR7, CR10, ICS1, RCP8	Where more serious concerns over the effectiveness of internal controls (a Limited or Low opinion) a follow up audit is undertaken at an appropriate time, allowing adequate time for the implementation of the agreed actions.	80
Cross Cutting	Agreed Action Tracking	High or Medium priority action may not be implemented	CG1, PSIAS	The Internal Audit Service with liaise with the Service Department to form an opinion on the status of significant control issues. These will be reported to Senior Officers and Members of the Audit Committee	10
Cross Cutting	Inter- Authority Collaboration	Failure to comply with the PSIAS and learn from other public Sector bodies		Attendance at forum to represent the Council on regional Internal Audit matters	4

Cross Cutting	Contingency	The Internal Audit Team cannot effectively respond to the changing demands of the Council		The Public Sector Internal Audit Standards suggest that a provision be set aside to reflect unexpected events and respond to changes in organisational need	50
Cross Cutting	Misc carried forward work	Internal Audit work will not be completed	CR8	An allowance to complete Internal Audit work that was started in 2015/16 and is either work in progress or draft	30
<b>Sub Total</b>					<b>231</b>

<b>COUNTER FRAUD</b>					
<b>Service</b>	<b>Area</b>	<b>Risk</b>	<b>Risk Map</b>	<b>Activity</b>	<b>Days</b>
Cross Cutting	Travelling Expenses	Financial Loss to the Council and inappropriate employee behaviour		To undertaken a probity check on travel claims looking for compliance with Council policies and offering a deterrent against fraud	20
Cross Cutting	Internet, Email and Telephone Use	Excessive Abuse of Council systems affecting ability to undertake duties		Periodic reviews of system outputs to determine whether usage is unacceptable	8
Cross Cutting	National Fraud Initiative	Financial Loss to the Council		As the key contact with the Wales Audit Office, the Internal Audit Team will co-ordinate the submission of data for NFI ensuring compliance with the data matching code of practice. On receipt of the results, the Team will both undertake investigations and disseminate matches for investigation by other functions. IA will gather the collective results and report these the these to the Wales Audit Office.	20
Cross Cutting	Responsive Fraud Investigations	Financial and reputational loss from fraud and corruption.			120
<b>Sub Total</b>					<b>168</b>

<b>TOTAL ALLOCATION</b>	<b>1066</b>
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## CYNGOR SIR POWYS COUNTY COUNCIL.

### AUDIT COMMITTEE

7<sup>th</sup> July 2016

**REPORT AUTHOR:** Internal Audit Manager

**SUBJECT:** External Quality Assessment – Follow up

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**REPORT FOR:** Information

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#### **1.0 INTRODUCTION**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require that an external quality assessment (EQA) is undertaken on an internal audit function at least once in every five year period. In November 2014, KPMG were commissioned to undertake a review which found that the audit service were mostly compliant with the 209 professional standards, but that there were 17 areas that could be implemented to raise compliance.
- 1.2 KPMG were commission to undertake a follow-up report to provide an assessment of the progress that has been made in implementing these recommendations and the impact that this has had on the Service's compliance with the standards.

#### **2.0 OUTCOME**

- 2.1 A detailed report was released in April 2016 that is attached in appendix A.
- 2.2 The follow-up assessment found that of the 17 recommendations raised, 11 have been fully implemented with the remaining six being in progress. Where recommendations are in progress the remaining actions to be taken generally require input and action from the wider Council and are no longer solely within the control of the Service.
- 2.3 Therefore, the overall conclusion was that the Internal Audit Service has made substantial progress towards the implementation of those recommendations raised in the November 2014 report.
- 2.4 The Strategic Director (Resources) and the Head of Professional Services are currently exploring alternative delivery models for Internal Audit.

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
The report and appendix on the external quality assessment be considered and noted and that a detailed action plan be provided to the committee once there is clarity on the impacts of alternative delivery models.	To comply with the Public Sector Internal Standards and to contribute to effective governance arrangements.

<b>Relevant Policy (ies):</b>			
<b>Within Policy:</b>	<b>Y / N</b>	<b>Within Budget:</b>	<b>Y / N</b>

<b>Relevant Local Member(s):</b>	<b>N/A</b>
----------------------------------	------------

<b>Person(s) To Implement Decision:</b>	
<b>Date By When Decision To Be Implemented:</b>	

<b>Contact Officer Name:</b>	<b>Tel:</b>	<b>Fax:</b>	<b>Email:</b>
Ian Halstead	01597 826821		ian.halstead@powys.gov.uk



# External Assessment of Internal Audit – Follow-up

**Powys County Council**

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April 2016

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# Executive summary

# Executive Summary

### Background & Introduction

Internal Audit represents a key source of assurance for local authorities and is essential in ensuring that officer and members are provided with a clear and independent assessment of the effectiveness of controls. An effective Internal Audit function enables the Authority to make informed decisions about improvements required to the control environment. It also assists in the management's and the Audit Committee's responsibility to ensure that a sound system of control is in operation.

The provision of internal audit services to the public sector, including local authorities, is required to comply with the provisions of the *Public Sector Internal Audit Standards* (PSIAS), as supplemented by CIPFA's *Local Government Application Note* (LGAN). These standards are based upon the *International Standards for the Professional Practice of Internal Auditing* as developed by the Chartered Institute of Internal Auditors.

One of the key requirements of the PSIAS is that the internal audit service is subjected to an independent and external assessment of its compliance with the standards every five years. In relation to this, KPMG undertook an assessment of Powys Council Council's (the Council) Internal Audit Service (the Service) during 2014 and published our findings in November 2014. Whilst this report concluded that the Internal Audit Service was generally compliant with the standards, there were a number of areas where further improvements were required in order to achieve full compliance. As a result of this, we raised 17 recommendations aimed at enhancing compliance with the standard.

The purpose of this report is to provide an assessment of the progress that has been made in implementing these recommendations and the impact that this has had on the Service's compliance with the standards.

### Audit Scope

Our 2014 assessment consisted of a detailed review of the way in which the Council undertook internal audit work and the interaction of the Service with the wider Council in order to:

- determine and assess the performance and effectiveness of the Internal Audit function against the Standards;
- determine the adequacy of resources to deliver the audit plan, including specialist resources;
- advise the s151 Officer on whether the number of audit days and coverage in the plan is appropriate and whether there is appropriate coverage of 'fundamental' systems;
- highlight areas of good practice; and
- check alignment between the risk register and the audit programme.

In undertaking the assessment against the Standards we made use of the LGAN Compliance Checklist which categorises the Standards into the following areas:

- Definition of Internal Auditing;
- Code of Ethics;
- Attribute Standards; and
- Performance Standards.

In undertaking this follow-up review we considered the progress made by the Council in relation to each of the recommendations raised in our November 2014 report. Please note that we have not re-performed a full assessment of the Service and have proceeded on the assumption that those areas where compliance was previously achieved have remained compliant.

# Executive Summary (cont.)

### Objectives & Audit Approach

As set out in our engagement letter dated 26 June 2015, the objectives of this review were:

- to determine and assess the progress made in implementing the recommendations raised as a result of our previous assessment of the performance and effectiveness of the Internal Audit function against Public Sector Internal Audit Standards;
- to highlight areas of good practice developed through the implementation process; and
- to advise the S151 Officer and Audit Committee of the overall position in enhancing the delivery of the Internal Audit Service as a result of our earlier assessment.

Our work consisted of face-to-face interviews, observations and documentation review. In order to complete our assessment of the progress made by the Service in implementing out recommendations we met with the following officers:

- Cllr John Morris (Audit Committee Chair)
- Cllr John Brautigam (Audit Committee Vice Chair)
- Jeremy Patterson (Chief Executive)
- David Powell (Strategic Director Resources)
- Jason Lewis (Head of Professional Services and Commissioning)
- Mark Evans (Head of Business Services)
- Susan Bolter (Head of Regeneration, Property & Commissioning)
- Nigel Brinn (Head of Highways, Transport & Recycling)
- Stuart Mackintosh (Leisure and Recreation Services Manager)
- Ian Halstead (Internal Audit Manager)

### Overall Conclusion

Our work identified that the Service has made substantial progress towards the implementation of those recommendations raised in our November 2014 report. Of the 17 recommendations raised, 11 have been fully implemented with the remaining six being in progress (see page 7 and Appendix 1 for further analysis). Where recommendations are in progress the remaining actions to be taken generally require input and action from the wider Council and are no longer solely within the control of the Service.

As a result of the actions taken by the Service, and on the assumption that areas previously assessed as compliant have remained so, compliance is now achieved in relation to 194 of the 209 (93%) PSIAS standards (see page 8 and Appendix 2 for further analysis).

One specific areas where further progress is required is in relation to the focus on the Service. Through our discussions with service users we identified that there is a strong desire for the Service to assume a more strategic role within the Council and become more heavily involved in providing timely assurance on the completion of key projects. This represents a substantial change from the historic role of the Service and one which is being seen across the sector, both as a development of internal auditing and as a result of funding reductions meaning that the internal audit resources are having to be more carefully targeted in order to maximise value.

### Structure of this report

The remainder of this report sets out our findings in more detail. The appendices include details of the current status for each recommendation deemed to be still in progress.

### Acknowledgement

We would like to thank all staff and Members we have seen during this review for their help and assistance.



# Detailed Findings

## Detailed Findings

### Status of Recommendations

We have set out below an assessment of the progress that the Service has made in implementing each of the recommendations raised in our November 2014 report. Each recommendation raised was assigned a priority rating in accordance with the following table.

Further details in relation to those recommendations deemed to be in progress are provided in Appendix 1.

Priority rating for recommendations raised					
Page 45	<b>High</b>	<b>High priority</b> - A significant weakness in the system or process which is putting the organisation at serious risk of not achieving its strategic aims and objectives.  In particular: significant adverse impact on reputation; non-compliance with key statutory requirements; or substantially raising the likelihood that a strategic risks will occur.  Recommendations in this category usually require immediate attention.	<b>Low</b>	<b>Medium priority</b> - A potentially significant or medium level weakness in the system or process which could put the organisation at risk of not achieving its strategic aims and objectives.  The issue could potentially have an adverse impact on the organisation's reputation or increase the likelihood of strategic risks occurring, if not addressed.	<b>Medium</b>
		<b>Low priority</b> - Recommendations which could improve the efficiency and/or effectiveness of the system or process but which are not vital to achieving the organisation's strategic aims and objectives.  These are generally issues of good practice that we consider would achieve better outcomes.			

Recommendation Status	High Priority	Medium Priority	Low Priority	Total
Raised	-	7	10	17
Completed	-	4	7	11
In Progress	-	3	3	6

## Detailed Findings (cont.)

### Compliance with PSIAS

Our November 2014 report identified a limited number of areas of non-compliance with the Standards as well as a number of areas of partial compliance where there was scope for further improvement. As a result of the actions taken by the Service in response to the recommendations raised we have updated the assessment below.

In completing this assessment we have assumed that where compliance was previously achieved this has remained so. We have not undertaken a full assessment of the Service as part of this follow-up exercise.

Standard's Category		Compliant		Partially Compliant		Non-Compliant		Recommendations (Appendix 1)
		Current	Previous	Current	Previous	Current	Previous	
1	Definition of Internal Auditing	2	2	-	-	-	-	
	Code of Ethics	5	5	-	-	-	-	
3.1	Purpose, Authority & Responsibility	6	4	-	1	-	1	
3.2	Independence & Objectivity	24	21	-	2	-	1	
3.3	Proficiency & Due Professional Care	14	10	1	5	-	-	Recommendation 3
3.4	Quality Assurance & Improvement Programme	26	20	-	2	-	4	
4.1	Managing the Internal Audit Activity	30	27	8	9	1	3	Recommendations 10 & 11
4.2	Nature of Work	15	14	-	1	-	-	
4.3	Engagement Planning	30	28	-	2	-	-	
4.4	Performing the Engagement	12	11	-	1	-	-	
4.5	Communicating Results	28	25	1	2	-	2	
4.6	Monitoring Progress	-	-	4	4	-	-	Recommendation 17
4.7	Communicating the Acceptance of Risks	2	2	-	-	-	-	
Total		194	169	14	29	1	11	



# Appendices

# Appendix 1 – Recommendations in Progress

We have repeated below those recommendations raised in our November 2014 report which are deemed to still be in progress. For each of these recommendations we have provided an update on the current position.

No.	Rating	Recommendation	Management's Original Response	Current Status
3	Medium	<b>Redesign of Internal Audit Focus</b>  Our discussions highlighted an interest in moving away from traditional compliance work in favour of more high level assurance work linked to the key risks faced by the Council. In light of this, the Council should consider the desired purpose of the Internal Audit Service. In doing so, recognition should be given to the value of both the provision of assurance on core functions (e.g. Finance Systems) and in relation to key, and emerging, strategic and service-based risks. This should be formally articulated through the Internal Audit Charter.	The Charter will be changed to accentuate the focus on risk based, added value and core service auditing.  <b>Responsible officer:</b> Ian Halstead, Internal Audit Manager  <b>Implementation Date:</b> 31 December 2014	A revised internal audit charter has been presented to, and approved by, the Audit Committee. In addition, key business risks were considered as part of the planning process and direct links were incorporated into the audit plan.
		In order to achieve this it will be essential that the development of a robust risk management process is completed as a matter of priority. Until this is completed, the Head of Internal Audit should ensure that planning discussions include consideration of managements' views on key risk areas even if these are currently not documented in formal risk registers.	A proposal for the re-modelling of the Internal Audit team will be put forward to support the changes recommended in this report. In addition, other models of service deliver will be explored.  <b>Responsible officer:</b> Ian Halstead, Internal Audit Manager and Jason Lewis, Head of Professional Services  <b>Implementation Date:</b> 31 October 2014  Key business risks will be considered as part of the on-going liaison and planning process with Senior Managers.  <b>Responsible officer:</b> Ian Halstead, Internal Audit Manager  <b>Implementation Date:</b> 31 January 2015	The internal audit service has been restructured with the specific aim of addressing the needs of the Council, however a further restructure is forthcoming which will progress this further.  Discussions with the Chief Executive Officer, Strategic Director Resources and Head of Professional Services & Commissioning indicated that there continues to be a desire for further changes to the delivery model. This was also supported by our wide discussions with the Audit Committee Chair and Vice Chair who expressed a desire for an increased strategic role for the service.



# Appendix 1 – Recommendations in Progress (cont.)

No.	Rating	Recommendation	Management's Original Response	Current Status
10	Low	<b>Audit Delivery</b> The Head of Internal Audit should review those engagements which were not delivered within the target timeframe to identify any underlying causes. Corrective action should then be taken to increase the number of engagements which are delivered within the agreed targets.	The current performance management framework will be re-designed to provide management information to ensure that assignments are timely. <b>Responsible officer:</b> Ian Halstead, Internal Audit Manager <b>Implementation Date:</b> 31 December 2014	A process is in place to collect management information on the timeliness of audit reports. This information is available for the individual performance reviews. However, the collection of such information is inefficient and resource intensive. Discussions are ongoing to enter an agreement with another Welsh local authority in order to use the same audit software (MKI Insights) which will help to facilitate this process. This is expected to be concluded as part of the 2016/17 Business Plan.
		<b>Risk Management &amp; Assurance Mapping</b> We are aware that the Council is already in the process of developing a more robust risk management system. Once this has been completed, an Assurance Mapping process should be developed which links to the risk management process and identifies the various assurance sources available to the Council in relation to its key risks.	Internal audit will consider other sources of assurance to ensure that limited resources are applied effectively. <b>Responsible officer:</b> Ian Halstead, Internal Audit Manager <b>Implementation Date:</b> 31 March 2015	Other forms of assurance are considered as part of the internal audit planning process. These include the risk register, budgetary reports and performance assessment information. The Council does not, however, carry out any form of assurance mapping.

# Appendix 1 – Recommendations in Progress (cont.)

No.	Rating	Recommendation	Management's Original Response	Current Status
Page 50	Low	<p><b>Application of Assurance Gradings</b></p> <p>Consider how the assurance grading reflects both the impact on the area of operations under review and the wider Council. Potential solutions may include, but are not limited to:</p> <ul style="list-style-type: none"> <li>— Providing two levels of assurance, one for the Council and one for the areas under review, in the body of the Report;</li> <li>— Communicating the overall Council impact separately when issuing the report to Heads of Service, Strategic Directors and other senior officers; or</li> <li>— Setting out the Council level impact in quarterly updates and the annual reports.</li> </ul> <p>In determining the approach it will be essential to ensure that the needs and expectations of management are taken into account.</p>	<p>The assurance ratings will be revised to reflect the difference between an impact on a service area and the impact on the wider Council.</p> <p><b>Responsible officer:</b> Ian Halstead, Internal Audit Manager</p> <p><b>Implementation Date:</b> 31 December 2014</p>	<p>The introduction of Heat Maps into the template audit reports goes somewhat towards resolving this matter. These maps plot risk versus control.</p> <p>Further work is ongoing, however, in order to clarify the way in which reports for specific areas of operations (e.g. individual schools) are rated to show both the impact for the school and the overall impact to the Council. Potential solutions being considered include:</p> <ul style="list-style-type: none"> <li>— Providing additional narrative in the covering emails that issue the report; and</li> <li>— Providing Council level ratings in the annual report and progress reports.</li> </ul> <p>A key consideration in this, which is recognised by the Internal Audit Manager, is the need to ensure that providing a higher level of assurance at a Council level does not prevent appropriate corrective action at the individual service or area being audited.</p>

# Appendix 1 – Recommendations in Progress (cont.)

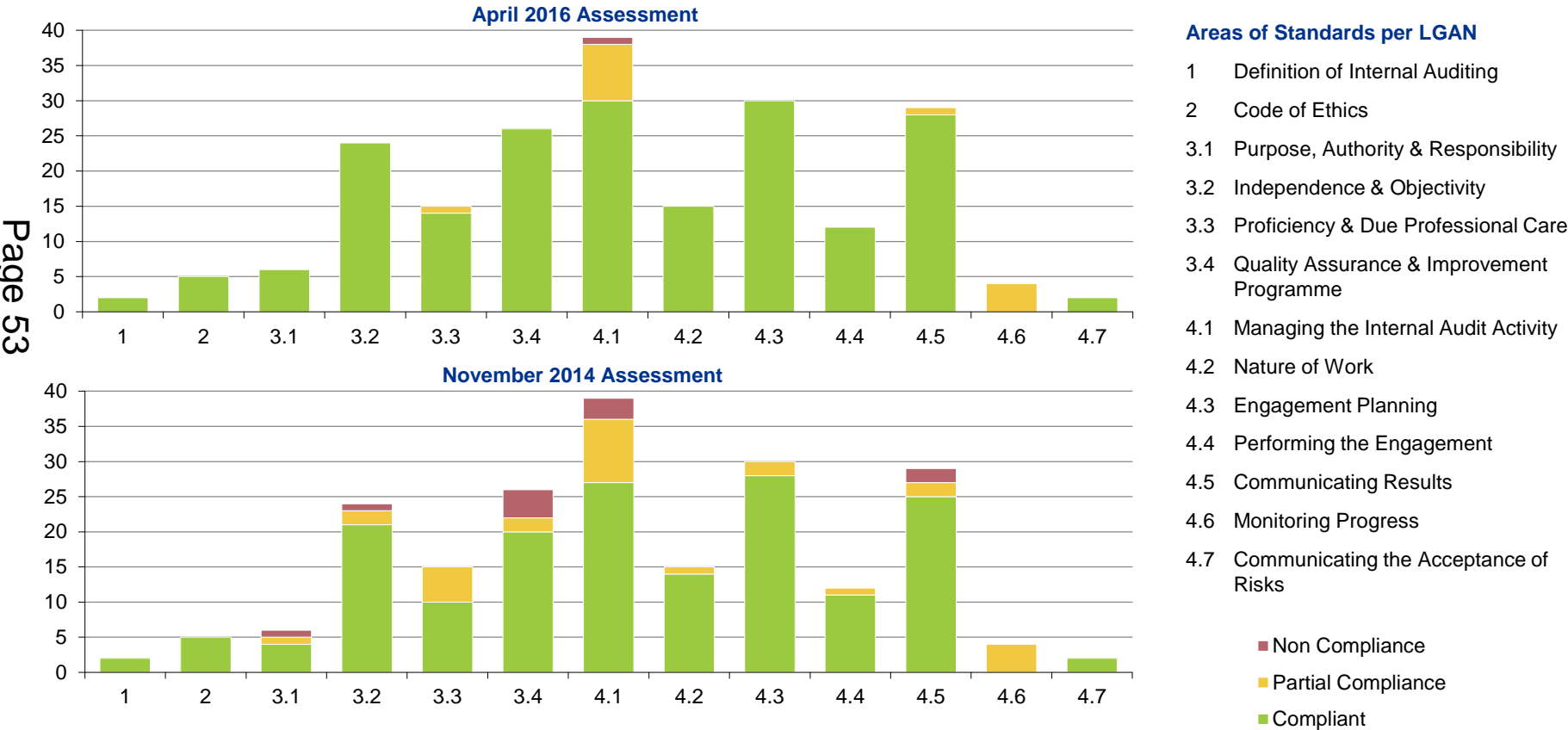
No.	Rating	Recommendation	Management's Original Response	Current Status
Page 51 <sup>6</sup>	Low	<p><b>Roles of Audit Committee and Working Group</b></p> <p>Formally document the split of roles between the Audit Committee and the Internal Audit Working Group. In doing so, consider the roles and responsibilities in question, the extent to which it is appropriate to delegate these to a working group and what should be retained by the Committee.</p> <p>A minimum level of reporting to the Audit Committee should be determined. This should include both the Annual Audit Plan and the Annual Internal Audit Report. In addition, more regular reports may also be included in relation to the delivery of the plan and performance against targets. Given the creation of the Internal Audit Working Group it is not expected that the Audit Committee will receive the reports arising from individual reviews.</p> <p>The Audit Committee forward work plan should also be reviewed in order to identify those meetings which are not scheduled to consider matters relevant to the Internal Audit Service. Where such meetings are identified, consideration should be given to exempting the Head of Internal Audit from attending the meeting so that time and resources can be more dedicated to other matters.</p>	<p>A report will be presented to the Audit Committee formalising the role and responsibilities of the Audit Committee and the Internal Audit Working Group. The report will consider areas of good practice both within and outside of the public sector.</p> <p><b>Responsible officer:</b> Ian Halstead, Internal Audit Manager</p> <p><b>Implementation Date:</b> 31 March 2015</p>	<p>The role of the Audit Committee and its working groups is currently being reviewed by the Democratic Services Team. This review will cover both the make-up of the Audit Committee as a whole as well as the role that working groups play in delivering the Committee's responsibilities.</p>

# Appendix 1 – Recommendations in Progress (cont.)

No.	Rating	Recommendation	Management's Original Response	Current Status
Page 52 17	Medium	<p><b>Recommendation Tracking Process</b></p> <p>The Head of Internal Audit should develop a process whereby management are supported in monitoring the implementation of recommendations raised by Internal Audit. This could be achieved by way of maintaining a list of all recommendations raised and requesting management to periodically provide updates against those recommendations within their area of responsibility.</p>	<p>A process will be developed that allows Services to be made aware of audit recommendations so that they can track actions within their area of responsibility.</p> <p>A separate process will be undertaken by internal Audit to validate that key actions have been delivered.</p> <p><b>Responsible officer:</b> Ian Halstead, Internal Audit Manager</p> <p><b>Implementation Date:</b> 31 December 2014</p>	<p>A process exists that collects recommendations on a spreadsheet that has been submitted to services via executive management team. This was completed for 2015/16 and is ongoing for 2016 17. Despite this, interviews with Heads of Service indicated that they were unaware of the process.</p> <p>The process itself is inefficient and resources intensive.</p> <p>Negotiations are taking place with another Welsh Authority to partner on their audit management system. The plan is to use a separate client portal that is used to complete action plans and self - track audit recommendations.</p>
		<p>By maintaining the list themselves, the Internal Audit Service would be able to ensure that it is both accurate and complete, whilst recognising that it is for management to ensure that implementation is achieved.</p> <p>For significant recommendations, or those relating to adverse reports, the Internal Audit Service should undertake a validation of the updates provided by management so as to provide assurance that corrective actions have been appropriately completed,</p>		

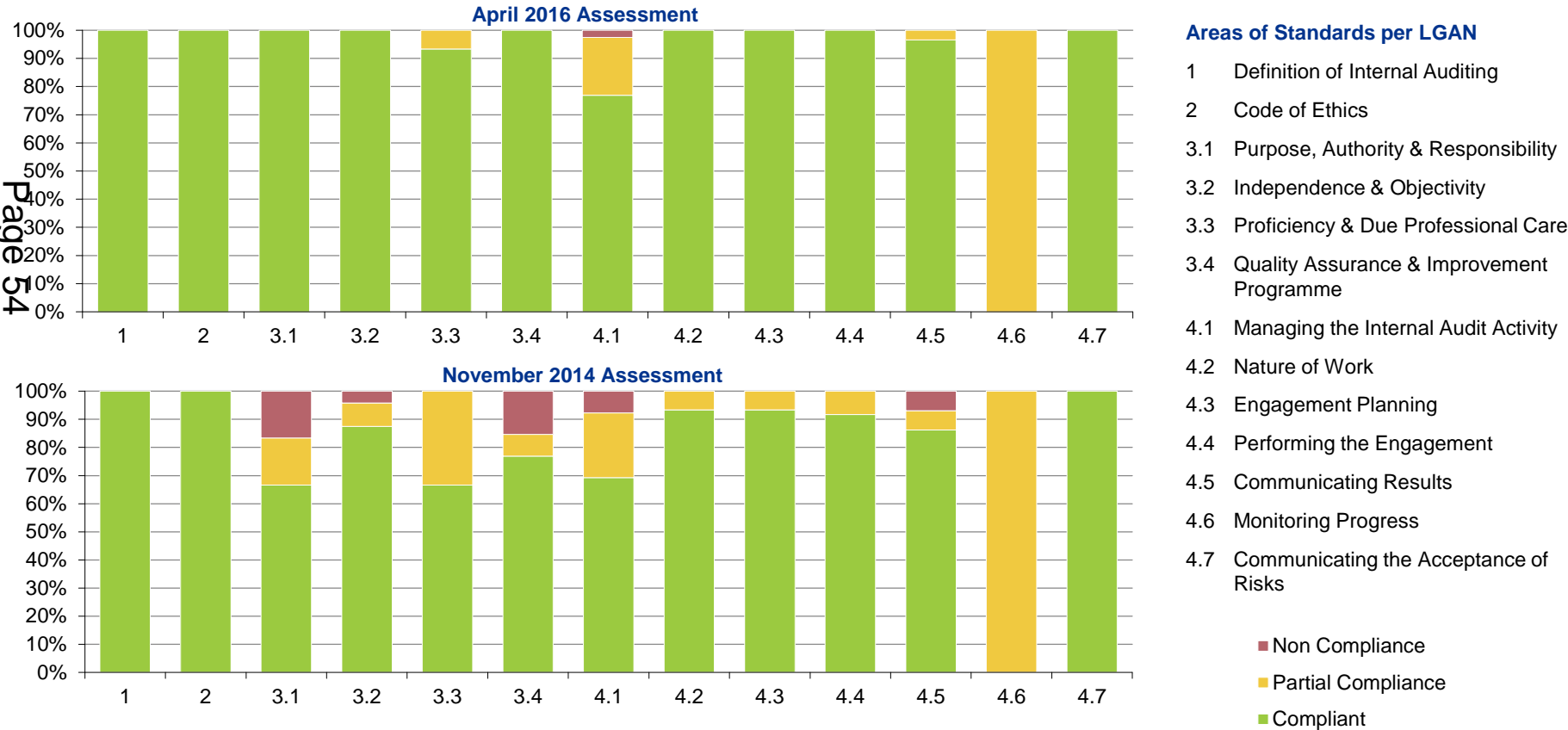
# Appendix 2 – Analysis of Powys CC's Compliance with PSIAS

We have set out below an analysis of the number of LGAN checklist provisions where the Service demonstrated compliance at both our November 2014 Assessment and following our review of progress made towards the implementation of recommendations raised.



# Appendix 2 – Analysis of Powys CC's Compliance with PSIAS (cont.)

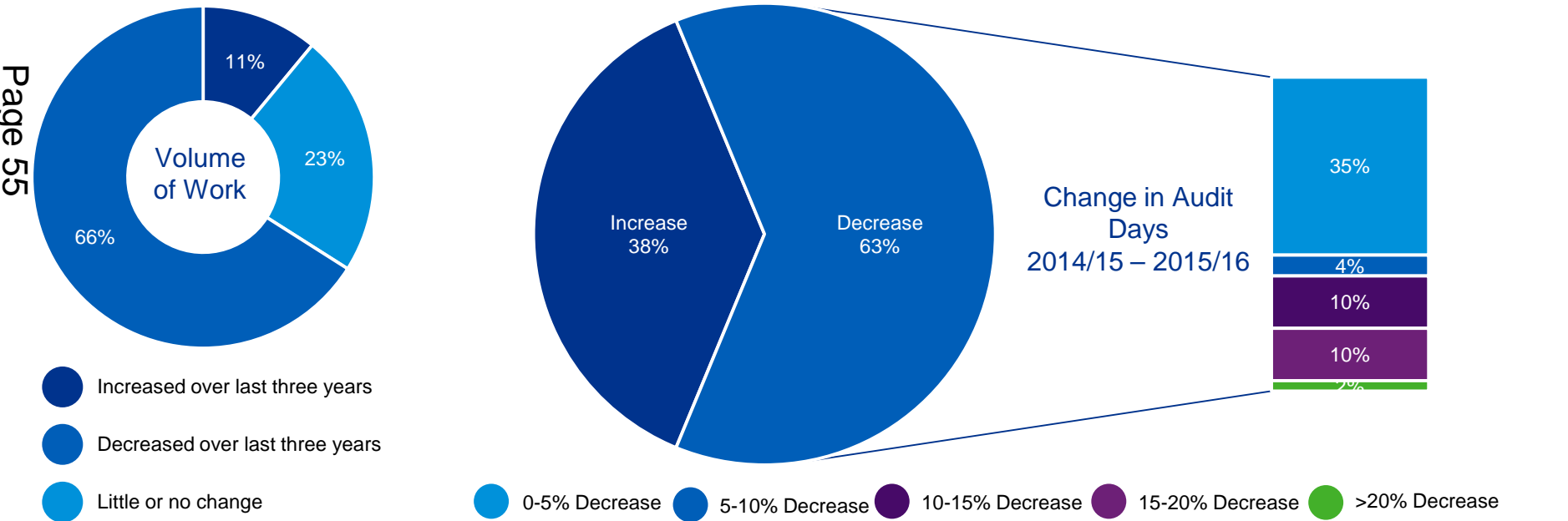
The below analysis shows the level of compliance achieved as a percentage of the total number of provisions included within the LGAN checklist.



# Appendix 3 – Sector Analysis

KPMG has recently undertaken an analysis of the use of internal audit throughout the local government sector. We have included below and on the following pages extracts from this analysis that are of relevance to this review. The full report will be distributed separately.

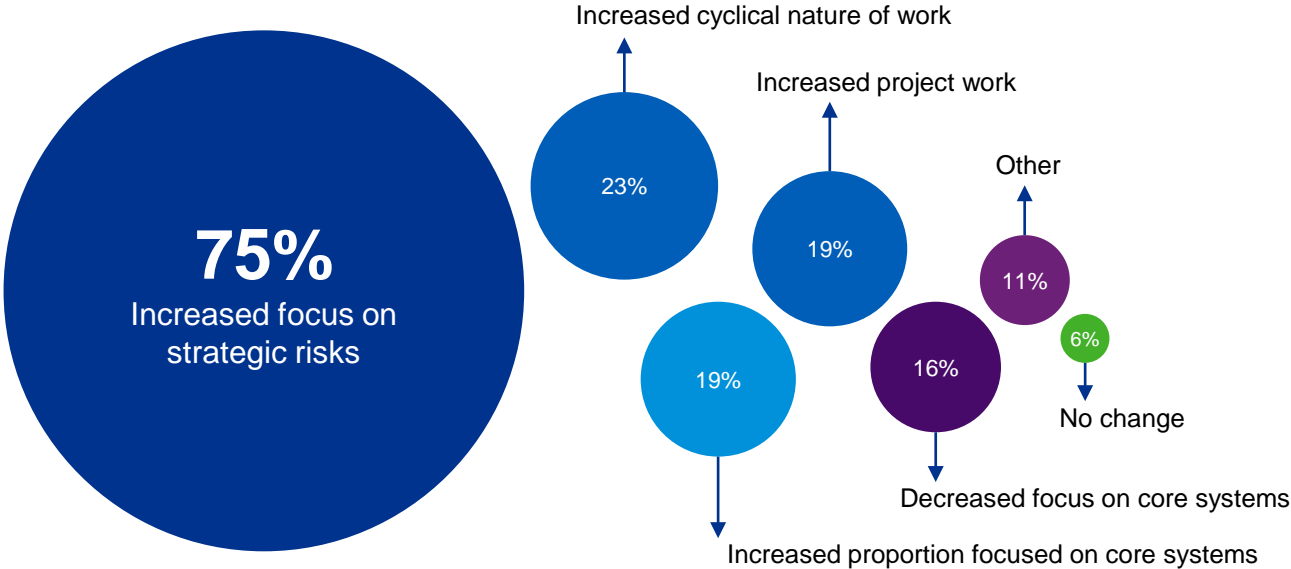
In light of the funding cuts that have been imposed upon local authorities, the way in which internal audit services are delivered has had to be reassessed in order to reduce costs whilst continuing to deliver the required level of assurance to service users. We have set out below an analysis of the way in which this has impacted upon the volume of audit work undertaken at individual authorities:



# Appendix 3 – Sector Analysis (cont.)

The reduction in the volume of audit work undertaken has in turn created the need to reassess the way in which audit resources are focused and audit plans delivered. Without the such reassessment there is a significant risk that the level of assurance provided to service users (including both management and audit committees) will be insufficient. We have set out below an analysis of how different authorities have addressed this pressure:

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In implementing these changes authorities have generally adopted a delivery model which more directly focuses on strategic risks and objectives. This aligns with the desire expressed by service users interviewed as part of this review to see the Service assume a more strategic role in the Council's operations.





# Contacts

The contacts at KPMG in connection with this report are:

**Darren Gilbert**

*Director*

*KPMG LLP (UK)*

Tel: 0292 046 8205  
darren.gilbert@kpmg.co.uk

**Adam Bunting**

*Manager*

*KPMG LLP (UK)*

Tel: 0117 905 4470  
adam.bunting@kpmg.co.uk



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**Powys County Council, Adult Social Care Action plan Wales Audit Office Report regarding Domiciliary Contract Letting to Alpha Care**

WAO Recommendation							
<p>1. The Authority should ensure that the weaknesses and / or deficiencies in the arrangements established to let the current domiciliary care contract are not replicated in any future domiciliary care procurement exercise. These include deficiencies in:</p> <ul style="list-style-type: none"> <li>• Governance and accountability</li> <li>• The way the contract was structured</li> <li>• Information made available to tenderers; and</li> <li>• The way in which tenders were evaluated</li> </ul>							
PCC Outline Response and indicative measures of success (show an understanding of the recommendation and what a successful response to it is likely to achieve)							
<p>This work has been undertaken following completion of the earlier CSSIW Action Plan. The Local Authority is committed to strong and effective commissioning arrangements, and has worked to ensure that all staff involved in the development of commissioning initiative, contracts, and tender evaluation are appropriately trained and follow corporate protocol. This includes agreement and adherence to clear governance arrangements for both the strategic planning of health and adult social care services under the umbrella of the Regional Partnership Board and the commissioning / tender evaluation requirements that result from this strategic planning.</p> <p>As the Council progresses its journey as a 'commissioning council' we have established the Cabinet led Commissioning and Procurement board in order to ensure oversight of commissioning and procurement activity across the council as a whole.</p>							
Response Owner				Response Ref:			
Action Ref:	Action	Outcome	Start Date	Target Date	Responsible Officer	Comments	RAG Rating
1.1	All future commissioning activity is aligned to Health and Adult Social Care Integrated Leadership Programme	Governance and Accountability structures will be agreed and communicated ahead of the start of all commissioning activity.	June 2015	Embed in business as usual	Dylan Owen	We continue to embed this recommendation throughout our commissioning	

	(HASCILB) and / or Adult Social Care Service Improvement Plan					<p>practice</p> <p>A suite of Integrated Commissioning Strategies have been developed in partnership with PtHB to fully align to the HASCILB programme. These include:</p> <ul style="list-style-type: none"> <li>• Older People (currently out to consultation).</li> <li>• Learning Disabilities</li> <li>• Carers</li> <li>• Substance Misuse</li> </ul> <p>A draft Integrated Assistive Technology Commissioning Strategy will be presented to the Joint Partnership Board for approval to undertake formal consultation.</p> <p>A first draft of an Integrated Physical Disability and Sensory Impairment Commissioning Strategy is complete.</p>
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						Governance arrangements for each strategy and all resulting commissioning activity is clearly detailed within strategies and communicated to commissioners to ahead of commissioning.	
1.2	Governance for commissioning activity is directed through the respective partnership board to the Regional Partnership Board and onto PCC Cabinet and PTHB Board.	Ongoing monitoring and scrutiny of commissioning activity will be assured at appropriate levels within PCC and PTHB	June 2015	Embed in business as usual	Dylan Owen	Measures are monitored through the Council's Quarterly Business Meeting (comprising of the Portfolio Member, Scrutiny Lead (observing role), and Director of Social Services. Governance of each strategy is via an appropriate thematic partnership board that report to the HASCILB Programme Board. Monitoring and scrutiny processes have been enhanced through additional	

						authority being given to the Joint Partnership Board (PCC & PtHB) to oversee joint commissioning activity	
1.3	PCC's existing Commissioning Toolkit will be enhanced through development of guidance around contract development, including consideration of contract size and value respective to market conditions / capacity	Future contracts size and values will be aligned to market requirements / provider capacity	February 2016	March 2016	Gail Jones	Guidance incorporated into the Guidance for Officers that is referenced within the Commissioning Toolkit.	
1.4	Governance arrangements to include scrutiny of adherence to Corporate project management processes	Project Initiation Document to include governance agreed at thematic boards and HASCILB	February 2016	Embed in business as usual	Dylan Owen	<p>A Corporate Gateway process has been agreed to provide effective challenge and management control across commissioning activities.</p> <p>Projects agreed for implementation via the Gateway process are managed in line with corporate project management processes. This</p>	

						includes the development and implementation of PID's overseen by respective thematic boards that report to HASCILB.	
1.5	PCC's existing Commissioning Toolkit will be enhanced through development of guidance around the development of ITT's	Improved quality of information provided to Tenderers	February 2016	March 2016	Gail Jones	Guidance incorporated into the Council's Contract Procedure Rules.	
1.6	Revise guidance for tender evaluation, and recording of evaluation undertaken on BRAVO	Improved tender evaluation, and evaluation recording	February 2016	March 2016	Gail Jones	Face to face training provided for evaluator by CST and guidance incorporated into the Guidance for Officers referenced in the Commissioning Toolkit	
1.7	Commission support from IPC to identify best practice, and to recommend future domiciliary care commissioning model	Best practice model developed. Market Position Statement produced. Recommendations identified for future procurement method	Nov 2015	March 2016	Dylan Owen	IPC presented their review of best practice models, and future proposed domiciliary care commissioning model in January 2016. A draft domiciliary care strategy and market position statement was	

						presented in March 2016	
1.8	Workshop to be held with all commissioning and procurement managers around tender evaluation	Improved understanding and tender evaluation skills	Feb 2016	May 2016	Gail Jones	Before tenders are evaluated, members of the Commercial Services Team provide face to face or phone training to the identified evaluators for that tender. Slides used for the training are incorporated into the Guidance for Officers referenced in the Commissioning Toolkit and deal with Evaluator responsibilities and the technical aspects of using the Bravo system for recording scores.	
PI Ref:	<b>Measure of Success</b> - These measures will be monitored through the Council's Quarterly Business Meeting (comprising of the Portfolio Member, Scrutiny Lead (observing role), Director of Social Services.		Baseline 2015/16	2016/17	2017/18		
	The rate of delayed transfer of care for social care reasons per 1,000 population aged 75 or over		2015/16 Data will be available May 16				
	Re-ablement clients complete a period of re-ablement (where outcomes have been achieved)		2015/16 Data will be				



		available May 16		
	Number of tenders successfully let with no issue identified during contract initiation period.	6		
	Provider Forum feedback on quality of ITT's	Individual feedback achieved on all tenders		
	Provider Forum feedback on quality appropriateness of contract size(s) commissioned	Individual feedback achieved on all tenders		
	Reduction in missed domiciliary care calls			

WAO Recommendation							
<p>2. In order to meet the challenges of transforming its service delivery in the light of reduced financial resources and increasing demand, the Authority has adopted a clearly defined commissioning and procurement strategy.</p> <p>We recommend that the Authority consider whether the issues raised in this report have wider relevance for the successful delivery of its commissioning and procurement strategy, and undertake a review of its processes for developing and letting major contracts. Particular attention should be paid to ensuring that the governance arrangements for developing, scrutinising and approving contracting exercises are appropriate and are working in practice.</p>							
PCC Outline Response and indicative measures of success (show an understanding of the recommendation and what a successful response to it is likely to achieve)							
<p>A suite of integrated commissioning strategies have been developed in partnership between PCC and PtHB. The Learning Disabilities, Substance Misuse, and Carers' commissioning Strategies are all agreed, and the Older Peoples, Assistive Technology, and PDSL Strategies are currently being scrutinised by the appropriate governance boards for agreement.</p> <p>The requirement to develop sustained market development to deliver the commissioning intentions within each of these strategies has also led to the establishment of thematic provider / engagement forums. This is already realising benefits of developing greater social capital and partnerships between the Council and partners. Care Forum Wales are an active member of appropriate forums and continue to work closely with the Council to facilitate market development.</p>							
Response Owner			Response Ref:				
Action Ref:	Action	Outcome	Start Date	Target Date	Responsible Officer	Comments	RAG Rating
2.1	Resourcing change capacity is required. This covers managerial and leadership capacity and corporate capacity and capability for legal, HR,	Capacity and capability to ensure effective delivery with minimum disruption to 'business as usual' services.	01/02/16	30/9/16	David Powell	Resourcing plan in development that will identify resource demands for all change capacity over the next three years.	

	finance and IT. Governance processes are adequately supported. This needs to be reflected in financial plans.						
2.2	Commissioning & Procurement Strategy – Review and Update	To ensure that the Council's current strategic intent is reflected	01/02/16	31/12/16 (revised date to reflect the need for a new strategy that fully reflects the present context as opposed to revisions to the existing strategy)	Jason Lewis	The need for a new commissioning strategy has been identified and resource has been secured to take forward this activity.	
2.3	Ensure overall co-ordination of commissioning activity in the Council through the Head of Professional Services and Commissioning taking a lead role in the Head of Service group for this area	Better awareness of the linkages between activities and support for the resourcing requirements	01/02/16	30/9/16	Jason Lewis	Role to oversee the co-ordination of commissioning activity is being recruited to and will maintain the resourcing plan and co-ordinate the activities of the programme office.	
2.4	Increase capacity to support transformation and co-ordinate commissioning at a corporate level. The 2016/17 budget includes funding for a new post of Professional	The links between commissioning and transformation will be strengthened to deliver the balanced MTFS savings. A strengthening	08/02/16	30/9/16	Jason Lewis	As above.	

	Lead of Transformation and Commissioning	of the corporate capacity will help co-ordinate the programme management capacity					
2.5	Processes for developing major contracts – Alignment of programme office Project/Gateway process for major projects	All relevant services are aware and/or involved in the commissioning and /or procurement of major contracts	08/02/16	31/3/16	Andrew Durant / Gail Jones	Complementary Gateway processes are in place for the Programme Office for major projects run by the Programme Office and for smaller projects managed by Commercial Services/Service areas that require a procurement process	
2.6	Define 'major contracts'; Establish criteria eg Length of contract Value Risk to citizens For Sign off by C&P Board	A consistent corporate understanding of what constitutes a major contract. This will enable appropriate resource allocation	08/02/16	31/3/16	Jason Lewis/Gail Jones	Responsibility for the definition of contracts on a case by case basis established in Contract Procedure Rules.	
2.7	Processes for letting major contracts Awareness raising/training for relevant staff regarding required information for specifications and Invitations to Tender	All relevant staff understand the necessity for quality data, timescales, diligence etc	08/02/16	30/6/16	Jason Lewis / Vince Hanly	Training programme content in development in readiness for delivery to relevant staff. The programme will also include refresher	

	Enhanced evaluator training and guidance before each procurement event	To ensure that evaluators understand their role in awarding public money to a 3 <sup>rd</sup> party and in protecting the Council from risk				training on the financial regulations for contracts to ensure consistency of application.	
2.8	<p>Governance arrangements: Enhance the role of the C&amp;P Board to include sign – off for major commissioning and procurement activity</p> <p>Projects sponsors/ HOS to report to C&amp;P Board on progress of major commissioning and procurement events</p> <p>Professional Services to be integral to commissioning and/or procurement projects that may result in the procurement of major contracts. This will provide oversight and a consistent approach.</p>	To ensure that the appropriate balance of input is gained for each project to ensure that it is delivered in time, within the financial envelope and with the minimum of risk. Increased accountability and transparency for the delivery of contract related activity	08/02/16	31/12/16	Jason Lewis	<p>On-going. The end date reflects reporting back process.</p> <p>Progress of major commissioning and procurement projects now being reported to C&amp;P Board</p> <p>Gateway process introduced with the purpose of ensuring that Professional Services are integral to commissioning and procurement projects.</p>	
2.9	Scrutiny - C&P Board has oversight of all planned	To ensure awareness and challenge of progress	08/02/16	31/12/16	Jason Lewis	Planning of and progress against	

	major procurement events and progress against them The scrutiny committees' work programmes will be reviewed to ensure appropriate reviews are in place for major activities	against the delivery of key projects. It is critical that enough time and resource is allocated to deliver the required outcome and minimise contract extension requirements			Wyn Richards	major commissioning projects is now being reported to C&P Board.  Scrutiny reviews would only be appropriate either at the commencement of a project i.e. to seek assurance that the purpose and direction of travel are appropriate for the Council, and latterly following the completion of the project as a review. It will be essential to co-ordinate work programmes between the C&P Board, the Cabinet and Scrutiny committees, as otherwise scrutiny is unlikely to be aware of procurement activities.	
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2.10	<p>Effective review processes for contracting and commissioning activity:</p> <p>Review on completion of each major contract and commissioning exercise.</p> <p>Production of closure report and handover to service area for contract monitoring.</p> <p>Regular reporting to C&amp;P Board</p>	<p>To ensure not only learning but that services consistently deliver good procurement and commissioning. By establishing what went well and what didn't during a particular activity lessons can be learned and shared for use with subsequent exercises</p>	08/02/16	30/6/16	Gail Jones	<p>Guidance for Officers is being updated to include a section that advised on the approach to be adopted in conducting a lessons learnt review. A prompt to review is already incorporated into the procurement project planner.</p> <p>The draft audit plan will include a review of major contracting and commissioning exercises to ensure lessons are learnt.</p>	
2.11	<p>Funding to be in place so that decision making is supported by data and appropriate analysis. Permanent base budget funding for the Business Intelligence Unit is required</p>	<p>To ensure all contract related activity is based on sound data</p>	08/02/16	30/04/17	David Powell	<p>Built in to MTFS as a permanent change from 17/18. Permanent funding now in place for existing posts that had previously been funded from Management of Change. Business Intelligence activity is now better</p>	

						aligned with the Council's direction of travel.	
2.12	A review of the finance function will take place to look at capacity and capability to meet the transformation agenda required by the three year balance MTFS	An ability to meet the requirement for management accounting data and support decision making through appropriate financial information	08/02/16	30/4/16	David Powell/Jason Lewis	Review commissioned February 2016 and draft report delivered 8 <sup>th</sup> April for comment. Draft Action Plan has been created in order to deliver a changed Finance function.	
2.13	An assessment of the Commercial Services capacity and capability to help support the transformation agenda required by the three year balance MTFS	An ability to meet the requirement for commercial advice and support decision making through appropriate advice and challenge	08/02/16	31/5/16	Jason Lewis/Gail Jones	A peer review of Commercial Services has been commissioned from the LGA and will take place in July 2016. This review will assess the capacity of the service to support the transformation agenda.	
2.14	Market Development capacity is needed to meet the requirements of the contract packaging or the service specifications. We need to work with providers and markets to develop	Access to this expertise and the ability to deploy it at the start of the commissioning cycle will improve likelihood of success	08/02/16	30/9/16	Jason Lewis/Dylan Owen	Commercial Services and the People Directorate will work together to plan the development of capacity to support	



	service provision. This is a different skill to procurement or purchasing and requires expertise. An assessment of our ability is needed and a resourcing plan. A report will go to the C&P Board					market development. This activity has been delayed as a result of staff changes within the Commercial Services team.	
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WAO Recommendation							
<p>3. Audit work undertaken previously by the Auditor General in 2010 and 2014 on the Authority's whistleblowing policies identified that 'there was often a lack of an audit trail to support key decisions and events. Some key decisions were not documented and there were instances of key documents or supporting information not being found or not existing.'</p> <p>Similar issues are identified in this report. The review recommended about should also consider the extent to which adequate documentation is produced and retained to support key decisions made when developing and letting tenders.</p>							
PCC Outline Response and indicative measures of success (show an understanding of the recommendation and what a successful response to it is likely to achieve)							
<p>The WAO report highlighted a series of risks around document management.</p> <p>As a service we are aware of the challenges of maintaining appropriate records and approval of all change initiatives during the ongoing high level of change required across all public services. The service is currently working to identify opportunities to standardise record management processes through greater use of technology and appropriate software packages.</p>							
Response Owner				Response Ref:			
Action Ref:	Action	Outcome	Start Date	Target Date	Responsible Officer	Comments	RAG Rating
3.1	Review existing 'un-structured data' held in personal and shared drives for social care.	Improved management of critical data that sits outside the core DRAIG system.	March 2016	June 2016	Andrew Durant	Analysis tools to be procured via Share Point Project. Analysis of data to commence May 2016.	
3.2	Implement WCCIS reducing external data sources e.g. spreadsheets	WCCIS is the main social care repository. Remove the need to hold operational data outside the system.	Currently running	Dec 2016	Caroline Pears	Implementation of the National WCCIS will consolidate information. Project is on	

						target with regular updates to the Joint PCC and PtHB Management Team.	
3.3	Implement corporate share-point and improve document storage capability	Improved Information Governance for non WCCIS social care data e.g. policies etc.	Mar 2016	Components in place Q1 2016/17. Social care operational Q3 2016/17	Andrew Durant	Sharepoint Project underway, Business case in Governance cycle Mid-April. Looking to tender in May, award in July/August 2016.	
3.4	Implement a modern up to date Finance system that integrates to WCCIS	Joined up financial information and processes removing the need for manual integration	April 2016	Mar 2017	Jason Lewis	Proposals for a replacement system are in development. Major transformational project affecting multiple systems and processes.	

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## CYNGOR SIR POWYS COUNTY COUNCIL

### AUDIT COMMITTEE

7<sup>th</sup> July 2016

**REPORT AUTHOR:** David Powell

**SUBJECT:** Action Plan in response to WAO Review of Financial Resilience (2015-16)

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**REPORT FOR:** Information

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#### 1.0 Introduction

- 1.1 The Council has been subject to an assessment by WAO on its Financial Resilience. The assessment was undertaken during the period May to October 2015, and followed up issues highlighted in the 2014-15 financial position work. The focus of the work was on delivery of 2014-15 savings plans, and the 2015-16 financial planning period.
- 1.2 Good financial management is essential for the effective stewardship of public money and the delivery of efficient public services. Good financial management:
- Helps councils take the right decisions for the short, medium and long term;
  - Helps councils deliver services to meet statutory obligations and the needs of local communities;
  - Is essential for good corporate governance;
  - Is about managing performance and achieving strategic objectives as much as it is about managing money;
  - Underpins service quality and improvement;
  - Is the basis of accountability to stakeholders for the stewardship and use of resources; and
  - Is a key management discipline.
- 1.3 Long-term financial management is not about predicting the future; it is about preparing for it. Councils need to understand future demand, assess the impact of probable changes, review the gap between funding needs and possible income, and develop appropriate savings strategies.
- 1.4 Well-considered and detailed long-term financial strategies and medium-term financial plans can ensure the delivery of strategic priorities by enabling appropriate financial choices. Conversely, short-term annual budget planning alone encourages an incremental and process-driven approach that can be ineffective in a period of rapid external change.
- 1.5 Financial resilience is achieved when a council has robust systems and processes to effectively manage its financial risks and opportunities, and to secure a stable financial position.

## 2.0 **Background**

2.1 The work undertaken by WAO focused on answering the following question: **Is the Council managing budget reductions effectively to ensure financial resilience?** Also considered within the report is whether:

- **Financial planning arrangements effectively support financial resilience;**
- **Financial control effectively supports financial resilience; and**
- **Financial governance effectively supports financial resilience.**

2.2 Given the continuing pressures on funding, WAO has considered whether the Council has appropriate arrangements to plan to secure and maintain its financial resilience in the medium term (typically three to five years ahead). They have also considered evidence of the Council's approach to managing its finances in the recent past and over the medium term when reaching a view on the Council's financial resilience. Financial resilience is achieved when a council has robust systems and processes to effectively manage its financial risks and opportunities, and to secure a stable financial position.

2.3 Based on fieldwork carried out in all Welsh local authorities, WAO has drawn together a list of key characteristics of good practice and have appended this to the report to assist practitioners in developing their arrangements.

2.4 The assessment was undertaken during the period May to October 2015, and followed up issues highlighted in the 2014-15 financial position work. The focus of the work was on delivery of 2014-15 savings plans, and the 2015-16 financial planning period.

## 3.0 **Findings**

3.2 Overall the report concludes that **the Council is improving its financial management arrangements with the benefit of increasingly rigorous internal scrutiny and challenge, but recognises that it needs to better align and monitor service and financial performance if it is to be confident of achieving its priorities with the resources at its disposal.** This conclusion is based on findings in relation to financial planning, financial control and financial governance arrangements. WAO rated the risk to the Council's delivery of its financial plan for each of these elements as follows: -

Element	Risk Rating	Descriptor	WAO overall assumption
Financial planning arrangements effectively support financial resilience	Medium risk	There are some shortcomings in systems, processes or information that may affect the council's ability to deliver the desired outcomes of its financial plan.	The Council continues to develop and refine its long-term approach to financial planning, working to integrate and align it with its corporate change and improvement planning.
Financial control effectively supports financial resilience	Medium risk	There are some shortcomings in systems, processes or information that may affect the council's ability to deliver the desired outcomes of its financial plan.	Whilst the Council's overall financial control arrangements are adequate, arrangements for the combined scrutiny of service and financial performance remain less than effective.
Financial governance effectively supports financial resilience	Medium risk	There are some shortcomings in systems, processes or information that may affect the council's ability to deliver the desired outcomes of its financial plan.	The Council's developing financial governance arrangements are leading to increasingly rigorous internal scrutiny and challenge of its budget setting and financial performance.

#### **4.0 Progress**

- 4.1** A Monthly Budget Planning Group has been established to develop, deliver and maintain the budget process for 2017/18. The Group is chaired by the Strategic Director – Resources, and is attended by officers involved in the budget process as well as the Portfolio Holder for Finance. Terms of Reference for the group have been agreed.
- 4.2** An Action Plan has been developed in response to the areas of weakness identified within the review. A number of actions have been completed / implemented since WAO has completed the review.
- 4.3** Based on the fieldwork carried out in all Welsh local authorities at the time of undertaking the review, WAO has drawn together a number of key characteristics of good practice and have appended this to the report.
- 4.4** A self-assessment process has been undertaken to identify where the Council is already currently adhering to best practice. Where the Council is currently not complying with the areas of best practice then it will be considered as part of the Monthly Budget Planning Group to assess whether it is reasonable and achievable to align our working methods to meet this best practice.
- 4.5** WAO has given us initial notification that the Corporate Assessment process has been revised. The process instead will now be based upon three key themed reviews: -
1. Financial Resilience (expected May/June/July 2016);
  2. Governance (expected autumn 2016); and
  3. Service Transformation (expected early 2017).
- 4.6** Regular progress updates on the action plan will be provided to Audit Committee and the Finance Scrutiny Panel.

## 5.0 Appendices

### 5.1 Financial Resilience Action Plan



FR Action Plan.docx

### 5.2 Financial Resilience Good Practice Self-Assessment



FR  
Self-Assessment.doc

## 6.0 Next Steps

6.1 Progress on the attached plan will be monitored and reported to the Audit Committee.

## 7.0 Statutory Officers

7.1 The Strategic Director, Resources (S151 Officer) has made the following comment:

Financial resilience is an increasingly important requirement for any local authority. The work carried out by WAO makes an important contribution to ensuring the Council has appropriate awareness as well as actions in place to deliver this key requirement.

7.2 The Solicitor to the Council (Monitoring Officer) has made the following comment:

## 8.0 Future Status of the Report

8.1 Not applicable

Recommendation:	Reason for Recommendation:
The Audit Committee agree the attached Action Plan and Self-Assessment.	In order to ensure the Authority uses the issues raised in the WAO report to build its financial resilience.

Relevant Policy (ies):			
Within Policy:	Y / N	Within Budget:	Y / N

Relevant Local Member(s):	Not Applicable
---------------------------	----------------

Person(s) To Implement Decision:	
Date By When Decision To Be Implemented:	

Contact Officer Name:	Tel:	Fax:	Email:
Caroline Evans	01597826171		caroline.evans@powys.gov.uk



**Good Practice Self-Assessment (Key characteristics of good financial management)**

Ref		Key characteristic currently in place	Meeting requirements
<b>1.</b>	<b>Key characteristics of good financial planning</b>		
1.1	The council's budget is set in the context of a longer-term financial strategy and a medium-term financial plan covering a three to five-year horizon.	Yes.	
1.2	The council has clearly identified the savings it intends to make over a three to five-year term. The savings plan is underpinned by detailed costings and delivery plans for individual savings (including transformation/change savings).	We recognise that some of the savings in the latter years lack the level of detail required, however the plan is to address this.	
1.3	The council has a good track record of delivering on its savings plans.	Budget challenge events. Profiled savings and monitoring against profiles.	
1.4	Medium-term financial planning and annual budgeting reflect the council's strategic objectives and priorities for the year, and over the longer term.	Yes, but to what level or extent?	
1.5	Assumptions around inflation, income levels, demographics, future demand for services and the costs of delivering services are modelled and based on reasonable predictions.	Yes, but to what level or extent?	
1.6	The council understands its sources of income and the risks arising from these, and has reviewed its approach to fees and charges to ensure it achieves value for money.	Policy is in place, but we need to embed the practice across the Council.	
1.7	Financial and corporate planning processes are integrated, link to risk management arrangements, and incorporate strategic planning for other resources including the capital programme and workforce planning.	Capital programme needs development. Better approach planned for 2017/18.	
1.8	The council uses financial modelling to assess likely impacts on financial plans and required savings for different scenarios, and to help ensure short-term fixes are not achieved at the expense of long-term sustainability.	We do some scenarios – minimal.	
1.9	The council models key expenditure drivers (for example, population changes and demand for services), sources of income (for example, income and government grant forecasts), revenue consequences of capital and resource requirements and balances.	Pupil number changes, Social Services demand, Council Tax, what grants we're going to receive. Resource Plan (what we need to deliver). We do consider reserves.	
1.10	The council operates within a level of reserves and balances (including earmarked reserves and the general fund balance), approved by members, and appropriate to the strategic, operational and financial risks it faces.	Reserves policy in place. Report into Audit Committee for scrutiny.	
1.11	If the council is not at its target level for balances, there is planned action in place to achieve this, taking account of any associated risks to the organisation's financial position and delivery of its priorities.	We have within the budget plan amounts to be paid to replenish reserves (included within Reserves Policy).	
<b>2.</b>	<b>Key characteristics of good financial control</b>		

Ref		Key characteristic currently in place	Meeting requirements
2.1	The council has an appropriate and effective budget management policy that clearly sets out roles, responsibilities and accountability. The scheme of delegation is clear, and processes are set out to manage budget under and overspends.	FR Action Plan point 27.  Finance SLA clearly defines roles and responsibilities.	Need to develop better training for budget managers (included in finance review and action plan).
2.2	Financial monitoring and forecasting are fit for purpose and accruals-based, helping to ensure a clear link between the budget, in-year forecasts and year-end position.	The majority of this is in place.  Budget monitoring monthly reports. Developed budget manager access to CP, rather than system generated reports, which gives them additional functionality to drill down. Address shortfall in terms of reviewing the budget monitoring.	Looking to improve budget monitoring report. (Included within Finance Review – finance Review Action Plan).
2.3	The council analyses and extrapolates relevant trends, and considers their impact on the projected final out-turn.		Identified in Finance Review and will be built into Action Plan.
2.4	The council takes timely action to address any budget pressures, for example, by taking corrective action to manage unfavourable variances or by revisiting corporate priorities.	Virement process used to deal with minor level budget pressures.	
2.5	The council has a good recent record of operating within its budget with no significant overspends.	Outturn position for the last 2 financial years (14/15 & 15/16) has been an underspend against the approved budget. Variances at a service level have seen overspends, partly due to the non-achievement of all savings within the financial year. In 14/15 savings delivered represented 80% of those planned and 76% in 15/16. To mitigate the risk of non-delivery the Council has set up a budget management reserve, as yet this has not been drawn on. Monthly financial reporting and forecasting across the Council including Cabinet keeps everyone informed of the current position so that any variances can be considered and the necessary action taken. Budget Challenge events will be held regularly with Heads of Service on the delivery of the savings and their service financial performance against budget.	

Ref		Key characteristic currently in place	Meeting requirements
2.6	The council has agreed a clear policy on the use of its reserves. There is a clearly justified minimum level for its 'general fund' reserves balance. There is a clear rationale to explain transfer from, or between, reserves. Clear protocols explain how and when each reserve should be used. Decisions about reserves are underpinned by a comprehensive assessment of risk and current performance.	Reserves Policy approved and in place.	Do we need to report more detail to Cabinet??  Reserves report that was presented to Scrutiny to be taken to Cabinet.
2.7	The reserves policy has been agreed by members and is subject to scrutiny.	Yes. Budget Scrutiny Panel recently received a report.	
2.8	The council has a clear policy on income generation/charging. There is a register of charges across its services to help manage charges consistently. The council has corporate guidelines on how concessions should be applied. Charges are regularly reviewed and the policy updated.	Income Policy approved and in place. Register of charges being collated.  Budget Challenge Events to ensure Heads of Service are incorporating the requirements of the policy into their financial planning. Need to reinforce the policy.	
2.9	The council monitors its key financial ratios, benchmarks them against similar bodies and takes action as appropriate.	Limited at individual service level. Recognised as a shortfall. Reserves monitored. Funding per head of population.	Finance Review – finance benchmarking to be undertaken to provide information for decision making.
2.10	The annual governance statement gives a true reflection of the council.	The Annual review of the authority's corporate governance arrangements is undertaken through the Annual Governance Statement which is approved by the Audit Committee following extensive consideration by the Joint Chairs and Vice-Chairs Steering Group. The AGS goes beyond the requirements of the CIPFA and Solace guidance.	
3.	<b>Key characteristics of good financial governance</b>		

Ref		Key characteristic currently in place	Meeting requirements
3.1	The leadership team clearly understands the significant and rapidly changing financial management challenges and risks facing the organisation, and is taking appropriate action to secure a stable financial position.	Three year budget planning process and budget challenge events on a quarterly basis. Corporate risk register reported to Cabinet on a quarterly basis. Monthly budget monitoring reports to Cabinet. Budget management reserve set aside specifically to deal with any slippage of savings targets and mitigates the risks associated with slippage.	
3.2	The council has sufficient capacity and capability to promote and deliver good financial management.		Review undertaken of capacity and capability of finance with a set of actions to deliver. Improve the financial service offered Improvement financial management and responsibility across the council.
3.3	The leadership team fosters an environment where there is good understanding and routine challenge of financial assumptions and performance, and a culture of transparency about the financial position.	Cabinet workshops Budget scrutiny committee (FSP) Budget challenge events Budget performance monitoring Audit Committee – financial monitoring	
3.4	The leadership team provides constructive scrutiny and challenge on financial matters to ensure arrangements remain robust and fit for purpose.	As above	
3.5	There is regular and transparent reporting to members. Reports include detail of action planning and variance analysis.	Regular financial monitoring. Limited detail of variances Alignment of priorities with budget activity.	Review budget monitoring reports for content and to improve the information provided within. Establishment of Strategic Overview Board to oversee performance, finance and risk information.

Ref		Key characteristic currently in place	Meeting requirements
3.6	Members scrutinise and challenge financial performance effectively, holding officers to account.	<p>Scrutiny committees are provided with information, request information from services and invite officers to discuss specific information.</p> <p>Finance Scrutiny Panel and Audit Committee see overarching financial information.</p> <p>Budget Challenge Events led by the S151 Officer and Portfolio Holder for Finance, to hold officers to account.</p>	
3.7	Internal and external audit recommendations are dealt with effectively and in a timely manner.	Action plans for recommendations are developed at service level.	Re-establish the regulatory recommendation tracker process.
3.8	There is effective engagement with stakeholders on budget issues, including public consultations.	<p>Public consultation carried out as part of the budget setting process. The findings of which are reported in the budget and inform the budget setting process.</p> <p>A number of different methods have been used to increase public participation, including online budget simulator.</p>	

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**Financial Resilience Action Plan**

Our Ref	WAO Ref	Key Task	Actions necessary to complete the task	Deliverable(s) (What do we want to achieve?)	Who is taking forward	Start date	Completion date	Are there any dependencies?	Notes on actions taken	Progress expressed as BRAG status
01	15.	Last year we highlighted that the Council needed to be clear about how it would resource its identified corporate priorities (set out in the Statement of Intent and One Powys Plan). Also that it should be clear how it would ensure its corporate and strategic financial plans were sufficiently aligned. The Council acknowledged that its financial planning should begin earlier and the initial work for the 2015-16 budget began in May 2014. Budget planning followed an approach which aimed to provide greater clarity on the budget process and timing for Members than previously.	Establish monthly budget planning group	Corporate priorities are resourced effectively to ensure delivery of objectives	David Powell	31/03/2016	Ongoing	n/a	Action complete	
02			Resource / Savings Delivery Plan for Corporate Priorities (set out in Statement of Intent (SOI) and Powys One Plan)		Jason Lewis	01/04/2016	28/06/2016	n/a	Resources / Savings Delivery Plan to be available for the Strategic Overview Board	
03	26.	There are, however, capacity issues within the Finance Department. Major restructuring has taken place in the last few years and the Finance Department has seen an approximate 20 per cent reduction in its staff numbers, which has affected the capacity of the team. Some vacancies remain but the Council has experienced difficulties in recruiting to all but the junior accountant positions.	Action Plan to deliver new Finance Operating Model	Fit for purpose finance department which supports delivery of the Council's priorities	Jane Thomas	07/05/2016	TBC		Currently in development	
04			Strategic Overview Board established	Timely information available	Jeremy Patterson	01/03/2016	Ongoing	n/a	Action complete	
05	31.	Over previous years, the Council has had a variable track record of delivering its overall budget. Its budget was underspent in both 2011-12 and 2012-13. The budget for 2013-14 was overspent by £0.8 million, which the Council met by utilising its reserves.	Resource / Savings Delivery Plan for Corporate Priorities (set out in Statement of Intent (SOI) and Powys One Plan)	Savings proposals are resourced and managed to ensure targets are achieved	Jason Lewis	01/04/2016	28/06/2016		Resources / Savings Delivery Plan to be available for the Strategic Overview Board	
06			Budget Challenge Events			13/04/2016	Ongoing on a quarterly basis	n/a	Action complete	
07			Monthly savings reporting (Efficiencies Tracker)		Jane Thomas	Monthly ongoing	Monthly ongoing	n/a	Action complete	
08	38.	The Council recognises that further work is needed to optimise its income and deliver the Council's policy of full cost recovery as outlined in the Statement of Intent 2014-17. Cabinet recently approved a new Income Management and Service Cost Recovery Policy, and the Council has set a target of generating an additional £1.5 million of income over future years. The Charges Register is in its infancy and initial targets have been set for additional income generation from 2016-17. The Council's project, initially supported by PwC, to look at income generation/charging and cost recovery has raised the profile of income generation as a Council-wide response to the financial challenge. This project has identified a number of opportunities, some of which have been acted upon by the Council. For example, in relation to highways and cemetery service charges. In November 2015, the Council increased its Cemetery Fees by 65 per cent moving them from the lowest quartile in Wales into the highest quartile. The Council recognises that such an increase in fees will only achieve the targeted saving/cost recovery if demand for its services remains at the current levels, and that demand will need continued monitoring.	Income will be incorporated into the budget challenge process and will hold services to account on income commitments in the same way as Third Party Spend reduction and savings	The Council is able to optimise identified income generation and meet the identified targets	Jason Lewis	13/04/2016	Ongoing on a quarterly basis	n/a	Action complete	
09	41.	The Council has actively sought to increase Member involvement in the budget process. It has run a series of budget seminars with Councillors through the year. The seminars were held to explain the updated FRM to members and present the proposed savings drawn up by each service area. The aim was to inform broad proposals for setting the three-year budget, and to receive guidance from members	Resource / Savings Delivery Plan for Corporate Priorities (set out in Statement of Intent (SOI) and Powys One Plan)	Identify projects as an efficiency / improvement / compliance initiative; Savings proposals are resourced and	Jason Lewis	01/04/2016	28/06/2016		Resources / Savings Delivery Plan to be available for the Strategic Overview Board	

Our Ref	WAO Ref	Key Task	Actions necessary to complete the task	Deliverable(s) (What do we want to achieve?)	Who is taking forward	Start date	Completion date	Are there any dependencies?	Notes on actions taken	Progress expressed as BRAG status
10		on policy direction so that proposals could be turned into agreed action plans. In its progress report to Audit Committee in November 2015, the FSP recognised that the budget setting process in Powys is evolving. Whilst welcoming the earlier and more detailed involvement of Members, the FSP expressed some concerns that there were still too many elements of 'salami' slicing rather than transformational change and that some of the savings proposals may not be deliverable.	Monthly savings reporting (Efficiencies Tracker);	managed to ensure targets are achieved; Corporate Improvement Plan priorities supported by the budget process; A transformational approach to achieving savings.	Jane Thomas	Monthly ongoing	Monthly ongoing	n/a	Action complete	
11			Three year budget planning process (MTFS)		David Powell	25/02/2016	Ongoing	n/a	Action complete	
12	42.	In the current period of austerity, it is vital for the Council to subject its savings proposals to scrutiny and challenge. It must obtain an objective evaluation of their achievability, and of their potential impact on quality of service and the achievement of corporate priorities.	Budget and Scrutiny challenge events of savings proposals	Savings are achievable with minimum impact to service delivery and achievement of corporate priorities	Jason Lewis	01/04/2016	28/06/2016			
13			FSP Work Programme		Wyn Richards	2014/15	Ongoing	n/a	Action complete	
14			Impact Assessments of each savings proposal		Caroline Evans	30/09/2015	Ongoing	n/a	Action complete	
15	44.	In the majority of cases, the Council expects that savings proposals, and their appropriate scrutiny and challenge can be developed internally. However, the Council recognises that in some cases, it will need additional capacity and expertise to help it reduce its operating costs.	Resource / Savings Delivery Plan for Corporate Priorities (set out in Statement of Intent (SOI) and Powys One Plan)	Savings proposals are resourced and managed to ensure targets are achieved	Jason Lewis	01/04/2016	28/06/2016		Resources / Savings Delivery Plan to be available for the Strategic Overview Board	
16			Monthly savings reporting (Efficiencies Tracker);		Jane Thomas	Monthly ongoing	Monthly ongoing	n/a	Action complete	
17	46.	The FSP, at a recent joint meeting with Cabinet (14 December 2015) presented a report with a number of observations and suggestions to further improve the budget setting process for Cabinet to consider. The work undertaken so far, building upon the support from the external specialists, has enabled some positive benefits to be derived although some arrangements are clearly developing and have yet to be fully embedded.	Budget setting report to Cabinet outlining timetable for the 2017/18 budget setting process.	Improved budget setting process and a strengthened approach to financial scrutiny	Jane Thomas	10/05/2016	16/02/2017			
18	47.	In circumstances where timescales are compressed, it is particularly important to ensure that risk is effectively managed and proper accountability arrangements are in place. We recently published a report of our <b>Review of the Letting of a Domiciliary Care Contract to Alpha Care Limited</b> . It expresses our view that in its haste to introduce the new domiciliary care service as quickly as possible, the Council compromised the integrity of its established governance arrangements. In consequence, the Council and users of the domiciliary care service were exposed to unnecessary risk.	Action Plan in response to WAO Review of Domiciliary Care	The Council ensures that weaknesses in its arrangements are not replicated in future commissioning activities.	David Powell	01/06/2015	30/04/2017		Action Plan reported to Audit Committee	
19	48.	To meet the challenge of transforming service delivery with reduced financial resources and increasing demand, the Council has adopted a clearly defined commissioning and procurement strategy. Our report on the letting of the domiciliary care contract recommended that the Council consider whether the issues we have identified have wider relevance for the successful delivery of its commissioning and procurement strategy. It also recommends that the Council undertake a review of its processes for developing and letting major contracts. We emphasise the need to ensure that the governance arrangements for developing, scrutinising and approving contracting exercises are appropriate and are working.	Action Plan in response to WAO Review of Domiciliary Care	The Council ensures that weaknesses in its arrangements are not replicated in future commissioning activities.	David Powell	01/06/2015	30/04/2017		Action Plan reported to Audit Committee	



## CYNGOR SIR POWYS COUNTY COUNCIL

### AUDIT COMMITTEE

7<sup>th</sup> July 2016

**REPORT AUTHOR:** Caroline Evans, Business Continuity & Risk Management Officer

**SUBJECT:** Update Report on Risk Management

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**REPORT FOR:** Information

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#### **1.0 Summary**

- 1.1** An update has been requested by the Audit Committee on Risk Management within the Council, following a report to the previous Committee on 4<sup>th</sup> February 2016.
- 1.2** This report outlines the position statement for Risk Management within the Council, and progress made since the last committee.

#### **2.0 Background**

- 2.1** We are in a process of continuously improving and updating our approach to risk management to help us to better understand and manage the risks the Council is facing and to increase the likelihood of achieving our objectives. Risk management is a core management discipline that supports organisational delivery. The risks that the organisation faces are changing all the time, so the art of good risk management is to combine planning for what we know might happen with preparation for unknown situations, and to safeguard the organisation and in turn make it more resilient.
- 2.2** A process of implementing risk management in service and directorate management teams has been initiated, to review and update service and corporate risks, and to ensure that control measures are identified. The risks are reviewed and updated quarterly to ensure that the risk registers are dynamic and remain up-to-date.

#### **3.0 Progress**

- 3.1** The SIIA project team has made minor revisions to the SIIA toolkit following feedback from officers and Members who completed the toolkit for the 2016/17 budget savings as part of the pilot process. One of the changes made was re-naming of the toolkit to the Impact Assessment (IA) toolkit.
- 3.2** Training has been designed and developed for officers who are identified to complete the IAs, and also Heads of Service who are involved in the sign-off process. The training has been developed to improve the IA process and to ensure that due regard has been fully undertaken when completing them.
- 3.3** Training sessions have been arranged for throughout the year and officers have been invited to book themselves onto the training sessions. The training has also

been opened to a wider audience beyond those who will be completing IAs in respect of financial savings.

- 3.4 WAO recently undertook an assessment of the Council's financial resilience. An action plan has been developed to respond to the assessment and a self-assessment has also been undertaken against the key characteristics of good financial management which WAO identified when undertaking the assessment against all 22 Welsh authorities.
- 3.5 As part of the preparation for the Corporate Assessment a self-assessment has been undertaken based on WAO's question hierarchy. The assessment was undertaken by Thematic Leads who were identified to lead the approach. The purpose of the self-assessment is to enable the Council to identify its areas for improvement, as well as its strengths. This will be shared and discussed with WAO once the process is complete.
- 3.6 The Cabinet continues to view the corporate risk register on a quarterly basis, and the Leader is updated on the progress of risk management on a monthly basis, as part of his role as Portfolio Holder for Risk Management.

#### **4.0 Further Work**

- 4.1 Engagement with SMTs and DMTs will continue, to further embed the risk management process throughout the Council. Services will review their risks ongoing on a quarterly basis, and will report this information at the Quarterly Performance Review meetings, as well as to Cabinet Management.
- 4.2 The Business Continuity & Risk Management Officer will continue to meet with the Leader on a monthly basis to ensure that the corporate risk register remains up-to-date with the appropriate mitigating controls identified.
- 4.3 Following the scheduled training sessions of the IA toolkit, the process of co-ordinating IAs for the 2017/18 budget will begin. The process of collecting the IAs much earlier should allow them to be completed to a better quality standard. IAs will be completed by the services for each of the 2017/18 budget savings, and these will be included within the 2017-20 budget pack and reported to Cabinet and Council for sign-off.
- 4.4 Alignment of the risk register to the Council's priorities will be explored. This method of categorisation will help to further embed risk management throughout the organisation. It will also provide greater visualisation of risk to the achievement of our priorities that underpin the Council's vision.

#### **5.0 Business Continuity Management (BCM)**

- 5.1 Attendance at the Dyfed Powys Local Resilience Forum (DPLRF) continues. This work has helped to form good working relationships and a peer support network with colleagues within the DPLRF which will allow the sharing of information and approaches taken in other areas of work including Risk Management.

- 5.2** The BCM Group continues to meet on a quarterly basis. The Group is a forum which enables BCM Champions to interact and share knowledge, as well as identifying any inter-dependencies.
- 5.3** Internal audit has given notification that it intends to undertake an audit of BCM this year. The audit will be a crosscutting exercise that will concentrate on the arrangements in place to ensure systems are satisfactorily in place in the event that service delivery is threatened. The audit will also cover compliance by individual services.

## **6.0 Statutory Officers**

- 6.1** The Strategic Director, Resources (S151 Officer) has made the following comment:

*“The continuing progress in this area is noted along with the growing awareness in the organisation of the importance of risk management.”*

- 6.2** The Solicitor to the Council (Monitoring Officer) has made the following comment:

## **7.0 Future Status of the Report**

- 7.1** Not applicable

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
<b>That the Audit Committee notes the progress being made by the Business Continuity &amp; Risk Management Officer in increasing awareness of Risk Management throughout the organisation.</b>	<b>To ensure the adequate management of risk, and safeguard the Council.</b>

<b>Relevant Policy (ies):</b>	
<b>Within Policy:</b>	<b>Y / N</b>
<b>Within Budget:</b>	<b>Y / N</b>

<b>Relevant Local Member(s):</b>	<b>Not Applicable</b>
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<b>Person(s) To Implement Decision:</b>	
<b>Date By When Decision To Be Implemented:</b>	

<b>Contact Officer Name:</b>	<b>Tel:</b>	<b>Fax:</b>	<b>Email:</b>
Caroline Evans	01597826171		caroline.evans@powys.gov.uk

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## Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified
ASC1	15/07/2015	SIP	Adult Social Care	Not gaining full agreement on some of the more controversial and high profile agreements for the direction of travel of the service, without which we'll be unable to achieve the full level of financial savings

## Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified
ASC10 Page 94	15/07/2015	SIP	Adult Social Care	Re-negotiation of contracts are unsuccessful or increase costs of service delivery.

## Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified
ASC11	15/07/2015		Adult Social Care	Failure to stabilise the Domiciliary Care market.

## Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified
IT IS PROPOSED TO ESCALATE THE FOLLOWING RISK TO THE CORPORATE RISK RE				

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## Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified
ASC8	15/07/2015		Adult Social Care	Inability to recruit the level and scale of staff required to vacant posts within ASC services (including practitioners, professionals, managers and care staff) due to inability to attract and or an unsustainable employable local demographic.

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## Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified
IT IS PROPOSED TO ESCALATE THE FOLLOWING RISK TO THE CORPORATE RISK REGISTER				
ASC2	22/01/2016	SMT	Adult Social Care	Living wage and increased pension requirements are resulting in increased financial pressure.

## Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified
<div>CR11</div> <div>Page 99</div>	14/09/2015	CEO	Social Care	Implementation of CCIS (DRAIG replacement)

## Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified
<div data-bbox="115 308 186 557" data-label="Page-Footer"> <div data-bbox="115 308 186 336">Page 100</div> <div data-bbox="115 336 186 557"></div> </div>	Prior to 2014	SIP.L.V2	Legal	Failure of governance.

## Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified
CG2	21/11/2012	Risk Register 21/11/12 12.11	Corporate	Data Protection Breaches

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## Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified
<div>CR1</div> <div>Page 102</div>	21/11/2012	Risk Register 21/11/12 12.100	Corporate	The Council is unable to manage the level of financial cuts required by the Welsh Government and the relatively poor funding position



## Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified
<div data-bbox="115 308 184 559" data-label="Page-Footer"> <div>CR4</div> <div>Page 104</div> </div>	21/11/2012	<div data-bbox="454 308 591 481" data-label="Text"> <div>Risk Register</div> <div>21/11/12</div> <div>12.102</div> </div>	<div data-bbox="636 308 785 344" data-label="Text"> <div>Corporate</div> </div> <div data-bbox="668 925 885 963" data-label="Page-Footer"> <div>Page 12 of 92</div> </div>	<div data-bbox="823 308 1173 388" data-label="Text"> <div>Failure to deliver on the Powys One Plan</div> </div>



## Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified
CR5	21/11/2012	Risk Register 21/11/12 12.102	Corporate	Lack of management of the procurement process within services.

## Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified
<div data-bbox="115 308 184 557" data-label="Page-Footer"> <div>Page 106</div> </div>	21/11/2012	<div data-bbox="454 308 591 479" data-label="Text"> <div>Risk Register</div> <div>21/11/12</div> <div>12.90</div> </div>	<div data-bbox="636 308 783 342" data-label="Text"> <div>Corporate</div> </div> <div data-bbox="668 926 885 964" data-label="Page-Footer"> <div>Page 14 of 92</div> </div>	<div data-bbox="825 308 1221 389" data-label="Text"> <div>Lack of adequate resilience planning</div> </div>

## Risk Register

<b>Risk Reference</b>	<b>Date Identified</b>	<b>Source</b>	<b>Service Area</b>	<b>Risk Identified</b>
CR10	21/11/2012	Risk Register 21/11/12 12.97	Corporate	Failure to monitor and protect Council assets
Page 107	Prior to 2014	SIP	Highways, Transport & Recycling	Failure to ensure Health and Safety of public and workforce

## Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified
<div data-bbox="113 308 186 557" data-label="Page-Footer"> <div>Page 108</div> <div>ICT</div> </div>	Prior to 2014	SIP.ICT.?	ICT and Programmes	Current systems are not covered by a fully resilient DR Solution (Infrastructure and Policies/processes)

## Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified
RPC2	Updated 19th April 2016	SIP.PPP.V 1	Regeneration, Property & Commissioning - Environmental Health	a) Legal challenge to PCC's intention to hand back responsibility of privately owned closed landfill sites back to the landowners; b) Liabilities arising from PCC owned closed landfill site portfolio

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## Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified
RP16 Page 110	Prior to 2014 Risk updated 05/04/2016	SBP 2014/17	Regeneration, Property & Commissionin g - Spatial Planning	Failure to adopt the LDP

## Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified
RPC8	2014	SBP 2014/17	Regeneration, Property & Commissioning	The property disposals programme may not realise the expected returns on time.

## Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified
RPD 12 Page 112	11/12/2015	HoS	Regeneration, Property & Commissioning	We have identified C£1M of urgent health and safety works (electricals, sewerage systems, asbestos etc.) that need to be undertaken on the 139 Farm Houses in our estate.



## Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified
SS1	13/01/2015	SMT	Schools Service	Non delivery of the Schools Transformation Programme Risk of legal challenge to consolation process which will impact of 21st Century Capital programme Political dimension with a motion that all decision making in respect of school reorganisation is made by full Council.

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## Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified
CR 7	13/01/2015	SMT	Corporate	Condition and security of buildings and premises.

## Risk Register

Risk Reference	Date Identified	Source	Service Area	Risk Identified
CR15	25/01/2016	PCC Welfare Reform Advisory Group	Business Services	The roll out of Universal Credit has likelihood of large impact on Powys citizens.

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## Risk Register

Potential Consequence	Inherent Risk				Current Controls
	P	I	Risk Rating		
Inability to meet the demands and requirements of service users as well as a potential for significant overspending	H	H	High	9	<ul style="list-style-type: none"><li>• Ensure appropriate information is available to inform Member’s decision making;</li><li>• Appropriate options appraisal undertaken;</li><li>• A series of pre and formal consultation events are being held over the winter period.</li></ul>

## Risk Register

Potential Consequence	Inherent Risk				Current Controls
	P	I	Risk Rating		
<ul style="list-style-type: none"><li>• We fail to re-negotiate a contract;</li><li>• Capacity to support the development of interim arrangements could delay the process;</li><li>• Replacement services not planned for / in place in a timely manner</li><li>• Commercial Services are unable to achieve savings identified over and above the</li></ul>	H	H	High	9	<ul style="list-style-type: none"><li>• SIP outlines action to develop interim arrangements and to assess longer term implications;</li><li>• Service provider to be consulted as part of the above;</li><li>• Project team established.</li></ul> Project has commenced and is managed through ICPOP.

## Risk Register

Potential Consequence	Inherent Risk			Current Controls
	P	I	Risk Rating	
<ul style="list-style-type: none"> <li>• A service which does not deliver the outcomes that our services users need / want;</li> <li>• An unsustainable financial burden to the council;</li> <li>• Impact on capacity of ASC Services to undertake innovative work;</li> <li>• Adverse reputational risk for the Council;</li> <li>• Service users left at risk;</li> <li>• Failure to meet statutory duty.</li> </ul>	H	H	High 9	<ul style="list-style-type: none"> <li>• SIP outlines specific action to develop plan to establish a stable Domiciliary Care Service;</li> <li>• Additional / temporary officer capacity has been sourced for Adult Social Care to support this area of work;</li> <li>• Project Board established;</li> <li>• External support and evaluation / critical support from IPC;</li> <li>• Commissioned a range of many providers to deliver care;</li> <li>• Provider forum established;</li> <li>• Robust support and monitoring arrangements in place.</li> </ul>

# Risk Register

Potential Consequence	Inherent Risk			Current Controls
	P	I	Risk Rating	
REGISTER				

## Risk Register

Potential Consequence	Inherent Risk			Current Controls
	P	I	Risk Rating	
<ul style="list-style-type: none"> <li>• Not enough of the right level and type of staff to meet service demands;</li> <li>• All public services drawing from the same pool for some elements of work – impacting on the whole recruitment system;</li> <li>• Inability to attract the right levels of competence / experience will result in dormant service development.</li> <li>• Financial implication of</li> </ul>	H	H	<div>High</div> <div>9</div>	<ul style="list-style-type: none"> <li>• Integrated approach to integration across Health and Adult Social Care including the alignment of HR / Organisational Development being managed under the One Powys Plan;</li> <li>• SIP requirement to develop Early Intervention and Prevention Strategy to reduce down demand for high cost / specialist services.</li> </ul>



## Risk Register

	Inherent Risk				
Potential Consequence	P	I	Risk Rating		Current Controls
REGISTER					
<div>Page 12</div> <ul style="list-style-type: none"><li>• Additional financial implications;</li><li>• Some providers may remove provision;</li><li>• Inability to meet statutory requirements;</li><li>• Unaffordable within current</li></ul>	H	C	High	12	<ul style="list-style-type: none"><li>• Working with providers to understand increased cost pressures;</li><li>• Adopting workforce development approach;</li><li>• Targeted provider forums where current and future issues can be</li></ul>

## Risk Register

	Inherent Risk				
Potential Consequence	P	I	Risk Rating		Current Controls
Loss of data resulting in an inefficient service with officers being unable to access client files	H	H	High	9	Project team and project governance established

## Risk Register

Potential Consequence	Inherent Risk				Current Controls
	P	I	Risk Rating		
Council acts ultra vires; Contravenes finance regulations and EU procurement regulations. Failure to distribute	M	M	Medium	4	All work is report based and there is a mechanism in place by which appropriate checks are made - two checks are made by Finance and two checks by Legal (Section 151 Officer and Monitoring Officer).

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## Risk Register

Potential Consequence	Inherent Risk		Risk Rating		Current Controls
	P	I			
Information Commissioners Inter-vention. Financial Penalties	H	H	High	9	<ul style="list-style-type: none"> <li>• Information Governance Plan supported by the Corporate Information Governance Group which meets on a quarterly basis;</li> <li>• Ensure we comply with corporate training requirements and quality assure our processes;</li> <li>• IT equipment encrypted;</li> <li>• Policies and procedures in place;</li> <li>• Staff training;</li> <li>• Printer security controls;</li> <li>• Data transmission controls (secure email).</li> </ul>

## Risk Register

	Inherent Risk				
Potential Consequence	P	I	Risk Rating		Current Controls
The Council incurs significant overspend. Projected budget will suffer an overspend. Penalties and fines may be imposed Council reputation damaged	H	H	High	9	Medium Term Financial Plan; Cost Recovery work; 3rd party spend reduction; Income Generation; Monthly reports to cabinet and Management Team on budget progress and progress on savings.

## Risk Register

Potential Consequence	Inherent Risk				Current Controls
	P	I	Risk Rating		
Failure to effectively deliver services	H	H	High	9	<p>Progress on the One Plan is reported through the Transformation Board and the LSB.</p> <p>In July 2012 PCC and PtHB entered into a formal partnership to deliver ICT services from a joint team formed by the integration of the ICT teams from both organisations. A Section 33 agreement was employed and provides a formal basis for partnership working.</p> <p>This agreement has two tiers of governance: -</p> <p>1. ICT Management Team:</p>

## Risk Register

Potential Consequence	Inherent Risk				Current Controls
	P	I	Risk Rating		
Failure to deliver on the Powys One Plan which incorporates our statutory corporate improvement plan - could be subject to intervention	H	M	Medium	6	<p>Programme Office established with Strategic Programme Managers leading on each of the 5 programmes within the Powys One Plan.</p> <p>Programme Boards meet bi-monthly and monitor progress of the projects in each programme. This is then reported up to the Transformational Board and the LSB.</p> <p>Programme Office has adopted the corporate risk assessment methodology and Strategic Programme Managers report the</p>

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## Risk Register

Potential Consequence	Inherent Risk				Current Controls
	P	I	Risk Rating		
Inadequate contracts and contract management exposing the authority to financial and reputational risk	H	M	Medium	6	E-Learning 'Commissioning: The Fundamentals Level 1' training course has been developed, is available and being used, and is aimed at all those employees who undertake some purchasing / ordering / buying and may undertake some commissioning. Level 1 training must be completed before anyone proceeds onto the Level 2 taught course.

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## Risk Register

Potential Consequence	Inherent Risk				Current Controls
	P	I	Risk Rating		
Non-compliance with Civil Contingencies Act (CCA) 2004; Failure to deliver critical services in the event of a declared emergency or event.	M	H	Medium	6	Education and training programme delivered to services; Business Continuity Management (BCM) Group established and meets quarterly; Services supported to produce their own Business Continuity Plans (BCPs); Self-evaluation of BCM incorporated into SIP process; PCC Emergency Planning Dept works with Dyfed Powys Local Resilience Forum (LRF) to ensure CCA 2004 Compliance; 24/7 Duty Emergency Planning Officer to facilitate PCC response

## Risk Register

	Inherent Risk				
Potential Consequence	P	I	Risk Rating		Current Controls
Theft and abuse of Council property	H	M	Medium	6	Each service should have it's own asset register. All ICT equipment should be recorded on the ICT asset register.
Injury to individual employees and risk to the Authority; People could be seriously or fatally injured; Exposure to litigation	H	H	High	9	Health and Safety meetings, revenues, training and audit; Public liability insurance; Procurement - external contractors risk statements - monitoring

## Risk Register

Potential Consequence	Inherent Risk				Current Controls
	P	I	Risk Rating		
Failure to maintain key ICT services in the event of a major incident.  Page 131	M	H	High	8	PCC have been working closely with Microsoft and Platform Consultancy to explore utilising the latest cloud services, to provide both a backup solution and disaster recovery solution. This will provide PCC with the ability to instantly power up all replicated servers in the cloud.  <u>25/04/16:</u> DR Risk within SIP, currently drawing up a plan to resolve.  Page 39 of 92 Microsoft Data Protection Manager will perform nightly

## Risk Register

Potential Consequence	Inherent Risk				Current Controls
	P	I	Risk Rating		
a) Costs arising from legal challenge and future liabilities. b) Potential legal action by NRW should an incident occur	H	H	High	9	a) QC advice sought at the outset, and supporting the Council's stance. b) We have two specialist Contaminated Land Officers who will seek external legal advice when appropriate, and work closely with Natural Resources Wales

## Risk Register

	Inherent Risk				
Potential Consequence	P	I	Risk Rating		Current Controls
Reputational damage to the Council and a period when the Council would determine planning applications in accordance with material planning considerations rather than an adopted development plan; Financial implications.	H	H	High	9	There has been close working relationships with WG officers. However, recent correspondence suggests they consider the Plan may be unsound.

## Risk Register

Potential Consequence	Inherent Risk				Current Controls
	P	I	Risk Rating		
Other developments which depend upon them cannot be supported.	M	H	Medium	6	Regularly revise progress on list of disposal sites/ buildings and feed this in through the corporate Cost Improvement Group / Income Project Board, as well as the property projects; The Strategic Assets Board meets quarterly.

## Risk Register

	Inherent Risk				
Potential Consequence	P	I	Risk Rating		Current Controls
Potential threat to life	H	H	High	9	£500k capital has been identified to start works in 2016/17.

## Risk Register

Potential Consequence	Inherent Risk			Current Controls
	P	I	Risk Rating	
<p>infrastructure which is not contributing to the Authority's efficiency agenda, and leading to poor educational outcomes. Delay in delivery of programme due to political dimension and potential loss of WG funding.</p>	H	H	High 9	<p><u>Primary Schools</u> Consultation held in 4 primary school</p> <p><u>Secondary Schools</u> A paper was agreed by Cabinet 27/1/15 to commence Secondary School review in Powys in three parts (South, Mid, North Powys). Progress to date: -</p> <p><u>South &amp; Mid Powys</u> Consultation events held in al 4 schools. Consultation due to close on 23 May 2016</p> <p><u>North Powys</u> Business case production commissioned</p>



## Risk Register

Potential Consequence	Inherent Risk			Current Controls
	P	I	Risk Rating	
<ul style="list-style-type: none"> <li>• Breach of Equalities legislation;</li> <li>• Failure to comply with H&amp;S legislation;</li> <li>• Failure to be able to provide services in a suitable way to the public, and accommodation which is suitable for staff.</li> </ul>	M	H	Medium 6	<p>Strategic review of office accommodation in progress.</p> <p><u>Schools</u></p> <p>Review of Special Schools; 21st Century Schools Programme (prioritised according to pupil vulnerability);</p> <p>A new Schools Service Major Improvement Programme Scoring and Prioritisation criteria was agreed by Cabinet 3/3/15, and it was also agreed a spend of £1m per year for the next three years.</p>

## Risk Register

Potential Consequence	Inherent Risk				Current Controls
	P	I	Risk Rating		
Customers having less income; Customers needing support to adjust; Resilience of service to continue to provide additional service as UC increases; In subsidy audit potential penalty imposed.	VH	M	High	8	Provide financial advice. Administer discretionary housing payments (DHP) to people who are unable to manage their housing costs (WG allocated fund); Steering Group chaired by Portfolio Holder; Communication and money advice to support people.

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## Risk Register

			Residual Risk			
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating	
Amanda Lewis	Cllr Stephen Hayes	<p>Hold regular member development sessions to keep them informed of issues relating to service.</p> <p>19/10/15 - Consultation process over the winter period for the following services: -</p> <ul style="list-style-type: none"> <li>• Daytime activities for Older People;</li> <li>• Residential Care;</li> <li>• Older Peoples Commissioning Strategy;</li> <li>• Learning Disabilities Project - Day &amp; Employment Services;</li> <li>• Budget Consultation.</li> </ul>	H	H	High	9

## Risk Register

			Residual Risk			
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating	
Amanda Lewis	Cllr Stephen Hayes	<ul style="list-style-type: none"> <li>• In conjunction with Commercial services risk assess any interim plans;</li> <li>• Corporate ownership and support in place to ensure focused and successful implementation.</li> </ul>	H	H	High	9

## Risk Register

			Residual Risk		
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating
Amanda Lewis	Cllr Stephen Hayes	<ul style="list-style-type: none"> <li>Integrated approach with Health to design a joint domiciliary service model;</li> <li>Cabinet report in October on Domiciliary Care next steps.</li> </ul>	M	H	Medium 6

## Risk Register

			Residual Risk		
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating



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## Risk Register

			Residual Risk		
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating
<p>Amanda Lewis</p> <p style="text-align: center;">Page 143</p>	<p>Cllr Stephen Hayes</p>	<ul style="list-style-type: none"> <li>• Delivery of the Regeneration Strategy for Powys to address aspects of the employable demographic;</li> <li>• Community Delivery Project (Stronger Communities Programme) working with Communities around the transfer of certain assets and services to be run by the community including Town Councils, volunteers and 3rd sector organisations;</li> <li>• Recruitment campaigns commencing for key services.</li> </ul>	M	H	<div>Medium</div> <div>6</div>

## Risk Register

			Residual Risk		
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating
Arlanda Lewis	Cllr Stephen Hayes	No further actions or controls are possible as the setting of the National Minimum Wage is a central Government function.	M	C	High 8



## Risk Register

			Residual Risk		
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating
Amanda Lewis	Cllr Stephen Hayes	Production of a project risk register	M	H	Medium 6

## Risk Register

			Residual Risk			
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating	
Clive Wynne	Cllr Wynne Jones	<p>ModernGov Phase 2 to be completed by end of December 2016.</p> <p>Input required from company to provide training. Will be piloted with one service initially. This will insist on timely provision of reports and will send reminder emails to the appropriate officers;</p> <p>Programme Governance Action Plan - spot audits of Programme Boards;</p> <p>Audit of Programme Board governance;</p> <p>Regulatory Reports.</p>	L	M	Low	2

## Risk Register

			Residual Risk		
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating
Amanda Lewis	Cllr Rosemarie Harris	Introduction of information asset owners; Information Asset Register; Information Risk Assessments.	M	M	Medium 4

## Risk Register

			Residual Risk		
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating
David Howell	Cllr Wynne Jones	Moving to 3 years balanced budget; Setting up Budget Management Reserve; Single impact assessment incorporating a risk assessment of each individual identified saving.	M	H	Medium 6

## Risk Register

			Residual Risk		
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating
Jeremy Patterson	Cllr Barry Thomas	<p>As we enter the new landscape of integration being delivered by PCC and PthB we will require suitable governance arrangements and lines of accountability which makes governance less ambiguous and more robust, and making scrutiny more effective and more complementary with other accountability mechanisms. Taken together these make organisations more responsive to change, and will mean that scrutiny and accountability drive improvement effectively.</p> <p>This work is underway to agree a revised Scrutiny and Governance structure that will meet the increased scope &amp; pace of change for PthB /PCC integration required by Welsh Government, address member concerns about levels of</p>	M	H	Medium 6

## Risk Register

			Residual Risk		
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating
David Howell	Cllr Barry Thomas	<p>Continue to improve the reporting process to make the One Plan and what we're achieving 'more visible'. This transparency leads to clearer lines of accountability and responsibility, which in turn will lead to greater success and delivery of objectives.</p> <p>PCC and PtHB Programme Office' have been aligned and will continue to meet and share experience between teams. This will strengthen the programme management process and support the delivery of the programmes.</p> <p>Continue with monitoring of progress on the programmes and projects within the programmes via project and programme boards</p>	M	M	Medium 4

## Risk Register

			Residual Risk		
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating
David Powell	Cllr Graham Brown	<p>It is planned to provide key messages around Commissioning to all Powys County Council employees via NetConsent.</p> <p>The content of and targeted audience for 'Commissioning: The Technicalities Level 2' taught training course is currently being discussed with external providers and a specification is being developed.</p> <p>Visibility of the contracts register.</p> <p>Introduction of Commissioning Toolkit and Gateway processes to ensure that a member of the Commercial Services team is applied to each</p>	M	M	Medium 4

## Risk Register

			Residual Risk			
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating	
David Powell	Cllr John Powell	Continual engagement with BCM Champions via quarterly Business Continuity Group; Services to continue to develop and test their BCPs; External Education and Training with LRF Partners to ensure Integrated Emergency Management (IEM).	L	M	Low	2



## Risk Register

			Residual Risk			
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating	
David Powell	Cllr Avril York	Ensure that all services have their own asset registers in place; Incorporate into Starters and Leavers process.	M	M	Medium	4
Paul Griffiths	Cllr John Brunt / Cllr John Powell	Continually review robust site supervision and monitoring processes internally and externally with contractors;	M	H	Medium	6

## Risk Register

			Residual Risk		
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating
Andrew Dwyer	Cllr Avril York	<p>Microsoft Data Protection Manager will perform nightly backups to on-site storage, this backup data will then replicate into Azure blob storage as an off-site back for long-term storage.</p> <p>17/12/15 Replacement of existing systems.</p> <p>06/01/2016 Fire prevention for server rooms. Second link from a second site within the North of the County (different power grid) to replicate systems. New systems which are purchased should have cloud hosting capability.</p>	L	H	Medium 3

## Risk Register

			Residual Risk		
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating
Paul Griffiths	Cllr John Powell	a) Defend our position in the High Court	M	H	Medium 6

## Risk Register

			Residual Risk			
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating	
Paul Griffiths	Cllr Avril York	<p>Meeting with WG; Appointing legal support to argue our issues at examination in summer 2016. Exploratory meeting has been called with the Inspector, to be held 10th May, to look at how we address the issues raised by WG. Action Plan to respond to issues raised by WG and Inspector.</p> <p>Six month extension provided by WG.</p>	H	H	High	9

## Risk Register

			Residual Risk		
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating
Paul Griffiths	Cllr Rosemarie Harris	The policies and procedures reflect adequate internal control arrangements, monitoring and effective authorisation and scrutiny.	M	M	Medium 4

## Risk Register

			Residual Risk		
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating
Paul Griffiths	Cllr John Powell	Further report to Cabinet in May 2016 when the full position of works required is known. Rolling programme of works	L	H	Medium 3

## Risk Register

			Residual Risk			
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating	
Jeremy Patterson	Cllr Arwel Jones	<u>Primary Schools</u> Reports to Cabinet in June /July 2016 <u>Secondary Schools</u> Reports to Cabinet - 6th September 2016 <u>North Powys</u> Paper to Cabinet in September 21016 Further discussions with WG about the capital programme.	H	H	High	9

## Risk Register

			Residual Risk		
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating
Jeremy Patterson	Cllr Rosemarie Harris	Strategic Outline Plan for 21st Century Schools and Capital Investment Programme.	L	H	Medium 3



## Risk Register

			Residual Risk		
Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	P	I	Risk Rating
David Powell	Cllr Wynne Jones	Using Powys data to be able to map and model customers within Powys who are going to be affected the greatest to provide advice and support to avoid them getting into debt; Using Shire meetings to notify members.	H	L	Medium 3

## Risk Register

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## Risk Register

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## Risk Register

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## Risk Register

Notes
<p>National system for Wales for Community Health &amp; Social Care, and Early Intervention and Prevention across Wales. Integrated working and access to relevant information will be increased.</p>



## Risk Register

Notes
The software is extensively used by WG and automatically sends reminder emails to officers.

## Risk Register

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## Risk Register

<b>Notes</b>
Updated at RMT 10/12/15

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## Risk Register

Notes
WAO report presented to Audit Committee 22nd April 2015 identified that the Section 33 agreement has improved service resilience and reduced IT risk, and Section 33 arrangements provide a good basis for integrated working.

## Risk Register

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## Risk Register

Notes
Updated at RMT 10/16/15

## Risk Register

Notes
Updated 25th February 2016
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## Risk Register

<b>Notes</b>
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## Risk Register

Notes
25/04/16:  DR and BC within SIP and discussions in progress for way forward.  SLA discussions will also impact the solutions.

## Risk Register

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## Risk Register

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## Risk Register

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## Risk Register

Notes
<p>Updated by SMT 26 April 2016 - Residual Risk Rating increased to High due to political risk</p>

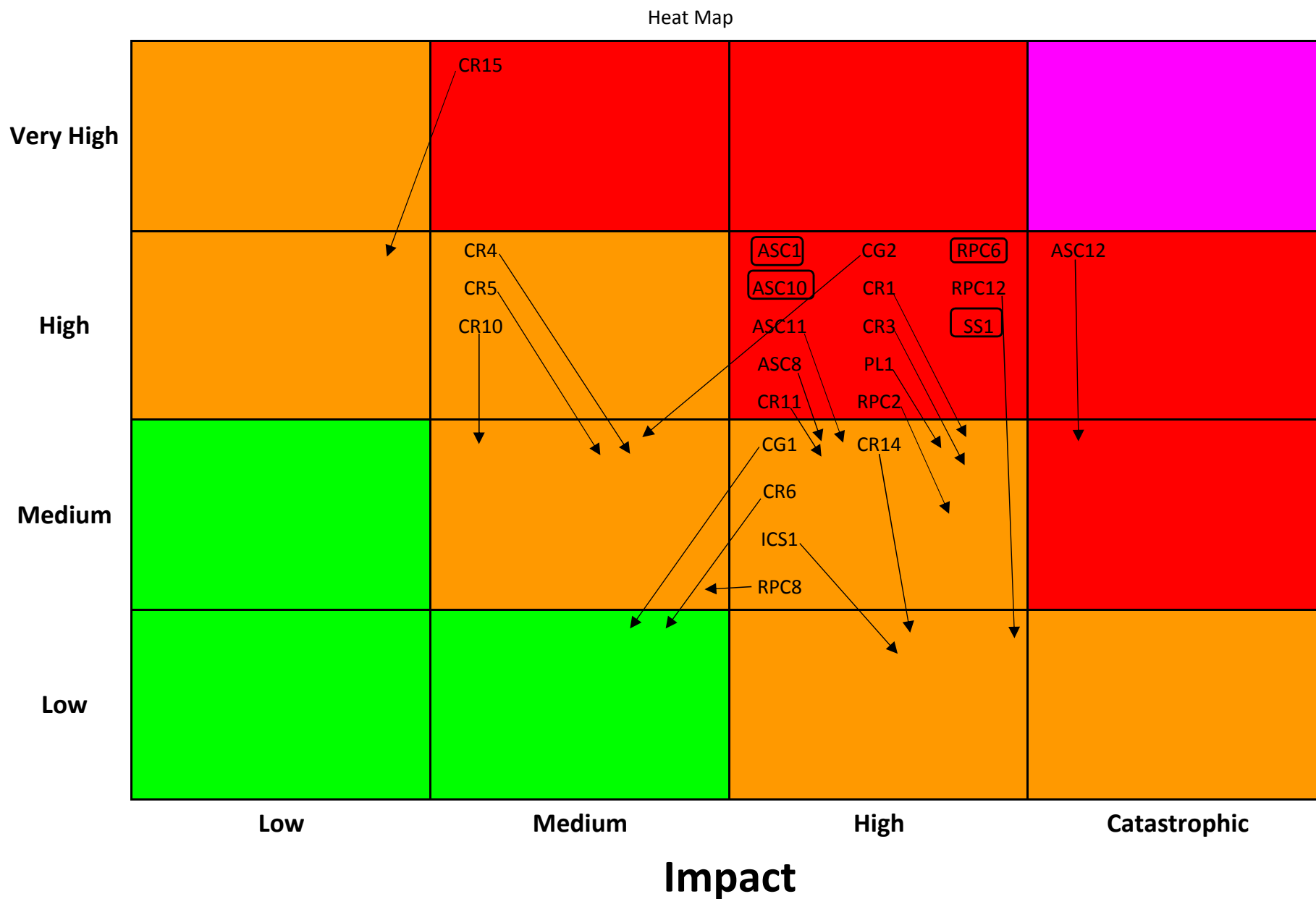
## Risk Register

Notes
Updated 25/01/16 - incorporates SS4
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## Risk Register

Notes
Universal Credit will replace the following: - <ul style="list-style-type: none"><li>• Jobseeker's Allowance;</li><li>• Housing Benefit;</li><li>• Working Tax Credit;</li><li>• Child Tax Credit;</li><li>• Employment and Support Allowance;</li><li>• Income Support.</li></ul>





The risk reference e.g. ASC10 identifies the level of inherent risk to the Council (pre-mitigation).

The arrows from each risk point to the level to which the risk will reduce as a result of the mitigating controls being implemented (residual risk).

Those risks with   around them do not change their level of risk with mitigation.

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# Risk Assessment Matrix

## 1. Impact:

RISK CATEGORY	RISK TYPE	RISK IMPACT (Severity)			
		Low	Medium	High	Catastrophic
FINANCIAL	<b>Financial</b>				
	Reinstatement following loss / compensation & costs / economic losses / bad lending / VAT errors / fraud / fines	<£250,000	£250 - £750k	£750k - £2m	>£2m
HAZARD	<b>Casualty</b>	Minor Injuries / temporary ill-health	Ill health / disabling injuries	Single fatality	Multiple fatalities
	Employee &/or Public Injury / ill-health				
	<b>Environmental</b>	< 1 week	1 week – 1 month	1 - 12 months	> 1 year / recovery impossible
	Recovery/remediation time				
	<b>Hazard</b>	Low	Medium	High	Catastrophic
	Maladministration / Improvement notice / legal proceedings / Enforcement notice				
OPERATIONAL	<b>Operational</b>	Low	Medium	High	Catastrophic
	Prevention of service efficiency				
	<b>Procurement / Contract / Project Failure</b>	Greater of 5% or £250k	Greater of 5-25% or £250- £70k	Greater of 25 - 50% or £70k - £2m	Greater of 50 – 100% or > £2m
	Additional costs / cost over-run / delays to completion				
	<b>Service Provision (Interruption)</b>	1- 6 days < 1 month	1 week–1month 1-3 months	1 – 6 months 3 - 12 months	> 6 months > 1 year
	Health / Education / Key Service				
STRATEGIC	<b>Reputation</b>	Ward/Village	Local Media	Welsh Media	National Media
	Adverse / critical comment / Ombudsman Investigation / ICO Investigation				
	Prosecution/punishments			Disqualification	Imprisonment
	<b>Strategic</b>	Low	Medium	High	Catastrophic
	Failure to achieve corporate objectives				

## 2. Probability:

PROBABILITY	Definition
Low	Not likely to happen or may happen once every 20 years
Medium	Possible or may happen within 10 years
High	Likely or may happen once a year
Very High	Certain or happens several times a year

## 3. Risk Profile:

PROBABILITY	Very High (4)	Medium (4)	High (8)	High (12)	Very High (16)
	High (3)	Medium (3)	Medium (6)	High (9)	High (12)
	Medium (2)	Low (2)	Medium (4)	Medium (6)	High (8)
	Low (1)	Low (1)	Low (2)	Medium (3)	Medium (4)
		Low (1)	Medium (2)	High (3)	Catastrophic (4)
IMPACT					

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## CYNGOR SIR POWYS COUNTY COUNCIL

### AUDIT COMMITTEE

7<sup>th</sup> July 2016

**REPORT AUTHOR:** County Councillor Wynne Jones  
Portfolio Holder for Finance

**SUBJECT:** Pension Fund Pooling

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**REPORT FOR:** Information

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#### 1. Summary

The attached briefing update sets out the progress to date made by the Powys Pension Fund in partnership with the other 7 Welsh LGPS Funds in the development of a Wales Pool for the investment of pension funds, as required by the UK Government.

#### 2. Background

In July 2015, the UK Government suggested that all LGPS assets within England and Wales should be pooled. Informal discussions with funds' commenced in the summer and it was made clear that the funds themselves would be invited to put forward their own proposals as to how asset pooling might best be implemented. Discussions began across the Scheme on the possible composition of the different asset pools.

In November, the formal criteria were issued by the Department for Communities and Local Government ("DCLG") against which the pooling proposals put forward by the LGPS would be assessed. There were four key criteria: scale; strong governance and decision making; cost efficiency and value for money; and improved capacity to invest in infrastructure.

The Society of Welsh Treasurers proposed that a Wales Pool be considered in order to meet the requirements of this policy. Each of the 8 Welsh LGPS Funds are fully engaged in the development process, with Fund Officers and Committee Chairs (Cllr Tony Thomas) participating in the process.

#### 3. Status of the Briefing Note

The attached Briefing Note has been agreed by the Wales Pool Working Group and was circulated to Members of both the Council's Pensions & Investment Committee and the Powys Pension Board on 7<sup>th</sup> June 2016.

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
<b>That the Committee note the contents of the Briefing Note on Pension Fund Pooling.</b>	<b>To ensure that Audit Committee remains informed about developments in Pension Fund Pooling.</b>
<b>Relevant Policy (ies):</b>	<b>N/A</b>

<b>Within Policy:</b>	<b>N/A</b>	<b>Within Budget:</b>	<b>N/A</b>
<b>Person(s) To Implement Decision:</b>		<b>N/A</b>	
<b>Date By When Decision To Be Implemented:</b>		<b>N/A</b>	
Contact Officer Name:	Tel:	Fax:	Email:
Joe Rollin	01597 827641	01597 826290	joe.rollin@powys.gov.uk

**Background Papers used to prepare Report:**

## BACKGROUND

Collaboration across the eight LGPS pension funds in Wales is not new. In recent years, there has been support from elected members across all eight funds to explore the opportunities for achieving efficiencies within the areas of funding and investment by considering issues such as scheme mergers and collaboration on investments.

In March 2013, the Pensions Sub Group of the SWT published a substantial report ('Welsh Local Government Pension Funds: Working Together') which included a formal consultation process.

Following guidance from the wider DCLG Consultation on Cost savings and Efficiency, the Pensions Sub Group commissioned a further report in early 2015 on the development of a detailed business plan for the establishment of a common investment fund.

## UK GOVERNMENT - AGENDA FOR STRUCTURAL REFORM

In July 2015, the UK Government suggested that all LGPS assets within England and Wales should be pooled. Informal discussions with funds commenced in the summer and it was made clear that the funds themselves would be invited to put forward their own proposals as to how asset pooling might best be implemented. Discussions began across the Scheme on the possible composition of the different asset pools.

In September 2015, each of the eight Welsh funds' Pensions Committees formally resolved to set their own course significantly in advance of the guidelines which were subsequently laid down by DCLG / HMT. Decisions were taken to:-

- appoint a single provider of passive management services for funds, and
- proceed with establishing a formal Collective Investment Vehicle (CIV) to facilitate asset pooling.

It was also decided that the funds would use a third party provider (an 'operator') to supply the necessary infrastructure for establishing a pooling vehicle fully regulated by the FCA (Financial Conduct Authority) - rather than creating their own vehicle.

This decision was made taking into account the limited internal resources available to establish its own pooling vehicle, the shorter timescales for likely implementation and the lower level of regulatory risk that such an approach would imply.

In November, the formal criteria were issued by DCLG against which the pooling proposals put forward by the LGPS would be assessed. There were four key criteria:-

- Scale
- Strong governance and decision making
- Cost efficiency and value for money
- Improved capacity to invest in infrastructure

The Welsh funds reviewed their progress to date on pooling investments and decided to proceed with establishing a Wales Pool within the guidelines laid down by UK Government, through the DCLG.

#### **FEBRUARY SUBMISSION**

A proposal for a Wales Pool was submitted to DCLG in line with their prescribed timetable by 19 February 2016, along with letters of support from each of the relevant Committee Chairs.

The proposal addressed each of the stated criteria except for scale where DCLG had indicated that they anticipated pools with a minimum of £25bn of assets. (Total assets across the Welsh funds were in the region of £12-13bn. at March 2015). The proposal also stressed the substantial work done to date and unique situation of collaboration across Wales.

The response to the proposal from DCLG strongly supported the intended use of a formal regulated vehicle and acknowledged the unique characteristics of a Wales Pool. The funds were encouraged to work up the proposal in more detail for submission in July.

#### **JULY SUBMISSION**

More detailed submissions have been requested from all the proposed pools by 15 July.

Since the last briefing update (22<sup>nd</sup> April), the eight Welsh Funds have continued work on the development of the pool. At a meeting of Fund Chairs, held in Cardiff on 13<sup>th</sup> May proposals for the presentation to DCLG were outlined, the following are proposed:

- Pool oversight and governance will be provided by a Joint Governance Committee including an Elected Member from each Welsh Fund
- The Joint Governance Committee will select and appoint an Operator (who will be appropriately authorised by the Financial Conduct Authority) to manage the pool on behalf of the Funds
- An Investment Working Group of Fund Officers to be created to deal with day-to-day matters between the pool Operator and individual Funds
- Asset 'buckets' to be created in the pool and managed by the Operator to be phased over time starting with active equity
- A timetable for moving to pooling agreed (see Below)
- A common approach across the Funds agreed in respect of an infrastructure investment 'aspiration' (see below).

#### **WHAT WILL IT MEAN FOR ADMINISTERING AUTHORITIES**

One of the key principles is that administering authorities will retain control over setting the investment strategy and detailed asset allocation for their individual funds.



This allows the broad risk and return characteristics of the strategy to be set in conjunction with each fund's overall funding strategy.

But funds will then invest in asset pools which will be made available by the operator of the Wales Pool.

One of the Government's aims is that the appointment of investment managers is no longer carried out at an individual fund level. Decisions on investment managers for each asset class or mandate will be made collectively at a pool level.

One of the principles behind the Government's imposition of pooling is that larger asset pools will result in fee savings with investment managers. Within Wales, this has already been achieved through the passive manager appointment which has generated an estimated overall saving of £1.3m p.a.

In aggregate, there is likely to be less manager turnover which would reduce transaction costs. And combining assets may make it more cost effective for some funds to access certain asset classes (such as private equity, property and infrastructure) where relatively expensive 'fund of fund' approaches are currently used.

In addition, Government require pools to give an initial indication of their 'aspirations' in respect of infrastructure. Following discussions amongst the Welsh Funds together with indications of similar discussions amongst the other LGPS pools, it is proposed that the pool adopt an ambition of up to 5% of pooled assets be made available over coming years for infrastructure investment. However, it should be noted that this is merely the statement of an ambition and moreover, will be driven largely by individual funds strategic asset allocation needs on the one hand, and the availability of suitable investment opportunities being available on the other.

## **TIMESCALE**

It is anticipated that the creation of the Joint Governance Committee will take place as soon after DCLG approval is received with the procurement of the Operator following soon after. By early 2017 the establishment of pooled vehicles (asset buckets) will begin with transition of assets from individual funds timetabled from late 2017.

It is expected and accepted that the creation of pooled arrangements for alternative asset classes (eg. private equity, property etc.) will be phased as will the transition of such assets due to their relative illiquidity.

## **NEXT STEPS**

Officers from each of the funds will continue working over the next few weeks on agreeing some of the detail set out above. This will need to be reflected in the July submission to DCLG.

As mentioned above, the range of sub-funds which will be made available to participating funds needs to be considered further.

Funds have submitted data on their investment costs to CEM Benchmarking, a third party analytical firm. Reports at individual fund level have now been produced (a separate report in respect of the Powys Pension Fund will be presented to Pensions & Investment Committee on 11<sup>th</sup> July). At the pool level, the data analysed will be used to estimate cost savings anticipated and to also help to set a baseline for monitoring future savings.

## CYNGOR SIR POWYS COUNTY COUNCIL

### AUDIT COMMITTEE

**REPORT AUTHOR:** Treasury Management Officer and Scrutiny Officer

**SUBJECT:** Treasury Management

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**REPORT FOR:** Decision

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- 1 The Committee would normally consider the Treasury Management Annual Review and Q1 data at this meeting. Due to the timing of the meeting this is not practical.
- 2 It is therefore proposed that the Annual Review and Q1 report be circulated to Audit Committee Members by email when they are available. Members will have the opportunity to consider the report and respond with any questions. It is hoped that Members will be able to agree those two documents prior to their consideration by Cabinet on 26 July 2016.
- 3 Members are asked to approve this proposed course of action.

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
That the Treasury Management Annual Review and Q1 report be circulated to Members for approval as soon as they become available.		To ensure Members are informed about current Treasury Management performance and ensure comments are available prior to the Cabinet meeting.	
<b>Relevant Policy (ies):</b>		Treasury Management Policy	
<b>Within Policy:</b>	Y	<b>Within Budget:</b>	N/A
<b>Person(s) To Implement Decision:</b>		Lisa Richards/Ann Owen	
<b>Date By When Decision To Be Implemented:</b>		N/A	
Contact Officer Name:	Tel:	Fax:	Email:
Ann Owen Lisa Richards	01597 826327 01597 826371	01597 826290	<a href="mailto:ann.owen@powys.gov.uk">ann.owen@powys.gov.uk</a> <a href="mailto:lisa.richards@powys.gov.uk">lisa.richards@powys.gov.uk</a>

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## Audit Committee

7 July 2016

### Finance Scrutiny Panel

**Purpose of Report:** Progress report

1. The Panel has begun deliberations on the Medium Term Financial Strategy (MTFS) and have prepared an initial report for consideration by Cabinet and hope that constructive dialogue with the Cabinet will continue throughout the process. An assurance has been given that the MTFS will be amended regularly throughout the budget process as details of proposed budgets are clarified.
2. Detailed consideration has been given to the assumptions behind key decisions on council tax, reserves and inflation. Income generation, capital and reserves will be considered at a future meeting.
3. At the Panel's most recent meeting on 4 July, the Panel reviewed proposals for the 2017/18 budget and financial outturn for 2015/16. An oral update will be given to the Committee.
- 4.

**Report contact:** Lisa Richards, Legal, Scrutiny and Democratic Services

**Contact details:** [lisa.richards@powys.gov.uk](mailto:lisa.richards@powys.gov.uk), 01597 826371

**Sources:** Notes of meeting – 20 May and 14 June 2016

**Group Membership:** County Councillors J G Morris (Lead Member), K Curry, A W Davies, D E Davies, S C Davies, D R Jones, M J Jones, A G Thomas, D A Thomas and Mr J Brautigam

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## Audit Committee

7 July 2016

### Internal Audit Working Group

**Purpose of Report:** Progress report

The Group has met once since it last reported to Audit Committee:

Direct Payments	<p>A follow up report has been produced as there have been issues surrounding direct payments for a number of years. The Group remain concerned with the lack of resources being used to tackle any deficits but were pleased to support a case for additional, temporary staffing to address the backlog.</p> <p>A policy is now in place and six actions from the previous audit have been put in place, with the remaining four being partially complete.</p> <p>Management responsibility for the Direct Payments service should be given further consideration to ensure it is located within the most appropriate area.</p>
Software Licensing	<p>The Group had initially been concerned that no action plan had been prepared following the Internal Audit. They were reassured that appropriate processes had been introduced to ensure that audit reports were dealt with in future.</p> <p>Technical resources for monitoring licensing are not being fully utilized. Work is being undertaken during Q1 to analyse the Authority's requirements to enable a decision to be taken as to how licensing arrangements can best be handled. Systems are also to be rationalised which will have a positive impact on the management of licenses.</p> <p>There is a risk to the Authority if the correct licenses are not maintained – this is included on the service risk register and consideration may have to be given to elevating this to the Corporate Risk Register.</p>
IT Business Continuity	<p>Inadequate business continuity plans were in place. Technologies and demands were constantly changing and although business continuity was improving, the pace of change was of some concern. Technology is seen as</p>

	<p>an enabler for other services, but resources are needed to meet this requirement.</p> <p>Action Plans for software licensing and business continuity are to be forwarded to the Group as soon as they are available.</p>
Fraud Update	The Group noted that there were currently no cases of internal fraud.

**Report contact:** Lisa Richards, Legal, Scrutiny and Democratic Services

**Contact details:** [lisa.richards@powys.gov.uk](mailto:lisa.richards@powys.gov.uk), 01597 826371

**Sources:** Notes of meeting – 17 May 2016 2016

**Group Membership:** County Councillors J G Morris (Lead Member), E R Davies, W D Powell, D G Thomas, S L Williams and Mr J Brautigam



## AUDIT COMMITTEE

### Work Programme 16-17

Chair Cllr John G Morris  
Vice Chair Mr John Brautigam

7 July 2016		
<b>Standard Items</b> <ul style="list-style-type: none"> <li>Minutes</li> <li>Work Programme</li> </ul>	30 June 2016	Lisa Richards “
<b>WAO</b>		
<b>Risk Management</b>	Progress Report	Caroline Evans
<b>Internal Audit</b>	Audit Plan Annual Audit Review KPMG review	Ian Halstead
<b>Closure of Accounts</b>	Progress Report	Jane Thomas
<b>Treasury Management</b>	Procedure for annual review and Q1	Lisa Richards/Ann Owen
<b>Working Groups</b> <ul style="list-style-type: none"> <li>Internal Audit</li> </ul>	Summary report	Lisa Richards
<b>Finance Scrutiny Panel</b>	Summary report	Lisa Richards
<b>Other</b> <ul style="list-style-type: none"> <li><b>Corporate Assessment</b></li> <li><b>Financial Resilience</b></li> <li><b>Domiciliary Care</b></li> <li><b>Commercial Services</b></li> <li><b>All Wales Pension Pooling</b></li> </ul>	Progress report Action Plan  Progress against Action Plan  Half yearly review Update	Caroline Evans David Powell/ Caroline Evans David Powell /Amanda Lewis Jason Lewis David Powell/Joe Rollin

30 September 2016		
<b>Standard Items</b> <ul style="list-style-type: none"> <li>Minutes</li> <li>Joint Chairs Notes</li> <li>Work Programme</li> </ul>	5July & 13 September 2016 5 July, 13 September 2016	Lisa Richards “ “
<b>Final Statement of Accounts etc</b>		
<b>Annual Improvement Report</b>		
<b>Risk Management</b>	Progress Report	Caroline Evans
<b>Internal Audit</b>		Ian Halstead
<b>Finance Scrutiny Panel</b>	Summary report	Lisa Richards
<b>Working Groups</b> <ul style="list-style-type: none"> <li>Internal Audit</li> </ul>	Summary report	Lisa Richards

<b>Other</b> <ul style="list-style-type: none"> <li>• <b>Corporate Assessment</b></li> <li>• <b>Scrutiny of Reserves</b></li> </ul>		Caroline Evans Jane Thomas
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<b>4 November 2016</b>		
<b>Standard Items</b> <ul style="list-style-type: none"> <li>• Minutes</li> <li>• Joint Chairs Notes</li> <li>• Work Programme</li> </ul>	30 September 2016 18 October 2016	Lisa Richards “  “
<b>WAO</b>		
<b>Risk Management</b>	Progress Report	Caroline Evans
<b>Internal Audit</b>		Ian Halstead
<b>Closure of Accounts</b>	Progress Report	Jane Thomas
<b>Treasury Management</b>	Q2	Ann Owen
<b>Working Groups</b> <ul style="list-style-type: none"> <li>• Internal Audit</li> </ul>	Summary report	Lisa Richards
<b>Other</b> <ul style="list-style-type: none"> <li>• <b>Corporate Assessment</b></li> </ul>		Caroline Evans

<b>February 2017</b>		
<b>Standard Items</b> <ul style="list-style-type: none"> <li>• Minutes</li> <li>• Joint Chairs Notes</li> <li>• Work Programme</li> </ul>	4 November 2016 28 November 2016 & January 2017	Lisa Richards “  “
<b>WAO:</b> <ul style="list-style-type: none"> <li>• Audit Plan - Financial statements</li> <li>• Audit Plan – Pension Fund</li> </ul>		Phil Pugh
<b>Risk Management</b>	Progress Report	Caroline Evans
<b>Internal Audit</b>	Performance Report IA Plan 17/18	Ian Halstead
<b>Closure of Accounts</b>	Progress Report	Jane Thomas
<b>Treasury Management</b>	Q3	Ann Owen
<b>Working Groups</b> <ul style="list-style-type: none"> <li>• Internal Audit</li> </ul>	Summary report	Lisa Richards
<b>Other</b> <ul style="list-style-type: none"> <li>• <b>Commercial Services</b></li> <li>•</li> </ul>	Half yearly review	Jason Lewis

<b>April 2017</b>
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<b>Standard Items</b> <ul style="list-style-type: none"> <li>• Minutes</li> <li>• Joint Chairs Notes</li> <li>• Work Programme</li> </ul>		Lisa Richards “ “
<b>WAO:</b> <ul style="list-style-type: none"> <li>• Audit Plan - Financial statements</li> <li>• Audit Plan – Pension Fund</li> <li>• Financial Resilience</li> </ul>	WAO Assessment and PCC response	Phil Pugh
<b>Risk Management</b>	Progress Report	Caroline Evans
<b>Internal Audit</b>	Performance Report IA Plan 2017/18	Ian Halstead
<b>Closure of Accounts</b>	Progress Report	Jane Thomas
<b>Treasury Management</b>	Q4	Ann Owen
<b>Working Groups</b> <ul style="list-style-type: none"> <li>• Internal Audit</li> </ul>	Summary report	Lisa Richards
<b>Other</b> <ul style="list-style-type: none"> <li>•</li> </ul>		

<b>May 2017 - AGM</b>		
<b>Election of Chair and Vice</b>		

### Working Groups

**Internal Audit:**

**Chair, E R Davies, S C Davies, F ump, D Thomas and Mr J Brautigam**

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## MINUTES OF A MEETING OF THE JOINT CHAIRS AND VICE-CHAIRS STEERING GROUP HELD AT COUNCIL CHAMBER - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON TUESDAY, 24 MAY 2016

**PRESENT:** County Councillor D R Jones (Chair), S C Davies JG Morris, D R Jones, S C Davies and J Brautigam

**In Attendance:** County Councillors W B Thomas, R G Brown, S Hayes, E A Jones, W T Jones and W J T Powell

**Officers:** J Patterson, Chief Executive, P Griffiths, Strategic Director - Place, D Powell Strategic Director - Resources, C Pinney - Solicitor to the Council, P Jones -, Strategic Programme Manager, W Richards - Scrutiny Manager and E Patterson and L Richards - Scrutiny Officers

1.	<b>ELECTION OF CHAIR</b>	<b>JCSG1 - 2016</b>
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**RESOLVED** that the Chair of People be elected the Chair for the ensuing year.

2.	<b>ELECTION OF VICE CHAIR</b>	<b>JCSG2 - 2016</b>
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**RESOLVED** that the Chair of Place be elected Vice Chair for the ensuing year.

3.	<b>APOLOGIES</b>	<b>JCSG3 - 2016</b>
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Members: County Councillors L V Corfield  
Officers:

**Discussions with the Cabinet regarding the work programme (Item 8) were taken at this point on the agenda. Notes under Item 8 below.**

4.	<b>DRAFT NOTES - FOR CONSIDERATION</b>	<b>JCSG4 - 2016</b>
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**Documents Considered:**

- Notes of meeting 12 April 2016

**Outcomes:**

- Noted

5.	<b>DISCUSSION WITH THE CHIEF EXECUTIVE, STRATEGIC DIRECTORS / DIRECTOR REGARDING POTENTIAL SCRUTINY ITEMS</b>	<b>JCSG5 - 2016</b>
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**Documents Considered:**

- None

**Issues Discussed:**

- Work programming
- Budget – if savings have not been met, research why and whether there are any learning points
- MTFS – some plans are not well defined. These plans should be developed and assist in the development of the Resourcing Plan. Additional consideration needs to be given to 'service redesign' and the details of that redesign.
- Constructive challenge and inquiry is useful
- Plans must be more defined
- A role for FSP is being developed which will encompass these areas
- Risks should also be assessed – Resources are expected to deliver £3M savings and consideration of risk must be built into the programme
- Some savings from previous years have still not been achieved. Local Members are frustrated that cuts are imposed due to the approved budget, but those details were never made apparent
- Highways services have to achieve £1.6M savings and specific plans are not yet developed
- The more debate that can be had around an issue the better as it could highlight other alternatives enabling better decisions to be made
- Savings have to be delivered within the libraries and leisure services by the end of the financial year and firm proposals will need to be considered by Cabinet in the autumn leaving little time for scrutiny
- Real value could be had by scrutiny evaluating options
- The emphasis must be to drive the programme through Joint Chairs but scrutiny must be flexible to respond
- A suggestion was put that scrutiny should be included within the performance/finance, business intelligence framework which would result in a defined work programme
- Scrutiny should be concentrated on those items where there is the biggest return on investment and, as discussed with Cabinet, should concentrate on the 'big ticket' items

**Outcomes:**

- Outcomes included in Work Programme item 8

<b>6.</b>	<b>ANNUAL GOVERNANCE STATEMENT</b>	<b>JCSG6 - 2016</b>
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**Documents Considered:**

- Draft Annual Governance Statement

**Issues Discussed:**

- The document has expanded over recent years and the format will be reviewed for future years.

**Outcomes:**

<b>Action</b>	<b>Completion Date</b>	<b>Action By</b>
<b>Comments on AGS to be</b>	<b>31 May 2016</b>	<b>Members</b>

forwarded to Peter Jones or Wyn Richards		
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7.	<b>CORPORATE IMPROVEMENT PLAN</b>	<b>JCSG7 - 2016</b>
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**Documents Considered:**

- Draft Corporate Improvement Plan

**Issues Discussed:**

- The Corporate Improvement Plan draws existing policies together and once agreed will become the corner stone for financial planning

**Outcomes**

Action	Completion Date	Action By
Comments on the Corporate Improvement Plan to be forwarded to Peter Jones or Wyn Richards	31 May 2016	Members

8.	<b>SCRUTINY WORK PROGRAMME</b>	<b>JCSG8 - 2016</b>
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**Documents Considered:**

- Scrutiny Work Programme

**Joint discussion with Cabinet:**

(Cabinet Members present: County Councillors W B Thomas, W T Jones, R G Brown, E A Jones, S Hayes and W J T Powell)

- The scrutiny work programme has been reviewed and will be prioritised
- During the course of the review a number of items were removed and agreement reached that there should be greater concentration on quality over quantity
- Some items were listed which were considered to be better monitored by Cabinet rather than scrutiny
- There needs to be good communication between Cabinet and Scrutiny to develop both work programmes to be effective
- Pre scrutiny should be used more
- The Cabinet work programme must be sufficiently detailed to enable the scrutiny work programme to be drawn up
- There was an acknowledgement that there would be reports submitted to Cabinet at short notice but these should not be on key decisions
- The Leader suggested that regular meetings with Joint Chairs should take place to ensure a constant dialogue takes place to avoid the current disconnect
- The Portfolio Holder for Adult Social Care informed the meeting of two major issues to be considered by Cabinet in the summer – Day Centres in mid July and Residential Care in August/September. Whilst he would welcome scrutiny's input, timeliness was essential and there would be a short time frame for scrutiny to comment.

- Cabinet would welcome timely and informed information prior to making decisions
- Comments were made that less than 50% of items on the Cabinet work programme were considered as specified – some did not appear to have been considered at all and some may have been integrated into other reports
- It was considered that some items should not be taken to Cabinet but should be subject to Portfolio Holder decision. The Leader acknowledged this but wanted decisions to be open.
- Many key decisions are governed by consultation. It was suggested that Scrutiny could become involved during the consultation period
- Many savings are predicated on decisions being made in accordance with a tight timetable
- Some items have been dropped from the Cabinet work programme but the Leader has always been made aware of these issues. Consideration was given to whether scrutiny should also be informed.
- Processes need to be streamlined
- Although Key Decisions – requiring advertising for 28 days prior to a decision being made – were not required in Wales, a process could be developed based on those principles
- Reporting needs to be SMARTer and lengthy reports should perhaps contain a summary sheet for general information
- There was general agreement for scrutiny to take place during the consultation period
- Options must be provided together with details of the drivers e.g. finance
- Cabinet should only consider key decisions – anything else should be determined by Portfolio Holders
- Where a policy has already been agreed, projects should be implemented without reference to Cabinet
- The Chief Executive noted that a number of ‘for information’ items were appearing on the Cabinet agendas and this would be addressed
- The Portfolio Holder decision process should be refined – decisions are publicized but is this adequate? More Portfolio Holder decisions would free up Cabinet time
- A Resourcing Plan is being produced and it will be essential to know key dates to develop the Plan. However, political discussion also needs to be factored into that timetable
- It was suggested that too much time was spent on why things did not work rather than concentrate on what did work
- A review of publicity should be undertaken following the demise of the Red Kite – is Facebook working, are any positives reported through the Helpdesk etc
- There was a need to maintain momentum. The majority of officers were committed to transformation but a minority may not be - the senior management team are working against that. The right challenge and scrutiny is essential but momentum must be maintained
- A further suggestion was made that high profile decisions could be subject to dialogue with scrutiny at an earlier stage – this would inform debate on which options were included for formal consultation
- A Member commented that some Members were also resistant to change



- Scrutiny could benefit from its own or joint press releases with Cabinet and this was accepted by the Portfolio Holder with responsibility for communications
- The Joint Chairs Steering Group had been concerned at the amount of scrutiny coming forward and the reporting process being too late to enable scrutiny to take place. The Solicitor to the Council suggested that a briefing paper could be prepared on options for key decisions which could also be considered by scrutiny
- Consideration was given to scrutiny attending the Commissioning and Procurement Board as observers and whether the minutes of that Board should be sent to scrutiny committee chairs for information. It was agreed that a work programme should be developed and that all information should be channelled through Joint Chairs to ensure the work programme was adequately developed
- The capacity of both Members and Officers was of concern – the resource was limited and must be used in the most effective way. There was agreement that the resource must be concentrated on the ‘big ticket’ items.
- It was noted that information was not always forthcoming – the Senior Management Team and appropriate Portfolio Holder should be informed of such occurrences. A system of escalation should be agreed.
- The Portfolio Holder for Finance had also taken on responsibility for scrutiny and he sought the approval of the Joint Chairs Steering Group for his attendance at scrutiny committees and the Steering Group as an observer when possible. There were no objections raised to the proposal.

After Cabinet Members had left the meeting the Joint Chairs and Senior Management Team considered the priorities for each item. All top priorities would be further prioritized once dates had been included in the work programme

#### Outcomes:

Action	Completion Date	Action By
<b>A process for scrutiny procedures to be drafted and circulated for comments</b>	<b>1 June 2016</b>	<b>Wyn Richards</b>
<b>The scrutiny work programme to be prioritized in line with the discussion</b>	<b>24 May 2016</b>	<b>Joint Chairs Steering Group</b>
<b>Top priority items to be reviewed when a timetable has been agreed with Strategic Directors</b>	<b>24 June 2016</b>	<b>Wyn Richards</b>

#### 9.1. Draft Notes of Previous Meeting(s)

##### Documents Considered:

- Draft notes of final LSB – 10 March 2016

##### Outcomes:

- **Noted**

<b>9.</b>	<b>PUBLIC SERVICE BOARD</b>	<b>JCSG9 - 2016</b>
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9.2. PSB Dates - For Information

- 9 June 2016
- 22 September 2016
- 1 December 2016

<b>10.</b>	<b>DATES OF NEXT MEETINGS - FOR INFORMATION</b>	<b>JCSG10 - 2016</b>
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- 5 July 2016
- 13 September 2016
- 18 October 2016
- 29 November 2016

**County Councillor D R Jones**