

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON FRIDAY, 22 SEPTEMBER 2017

PRESENT

County Councillors JG Morris (Chair), M Barnes, J Charlton, K Laurie-Parry, GD Price, R G Thomas, T J Van-Rees, A Williams, S L Williams and H Hulme

Officers: David Powell, Strategic Director, Resources, Jane Thomas, Head of Financial Services, Dan Paley, Financial Reporting and Policy Accountant, Peter Jones, Professional Lead, Corporate Insight, Tom Yeo, Programme Officer

Other Officers In Attendance: Messrs Phil Pugh and Anthony Veale, WAO

1.	APOLOGIES
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Apologies for absence were received from County Councillors Mr J Brautigam (Vice-Chair) and L George

2.	DECLARATIONS OF INTEREST
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County Councillor T J Van Rees declared a personal interest as a Member of the Pension Fund.

3.	DISCLOSURE OF PARTY WHIPS
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There were no declarations of party whips.

4.	MINUTES
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Documents:

- Minutes of the meeting held on 6 July 2017

Outcome:

- **The Chair was authorised to sign the minutes of the last meeting as a correct record**

5.	STATEMENT OF ACCOUNTS
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5.1 Closure of Accounts

Documents:

- Report of the Head of Financial Services

Discussion:

- A workshop with Audit Members had been undertaken to go through the changes agreed between the draft statement of

accounts and the final statement of accounts. The session provided members with an opportunity to ask questions and fully understand the reasons and impact of the changes.

- There had been further improvements in closing the accounts. Areas for further improvement included working papers
- The Finance section had been restructured and strengthened where appropriate and this had supported the closure process
- One member of the public had raised issues and had met with the Auditor
- Changes in the Council's delivery models for front line services will have an impact on future statement of accounts
- With impending shorter closing, the section is looking at the experience of others and are attending seminars and workshops to learn and prepare for future years.

Outcome:

- **Noted**

5.2 Audit of Financial Statements Report

Documents:

- Audit of Financial Statements Report – Powys County Council
- Audit of Financial Statements Report – Powys Pension Fund

Discussion:

- The WAO reminded Members that they worked to a level of materiality which, for the main accounts was £4.185M and £5.982M for the Pension Fund
- Materiality by nature or context is also considered and may include sensitive issues or those which may be of particular interest to the public or press
- The draft accounts had been received at the agreed time
- The audit process continues until such time as the Auditor General signs off the accounts – this is likely to be on 28 September 2017
- It is expected that an unqualified audit report will be issued
- No misstatements were un-amended
- Further improvements could be made regarding working papers but overall the quality had improved with all information provided being reliable, relevant, comparable and easy to understand
- The WAO wished to place on record their thanks to officers and that further improvement around the statement of accounts was evident but would discuss where this could be further improved
- Generally the information provided was timely and helpful but significant delays were experienced in some areas. This was not within Finance but the annual accounts must be seen as a corporate responsibility. The WAO offered to attend workshops with officers to assist improving this area.
- The WAO had highlighted that, as reported in their audit plan issued in March 2017 there was one potential conflict of interest whereby a member of the audit team had a voluntary role as a Treasurer of a charity that had a contract to provide a service within

Adult social Care. The WAO confirmed that appropriate arrangements had been introduced to ensure that this officer did not undertake any audit work in respect of this area of the Council's operations.

- Once the Auditor General has issued his Certificate of Completion of Audit the audit will be officially closed and no further questions would be taken
- The Auditor was in correspondence with a local elector who had proposed an objection. The Auditors had sought to clarify the issues but there had been no response to date.
- If no further correspondence was received from the local elector, the Auditors would recommend to the Auditor General that the audit be certified as completed. The Certificate of Completion of an audit cannot be provided until such time as the Auditor General is content that all correspondence has been appropriately considered and responded to. If further correspondence was received there was every likelihood that the opinion on the accounts would be provided but the certificate withheld until the correspondence had been appropriately concluded.
- The Committee noted that there appeared to be a lack of responsibility in some areas with regards the provision of information and wanted to know whether this was in one particular area – the Head Of Financial Services reported that these issues were not confined to one area but that there were difficulties with schools as the bulk of the audit was carried out during school holidays. An attempt had been made to address corporate responsibility through workshops but attendance at these events had not always been good. The Strategic Director, Resources would be reporting back to Management Team with action points arising from the Audit and would indicate Audit committee's concerns. The Head of Financial Services reminded Committee that the documentation should be in place for any transaction and should not be dependent on the audit.
- A Member noted that information was not always provided to schools in a timely manner
- Within the Pension Fund Accounts there were no uncorrected misstatements and no issues arising
- The quality of the draft accounts and working papers was good
- One matter had been identified in the previous year's statement of accounts which had not been fully rectified – there was no formal agreement regarding the recharge of administration costs to the Pension Fund and whilst a draft Service Level Agreement had been prepared, this was still awaiting formal approval
- The Auditor was asked whether the Council was paying sufficient funds into the Pension Fund to ensure the backlog was being addressed – the Auditor reminded Committee that his role was to ensure information within the accounts was accurate and that it was the Council's responsibility to discuss the funding of the Pension Fund in light of any advice received from the Actuary.
- It was noted that the Pension and Investment Committee would receive a copy of the report but that the signing of the Statement of Accounts was delegated to the Audit Committee

Outcomes:

- **The Chair would write formally to the Strategic Director, Resources regarding the level of corporate responsibility for closing the accounts**

5.3 Letters of Representation

Documents:

- Letters of Representation

Discussion:

- The letters confirm that the Authority has followed the principles laid down by the Code of Practice
- There is an acknowledgement that there is a responsibility for maintaining adequate financial records and that due process has been followed

Outcomes:

- **The Letters of Representation for the Statements of Accounts, Powys County Council and Pension Fund be approved**

5.4 Statement of Accounts – Powys County Council and Powys Pension Fund

Documents:

- Statement of Accounts, Powys County Council
- Statement of Accounts, Powys Pension Fund

Discussion:

- The Committee asked if they could be advised of the issue that had prompted the question from a member of the public – the Auditor advised that this was in relation to (i) the basis supporting the creation of unusable reserves and (ii) how discretionary council tax reductions were administered by the Council. The issues had been assessed in terms of materiality to ensure the issues raised did not materially impact on the auditor's opinion on Statement of Accounts. However it was important that the issues still needed to be formally considered and responded to
- Members were of the opinion that it was to be commended that members of the public were inquisitive about the accounts and asked whether this was comparable with other authorities. The Auditor reported that this was an increasing trend. Enquiries could result in the Auditor raising a Public Interest Report or declaring to the courts that an item of account unlawful.
- The Committee noted that under Notes 36 and 40, there had been movement of significant sums and questioned why such large sums had been wrongly allocated initially – the Auditor responded that the initial generated by the system had been incorrect. Greater narrative disclosures were required which would include the dates when officers had left employment. Some information had been omitted initially and it was a question of greater assurance.
- A further question was put regarding termination benefits and whether the impact of loss of resource was considered. Termination benefits were

- assessed and disclosed accurately in the accounts. Other impacts are a matter for the Authority to determine in line with its policy and procedures
- Details regarding the HRA subsidy buyout in the previous year had erroneously been left in the accounts
 - A question regarding senior officer emoluments was raised and why salaries, fees and allowances were combined. Members also asked for clarification on a benefit in kind. It was noted that this could be the Council's contribution to the provision of a lease car in line with policy.

The Chair thanked the WAO and officers involved in the preparation of the accounts for the work undertaken and continued improvements.

Outcome:

- **The Chair of the Audit Committee was authorised to sign the Statements of Accounts for both Powys County Council and the Pension Fund**
- **The Statements of Accounts would be published by 30 September 2017**

6. EDUCATION FINANCE REVIEW - ACTION PLAN
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Documents:

- An Action Plan has been put in place in response to the findings and areas of improvement identified in the WAO Education Finance Review

Discussion:

- A whole team approach was being taken including Finance, Commercial Services and the Schools Service.
- Curriculum planning advice in the secondary sector was limited
- Financial data should be reflected in school plans
- Longer term timescales reflect development plans
- Benchmarking data is being developed including data on School Expenditure which is being assessed in conjunction with WLGA.
- The Committee were concerned that deadlines would be met and that schools were engaging with the process – schools were engaging with the process and have indicated that they would welcome as much information as possible including benchmarking
- Challenge Advisers work to a cluster of schools but there are only two for the secondary sector – this is an issue identified by the Joint Audit/Education Scrutiny Group
- The Committee noted that the outcome of a review of the Funding Formula for Schools was due in October. A fundamental review around the minimum level of curriculum expected in the secondary sector is not achievable in that timescale it was suggested that a stepped approach be taken to implementing potential changes to the Formula.

Outcomes:

- **The Joint Working Group with Education Scrutiny Group would monitor the implementation of the Action Plan alongside Scrutiny Committee B**
- **The issue would be included in the Regulatory Tracker**

7. ANNUAL IMPROVEMENT REPORT

Documents:

- Annual Improvement Report 2016/17

Discussion:

- The report provides a summary of performance work by the WAO and other Regulators in 2016/17
- Whilst there were no formal recommendations there were proposals for improvement
- The Report links to the Regulatory Tracker
- As today's Committee was primarily concerned with the Statement of Accounts, it may be opportune to invite the WAO to a more detailed discussion of the Annual Improvement Report at a future meeting

Outcome:

- **The WAO be invited to the next meeting of the Audit Committee to discuss the Annual Improvement Report in detail**

8. REGULATORY TRACKER

Documents:

- Report of the Portfolio Holder for Finance

Discussion:

- The Tracker is now discussed with the Social Care Leadership Team
- It is also considered by Management Team, Strategic Overview Board and, finally, Audit Committee
- There are a number of finance reports on the Tracker and discussions are ongoing with the Head of Financial Services to avoid duplication
- The Programme Officer meets officers and provides comments to Management Team
- Three recommendations are blue and Audit Committee is asked to determine if these should be archived
- The Programme Officer suggested that once an item achieves blue status, the appropriate Head of Service should be asked to confirm approval to give Audit Committee greater assurance that the matter is complete
- One item is red, but this should reduce to amber following intervention in this quarter
- The Committee asked that all recommendations be dated for ease of tracking
- It was noted that the Portfolio Holders listed against some recommendations were not correct and should be amended

Outcomes:

- **The Tracker be received and that the Portfolio Holders listed against recommendations be checked for accuracy**
- **Three recommendations with blue status be archived**

- **Approve Head of Service signing off blue status recommendations to enhance levels of assurance**
- **That dates be included for all recommendations**
- **The Committee be reminded of the processes involved in the Regulatory Tracker at the next meeting**
- **Archived items should be reviewed annually**

9. FINANCE SCRUTINY PANEL

Documents:

- Scrutiny summary report

Discussion:

- A further meeting of the Panel had been held on 15 September 2017
- Three portfolio holders had been invited to discuss the Vision for their areas and how this would impact on budgets. Unfortunately only one was able to attend
- The Panel are concerned that unless they are aware of amendments to the MTFs, their work would be hampered
- A further three portfolio holders were to be invited to the next meeting of the Panel but it may be more appropriate to meet with the Leader and Portfolio Holder for Finance
- It was noted that the Panel comprised the Chair and Vice Chair of Audit, the Lay Member on Audit Committee, Chairs of Scrutiny Committees A and B and Group Leaders of opposition groups. Any remaining places were taken up Members of the Audit Committee or co-opted from the wider Council membership. It was noted that there were currently no women on the Panel. It was suggested that the parent governor representatives on Scrutiny Committee B could also be considered.
- The Panel were concerned that nearly half of the financial year had elapsed with little work having been undertaken. It was acknowledged that the majority of Cabinet were new but it was important that challenge is provided
- It was noted that a Finance and Performance Scrutiny Group had been re-established to assess the monthly budget reports

Outcomes:

- **The summary report and oral update were noted**
- **County Councillor Ange Williams be appointed to the Finance Scrutiny Panel**

10. WORKING GROUPS

11. FINANCIAL VIABILITY OF SCHOOLS

Documents:

- Scrutiny summary report

Discussion:

- A number of people had been interviewed
- The Group was concentrating on the secondary sector
- Common themes had been identified
- A copy of the report would be circulated to Members for information as soon as it was available

Outcome:

- **Noted**

12. JOINT CHAIRS AND VICE CHAIRS STEERING GROUP
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Documents:

- Notes of a meeting held on 11 July 2017

Discussion:

- The lack of attendance by Chairs was noted

Outcome:

- **Noted**

13. WORK PROGRAMME

Documents:

- Work Programme

Discussion:

- A new work programme had been developed linking Cabinet and Scrutiny items
- If items were delayed, changed or missing from the Cabinet work programme, the ability of scrutiny to react was an issue
- There were still operational issues on the Work Programme

Outcome:

- **Noted**

County Councillor JG Morris (Chair)