

## Audit Committee

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

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Meeting Date  
**Friday, 27 April 2018**

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Meeting Time  
**10.00 am**

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County Hall  
Llandrindod Wells  
Powys  
LD1 5LG

For further information please contact  
**Lisa Richards**  
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20 April 2018

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The use of Welsh by participants is welcomed. If you wish to use Welsh please inform us by noon, two working days before the meeting

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### AGENDA

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

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

<b>3.</b>	<b>DISCLOSURE OF PARTY WHIPS</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.)

<b>4.</b>	<b>MINUTES</b>
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To authorise the Chair to sign the minutes of previous meetings held on 2 and 20 February 2018 as a correct record.

(Pages 5 - 18)

<b>5.</b>	<b>WAO - AUDIT PLANS 2018</b>
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To consider the Audit Plans for Powys County Council and Powys Pension Fund 2018.

(To Follow)

<b>6.</b>	<b>CIPFA FINANCIAL MANAGEMENT MODEL</b>
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To consider the report of the report of the Head of Financial Services.

(Pages 19 - 36)

<b>7.</b>	<b>RISK MANAGEMENT</b>
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**7.1. Risk Management Toolkit and JCAD Core**

To consider the report of the Business Continuity and Risk Management Officer.

(Pages 37 - 78)

**7.2. Risk Management - Q3**

To consider the report of the Business Continuity and Risk Management Officer.

(Pages 79 - 94)

<b>8.</b>	<b>INTERNAL AUDIT</b>
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To consider the report of the Assistant Director, SWAP.

**8.1. Internal Audit Plan 2018/19**

To consider the report of the South West Audit Partnership.

(Pages 95 - 104)

**8.2. Internal Audit Activity 2017/18**

To consider the report of the South West Audit Partnership.

(Pages 105 - 138)

<b>9.</b>	<b>CORPORATE TRACKER</b>
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To consider the report of the Portfolio Holder for Finance.

(Pages 139 - 144)

<b>10.</b>	<b>CLOSURE OF ACCOUNTS</b>
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To consider the report of the Head of Financial Services.

(Pages 145 - 146)

<b>11.</b>	<b>TREASURY MANAGEMENT</b>
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To consider the report of the Portfolio Holder for Finance.

(Pages 147 - 166)

<b>12.</b>	<b>CORPORATE LEADERSHIP AND GOVERNANCE PLAN (SECTION D)</b>
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To review progress against the Action Plan.

(To Follow)

<b>13.</b>	<b>FINANCE SCRUTINY PANEL</b>
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To receive a scrutiny summary report.

(Pages 167 - 168)

<b>14.</b>	<b>CORRESPONDENCE</b>
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To consider any items, which, in the opinion of the Chair, are of sufficient urgency to warrant consideration.

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**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COMMITTEE  
ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON FRIDAY, 2  
FEBRUARY 2018**

**PRESENT**

County Councillors JG Morris (Chair), M Barnes, B Baynham, J Charlton, H Hulme, WD Powell, R G Thomas, T J Van-Rees, A Williams, S L Williams, and Mr J Brautigam (Independent Member)

Cabinet Portfolio Holders In Attendance: County Councillor A W Davies

Officers: Jane Thomas, Head of Financial Services, Ian Halstead, Assistant Director, SWAP, Clive Pinney, Solicitor to the Council, Greg Thomas, Business Continuity and Risk Management Officer and Tom Yeo, Programme Officer

<b>1.</b>	<b>APOLOGIES</b>
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Apologies for absence were received from County Councillors L George, K Laurie-Parry, M J Jones and GD Price

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

<b>3.</b>	<b>DISCLOSURE OF PARTY WHIPS</b>
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There were no declarations of party whips.

<b>4.</b>	<b>MINUTES</b>
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The Chair was authorised to sign the minutes of the previous meeting, held on 3 November 2017, as a correct record.

Arising thereon:

- The Statement of Accounts had been signed by the Chair and S151 Officer as agreed at the last meeting following an amendment. The WAO have also certified the Statement of Accounts for 2016/17
- Absenteeism was an issue which had been raised in several meetings. The Employment Committee will take over scrutiny of this issue together with the costs of agency or consultants over employed staff.

**Outcome:**

- **The Chair was authorised to sign the minutes of the meeting held on 3 November 2017 as a correct record**

<b>5.</b>	<b>WAO GOVERNANCE REVIEW</b>
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**Documents:**

- WAO Review of Governance Action Plan

**Discussion:**

- Training in data analysis had not been arranged due to difficulties in sourcing a trainer –data analysis was key and a management consultancy would be an appropriate source for training
- Some training has been provided to support scrutiny particularly in Education and Highways, Transport and Recycling
- An accredited project management programme is now in place
- Further training is required on developing business cases
- Templates for monitoring assessed outcomes of important decisions have been put in place
- The Committee were of the opinion that consistency in quality of impact assessments was essential and that they should also be completed earlier in the process
- The Solicitor to the Council was asked if he had sufficient support – he reported that a review of the scrutiny function had led to a request for additional officer support but noted that Members also needed to engage in the process. Additional support was available in the Legal Team with the appointment of a Professional Lead
- The WAO would follow up on their Governance Review during their Scrutiny, Fit for the Future Project which would occur in Powys in late February or early March

**Outcome:**

- **The Action Plan was noted**

<b>6.</b>	<b>WAO - EDUCATION FINANCE - ACTION PLAN</b>
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**Documents:**

- WAO Review of Education Finance Update

**Discussion:**

- A review had been conducted to ascertain whether the availability and quality of advice was adequate to manage schools' finances
- A joint working group of Audit Committee and Education Scrutiny Group had submitted a report to Cabinet on their findings and a response was provided this week – the Group will reconvene to consider that response
- It was considered that there were general improvements but that the pace of delivering a sustainable service was not adequate
- There are ongoing difficulties in recruiting to the Schools Finance Manager post – a recruitment campaign had delivered two suitable candidates, both of whom withdrew at a later stage. Further interviews are to be held shortly.
- The Funding Formula review is key with a consultant having been brought in to take this forward

- The Finance Business Partner is to commence maternity leave, leaving another gap which will also impact upon delivery of the Action Plan
- Curriculum planning and financing work will be undertaken by the consultant – a minimum level of curriculum and costs will be determined with schools providing additional subjects depending on budget availability
- Supply Teacher insurance is to be provided by way of a joint scheme with Pembrokeshire
- A stronger emphasis has been placed on school balances, but no clawback has taken place. Escalation of action has increased and improved the approach.
- An all Wales review has provided more data for benchmarking – however this information is classed as confidential and not available to all. Members questioned whether this was practical and would wish to see information shared to help schools.
- It was noted that Scrutiny Committee B had considered a draft Schools Policy but that no funding or benchmarking data was included within the draft policy – a comment has been made in this regard to the Cabinet
- The Chair of Employment Committee commented that there were a number of interim appointments at a senior level which were not coming before his Committee.
- Members questioned whether the delays in commercial services were due to resource issues. Further details would be sought.

**Outcome:**

- **An update on progress with the Action Plan would be provided to the next meeting**

<b>7.</b>	<b>RISK REGISTER</b>
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**Documents:**

- Report of the Business Continuity and Risk Manager
- Heat Map
- Risk Register (Q2)
- Risk Assessment Matrix

**Discussion:**

- A review of risk management is underway
- A Cabinet workshop was due to be held, but was cancelled. and will be rearranged for some time in the late Spring/Summer
- New software is to be procured which will enhance the way in which information can be accessed. Members will be able to view the live register.
- Two risks have been removed from the Corporate Register – failure to deliver the One Powys Plan has been removed as it has reached the end of its life and 21 Century Schools as the risk of challenge has diminished
- The ability of Adult Social Care to meet the target for savings of £2.2 M has been added to the register.
- Difficulties in recruiting sufficient foster carers was also reflected within the Register
- The Business Continuity Champions group has met again after a gap

- Business Continuity Plans are to be remodelled by the end of March after which time the Corporate Business Continuity Plan will be reviewed
- Members asked why some risks had moved into the 'green' category and it was explained that this was due to mitigation measures being put in place
- The Assistant Director, SWAP, commented that the register reflected the current situation rather than the intended position of risks. The move to the new toolkit will address this.
- CR18 should be amended to reflect the additional costs following the inspection of Children's Services
- It was hoped that impact assessments would be moved to a new platform in the next year – the Business Continuity and Risk Management Officer confirmed that if the Finance Scrutiny Panel had received an Impact Assessment then it had been signed off by all relevant managers and Portfolio Holders.
- Business continuity issues had been highlighted during recent bad weather when staff were encouraged to work from home, but there were insufficient licenses available to enable them to access the network from remote locations. This has been raised with the Head of Service.
- Schools have individual plans but a corporate one is to be prepared which will assist schools in remaining open in bad weather
- There are financial risks to the Authority following the Children's Inspection and current Adults Services Inspection and these should be included in the Corporate Risk Register in addition to the service registers.
- Members were invited to submit their requirements for information to the Business Continuity and Risk Management Officer while the process for presenting data is reviewed.

**Outcomes:**

- **The Risk Register was received and comments noted**

<b>8.</b>	<b>CORPORATE TRACKER</b>
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**Documents:**

- Report of the Portfolio Holder for Finance

**Discussion:**

- The report was for the second quarter
- There is to be consolidation of the Corporate Governance and Leadership Plan, Adults' Services Improvement Plan and Children's Services Improvement Plan to avoid duplication
- There were four items completed and the Audit Committee were asked to agree to these being archived
- There was one red item – the action plan regarding the WAO Governance review remained static and had not progressed recently
- A timescale for implementation of the Community Safety review was still to be announced. Greater clarity in the approach to Community Safety was needed in light of the review together with the governance of some partner agencies. The Portfolio Holder informed the Committee that the review had been led by Carl Sergeant and had been on hold in the



circumstances. A new minister would now take over this issue and it is hoped that progress will be revitalised.

**Outcomes:**

- **The four measures marked 'blue' be archived**
- **The red measure would be discussed alongside agenda item 5**
- **The report was noted**

<b>9.</b>	<b>CAPITAL REPORT</b>
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**Documents:**

- **Report of the Portfolio Holder for Finance**

**Discussion:**

- Audit Committee would receive the Capital Report on a regular basis for monitoring purposes
- 67% of capital has been committed but spend remained low
- 2 virements had been agreed – new school expenditure and refurbishment of Ladywell House
- The Committee asked whether there was information regarding the continuation of using capital receipts to fund transformation projects – the Head of Finance confirmed that this had been approved for the next 3 years
- Recent press coverage reported that the Brecon Cultural Hub was overspent and Members asked how this was to be funded – this information had been provided to a recent meeting of County Council and would be forwarded for information
- There was concern that the Cabinet had recently agreed to suspend declaring any further property from the County Farm Estate as surplus which would mean that the target for capital receipts will not be met

**County Councillor T J Van Rees declared a personal and prejudicial interest and left the meeting for discussion of this item**

- It was considered that this decision would have a significant impact on the transformation agenda. It was noted that a recent Member Seminar had indicated that the Authority would need £450M of borrowing in the next few years and that all avenues of funding should be considered including the use of the Authority's asset base. All assets and policies need to be realigned. The Portfolio Holder confirmed that everything would be open to discussion in the next few months. There would be an intensive series of meetings regarding transforming the Council to avert the financial crisis that was looming in 2019/20 if matters were not addressed. The Committee considered that the Cabinet decision may have been premature – the Portfolio Holder reported that the Cabinet would wish to see the County Farms Estate maintained but improved to address regeneration. However, he reiterated that everything would be open to discussion during the transformation debate. The Authority was currently under-borrowed and future borrowing was included within the existing Finance Resource Model (FRM).

- A question regarding the reporting of the capitalisation of projects from revenue expenditure was raised – this would be reported as projects were fulfilled in the monthly monitoring report
- The Head of Finance was asked whether projects were ‘future proofed’ if delays were experienced. A contingency is included in all capital projects. The risk of increasing costs in delayed projects was acknowledged.
- The Committee again noted that the Authority rarely achieved its target for capital spend – there was a need to be more realistic
- A further comment was made that Impact Assessments were not necessarily embedded in the right place. The need to clearly assess impacts was essential. The Portfolio Holder agreed that this should be completed at an early stage and become integral to projects.
- Borrowing from other local authorities or our Pension Fund was noted – this tended to be for shorter term borrowing but longer term borrowing would be via the Public Works Loan Board (PWLb). This is detailed in the Treasury Management policy. The Authority have used cash reserves while investment interest has been low to fund capital projects.
- It was noted that only 0.2% interest had been paid for a loan from the Pension Fund. A Member of the Pension and Investment Committee expressed concern that the Pension Fund was in deficit and those funds would be better retained within the Fund – he agreed to take the matter up with the Pension Fund.

**Outcomes:**

- **Details of the additional costs and funding streams for the Brecon Cultural Hub would be circulated for information.**

<b>10. INTERNAL AUDIT</b>
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**Documents;**

- Internal Audit Activity Report – Q3

**Discussion:**

- It was intended that the report format would be improved to include the status of work and outcomes of completed audits
- The programme of audits is based on corporate policies and healthy organisation principles
- The first four of the eight principles have been carried out and a report on the outcome will be presented to the April meeting of the Audit Committee:
  - Corporate governance
  - Risk management
  - Financial management
  - Corporate management
- The work pattern has been as expected and in line with the work programme agreed in July 2017
- Internal Audit was in the first year of a new relationship with new principles and new systems – it was anticipated that there would be a 10% slippage in the work programme but that this would be accommodated in next year’s programme

- It was suggested that the report could demonstrate how embedding new protocols had been achieved and what difference this has made to the Authority.

**Outcomes:**

- **Noted**

<b>11.</b>	<b>CLOSURE OF ACCOUNTS</b>
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**Documents:**

- Report of the Head of Financial Services

**Discussion:**

- The project management approach is to be continued
- The pace is increasing on closure
- Timescales for early closure of accounts in future years were noted

**Outcomes:**

- **The report was noted**

<b>12.</b>	<b>FSP SUMMARY REPORT</b>
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**Documents:**

- Scrutiny summary report

**Discussion:**

- The Panel had hoped to comment on budget proposals and MTFS but had not had information early enough
- A further meeting will be held shortly to enable a response to be formulated prior to Council's final consideration of the budget

**Outcomes:**

- **The summary was noted**

<b>13.</b>	<b>TREASURY MANAGEMENT</b>
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**Documents:**

- Responses to comments made

**Discussion:**

- The Q3 Treasury Management report had been circulated via email to Audit Committee members for comment prior to the report's consideration by Cabinet on 30 January 2018
- Some issues had been raised and responses were provided for Committee's information
- Members had raised concerns regarding KPI statistics and the number of forms which were not completed resulting in VAT not being allocated correctly. This was thought to be at an unacceptably high level. The

Head of Financial Services reported that the Treasury Management Team undertake a number of checks to ensure that VAT has been claimed correctly. There are too many instances where the documents are not correct and therefore VAT cannot be reclaimed. During the last year £50k VAT could not be recovered. This situation has been exacerbated by purchase cards and it was noted that schools often failed to have the correct documentation in place. It was hoped that a 'right first time' ethos could be engendered.

- The lost VAT was effectively coming out of individual service's budgets
- Training has been given – policies and procedures are in place and online information is available. Anyone issued with a purchase card has this information. The ultimate sanction would be to withdraw purchase cards but a balance would need to be achieved between efficiency and costs.
- Members were aware that there had been a policy of No Purchase Order, No Pay introduced. This was still not operating effectively in all areas. Consideration was being given to what information should be available to managers via their dashboards.
- Members were concerned regarding the risk to the Authority of not complying with HMRC. The Head of Finance reported that HMRC were relatively comfortable with the level of checks and balances in place but there remained a level of risk. It was noted that a significant amount of officer time was used in maintaining compliance.
- The Chair requested details of those establishments or services which consistently failed to provide appropriate documentation. He also reminded Members that, as governors, they had a responsibility to ensure their schools followed correct procedures.
- Further information regarding a correlation between those schools which had deficit budgets and failure to follow procedures was requested
- The Assistant Director, SWAP, informed Members that he worked closely with the VAT Team and would continue to follow this up. He believed there were improvements albeit these were not happening at pace.

**Outcomes:**

- **The comments were noted and further information would be provided as requested**

<b>14. JOINT CHAIRS AND VICE CHAIRS STEERING GROUP</b>
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**Documents:**

- Notes of meetings held on 10 October, 7 November, 5 December 2017 and 9 January 2018

**Discussion:**

- Absenteeism had appeared to have a significant increase and further work was being undertaken on whether this is a system issue or a real increase in absenteeism
- There had been some concern raised by the Chief Executive last year at the veracity of some information given to both him and the scrutiny committees. It is expected that there will be a report back.
- The Capital Report is now reported to Audit Committee, the first of which was considered at today's meeting

- The Chair had written to the Leader in her position as Chair of the Public Service Board (PSB), regarding their concerns into Children's Services and why this had not been raised at PSB. To date there had not been a reply.
- The Heart of Wales Property Service would not be subject to a scrutiny review until it had been in operation for one year
- Members raised concerns that they had not had access to PSB agendas and minutes as they were confidential. It has now been agreed that this information can be accessed by Councillors but were still not available publicly.
- A further comment was made that the PSB was not fit for purpose and that the level of seniority of officers present prohibited in depth analysis

**Outcome:**

- That the notes of the Joint Chairs and Vice Chairs Steering Group be received

<b>15.</b>	<b>SCRUTINY WORK PROGRAMME</b>
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**Documents:**

- Scrutiny work programme

**Outcome:**

- **Noted**

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

**County Councillor JG Morris (Chairman)**

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## **MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON TUESDAY, 20 FEBRUARY 2018**

### **PRESENT**

County Councillor JG Morris (Chair), J Charlton, L George, H Hulme, K Laurie-Parry, WD Powell, R G Thomas, A Williams and Mr J Brautigam,

Cabinet Portfolio Holders In Attendance: County Councillor A W Davies

Officers: David Powell, Acting Chief Executive, Jane Thomas, Head of Financial Services and Stephen Caple, Deputy Head of Financial Services

Other Officers In Attendance: Mr Colin Davies, WAO

<b>1.</b>	<b>APOLOGIES</b>
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Apologies for absence were received from County Councillors M Barnes, B Baynham, M J Jones, T J Van-Rees and S L Williams

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

<b>3.</b>	<b>DISCLOSURE OF PARTY WHIPS</b>
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There were no disclosures of party whips.

<b>4.</b>	<b>WAO ANNUAL AUDIT LETTER 2016/17</b>
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### **Documents:**

- Report of the Leader, County Councillor R Harris
- WAO Annual Audit Letter – Powys County Council 2016-17
- Action Plan

### **Discussion:**

- The WAO Annual Audit Letter includes a statutory recommendation to County Council which, under the Public Audit Wales Act, must be considered by council within one month
- This extra meeting of Audit Committee gives Members the opportunity to consider the Letter to enable comments to be made at County Council on Thursday 22 February 2018
- The Acting Chief Executive reported that the Council was already taking action to address the issues raised
- A balanced budget can be achieved for 2018/19 but there were significant challenges to balance the 2019/20 budget – Cabinet and Management Team were working to address this

- The Letter covers the period to the end of March 2017 before the new Council was elected.
- The Letter confirms that the 2016/17 Statement of Accounts were approved and that no significant issues had arisen through work to certify grants and claims
- However, the WAO state that *The Council did not have sufficient appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, and the current and future financial position represents a significant challenge*
- The Authority was under considerable scrutiny at present including the CIW inspection of both Adult and Childrens Services
- Members were aware of the significant challenges facing the Council from 2019/20 and beyond and the necessity for fundamental change
- A balanced budget has been set for 2018/19
- The level of detail provided has continued to improve
- The MTFS will be updated by the end of May 2018
- Cabinet and Management Team are to have a series of meetings regarding the 2025 Vision and balancing the budget
- The Corporate Leadership and Governance Plan highlights the WAO comments and how those recommendations are to be achieved
- The Chair commented that the Leader's report should be amended to reflect that the WAO Letter did cover some issues relating to the current year
- It was noted that Impact Assessments (IAs) had been introduced but that the Committee's experience of some IAs was a cause for concern. Furthermore, the majority of them had been late in being available for consideration. It was questioned whether the residual risk was accurate and this should have been the subject of debate to give the Committee assurance that IAs were adequate (an example was given of savings within the Resources Directorate which the Committee believed led to a high residual risk. The Head of Financial Services was able to explain the rationale behind this but this had not been apparent at the time Members considered the IA.)
- IAs must be developed early in the process to inform the budget setting process
- Changes that will be required for 2019/20 must have an early IA to enable effective scrutiny
- The Chair also commented that a more holistic approach needed to be taken – including the relationship between scrutiny and Cabinet
- There remained concerns regarding the monthly budget monitoring report. It was hoped that this report could include remedial measures rather than just a statement of fact at a particular time with no indication of how overspends could be resolved. The Head of Financial Services drew committee's attention to the fact that compared with some other authorities Powys has more frequent budget monitoring reports
- There were no IAs for Children's Services
- Officers suggested that any savings proposal had an element of risk but that processes put in place including monthly monitoring reports, risk assessments and sensitivity analysis, all assisted in confirming the robustness of savings proposals



- A more detailed budget strategy for Children's Services was in the process of development
- The Committee asked whether IAs should be completed for those areas requesting additional funding to assess the corporate impact – there was no requirement to do so
- For the first time an independent assessment of the budget process had been undertaken. CIPFA had undertaken this process and had raised similar concerns to those raised by the WAO
- There remained concerns regarding the pace of change and the achievability of savings
- The Portfolio Holder was asked whether IAs completed in earlier years should have identified the current problems. The Portfolio Holder replied that the issues within Children's Services were not all related to budget but to poor management etc. The spend per child was above average in Wales. A recovery plan has been put together and agreed.
- Members were concerned that similar issues would arise in other service areas. The Portfolio Holder hoped that there would be no more surprises and emphasised the need that proposals be carefully prepared and monitored to ensure they could be delivered
- The Committee noted the wider, corporate improvement plan and the need to improve financial planning and a more effective and co-ordinated opposition, but questioned whether there was sufficient resource available to complete the work. There seemed to be a disproportionate amount of work falling on a few people.
- The Acting Chief Executive reiterated that the Authority was currently under a lot of scrutiny. A report has been prepared by the Welsh Government appointee (Sean Harris) a second phase is being commenced with Sean Harris. A growth item is included within the budget to support scrutiny.
- The need for a 5 year financial model is acknowledged and a new MTFS is to be prepared to support this
- In response to a question, the Acting Chief Executive reported that an opinion from the WAO regarding the backdating of the Minimum Revenue Position (MRP) was still awaited but this may be referenced in the next WAO Audit Letter. It was noted one other Welsh council had taken the same steps. There is a specific line in the balance sheet where these funds will be shown.
- There was a lack of information regarding the fundamental changes required although meetings between the Cabinet and Management Team on this specific issue had commenced. It was not just austerity that was affecting Powys but the lack of population increase which also affected the funding settlement.
- Members sought clarification as to how Councillors were to be engaged in the process and how their thoughts would be incorporated. There was a fear there would be too much talking and not enough action.
- The Acting Chief Executive reminded the Committee that a balanced budget for 2019/20 would have been achieved but for the Children's Service Inspection and an impending inspection for Adults Services. The Council has largely 'salami sliced' to achieve savings and this was no longer possible. Fundamental change was required and the Council would in all likelihood have to deliver services with less people and from fewer buildings. The Audit Committee must run in parallel to challenge

proposals. The roles of Audit Committee and the Finance Scrutiny Panel will need to be assessed.

- Members commented on the several hundred pages of documents relating to the budget that had been sent out for Council which seemed quite daunting. It was hoped that the commitment to engage with all Members would come to fruition. It was noted that additional meetings would need to be arranged.
- There needed to be improvements in the relationships between Cabinet, Scrutiny and Audit to ensure the process has every chance of success. An improvement programme was underway and Members were encouraged to engage fully with this programme.

**Outcome:**

- **The Chair was authorised to convey the Committee's thoughts to County Council on Thursday 22 February 2018.**

<b>5.</b>	<b>ADULT SOCIAL CARE SCRUTINY GROUP</b>
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The Chairs and Vice Chairs Steering Group had agreed that the Audit Committee be represented at a meeting of the Adult Social Care Scrutiny Group when they considered Section 33 Pooled Budgets for Residential Care and Residential Care, Ownership and Administration. The first of these topics was to be considered on 12 March 2018 and the Committee was asked to nominate up to three representatives to participate in the joint meeting.

**Outcome:**

- **County Councillors J Charlton, K Laurie-Parry and W Powell be the Audit Committee representatives attending the Adult Social Care Scrutiny Group**

**County Councillor JG Morris (Chair)**

**CYNGOR SIR POWYS COUNTY COUNCIL.****PORTFOLIO HOLDER DELEGATED DECISION****By****COUNTY COUNCILLOR ALED DAVIES****(PORTFOLIO HOLDER FOR FINANCE)****March 2018****REPORT AUTHOR: Head of Financial Services****SUBJECT: Support for the use of the CIPFA Financial Management Model**

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**REPORT FOR: Decision**

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**1 Summary**

1.1 This report recommends that the Council proceed, as part of a WLGA pilot scheme, with using the CIPFA financial model to independently assess the current financial robustness of the organisation, and to benchmark the organisation's financial performance against best practice. This process will highlight strengths and weaknesses in the Council's financial management systems and will form the basis for future improvement and action.

**2 Proposal**

2.1 The financial pressures placed upon the Council are set to intensify. It is predicted that efficiency savings of £17m will need to be delivered to produce a balanced budget in financial year 2019/20. Further savings will be required in subsequent years.

2.1 The acute nature of the on-going financial challenge is recognised in the recent Wales Audit Office Annual letter. Finance has a critical role, specifically strong financial management practices, to play in ensuring these challenges are met by the organisation. It is vital that Finance ensures that the service is adding value and is strategically placed within the organisation.

2.2 It is crucial that organisations understand their current position and have a coherent strategy to improve and develop their financial management arrangements. The FM Model will provide an independent view and roadmap for the Authority for financial management improvement.

2.3 Concurrently, the council has committed to updating the Medium Term Financial Strategy (MTFS) by the end of May 2018. The output from the

CIPFA model and review will complement this work-stream and its application will enhance the robustness of the updated proposal.

- 2.4 The CIPFA financial model is an internationally recognised tool used to assess an organisation's financial robustness and to benchmark an organisation's financial performance against best practice. The framework is fully up to date and reflects the latest developments in financial management in the public sector.
- 2.5 The model uses a combination of document reviews, interviews and on-line surveys, facilitated by CIPFA, to give an independent assessment of the current state of financial management practices within the Council. The model will produce an organisation-wide assessment of financial management capability and will isolate areas for development.
- 2.6 The CIPFA report will provide, "recommendations to suggest key actions for the council, especially in relation to medium term opportunities and any short term areas of focus." And will, "provide a commentary on findings, risk and suggestions around direction of travel."
- 2.7 Further details regarding the framework can be found in the CIPFA discussion document in Appendix A at the end of this report.

### **3 Options Considered / Available**

3.1 NA

### **4 Preferred Choice and Reasons**

4.1 NA

### **5 Impact Assessment**

5.1 Is an impact assessment required? **No**

### **6 Corporate Improvement Plan**

6.1 As stated in the 'Making it happen' section of the Corporate Improvement Plan, one of the key building blocks required to deliver the Vision 2025 is to improve the efficiency and effectiveness of our Corporate support services. The independent assessment of financial management practices, provided by the CIPFA model, and resulting action plan, is fully aligned with this objective.

### **7 Local Member(s)**

7.1 NA

### **8 Other Front Line Services**

In assessing the financial health of the organisation all service areas will be considered as part of this review.

## **9 Communications**

Have Communications seen a copy of this report? **Yes**

Communications comment: "No proactive communication action required."

## **10 Support Services (Legal, Finance, Corporate Property, HR, ICT, Business Services)**

10.1 Legal – The recommendation can be supported from a legal point of view

10.2 Finance – Funding will be provided by the WLGA on a grant basis. The Authority will contract with CIPFA for the support and make payment. Following this the full cost can be recovered from the WLGA with the submission of a claim. The project cost will be £30,000.

## **11 Scrutiny**

Has this report been scrutinised? **No**

11.1 The finance scrutiny panel and Audit Committee will receive information about the work being undertaken and will also receive a copy of the final report for their scrutiny.

## **12 Statutory Officers**

12.1 The Solicitor to the Council (Monitoring Officer) has commented as follows: "I note the legal comment and have nothing to add to the report".

12.2 The Head of Financial Services (Acting Section 151 Officer) has commented as follows: "The opportunity to participate in this project is extremely timely, the assessment will support and strengthen the Priority Improvement Area D – Strategic & Financial Planning included in the Corporate Leadership and Governance Plan and assist in the development of the revised Medium Term Financial Strategy. It is more important than ever that the Council has a robust awareness of the organisations financial management arrangements, procedures and capability and where improvements can be made. This is the key to developing and ensuring continual financial resilience."

## **13 Members' Interests**

The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If the Portfolio Holder has an interest he/she

should declare it, complete the relevant notification form and refer the matter to the cabinet for decision.

#### **14 Future Status of the Report**

NA

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
<b>To proceed with the WLGA pilot scheme to independently assess the financial management practices of the organisation using the CIPFA Financial Management Framework.</b>	<b>To assess the current robustness and performance of the organisation's financial management system and to develop a plan for future development.</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>	
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<b>Person(s) To Implement Decision:</b>	
<b>Date By When Decision To Be Implemented:</b>	

<b>Contact Officer:</b>
<b>Tel:</b>
<b>Email:</b>

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

##### **Appendix A:**

CIPFA Discussion document: Local Government financial resilience in Wales (July 2017) prepared by Chris Tidswell (Head of CIPFA Wales):



FM FRR Discussion  
Document.pdf

# \ Discussion document: Local Government financial resilience in Wales

**July 2017**

**Chris Tidswell FCPFA**

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## 1. Introduction and context

- 1.1** Unprecedented spending cuts, challenging settlements, ballooning demand and political change at a national and local level have seen strategic priorities change rapidly in the public sector. The impact of the political and economic environment has hit local authorities and consequentially it's finance departments and hard.
- 1.2** For nearly a decade, public financial management has been built on an ever changing base of funding and service demands. The finance departments and directors of finance have a key role in supporting organisations in their responsibility to keep services, on which so many people depend, properly resourced in an environment that is hardly conducive to medium and long-term planning.
- 1.3** Wales has and continues to see local authorities strive to achieve increasingly challenging revenue support grant settlements. This is in an environment where annual settlements are seen as a block to robust medium and long term financial planning and a tendency to resolving immediate short term issues which could potentially be at the expense of longer term benefit.
- 1.4** The local government elections in May saw many council's political balance and composition change. In some cases more than 50% of councillors are new and in a number of cases authorities have a new cabinet in place (new in composition and with new councillors). Councillors face difficult decisions on core service provision which may account for many experienced ones having stepped down.
- 1.5** The financial climate and service demands will mean resource utilisation will face greater scrutiny and a need for much greater self-awareness of financial management and financial governance arrangements. This applies across the organisations departments and at a political and officer level.
- 1.6** All authorities in Wales are facing severe financial challenge. Some are in a better position to respond than others. We have authorities with no reserves, others managing to grow reserves, service pressures are well documented in social care and children's services, though schools delegated budgets are emerging as a high risk area. With each authority there are different approaches to considering issues around financial sustainability in the longer term and seeing the bigger picture when making decisions.
- 1.7** Today, and for the foreseeable future uncertainty marks almost every external factor that affects the finances of public sector organisations. Therefore, it is more important than ever that elected members, executives and directors have a robust awareness of their organisations financial management arrangements, procedures and capability and are on top of all that they do control. **This is the key to developing and ensuring continual financial resilience.**



- 1.8** CIPFA continues to work with the public sector on financial resilience through two main activities:
- The CIPFA Financial management model and;
  - Finance resilience reviews

## **2. Local authority understanding**

### **2.1** Longer term financial scenario(s)

Settlements are and will become increasingly more challenging. The opportunity for making savings and introducing efficiencies with quick or easy actions has now effectively ended. To achieve savings difficult decisions around core services will need to be made by authorities. To achieve this it is essential that there is sound financial management and governance built on robust systems and processes – where reliance on information and advice is central. Financial management will need to be more responsive, accurate, realistic and mindful of the longer term. The ability to use reserves or technical accounting mechanisms such as MRP (minimum revenue provision) will rapidly disappear. Understanding the strengths and weaknesses within the organisations financial management system are crucial in supporting future direction.

### **2.2** Role of finance & finance transformation

For the chief finance officer (CFO, s151), the quality of financial challenge in departmental forecasts regarding pressures and likely savings is crucial. The wider finance team also need to adopt the responsibility of constructive challenge on the part of the CFO and a key warning sign that plans could fail is a lack of process and feedback to the CFO on the findings from such challenges.

A core skill for chief financial officers is the ability to talk to the political leadership and senior service colleagues about what is and is not possible. Members need openness, honesty and clarity. Hyperbole about difficulties and crises does not help them make decisions and what politicians actually need is hard-edged analysis, options and advice, supported by evidence.

Financial reports to Members should be models of clarity, and contain sufficient detail for robust discussion and challenge. Significant items should be separated out rather than lumped together, and context needs to be provided for estimates and projections.

It is evident that in some authorities that the role, value and activity of finance and that of the s151 officer is neither appropriate nor adequate to support the organisational financial challenge ahead.

Gaining a clear view of the organisations financial management arrangements provides an opportunity to evaluate opportunities, strengths, weaknesses and design through transformation a new operating model for finance, its role and relationships with departments, stakeholders and elected members.

### **2.3 Savings and efficiency plans and opportunities**

These are a key element of achieving financial balance and are prepared as part of the budget setting process.

The process for agreeing these, challenging risk and potential success falls to officers and councillors alike. It is evident that whilst planning is improving the move to potential service change and difficult decisions will make the process more difficult.

Plans will need to be assessed on a regular and realistic basis with contingencies in place on a risk basis. Councillors challenge through pre and post decision scrutiny and continual monitoring by scrutiny and service committees in an effective manner is vital. Understanding how well this is operating and managed is a fundamental element of financial sustainability awareness.

### **2.4 Organisational awareness of current position**

It is essential that the organisation has an overall view of its financial position now and forecast in to the future. Tied in to this is a good self-awareness of the strengths and weaknesses of the system of financial management and governance. This is not just the responsibility of the finance team but the whole organisation on a corporate basis.

Many organisations have segmented views of capability and the financial picture, based on services or subservice level. This can lead to poor financial management and 'parochial accounting' where teams are only concerned about their own area. Action to remove this can lead to collective efficiencies, improved financial management and ultimately better financial planning and control.

Awareness of the overall position is essential and allows action to improve and develop better practice. Undertaking a review with the FM Model and with a financial resilience approach will provide that platform for understanding and action.

### **2.5 The Well Being of Future Generations (WFG) Act 2016**

A key element of this act is the sustainability of services in line with desired outcomes. The processes in place to meet the Acts requirements are audited and assessed. Understanding and financial sustainability with robust procedures will support the Act and its aims.



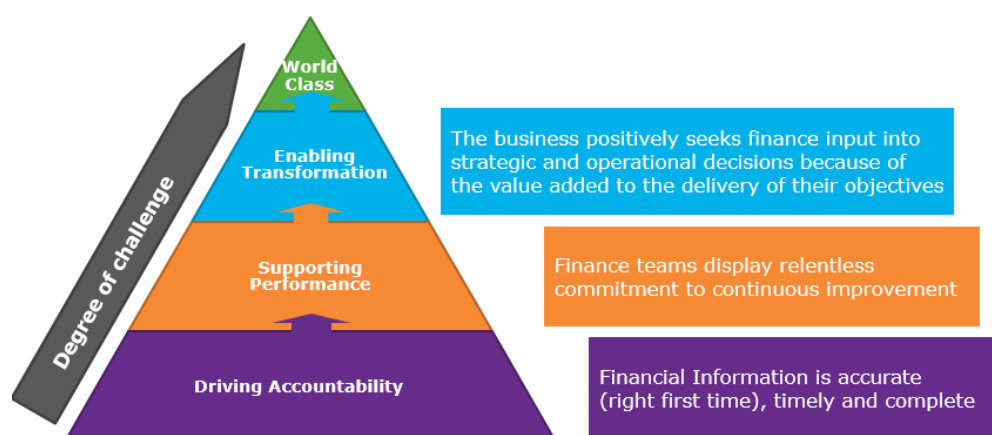
### 3. Direction of travel (what is needed?)

- 3.1** Given the current service demand environment, financial position of organisations and the future economic outlook effective financial management and governance is crucial.
- 3.2** The role of finance in decision making, financial reporting and establishing a sound financial platform is central to organisations having both an understanding of financial and service sustainability and also ensuring process and systems support effective governance.
- 3.3** Organisations need to have a clear understanding of the quality and capability of their financial management and governance arrangements in place. Being clear on strengths, weaknesses and ways to improve and strengthen operational arrangements.
- 3.4** Finance function transformation needs to develop in many organisations and establishing current arrangements at a corporate level will help determine directions and strategy. Finance needs to move away from transactional and reflective support, which can in many cases be automated to decision support, strategy and guidance. To do this there does need to confidence in authority wide financial management.
- 3.5** As a first step undertaking the **Financial Management Model** review establishes the current position, good and not so good and a direction for improvement.
- 3.6** Secondly where organisations consider financial sustainability is a potential issue, undertaking a **Financial Resilience Study** will give a clear view of the risks and actions that need to be taken.
- 3.7** These two techniques apply to authorities individually, gaining a view and plan to improve. When this evidence is combined over a number of organisations it will present a wider more economy based view. This can contribute to thinking on consistent issues and risks allowing for action collectively through training and development of officers, members and system improvement.
- 3.8** An economy wide view will also support thinking on how to ensure there is capacity and capability in key areas relating to financial management and whether there are options to develop alternate ways of working, intellectual shared services and learning or sharing better practice.
- 3.9** An additional benefit is the development of finance within organisations ensuring it adds value and positioned strategically within the authority.

## 4. Financial management model

- 4.1** CIPFA's Financial Management Model (FM Model) can help drive effective performance in financial management throughout an organisation. It uses an internationally recognised framework and diagnostic tool, enabling organisations to self-assess their financial management against world class financial management best practices in the public sector in order to optimise systems, processes, resources, compliance and reporting.
- 4.2** The FM Model will help organisation identify or substantiate weaknesses (as well as confirm strengths) and then help develop and implement a target-driven improvement plan allowing progress to be closely tracked and measured.
- 4.3** The FM Model measures the strengths and weaknesses across the whole of an organisation including areas such as processes, people, leadership and stakeholders.
- It will benchmark your organisation's financial management against best practice.
  - It raises effectiveness and confidence in stewardship, performance and ability to implement change.
  - It focuses on financial management capability across the whole organisation and helps pinpoint priorities for change.
  - The framework fully reflects today's public sector, with the very latest developments and opportunities such as business partnering, commercialism, procurement, governance and the role of the CFO and finance within an organisation.
- 4.4** The model;

## Best Practice Financial Management



1. **Enabling transformation:** the finance team have input into strategic and operational plans taking into account proactive risk management, clear strategic directions and focus-based outcomes.
2. **Supporting performance:** finance teams are actively committed to continuous improvement focused on efficient and effective delivery and organisational performance.
3. **Delivering Accountability:** financial information is accurate, timely and focusses on controls, probity, compliance and accountability.

**4.5** The FM model includes a powerful online assessment tool for flexible, convenient self-assessment over a series of statements focused on Leadership, Process, People and Stakeholders. Each of these are measured against the pillars of good financial management outlined above.

**4.6** Measurement is based on a series of statements. A score is determined for each statement. Each statement has a number of supporting questions and then these are used to assist in the scoring process. The process is supported by an Online Diagnostic tool to undertake the assessment based on gathering evidence.

**4.7** Evidence is collected from document reviews, interviews and through an online survey. Whilst the exercise can be undertaken on a self-assessment basis utilising independent set up, scoring review and validation can assist in the exercise being objective and if applied to a number of organisations consistency – allowing subsequent identification and interpretation of wider issues.

**4.8** The model will produce a dashboard, similar to that below, which rates each of the areas and the report produced will indicate the reasons for the score and remedial action necessary.

Master Survey Score Matrix				
Financial Management Styles	Management Dimensions			
	Leadership	People	Processes	Stakeholders
Delivering Accountability	3	2.3	2.8	3.5
Supporting Performance	3	3	2.4	2.5
Enabling Transformation	2.5	2	1.5	2.5

- 4.9** An example of a report extract for two questions is shown below. The yellow highlighted areas indicate where the assessor or moderator can add comments to support the conclusion or actions necessary. Again using an independent assessor and moderator for review will add value to the process and support the independent review concept.

### 3.10 People – delivering accountability

<b>Delivering Accountability</b>	<b>P1</b>	The organisation identifies its financial competency needs and puts arrangements in place to meet them.	1.5
	<b>P2</b>	The organisation has access to sufficient financial skills to meet its business needs.	3.0

For the Delivering Accountability style these two statements cover the financial competencies required by the organisation and the skills that match these needs..

In formulating the narrative here, the assessor may wish to refer to the Master Scoring Report.

### 3.11 People – supporting performance

<b>Supporting Performance</b>	<b>P3</b>	The organisation manages its finance function to ensure efficiency and effectiveness.	2.5
	<b>P4</b>	Finance staff provide business partner support by interpreting and explaining performance as well as advising and supporting on key business decisions.	4.0
	<b>P5</b>	Managers understand they are responsible for delivering services cost effectively and are held accountable for doing so. Financial literacy is diffused throughout the organisation so that decision takers understand and manage the financial implications of their decisions.	2.5

The three performance related statements cover the assessment of the effectiveness of the finance function, finance support on key decisions, the enforcement of accountability and the degree of diffused financial management.

In formulating the narrative here, the assessor may wish to refer to the Master Scoring Report.

- 4.10** As indicated above the FM model can be a self-assessment tool. Given the nature of the exercise having independent support in designing the implementation, validation of results and overarching commentary would give the project additional weight and credibility.

## 5. Finance resilience reviews

- 5.1** The nature and scale of all the financial risk facing local government will not be uniform and local history and local circumstances will mean some authorities have a relatively more or less challenging local context to deal with. Despite the differences it is safe to generalise that the best local budget plans are those owned and articulated by the whole council and its senior leadership, not simply the CFO. Those plans will include cost drivers and income sources, risks and how the authority will deliver a balanced budget and savings.



**5.2** Delivering a robust budget is an organisational responsibility and failure to do so points to wider failures within the Council. If a council finds it necessary to impose a voluntary spending freeze, or indeed if the situation is so serious that the CFO issues a Section 114 report, this must be seen as taking the correct steps needed to maintain the financial control expected by statute. Unlike other parts of the public sector, councils cannot borrow to fund revenue spending and it is not permissible to run a deficit where spending exceeds the budget and resources.

**5.3** In recent years, Councils will have exhausted all 'the low hanging fruit' of actions and even those have longer term unintended consequences. In addition, service demands and expectations continue to grow but with income sources not aligning automatically which is especially so in times of austerity.

As a result, there could be financial failure in some Councils. CIPFA see this new product as vital in helping avoid, if at all possible, but we expect most councils will wish to gain an expert opinion on their current financial resilience. CIPFA will use its members, assets and partners to do just that through its new product – The Financial Resilience Advisory Report. A report based on experienced professional insight, typically from experienced CFOs but coupled with CIPFA's unique range of diagnostic tools.

**5.4** Recent work has highlighted five warning signs of financial stress and for authorities to build resilience on all aspects of planning and operations to mitigate these. The five signs are:

- A rapid decline in reserves - using reserves to avoid cuts will only provide temporary relief.
- A failure to plan and deliver savings in service provision - so that councils are not living within their resources.
- Shortening of medium-term financial planning – a failure to plan ahead could indicate a lack of strategic thinking and an unwillingness to confront tough decisions.
- Firm objectives missing from savings plan – such as a saving plan with 'still to be found' gaps or consisting of targets rather than robust plans; this may also include a tendency for over optimism in timing and scale of savings.
- Tendency for unplanned overspends – carrying forward undelivered savings into the following year only creates the need for greater cuts in subsequent years.

**5.5** CIPFA's report has 6 tests as part of its methodology which seek assurance that medium term financial planning is effective:

- Information – is it good quality, timely data, modelling and analysis
- Investment – that authorities are utilising tangible and intangible assets to create investment, growth and the development and delivery of strategy and policy objectives



- Revenue – that there is a maximisation tax yield and income
- Pressures – that the authority is mitigating pressures and future liabilities
- People & Governance – that there is capable, focused, and effective leadership that makes the decisions needed for strong stewardship, performance and transformation
- Plan – there is a compelling and credible savings or transformation plan that balances the budget and aligns with MTFS.

**5.6** A number of pre review document studies are undertaken in support of the diagnostics but also to inform the fieldwork on site, there includes a review of the Council's key documents including:

- Medium term Financial Plan including capital and revenue
- Medium term savings and growth plan
- Treasury management strategy
- Planned medium term use of usable reserves, split between earmarked and non-earmarked, and change over the preceding three years
- The most recent budget report and description of budget process
- Recent monitoring reports and recent out-turn reports and accounts
- Asset Management Plan
- Key Governance documents; Annual Governance Statement, risk register, etc.

**5.7** The process includes on site interviews with senior staff, elected members and stakeholders. These are conducted on site by the reviewers, usually over 3 days. It tests the question: does there appear to be a credible plan and planning process that gives confidence that this Council can deliver a sustainable budget over the medium term. It includes a focus on the quality and credibility of the savings plan and it tests issues raised by the background pre-report diagnostics and pre report review of key documents.

These discussion can incorporate expert capabilities if needed to explore integration plans or for example, use of the specific funding routes, initiatives and the alignment of s25 or s75 agreements to medium term financial plans to ascertain any potential risks.

**5.8** A number of diagnostics exercises and tests are conducted in advance of the site visit, CIPFA will undertake a number of pre-visit diagnostics to inform the work on site and subsequent Resilience Report as follows:

- Costs & funding diagnostic – with the aim of identifying outlier benchmark data for both spend and statutory income sources.
- Local income generation diagnostic – to help ensure that you maximise your commercial income and trading opportunities.
- Balance sheet diagnostic - to understand the policy intentions of managing assets and liabilities and testing assumptions.



- 5.9** At the conclusion there will be a report with key learning points. The Report features is fast and responsive and an initial report will be produced within 10 days. It is based on experience and insight including the evidence around the six-test methodology. It is objective and frank, it is grounded in the difficult choices councils are having to undertake. The report will have recommendations to suggest key actions for the council, especially in relation to medium term opportunities and any short term areas of focus.

A key element of the report will be the learning and ongoing development of the organisation which will be in a number of ways.

CIPFA will take a continuous improvement approach to this process which will include anonymous feedback on process and added value to relevant and agreed bodies such as SWT and the WLGA. A matrix of key findings and most helpful pointers maintained for subsequent reviews and feedback to the sector which will be included in insight reports to support the wider sector. Future research commissioned with an academic partner to test the ongoing resilience/confidence of the sector to balance its budgets as awareness and knowledge develops.

## **6. Suggested approach & journey & benefits / value**

### **6.1** Current findings

Over the last 18 months it has become evident that authorities financial resilience is suffering and presenting risks, demonstrated by reducing reserves, challenging savings plans, school deficits and short term decisions on resource allocations.

The issue is recognised as significant by chief financial officers, politicians, Welsh Government and the WLGA; the risk to organisational sustainability is increasing.

It is timely to have a clear view of the current condition of financial management and governance and take action to respond.

### **6.2** Tranche 1 of local authorities

The current financial position of authorities across Wales varies as does the awareness, process and systems supporting financial governance.

As a start it would be prudent to work with a proportion of the 22 local authorities to improve understanding and develop plans for a move to world class financial management.

Current discussions between CIPFA and the WLGA indicate an initial six local authorities should be selected. During recent conversations with chief finance officers all those met would be willing to receive support via CIPFA and the WLGA, also recognising that local input and support is necessary.

A pilot set of organisations will be selected based those most challenged and agreed between the organisation and WLGA. A second tranche would then be considered.

### **6.3 FM model and FRR**

Following discussions the use of the FM model combined with key elements of the Financial Resilience Report is the most effective approach to follow. This would be delivered by CIPFA with support from the WLGA as appropriate.

This will provide the following benefits:

- A two year software licence for the FM model meaning after the initial review undertaken with CIPFA the authority can repeat itself if required to assess improvement and progress.
- CIPFA will support the design and implementation of the FM model for each authority ensuring it responds to local issues and challenges and crucially providing an independent input.
- CIPFA will support the running of the FM model acting as a support and also a moderator on responses, again adding independence.
- Should resources within the individual authorities be limited CIPFA can manage the whole process.
- Where there is an early indication that there are critical issues we will introduce elements of the Financial Resilience Report to allow immediate remedial action. The two projects in this respect would run together meaning no duplication of effort – particularly when interviewing and reviewing documents.
- At the conclusion of the model and / or resilience report a comprehensive report will be produced and findings fed back to the authority. This presents an unbiased independent position statement and supporting action plan.

### **6.4 Individual and collective view**

Each of the authorities programmes are individual and tailored to each organisation and may well operate in differing areas which is entirely appropriate.

One benefit of extending the FM model across a number of organisations is the identification of key messages, issues and solutions. At the conclusion of the first tranche CIPFA provide a commentary on findings, risk and suggestions around direction of travel.

## 6.5 Shared learning / lessons / development

The collective intelligence from the first tranche on issues, risks and solutions can provide a basis for development and learning whether on technical, governance or indeed on finance transformation.

Support to the authorities would be available if required through training and development on areas requiring attention and the direction of finance. This could be on a collective (or individual authority) basis with the design of programme of learning events and specific workshops supported by the WLGA and Society of Welsh Treasurers.

## 7. Delivery

### 7.1 FM Model

A typical project plan for the FM model would be as follows:

Stage	Task/Process	Timescales
1	Initiation & Engagement	Sept
2	Documentation Review	Sept / Oct
3	Electronic Survey	Oct
4	Interviews	Sept / Oct
5	Review of Evidence	Nov
6	Vision for Financial Management	Nov
7	Reporting	Dec

The initial conversations would cover the project delivery and the resources available within individual organisations.

### 7.2 Financial resilience report

Typically the process will take up to 15 days excluding any follow up work requested by the client. The aim as stated above is to produce an initial report within 10 days.

Where this process is being introduced following the start of the FM model the timetable would be rescheduled but the aim will always be to report as quickly as possible.

## 8. Investment

A license to the model is for 24 months is £4950 exc VAT for organisation, which as indicated earlier allows re-running of the model if required.

CIPFA will support organisations with part or all of the process and our consultancy. Our standard day rate is £950 exc VAT & T&S. Given the desired approach of introducing this to a number of organisations once the scale and scope of resources is established it would be our intention to discount this rate and price as a package presenting economies.

Resources and capability within individual organisations would need establishing and support can be tailored to match requirements. Below is a typical scale of options (please note that this can vary depending on the size of individual organisations):

- Set up – 2-5 days
- Set up and help with some evidence gathering and reporting/validation – 15-20 days (to be confirmed at kick off meeting)
- Facilitation of whole process – 25-30 days

Additional costs would be incurred if the financial resilience report is also introduced but using the agreed day rate as covered above.

A final overarching report providing a summary of issues, risks and an approach to development would be included within the agreed project. Subsequent training and learning support would be an agreed additional cost.

## 9. Conclusions and next steps

The case for greater awareness, and strengthening financial management is clear. The next stage is to introduce a programme that will establish the current position and identify an approach and plan for the future to support financial sustainability.

This paper presents an approach that has been discussed over the last twelve months and is for consideration.

## **CYNGOR SIR POWYS COUNTY COUNCIL.**

### **AUDIT COMMITTEE 27<sup>TH</sup> APRIL 2018**

**REPORT AUTHOR:** Greg Thomas, Business Continuity and Risk Management Officer

**SUBJECT:** Risk Management Toolkit and JCAD Core

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**REPORT FOR:** Decision/Discussion

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#### **Summary**

- 1.1** The Accounts and Audit (Wales) Regulations require Local Authorities to put in place and ensure that there is a sound system of internal control, which includes arrangements for the management of risk.
- 1.2** We are continuously improving and updating our approach to risk management to help better understand and manage the risks the Council faces, prepare for future challenges and to increase the likelihood of achieving 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.

#### **Background**

- 2.1** The Council's current Risk Management Strategy was initially approved in 2007, and was last fully reviewed and updated in 2016.
- 2.2** In October 2017 SWAP undertook an audit of the risk management arrangements in Powys County Council, this audit concluded that current risk management arrangements in Powys County Council place the organisation at high risk of not being able to achieve its objectives and to successfully execute its strategies.
- 2.3** The audit was only able to offer partial assurance in relation to the areas reviewed and the controls in place. It was found that key risks are not well managed, and that system requires the introduction or improvement of internal controls to ensure the achievement of objectives.
- 2.4** The current Risk Management and Business Continuity Officer had already drawn up an action plan to improve the risk management process, this has been agreed with the Acting Director, Resources and included many of the recommendations of the report produced by SWAP.

- 2.5** Part of this improvement plan is the creation of a Risk Management Toolkit and the procurement of the JCAD Core risk management system. These two actions are the subject of this report.

### **Risk Management Toolkit**

- 3.1** The Council's current Risk Management Strategy was initially approved in 2007, and was last reviewed and updated in 2016.
- 3.2** A more comprehensive document has been produced as it is necessary for the Council to have a clear statement of its overall policy in relation to managing risk in the delivery of services, have a formal strategy outlining how it will identify and control these risks, and provide a methodology and standard means of assessing risk and encouraging a more consistent approach to how this should be undertaken.
- 3.3** Based on best practice from other local authorities and guidance from Alarm (public sector risk management association), the Powys County Council Risk Management Toolkit has been created. Should this be adopted by Executive Management Team and Cabinet, it will replace and build on the current Risk Management Policy, Strategy and Methodology.
- 3.4** The toolkit contains three sections. Section one, introduced the toolkit and the discipline of risk management. Section two contains the specific policies, guidance, and methodologies for Powys County Council. Finally section three gives documents to support effective risk management and a numerical risk assessment framework.
- 3.5** Should this risk management toolkit be adopted it will ensure that the Council is working towards the ISO31000 standard for risk management. In addition successful implementation of the toolkit will mean that Powys County Council is able to achieve the following:
- *Governance and infrastructure:* Powys County Council adopts a cross organisation management of risk approach with executive level sponsorship, policies, standardised processes and defined accountabilities communicated through the organisation. Management of risk is integral to planning and performance in Powys County Council, and there is a clear vision of risk appetite.
  - *Risk identification, assessment and prioritisation:* in Powys County Council, risk and opportunities are identified systematically and consistently across the organisation, programmes, and partnerships. Risks are assessed and prioritised to focus time and resource on the critical risks. Risk assessment takes into account risk correlation, and is both qualitative and quantitative.
  - *Risk treatment and control:* controls are tested and actions plans developed, and implemented where necessary – risk management and risk transfer decisions are fully informed.
  - *Reporting, monitoring, and communication:* Powys County Council has a strong governance framework in place to facilitate risk reporting and

monitoring at all levels. Reporting is supported by JCAD Core. Powys County Council Management fully understand and monitor the risks the organisation faces and the benefits of effective risk management. Independent assurance is sought where required.

- *Culture*: Powys County Council has a risk aware culture, where colleagues understand the benefits of risk management and have the knowledge, skills, and tools to embed the management of risk process.
- *Partners/Third Parties*: when working with external organisations, Powys County Council has robust risk management processes in place. This framework is jointly applied when working in partnership.

**3.6** The Powys County Council Risk Management Toolkit is attached as Appendix A and builds on the current Policy, Strategy, and Methodology, by introducing the following:

- Risk Management Champion – each Service Area will be asked to appoint a Risk Management Champion. These Champions should normally be someone who attends the Service Management Team or one of the PAs, as they have the responsibility for the recording of the risks in their Service Area using the JCAD Core Software.
- Corporate Risk Appetite Statement – a general risk appetite statement has been developed for the Council.
- Service Risk Appetite Statement – each service needs to develop their own risk appetite statements, these should be recorded on the service risk registers.
- Opportunity risk management.
- Greater integration into the programmes and projects.
- Partnership and third party risk management.
- A new risk assessment matrix (for both treats and opportunities).
- New risk recording and reporting system (JCAD Core).
- Training programme for Officers and Elected Members.

## **JCAD Core**

**4.1** To assist us in developing a more integrated approach to risk management, JCAD Core, a cloud based, electronic risk management system has been procured. This will replace the many spreadsheets that we currently use.

**4.2** The JCAD Core system will be used for:

- Corporate Risk Register;
- Service Risk Registers – all service areas are to have their own risk register;
- Programme Risk Registers – all programmes are to have their own risk register;
- Opportunity Register.

**4.3** This system can be used to generate a wide range of reports that show risk control and performance, this feedback will allow for better strategic decisions to be made and to allow for opportunities to be identified. For the first time,

risk data will be able to be viewed live, from any location, this should help to make Powys County Council more risk aware organisation.

- 4.4** For Service Risk Registers, the Risk Management Champions will be responsible for the input of data. For programme level risk, this responsibility lies with the Programme Manager, whilst the Business Continuity and Risk Management Officer will remain responsible for the Corporate Risk Register. Automated alerts will be utilised, to ensure that all deadlines are adhered too.
- 4.5** Each Risk Champion and/or Service PAs/Programme Managers will receive a username and read/write access. Other Officers and Elected Members will be able to log in (read only) and securely view the system, at any time. All key users will be provided bespoke training from JCAD Core in terms of using this system. Additional training will be available on an ad-hoc basis from the Business Continuity and Risk Management Officer.

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
<b>To approve the risk management toolkit as set out in Appendix A to the report.</b>	As part of its arrangements for good Corporate Governance it is necessary for the Council to have a clear statement of its overall policy in relation to managing risks in the delivery of services and also to have a formal strategy outlining how it will identify and control those risks.

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# Powys County Council

## Risk Management Guide and Toolkit (April 2018)

*From risk to results, resilience and reward*

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TO BE COMPLETED

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# Foreword

At a time when Powys County Council is facing unprecedented challenges, the effective management of risk is needed more than ever. A risk-managed approach to decision making will help us to achieve the objectives of Vision 2025 and deliver services more efficiently, using innovative and cost-effective means.

The guide and toolkit has been developed to ensure that at all levels of the organisation we are able to identify risks which would prevent us from achieving our objectives (including failing to take advantage of opportunities). There is clear guidance on the terminology associated with risk management and the process itself, along with a set of practical tools techniques to help us manage risks, deliver objectives, meet targets and maintain resilience.

We must not lose sight of the fact that risk is inextricably linked to opportunities and innovation. The Council cannot be risk adverse, and it needs to take full advantage of opportunities for improving services, and therefore we need to be proactive in the way that we manage our risk.

Having a better understanding of the importance of, and fully implementing, risk management it will make a huge contribution to the Council. Better identification of risks and their management will mean that better use of resources is achieved. If we use the resources available to us more efficiently and effectively then the service to our customers can only be improved.

Cllr Rosemarie Harris  
Executive Leader, Powys County Council



# Acknowledgements

This guide and toolkit has been produced by the Risk and Resilience Section of Powys County Council based on the Alarm Risk Management Toolkit, which builds upon Alarm's Core Competencies in Public Service Risk Management (2011), which outlines the key skills, knowledge and behaviours expected on a risk practitioner. Alarm is a membership organisation with the purpose to support risk and insurance professions, within organisations that provide or support communities and citizens. More information on Alarm can be found at: [www.alarm-uk.org](http://www.alarm-uk.org).

Further material has been adapted from the Birmingham City Council Risk Management Toolkit and the Shropshire Opportunity Risk Management Strategy.





# Section 1

## Introduction to Risk Management in Powys County Council

*From risk to results, resilience and reward*

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# 1.1 Guidance and toolkit

## 1.1.1 Purpose and Use

This toolkit provides an approach to implementing best practice management of risk across Powys County Council. It has been developed by the Risk and Resilience Section based on the Alarm Risk Management Toolkit. The toolkit is designed to provide all the information and supporting templates required to develop, implement and maintain risk management within Powys County Council. Powys County Council use risk management processes and principals at every level of the organisation. Risk management is applied at the operational level, used to improve performance, integrated with strategic planning, projects, programmes, partnerships, and third parties.

## 1.1.2 How to use this toolkit

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In order for risk management to be effective in Powys County Council, a phased approach is required, with each phase building on previous steps. This toolkit is organised according to these phases.

Section 1 introduces the toolkit, provides definitions, outlines the risk management landscape and relevant risk management standards/guidelines. Section 2 is much more specific to Powys County Council and contains documentation relating to:

- Risk management governance and infrastructure;
- Risk management process;
- Integration of risk management;
- Risk management culture.

The appendices provide support material that should be used at all governance levels to ensure that an effective risk management process is in place



# 1.2 Definitions and benefits

## 1.2.1 ISO31000

Risk and risk management have hundreds of different definitions worldwide. Powys County Council have taken the definitions from ISO31000 for risk and risk management.

Risk is defined as:  
Effect of uncertainty on objectives

Risk management is defined as:  
Coordinated activities to direct and control an organisation with regards to risk

These are the only definitions that Powys County Council will use as part of its risk management policy and procedures. It is important to note that not all risks are negative, they can be positive opportunities.

## 1.2.2 Glossary

To ensure consistency of understanding a glossary of key terms is provided in Appendix A.

## 1.2.3 Benefits of risk management



# 1.3 The Powys Risk Management Standard

## 1.3.1 Background

Based on the 7 main risk management standards<sup>1</sup>, the following areas of best practice have been adopted by Powys County Council, to form the Powys Risk Management Standard that all will be utilised at a corporate, service, programme, project and operational level.

## 1.3.2 The Powys Risk Management Standard

### Governance and infrastructure

Powys County Council adopts a cross organisation management of risk approach with executive level sponsorship, policies, standardised processes and defined accountabilities communicated through the organisation. Management of risk is integral to planning and performance and there is a clear vision of risk appetite.

### Risk identification, assessment and prioritisation

In Powys County Council, risk and opportunities, are identified systematically and consistently across the organisation, programmes, and partnerships. Risks are assessed and prioritised to focus time and resource on the critical risks. Risk assessment takes into account risk correlation, and is both qualitative and quantitative.

### Risk treatment and control

Controls are tested and actions plans developed and implemented where necessary – risk management and risk transfer decisions are fully informed.





### Reporting, monitoring, and communication

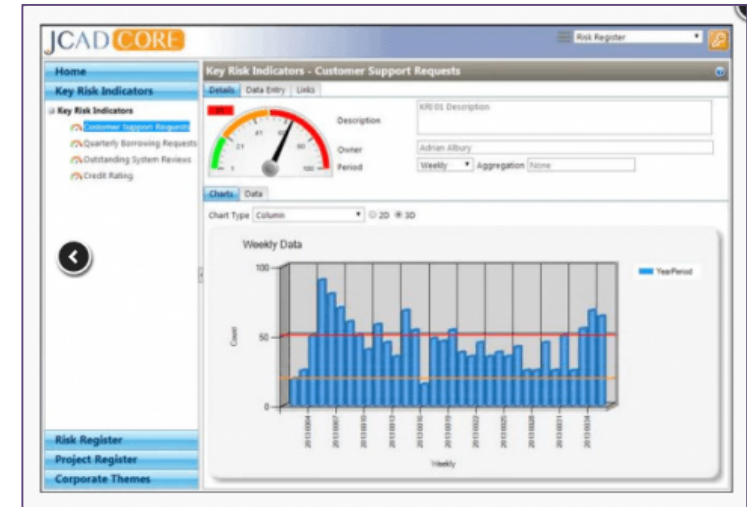
Powys County Council has a strong governance framework in place to facilitate risk reporting and monitoring at all levels. Reporting is supported by JCAD Core. Powys County Council Management fully understand and monitor the risks the organisation faces and the benefits of effective risk management. Independent assurance is sought where required.

### Culture

Powys County Council has a risk aware culture where colleagues understand the benefits of risk management and have the knowledge, skills, and tools to embed the management of risk process.

### Partners/Third Parties

When working with external organisations, Powys County Council has robust risk management processes in place. This framework is jointly applied when working in partnership.



<sup>1</sup>Managment of Risk (M\_o\_R), BS 31100:2011, BS 6500:2014, HM Treasury: The Orange Book, Australian/New Zealand Standard AS/NZS 4360, A risk management standard: what does risk management look like.





## Section 2

### The Risk Management Approach in Powys County Council

*From risk to results, resilience and reward*

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# 2.1 Policy Statement

## 2.1 Policy Statement

Powys County Council recognises risk management is a vital activity that both underpins and forms part of our vision, values and strategic objectives.

Risk is present in everything we do and it is therefore our policy to identify, assess and manage the key areas of risk on a pro-active basis. We seek to embed risk management into the culture of Powys County Council and the behaviour of all people involved in the management, operation and development of Powys County Council. Risk management needs to be embedded throughout all processes, projects and strategic decisions, including procurement and contracting which will ensure partnerships and third party relationships are fully compliant with the risk management policy and strategy of Powys County Council.

The aim for our risk management framework is that it will be fit for purpose, reflect our size and the nature of our various operations and use our skills and capabilities to the full. In order for risk management to be most effective and become an enabling tool, we must ensure we have a robust, consistent, communicated and formalised process across Powys County Council.

In order to obtain a clear picture of which risks will threaten the ability of Powys County Council to achieve its objectives it is important the level of risk which the Cabinet and Executive Management Team considers acceptable for the organisation to be exposed to, that is the risk appetite of Powys County Council, is defined.

This risk management Policy Statement and supporting documentation form an integrated framework that supports Powys County Council in the effective management of risk. In implementing our management of risk system we seek to provide assurance to all our stakeholders that the identification and management of risk plays a key role in the delivery of Vision 2025 and other strategic objectives.

We will involve, empower and give ownership to all of our staff in the identification and management of risk. Management of risk activity will be regularly supported through discussion and appropriate action by the Executive Management Team and Cabinet. This will include a thorough review and confirmation of the significant risks, evaluating their mitigation strategies and establishing supporting actions to be taken to reduce them to an acceptable level. Managing risks will be an integral part of both strategic and operational planning and the day-to-day running, monitoring, develop and maintaining of Powys County Council.

# 2.2 Risk Management Structure

## 2.2.1 Risk Management Structure

In order for risk management to be embedded fully within Powys County Council, all employees at all levels of the organisation have a responsibility for managing risk in their own work, their wider service, directorate, and at a corporate level. As such the risk management structure of Powys County Council is built on, and aligned with existing structures and reporting lines. Roles and responsibilities for risk management are set out in 2.2.2.

## 2.2.2 Roles and Responsibilities

### Cabinet

Approve the risk management policy, strategy, and framework.  
Review the key risks to the organisation and the controls that are in place and provide assurance to stakeholders that the risks are being effectively managed.

- To ensure that risk is considered as part of the decision making process.
- To review the content of the Corporate Risk Register, ensuring procedures are in place to monitor the management of significant risks.
- To review the Council's approach to risk management and approve changed or improvements to key elements of its processes or procedures.

### Elected Members

- To understand the strategic risks that the Council faces.
- To understand how these risks are being managed.
- To consider the risks associated with recommendations put forward to the Council.

### Audit Committee

- Gain assurance that risk management is being properly undertaken.
- Take an overview of the management of risk arrangements across Powys County Council.
- Understand the requirements of the Civil Contingencies Act, and how the organisation manages its contingency plans.
- Review risks arising through key partnerships and ensure that these risks are adequately managed.
- Ensure insurance and other risk financing is used effectively.

#### Internal Audit/SWAP

- Create an audit plan that is aligned to the top risks.
- Review/challenge the effectiveness of the management of risk framework.
- Review the progress of planned actions.
- Test and validate existing controls.

#### Business Continuity and Risk Management Officer

- Coordinate the management of risk activity.
- Develop and maintain the risk management policy, strategy, framework, methodologies, and tools for the management of risk.
- Highlight any significant new or worsening risks to Executive Management Team/Cabinet for review and action.
- Assist in the delivery of the management of risk process and aggregation of risk profiles across the organisation.
- Provide guidance, training, and advice on the management of risk.
- Provide the link between risk management and the other related disciplines (insurance, business continuity, emergency planning, and health and safety).
- Promote and share management of risk best practice across the organisation.

#### Risk Champions

- Be responsible for the recording of risk management within their Service Area using the JCAD Core software.
- Communicate the benefits of risk management process and risk reporting procedures across their operational area.
- Help ensure the commitment of key stakeholders is obtained.
- Share best practice across the Risk Champion network.

#### Executive Management Team

- Regularly review the risk management policy, strategy, and framework to ensure that it underpins Vision 2025, and the wider strategy and objectives of Powys County Council.
- Agree on the risk appetite for the organisation.
- Review the key risks across the organisation, consider their importance against strategic objectives and action further controls as required.
- Allocate sufficient resources to address top risks.
- Report on key risks and controls in line with the organisation's risk management strategy.
- Create an environment and culture where risk management is promoted, facilitated, and appropriately undertaken by the organisation.



#### Service Management Teams

- Manage risk effectively in their area of responsibility.
- Complete the risk management process and risk reporting procedures as per Powys County Council guidelines.
- Complete, track, and monitor the progress of the service risk register.

#### Directorate Management Teams

- Ensure the risk management process and risk reporting procedures are completed, as per the Powys County Council Risk Management Strategy, for each area under their responsibility.
- Monitor the key risks in each area of their responsibility.

#### Operational Managers

- To manage risk effectively in their area of responsibility.
- To complete the risk management process and risk reporting procedures as per Powys County Council guidelines.
- Complete, track, and monitor the progress of action plans.

#### Programme/Project Managers

- To record all risks associated their programmes/projects.
- To ensure that when necessary risks are escalated to the relevant service/corporate risk register.

#### All staff

- To comply with the risk management processes and guidelines of Powys County Council
- To identify both opportunities and hazards, and to raise these with their line manager.
- To take appropriate action to benefit from opportunities, or limit the likelihood and consequences of risks.

#### Wales Audit Office

- To undertake assessments on the performance of Powys County Council.
- To use risk information to feed into the improvement agenda.



## 2.2 Risk Management Structure

### 2.2.3 Escalation

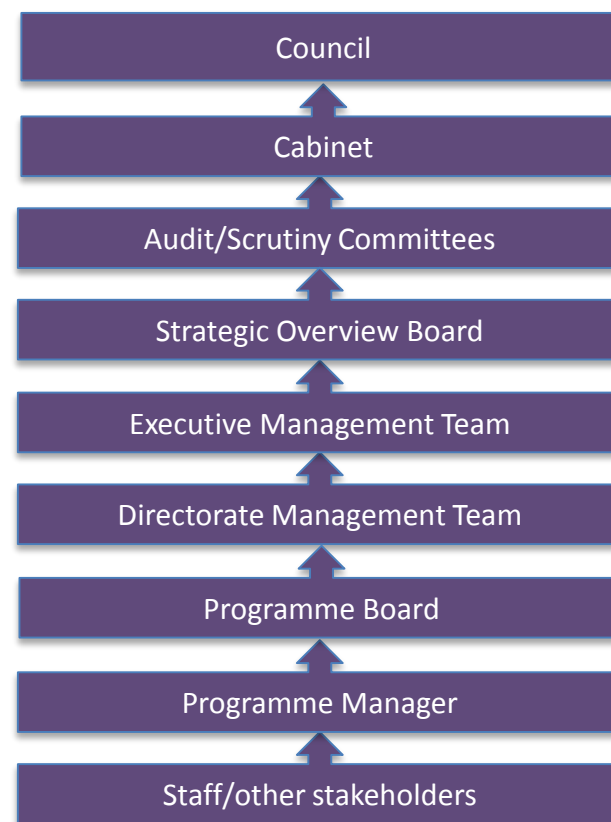
#### Service/Corporate Risks

Typically identified risks will escalate through the organisation as follows. However this is not prescriptive, risks can be identified at any level. Not all risks will complete the escalation process, they will be treated (and held) at the most appropriate level.



#### Programme Risks

Due to additional governance, programme risks will escalate as follows:



## 2.3 Risk Appetite

### 2.3.1 Risk Appetite

In accordance to ISO31000 our risk appetite is the amount and type of risk that Powys County Council is willing to pursue or retain. Our risk appetite helps us to determine what a material risk is; what is a high risk is and what a low risk is. By deciding risk appetite, Powys County Council are able to more effectively prioritise risk for mitigation, better allocate resources, and demonstrate more robust decision making around project/programme initiation.

Our risk appetite will change overtime, and as such the Powys County Council Risk Appetite Statement will be subject to annual review. In addition to the corporate risk appetite, each individual Service Area should define their risk appetite and record it on their risk register.

### 2.3.2 Powys County Council Risk Appetite Statement

As a large and diverse organisation, it is recognised that appetite for risk will vary according to the activity undertaken and hence different appetites and tolerances to risk apply throughout the organisation. Corporately, Powys County Council has an open risk appetite, and specific risk appetites are set out in the relevant risk register. This enables us to be consistent across the Council, and to encourage a balance between caution and innovation. It also avoids resources being spent on further reducing risks that are already at an acceptable level based on risk appetite.

Powys County Council will take fair, measured and targeted levels of risk in order to achieve Vision 2025 and our other strategic objectives. We will be innovative and consider all potential business and service options choosing those options in risk terms that are most likely to result in successful delivery (particularly a visible increase in the level and quality of services to our residents), but at the same time will provide an acceptable level of return to the Council, a reduction in Council's operating costs and in the generation of target savings, operating efficiencies as required by the current climate of financial prudence in local government.

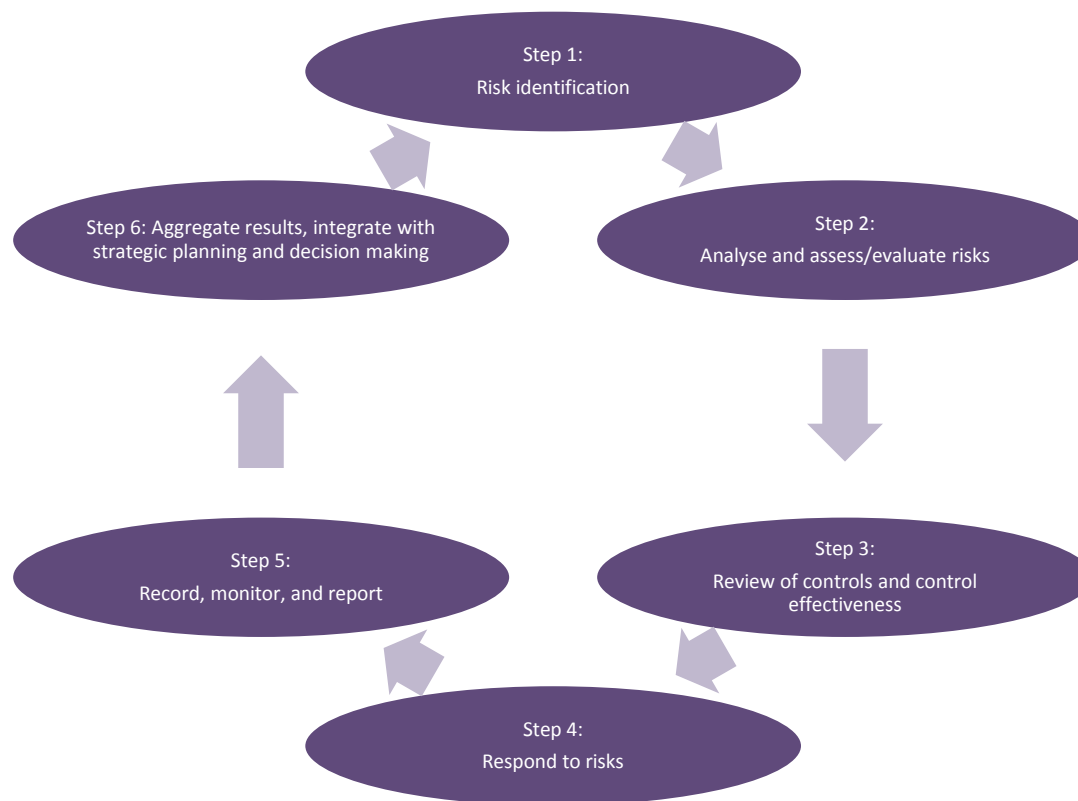




## 2.4 Risk Management Process

### 2.4.1 Summary

Risk Management in Powys County Council is a continuous process involving the identification of risks, prioritisation of these risks, and implementation of actions to further mitigate the top risks. The risk management process that adopted by Powys County Council is summarised in the below diagram.



## 2.4 Risk Management Process

### 2.4.2 Risk Identification

The purpose of risk identification is to generate a comprehensive inventory of risks based on those events which might create, prevent, accelerate or delay the achievements of our objectives. It is vital that we identify risks at project, programme, service, and corporate level.

#### Risk Identification Techniques

There are a variety of techniques and methodologies that can be used to identify risks within Powys County Council. This process should begin by reviewing the existing risk registers and asking the following questions:

- Have any of the recorded risks changed significantly in terms of impact or likelihood?
- Are any risks missing from the risk register?
- Is anything planned over the next 12 months that will give rise to a significant risk?

The risk identification process should also include:

- Analysis of previous losses, events, incidents, or lessons learnt?
- Technical briefings, national reports, and networking.

A general overview checklist of risks, or risk universe, to assist in identifying key risks is included as Appendix C.

There are many other examples of risk identification techniques which could be useful in identifying risks at all levels of Powys County Council. These include:

- Questionnaires;
- Interviews;
- Workshops;
- SWOT analysis;
- PESTLEC analysis;
- Bowtie analysis.

The Business Continuity and Risk Management Officer is able to facilitate risk identification workshops, or to provide guidance on any of these techniques.

## 2.4 Risk Management Process

### 2.4.2 Risk Identification

#### Recording Risks

Powys County Council records all risk using the electronic risk management system, JCAD Core. This system forms the risk register at a corporate, service, and programme level.

JCAD Core is administered by the Risk and Resilience Team, and managed throughout the organisation by Risk Management Champions. Key officers have been provided with training in the use of this system. Further training is available on request from the Business Continuity and Risk Management Officer.

During the risk identification process you should aim to complete the following columns in the risk register:

- Risk ID: unique number/letter that will follow the risk for the duration of the processes to enable monitoring and reporting.
- Date identified: when was the risk identified?
- Source: who was the risk identified by?
- Risk level: What level of Powys County Council will this risk impact? Is it a corporate risk, or specific to a certain Directorate, Service, Programme, or Project.

- Risk title: a brief articulation of the risk. This needs to be specific so not to overcomplicate the risk register. But it also needs to fully articulate the risk in question to ensure that it is clearly understood by the reader. The risk title may form the basis of reporting.
- Consequence: the consequence to your organisation should the risk materialise? More than one consequence can be recorded for each risk.
- Current controls: a list of the current controls that are in place to mitigate the risk. These should be specific and auditable. A control should either reduce the likelihood of the risk materialising and/or reduce the impact should the risk materialise.

The risk register is a critical tool for capturing and reporting on risk activity, it is a live database where new risks are captured, others are managed to extinction, and some require close and regular monitoring. The data within the register is used to inform the business of threats and opportunities that it faces in the delivery of Vision 2025. It is part of the Council's internal governance and performance frameworks and is used to ensure the organisation operates effectively.

## 2.4 Risk Management Process

### 2.4.2 Risk Identification

#### Risk Registers

Powys County Council expects all Service Areas (as outlined on the January 2018 Organisational Structure) and Vision 2025 Programmes to be using the JCAD Core Risk Management System to record their risks. The risk registers are owned by the individual Head of Service or Programme Manager, and it is their responsibility to ensure that these are reviewed on a quarterly basis. For Powys County Council Services, relevant Portfolio Holders will expect to see the risk registers as part of their Quarterly Performance Review.

Page 60 The Directorate Risk Registers detail the highest risks faced by each Directorate in delivering their Directorate Plan. They also include significant issues that have impacted the Directorate objectives. These risk registers are owned by the relevant Directors, and are reviewed on a quarterly basis by the Directorate Management Team.

The Corporate Risk Register contains risks, that should they occur, could have a fundamental impact on the Council's ability to operate, achieve its strategic objectives, or to achieve Vision 2025. Risks with a current risk score of 14 or above on the Matrix (Appendix D), will be escalated for inclusion in the Corporate Risk Register. The Corporate Risk Register is the means by which members and leaders of Powys County Council will be focused on the strategic and business critical risks, and review the effectiveness of risk management arrangements to monitor these risk. The Corporate Risk Register is owned by the Executive Management Team and used by them and Cabinet to ensure the highest risks are being managed effectively.

Other processes where risk is captured and recorded, also underpin the risk registers: service delivery plans, budget planning and monitoring, programme/project delivery, partnership working, contracts and commissioning, health and safety, civil protection, and business continuity planning.



## 2.4 Risk Management Process

### 2.4.3 Analyse, Assess/Evaluate Risks

The risks that have been identified need to be assessed so that Powys County Council can prioritise mitigation actions towards better controlling those risk areas that are most likely to prevent or hinder the achievement of Vision 2025 and our related objectives. Powys County Council use a set criteria (risk matrix) for the analysis of risks (both threats and opportunities). This assessment criteria has been agreed by Cabinet and Executive Management Team. The risk matrix is appended to this document.

#### Assessment Techniques

Risks need to be assessed in terms of the probability of them occurring and the impact they may have if they do. This gives an indication of the inherent risk before any planned control measures and/or any mitigating controls are considered. We need to adopt a consistent approach to the assessment of probability and impact so that risks can be compared across the whole authority. The

**Likelihood** is scored based on the likelihood of the risk occurring (low, medium, high, very high).

**Impact** is determined by using the impact table to assess the severity of the impact on the Council should the risk occur. Taking each risk in turn, the severity should be considered in terms of the risk occurring, scoring each area as Low, Medium, High or Very High. The ratings of each consequence are likely to be mixed, for example the consequence of a risk happening may be moderate in terms of financial implications, but may have a significant impact on the Council's reputation.

Each risk is to be assessed against all the categories given in the severity of risk guidance, and the highest score is to be used in the risk assessment matrix.

Once the likelihood and impact have been established the overall risk level can be calculated, either using the Risk Matrix or by using the below calculation:

**Overall Risk Level = Likelihood x Impact**

These scores and the risk colour (based on the traffic light system) are then recorded using the JCAD Core system. It is important to note that the same risk matrix is used for both threats and opportunities.



## 2.4 Risk Management Process

### 2.4.4 Response to Risk

Many of the risk that you will identify will have existing controls/mitigation in place. However these are not always effective, and it is vital that current controls are reviewed for their effectiveness, so that a decision can be made about whether additional controls are required. Risks which are deemed to be at an unacceptably high level will require additional treatment. Risk that are at an unacceptably high level are those that exist outside of either the Service or wider Powys County Council risk appetite.

#### Risk Treatment

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For those negative risks which require additional treatment, there are four primary responses; terminate, transfer, treat, or tolerate:

- Terminate: implies that a risk is undesirable, for example it does not fit with Vision 2025, it offers unattractive rewards, or it is outside of our risk appetite. Examples of how to terminate a risk include, divestiture or stopping a certain process, activity, or project completely.
- Treat: is putting into place risk control measures that reduce the likelihood and/or consequences of the risk to acceptable levels. The vast majority of risk treatment options fall into this category. Examples include strategy, processes, people, or systems improvement.
- Transfer: this involves transferring the cost of the risk to a third party. For example through insurance, contract or outsourcing.
- Tolerate: Powys County Council decides to accept the risk as it is and do nothing to further mitigate it. Risks that are accepted will still require monitoring and review.

If a risk is to be treated, it is vital that an action plan is developed by the risk owner in collaboration with relevant stakeholders.

Actions plans should be used as a tool for assigning and monitoring additional actions that have been identified to mitigate the risk.

- At a minimum, the action plan should include:
- The action to be completed;
- The officer responsible for completing this action;
- The target completion date.

This information should be included in the risk register. Treatment options for opportunity risk are covered in Section 2.5.3.



## 2.4 Risk Management Process

### 2.4.5 Record, Monitor and Report

In Powys County Council risk are reported using the JCAD Core system. The purpose of risk reporting is to:

- Monitor and report on the effectiveness of the risk management process to senior managers and elected members.
- Provide relevant and sufficient risk information in a timely manner that is user-friendly and drives decision making and action.
- Ensure the views of senior management and elected members on risk and filtered back to the organisation in a timely manner.
- Focus on the most significant risks, ensuring adequate responses are actioned.
- Compare results against benchmarks.
- Show trends of early warning indicators for key risks.

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Currently risk is reported on a quarterly basis to:

- Service Management Teams;
- Directorate Management Teams;
- Executive Management Team;
- Audit Committee;
- Strategic Overview Board.

This reporting will provide these groups with the assurance that all risk exposures have been identified, impacts assessed, and mitigating controls evaluated. Any of these groups can ask for clarification or a risk, raise or lower its reporting level, or ask for additional treatment to be undertaken on a risk.

The management of risk process must be continuous, and as such in addition to this quarterly reporting, all risk registers will be fully reviewed on an annual basis. This review of risk registers will take place at the same time as this toolkit is reviewed, that is during the Quarter 1 reporting period.



## 2.4 Risk Management Process

### 2.4.5 Record, Monitor and Report

NEED TO ADD SPECIFIC REPORTING REQUIREMENTS FROM JCAD HERE



# 2.5 Integration of Risk Management

## 2.5.1 Integration with Programmes and Projects

Projects and programmes form a large part of the operations across Powys County Council, and inevitably risk is present in all programmes and projects. For Vision 2025 to achieve its intended outcomes, Powys County Council have chosen to implement a formal management of risk approach for programmes and projects. Each of the Vision 2025 programmes, has its own risk register, recorded on the JCAD Core system. Currently project risks are recorded using Excel spreadsheets, and are escalated at the discretion of the project manager. Templates are available from the Programme Office, and advice can be sought from either the Programme Officer or the Business Continuity and Risk Management Officer.

### Benefits of programme/project risk management

The benefits of taking a management of risk approach to programme and project management are:

- Improved stakeholder relations;
- On time, on quality, and on budget programme/project completion;
- Early allocation of risk and risk mitigation responsibility to the most appropriate owner;
- Risk mitigation is focused on the biggest risks to achieving the project/programme objectives.
- Greater certainty around decisions.
- Demonstration to stakeholders that the programme/project is being managed correctly.

### Programme/project risk methodology

Powys County Council recommends that the processes outlined in this toolkit are applied to programme and project risk management, however there are some additional considerations:

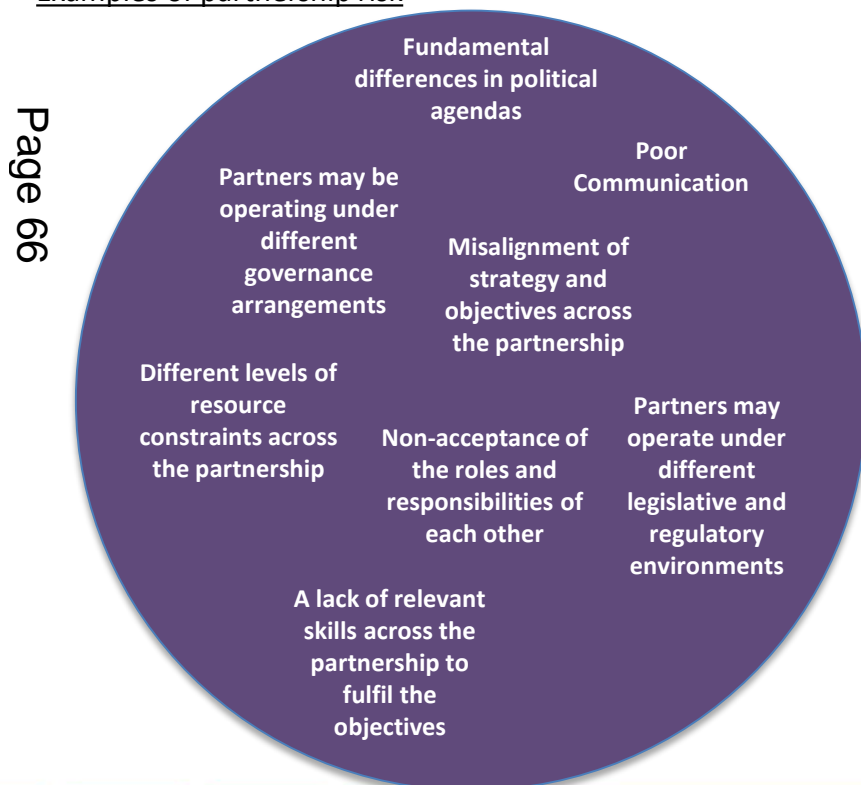
- Risk Identification:
  - Should focus on the risks that may impact the achievement of the programme or project objectives;
  - Should be completed by key programme/project team members;
- Controls:
  - The cost/benefit of proposed action controls should be considered within the parameters of the programme/project;
  - Risk ownership should be allocated across the programme/project team.
- Monitoring and reporting:
  - Risk reporting should be integrated with established programme/project reporting lines;
  - Risks should be monitored at the beginning of each stage of the project.

# 2.5 Integration of Risk Management

## 2.5.2 Partnerships and Third Parties

Increasingly Powys County Council are delivering public services through different forms of partnerships, involving the public, private, and third sector. Many risks can result from a partnership, all of which (if applicable) need to be managed to ensure the success of the partnership.

### Examples of partnership risk



### Partnership risk methodology

Powys County Council recommends that the processes outlined in this toolkit are applied to partnership risk management, however there are some additional considerations:

- **Risk Identification:**
  - Should focus on the risks that may impact the achievement of the objectives of the partnership;
  - All key partners should be involved.
- **Controls**
  - Risk ownership and responsibility for auctioning additional controls should be allocated to an individual partner, within the partnership.
  - Risk mitigation requiring input from multiple partners should be agreed by the partnership.
- **Monitoring and reporting:**
  - The process for ongoing monitoring and progress of action plan completion needs to be agreed by the partnership.
  - The frequency and content of risk reports needs to be agreed by the partnership and responsibility for this allocated.



# 2.5 Integration of Risk Management

## 2.5.3 Opportunity Risk Management

It has been identified that Powys County Council need to start proactively managing opportunity risk; if we only manage our threats then the best outcome that can be expected is to meet our objectives, but not to improve upon them. By identifying both opportunity risk and threat risk, we can take a strategic approach to doing something about the risk. It is vital that we move away from the assertion that risk only having negative consequences.

The Powys County Council Risk Assessment Matrix (Appendix D) provides a facility to assess both negative and opportunity risks. Opportunity risks should be included within Project/Programme/Service Risk Registers. A stand alone Corporate Opportunity Risk Register exists.

### Opportunity risk methodology

Powys County Council recommends that the processes outlined in this toolkit are applied to opportunity risk management, however there are some additional considerations:

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#### Risk Identification:

- A SWOT analysis is a good way to facilitate the identification of opportunities;
- Real opportunities should be identified, not simply the flip side of threats.

#### • Prioritisation:

- Impact criteria should reflect the positive impact that opportunities will bring to Powys County Council.
- The aim with opportunities is to maximise the scores for impact and likelihood.

#### • Action plans:

- Rather than risk treatment, opportunity responses will need to be considered. For examples exploit, share, enhance, and accept.

### Benefits of opportunity management

Powys County Council will achieve the following benefits by adopting an opportunity management approach:

- Maximum efficiency – threat and opportunity management are combined.
- Cost-effectiveness – a single process to achieve proactive management of both types of risk.
- Improved chances of achieving/exceeding strategic objectives.
- Roving the negative perception of management of risk.
- Familiar techniques meaning minimal additional training.
- More realistic budgetary and schedule contingency management by including potential upside impacts as well as downside impacts.
- Proactive opportunity management of risk.



# 2.6 Risk Management Culture

## 2.6 Risk Management Culture

For Powys Council to achieve our long term goals, it is vital that risk management is embedded within our organisational culture. It is essential that we embrace the risk management strategy and to create a culture that is willing to talk about our mistakes, and lessons learned without consequences.

### Training

It is vital that Powys County Council Officers and Members understand the risk management strategy, the risk management process, and their roles/responsibilities in it.

Initially Risk Management Champions will be offered training into the risk management approach at Powys County Council, and will be fully trained in using the JCAD Core Risk Management System. This training will then be rolled out to all Officers, Cabinet, and wider Elected Members.

The training will be tailored to each of these different groups. If you would like any specific training provided, please get in touch with the Business Continuity and Risk Management Officer.





# Appendices

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*From risk to results, resilience and reward*

# Appendix A1: Glossary

**Accept:** A risk response that means the organisation takes the chance the risk will occur, with full impact on objectives of it does.

**Avoid:** A risk response that seeks to eliminate a threat by making the situation certain.

**Control owner:** A control owner is the individual assigned for the implementation of the measures to mitigate the risk. They support and take direction from the risk owner.

**Frequency:** A measure of likelihood expressed as the number of occurrences of an event in a given time.

**Impact:** Impact (often referred to as consequence) to the organisation should the risk materialise.

**Inherent Risk:** The level of risk before treatment measures have been taken into consideration.

**Likelihood:** A qualitative description of the probability or frequency of that risk actually materialising.

**Maturity level:** A well-defined evolutionary plateau towards achieving a mature process.

**Partnerships (Third parties):** Contractual relationship between two or more persons carrying out a joint venture, each incurring liability for losses and the right to share in the outcome.

**Programme:** A temporary, flexible organisation structure created to coordinate, direct and oversee the implementation of a set of related outcomes and benefits related to the organisation's strategic objectives.

**Project:** A temporary organisation that is created for the purpose of delivering one or more products according to a specified business case.

**RAG Analysis:** 'RAG Analysis' describes a process whereby complex data can be displayed in 'traffic light' or Red-Amber-Green (RAG) format.

**Residual Risk:** The remaining level of risk after risk mitigation and control measures have been taken into consideration.

**Risk ISO 31000:** Effect of uncertainty on objectives.

**Risk Analysis:** A systematic use of available information to determine how often specified events may occur and the magnitude of the impact.

**Risk Appetite:** The amount of risk to the organisation, or subset of it, is willing to accept.

# Appendix A2: Glossary

**Risk Assessment Criteria:** The terms of reference by which the significance of risk is assessed.

**Risk Category:** Represents a collection or group of risk types with a common denominator (e.g. strategic, operational, people, legal/regulatory, financial, hazard).

**Risk Cause:** A description of the source of the risk, i.e. the event or situation that gives rise to the risk.

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**Risk Management/Management of Risk ISO 31000:** Coordinated activities to direct and control an organisation with regards to risk. The culture, processes and structures that are directed towards the effective management of potential opportunities and threats to the organisation achieving its objectives.

**Risk Map:** A model that visually displays the relationship between the likelihood and impact of specific risks.

**Risk Owner:** A single individual who is nominated and responsible for the monitoring and reporting of a risk.

**Risk Perception:** An individual's subjective view of risk, based on a set of values and / or concerns.

**Risk Prioritisation:** The process that allows risks to be ranked into a logical order by establishing how significant they are in terms of likelihood and impact.

**Risk Register:** A basic, ongoing working document that records the risk identification, assessment and sometimes action planning process.

**Risk Response:** Actions that may be taken to bring the risk to a level that is acceptable to the organisation. These responses fall into one of a number of risk response options.

**Risk Tolerance:** The threshold levels of risk exposure that, with appropriate approvals, can be exceeded, but which when exceeded will trigger some form of response (e.g. reporting the situation to senior management for action).

**Stakeholder:** Any individual, group or organisation that can affect, be affected by, or perceive itself to be affected by a risk.

**Uncertainty:** A condition where the outcome can only be estimated.



# Appendix B: Risk Appetite

The below, adapted from the Institute of Risk Management document, 'Risk Appetite and Risk Tolerance', outlines an approach to developing a risk appetite statement. These questions should be used by Powys County Council Service Areas in order to develop a risk appetite statement.

1. Is the Service Management Team clear about the nature and extent of the significant risks it is willing to take in achieving its strategic objectives?
2. What are the strategic objectives? Are they clear? What is explicit and what is implicit in those objectives?
3. What are the significant risks are the Service willing to take? What are the significant risks the Service is not willing to take?
4. What steps has the Service taken to ensure oversight over the management of the risks?
5. Does the Service need to establish clearer governance over the risk appetite and tolerance of the Service?
6. How mature is management of risk in Powys County Council? Is the view consistent at differing levels of the organisation? Is the answer to these questions based on evidence or speculation?
7. What specific factors should the risk appetite take into account in terms of the business context? Risk processes? Risk systems? Management of risk maturity?
8. At which levels would it be appropriate for the Service to consider risk appetite?
9. What are the main features of the Service risk culture in terms of tone at the top? Governance? Competency? Decision making?
10. How much does the Service spend on management of risk each year? What are the business, regulatory or other factors that will influence the relative importance of the Service Area's propensity to take risk and its propensity to exercise control at strategic, tactical and operational levels?
11. Does the Service Area understand clearly why and how it engages with risks?
12. Is the Service Area addressing all relevant risks or only those that can be captured in management of risk processes?
13. Does the Service Area have a framework for responding to risks?
14. What approach has the Service Area taken to measuring and quantifying risks?
15. Has the Service Area followed a robust approach to developing a risk appetite?
16. Who are the key external stakeholders and have sufficient soundings been taken of their views? Are those views dealt with appropriately in the final documentation?
17. Is the risk appetite tailored and proportionate to the Service Area?
18. Did the risk appetite undergo appropriate approval processes, including at Service Management Team?
19. What is the evidence that the Service Area has implemented the risk appetite effectively?





# Appendix C: Risk Universe

This Risk Universe supports the risk identification stage of the risk management process. It provides you with a guide to the risks you should be considering during the risk identification process. This list is however not exhaustive, and should be used only as a guide.

## Strategic Risks

*Uncertain future events that could negatively impact the achievement of our vision and strategic objectives.*

- Heavy snow fall leads to major transport disruption.
- A change in government policy diverts funding focus away from our activities.
- A Committee Member fails to fulfil their responsibilities to Powys County Council.
- Change of Government.
- An event leads to dissatisfied citizens, users, central/regional government or other stakeholders.
- Failure to establish and implement an effective marketing campaign.
- Failure to adapt to changes in social trends prevents the achievement of strategic objectives.
- Loss of position in the community due to competition from similar local organisations.
- Failure to align agendas and objectives with key partners.
- Inability to take advantage of a key funding opportunity.
- Loss of a key supplier/contractor, especially if there is a dependence on it for delivery of a key service.
- Executive Management Team do not receive sufficient information to make a robust and informed decision.
- A conflict of interest emerges between the organisation and one of its partners.
- Inaccurate financial forecasting and reporting is used to make a strategic decision.
- Loss of a key delivery partner.
- Failure to deliver key stakeholder expectations.
- A major environmental incident.

# Appendix C: Risk Universe

## Operational Risks

*Uncertain future events that could negatively impact the day to day operations of your organisation.*

- Failure of a key contractor to deliver a service, entirely or within the pre agreed timescale.
- Loss of critical IT systems.
- Loss of confidential information.
- Loss of insurance cover for key operations.
- Failure to react appropriately in the event of a disaster (e.g. to follow appropriate business continuity arrangements).
- A significant increase in the costs associated with the maintenance of corporate buildings.

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## People Risks

*Uncertain future events that could negatively impact staff.*

- Inadequate training and development is provided to staff.
- Loss of a key member of staff.
- Inability to recruit and retain suitable employees, volunteers, trustees or committee members.
- Committee Members lack the necessary skills or commitment to perform their duties to the required standard.

## Legal/Regulatory Risks

*Uncertain future events that could negatively impact our ability to comply with the legal/regulatory landscape.*

- Breach of data protection laws.
- A lack of awareness leading to non-compliance with a key piece of legislation e.g. health and safety, employment, and equal opportunities, etc.
- Failure to recognise and respond to a change in legislation.
- An employee initiates legal action against Powys County Council resulting in a tribunal case.



# Appendix C: Risk Universe

## Financial Risks

*Uncertain future events that could negatively impact the financials of your organisation.*

- Increase in pension fund liabilities.
- Inability to meet monthly pension payments.
- Negative movements in the interest rate, significantly decreasing return on investment.
- Loss of a key funding stream.
- A member of staff commits a fraudulent act.
- A significant increase in the cost base for Powys County Council e.g. increase in supplier costs.

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## Hazard Risks

*Uncertain future events that could negatively impact on Powys County Council, caused by a hazards of some sort.*

- Fire in a corporate building.
- Flood denies access to a building/renders it unfit for use.
- A major health and safety incident occurs at one of our sites.
- A member of staff is injured while performing their duties (assault or accident).
- Theft of a key piece of equipment e.g. computer, van, etc.



# Appendix D1: Risk Assessment Matrix

## Risk Matrix and Likelihood Guidance

Note: This matrix is to be used for both negative (threats) and positive (opportunity) risks. With threats we try to minimise the score, opportunities try to maximise the score.

### Risk Matrix

	THREATS					OPPORTUNITIES					
Page 76	Very High (4)	4	12	20	28	28	20	12	4	Very High (4)	Likelihood
	High (3)	3	9	15	21	21	15	9	3	High (3)	
	Medium (2)	2	6	10	14	14	10	6	2	Medium (2)	
	Low (1)	1	3	5	7	7	5	3	1	Low (1)	
Likelihood x Impact = Overall Risk Level		Low (1)	Medium (3)	High (5)	Very High (7)	Very High (7)	High (5)	Medium (3)	Low (1)	Likelihood x Impact = Overall Risk Level	
		Impact (Negative)				Impact (Positive)					

### Likelihood Guidance

	Likelihood Ratings			
Likelihood	Low (1)	Medium (2)	High (3)	Very High (4)
Description	Might happen on rare occasions.	Will probably happen, possibly on several occasions.	Will probably happen at regular intervals.	Likely to happen, possibly frequently.
Numerical Likelihood	Less than 10%	Less than 50%	50% or more	75% or more

# Appendix D2: Risk Assessment Matrix

## Severity of Impact Guidance

Note: Risk to be assessed against all categories, and the highest score used in the matrix.

	Impact Levels			
Impact Category	Low (1)	Medium (3)	High (5)	Very High (7)
Service Provision	Limited effect (positive or negative) on service provision. Impact can be managed within normal working arrangements.	Noticeable and significant effect (positive or negative) on service provision. Effect may require some additional resource, but manageable in a reasonable time frame.	Severe effect on service provision or a Corporate Strategic Plan priority area. Effect may require considerable additional resource but will not require a major strategy change.	Extremely severe service disruption. Legal action. Effect could not be managed within a reasonable time frame or by a short term allocation of resources, and may require major strategy changes. The Council risks special measures. Officer/Member forced to resign.
Communities	Minimal impact on community.	Noticeable (positive or negative) impact on the community or a more manageable impact on a smaller number of vulnerable groups/individuals which is not likely to last more than six months.	A more severe but manageable impact (positive or negative) on a significant number of vulnerable groups/individuals which is not likely to last more than twelve months.	A lasting and noticeable impact (positive/negative) on a significant number of vulnerable groups/ individuals.
Environmental	No effect (positive or negative) on the natural and built environment.	Short term effect (positive or negative) on the natural and or built environment.	Serious local discharge of pollutant or source of community annoyance that requires remedial action.	Lasting effect (positive or negative) on the natural and or built environment.
Financial (loss/gain)	Under £0.5m.	Between £0.5m - £3m.	Between £3m - £5m.	More than £5m.
Legal/ regulatory	No significant legal implications or action is anticipated	Tribunal/Powys County Council legal team involvement required (potential for claim).	Criminal prosecution anticipated and/or civil litigation.	Criminal prosecution anticipated and or civil litigation (> 1 person).
Personal safety	Minor injury to citizens or colleagues.	Significant injury or ill health of citizens or colleagues causing short-term disability/absence from work.	Major injury or ill health of citizens or colleagues may result in. long term disability/absence from work.	Death of citizen(s) or colleague(s). Significant long-term disability/absence from work.
Programme/ project management	Minor delays and/or budget overspend, but can be brought back on schedule with this project stage. No threat to delivery of the project on time and to budget and no threat to identified benefits/outcomes.	Slippage causes significant delay to delivery of key project milestones, and/or budget overspends. No threat to overall delivery of the project and the identified benefits / outcomes.	Slippage causes significant delay to delivery of key project milestones; and/or major budget overspends. Major threat to delivery of the project on time and to budget, and achievement of one or more benefits / outcomes.	Significant issues threaten delivery of the entire project. Could lead to project being cancelled or put on hold.
Reputation	Minimal and transient loss of public or partner trust. Contained within the individual service.	Significant public or partner interest although limited potential for enhancement of, or damage to, reputation. Dissatisfaction reported through Council Complaints procedure but contained within the Council. Local MP involvement. Some local media/social media interest.	Serious potential for enhancement of, or damage to, reputation and the willingness of other parties to collaborate or do business with the council. Dissatisfaction regularly reported through Council Complaints procedure. Higher levels of local or national interest. Higher levels of local media/social media interest.	Highly significant potential for enhancement of, or damage to, reputation and the willingness of other parties to collaborate or do business with the council. Intense local, national and potentially international media attention. Viral social media or online pickup. Public enquiry or poor external assessor report.

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## CYNGOR SIR POWYS COUNTY COUNCIL

### AUDIT COMMITTEE

27<sup>th</sup> April 2018

**REPORT AUTHOR:** Greg Thomas, Business Continuity & Risk Management Officer

**SUBJECT:** Update Report on Risk Management (Quarter 3 2017/18)

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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 and Business Continuity within the Council, following a report to the Committee on 23<sup>rd</sup> January 2018.

**1.2** This report outlines the position statement for Risk Management and Business Continuity within the Council, and progress made since the last committee.

#### **2.0 Background**

**2.1** The Council is in a process of continuously improving and updating its approach to risk management, to help better understand and manage the risks which it is facing, and to increase the likelihood of achieving 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 implemented over the last three years, to review and update service and corporate risks, and to ensure that control measures are identified. The risk registers are now reviewed and updated quarterly to ensure that they are dynamic and remain up-to-date. Risk registers are regularly reported to Portfolio Holders, Management Team and Strategic Overview Board.

#### **3.0 Risk Management**

##### **3.1 Progress**

**3.1.1** The Cabinet continues to view the corporate risk register on a quarterly basis via the Strategic Overview Board, and the Leader is updated on the progress of risk management on a monthly basis, as part of her role as Portfolio Holder

for Risk Management. Risk Management is now a recognised component of the decision making process.

- 3.1.2** In October 2017 SWAP undertook an audit of the risk management arrangements in Powys County Council, this audit concluded that current risk management arrangements in Powys County Council place the organisation at high risk of not being able to achieve its objectives and to successfully execute its strategies. The audit was only able to offer partial assurance in relation to the areas reviewed and the controls in place. It was found that key risks are not well managed, and that system requires the introduction or improvement of internal controls to ensure the achievement of objectives.
- 3.1.3** The current Risk Management and Business Continuity Officer had already drawn up an action plan to improve the risk management process, this has been agreed with the Acting Director, Resources and included many of the recommendations of the report produced by SWAP.
- 3.1.4** This action plan includes a new risk management toolkit and the use of an electronic risk management system. The implementation of these are discussed in a separate report to be delivered to Audit Committee this afternoon (27<sup>th</sup> April 2018).

## **3.2 Current Position**

- 3.2.1** The following have been removed from the Corporate Risk Register in the current reporting period: -
- i. **CR3 – Inadequate Corporate Governance arrangements for shared services and partnerships.**  
A new model has been developed and a new Section 33 agreement signed between Powys County Council and Powys Teaching Health Board until 31/3/2021, therefore this is no longer considered to be a risk.
  - ii. **CR5 – Lack of a clear definition and structure to support the organisation's commissioning and commercial vision.**  
Following a conversation with the Interim Professional Lead Commercial Services, this historical risk (dating from 2012) has been removed. The Commercial Services team has been implemented and is embedded throughout the organisation, giving a clear and defined structure to support the organisations commissioning and commercial vision.
- 3.2.2** The following 6 risks have been added/raised to the Corporate Risk Register in the current reporting period: -
- i. **CR19 – Non-compliance of the principals of the General Data Protection Regulation (GDPR) at introduction.** Added due to the potential for fines of up to €20,000,000 or 4% of annual turnover and reputational damage should we not be compliant with the regulation upon its introduction.
  - ii. **CS11 – Failure to meet the statutory deadlines imposed on the Council as a relevant authority under the National Training**



**Framework under Violence Against Women Domestic Abuse and Sexual Violence Wales Act (2015).** Added due to the low number of staff who have completed this training, and because of the potential legal/reputational damage that this lapse could cause the Council.

- iii. **ASC18 – Inability to recruit to the level and scale of staff required within ASC.** Added due to the potential impact that having a lack of staff can have on the Council, both financially and in terms of service delivery.
- iv. **ASC19 – Projected demographics of Powys suggest a significant increase in older people requiring care, and a significant decrease in the working age population. Therefore ensuring an adequate caring and professional workforce is a risk.** Added due to the potential impact that an aging population, and decreasing working age population will have on the Council, its finances, workforce, and the prosperity of the Council.
- v. **ASC22 – Current Bupa contract for Powys Care Homes expires June 2019. Powys needs to agree and implement new management of Care Homes post 2019.** Added because, should a new management contract not be implemented, homes may be taken under Council ownership or possibly close, placing vulnerable people at risk.
- vi. **1. Ability to meet the 600k Children's Service savings target for 2018/2018. 2. Addressing the deficit in the Children's Service FRM (£1.1million) for 2018/19.** Given the potential implications to the authority of a budget overspend, this has been added to the Service Risk Register and raised to the Corporate Risk Register.

**3.2.3** Full details of the risks and the mitigation identified to control the risks is included in the attached Heat Map, Risk Summary, and Risk Register.

### **3.3 Further Work**

**3.3.1** 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 Strategic Overview Board.

**3.3.2** 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.

**3.3.3** A new Risk Management Toolkit has been developed, should this be agreed by Executive Management Team, Audit Committee, and Cabinet, this will be implemented across the organisation by August 2018.

**3.3.4** An electronic risk management system, JCAD has been procured, and is currently being built. This will be implemented across the organisation by August 2018.

**3.3.5** Risk Management training will be developed and will be delivered to Members, with initial focus on Cabinet and Audit Committee.

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

##### **4.1 Current Position**

**4.1.1** All Service Business Continuity Plans (excluding ICT) have now been completed. These will feed into the review of the Corporate Business Continuity Plan. Which will be undertaken this quarter.

##### **4.2 Further Work**

**4.2.1** Discussions are underway with the Schools Service to develop a framework for business continuity for individual schools. This is not a statutory obligation, but is considered best practice by many local authorities.

**4.2.2** A quality assurance is to be developed for Service Business Continuity Plans.

**4.2.3** A public facing webpage is being developed, ensuring that we are meeting all the requirements of the Civil Contingencies Act (2004).

**4.2.4** The Corporate Business Continuity Plan is to be fully reviewed.

#### **5.0 Impact Assessments**

**5.1** As the budget setting process is currently being reviewed, and it is likely that the process will be changed to streamline the review process, and to include a new online, cloud based form using Sharepoint (should ICT allow).

#### **6.0 Future Status of the Report**

**6.1** 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 and BCM throughout the organisation.</b>	<b>To ensure the adequate management of risk, and safeguard the Council.</b>

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

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

Contact Officer Name:	Tel:	Fax:	Email:
Greg Thomas	01597 82 6149		<a href="mailto:greg.thomas2@powys.gov.uk">greg.thomas2@powys.gov.uk</a>

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Risk Ref	Corporate Priority	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk				Current Controls	Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	Residual Risk				
							P	I	Risk Rating						P	I	Risk Rating		Notes
ASC9	Services delivered for less  Supporting people in the community	15/07/2015	SIP	Adult Social Care	The Council's ability to recommission the Domiciliary Care Service <b>without increased costs as a result of Dynamic Purchasing System (DPS).</b>	Domiciliary Care Service fails, leaving service users at risk. Reputational and financial impact / damage. The Council would not be providing domiciliary care services according to procurement regulations. <b>Increase in spend on Domiciliary Care.</b>	M	C	High	8	Progressive rollout. Engagement with providers via contract management process. Action Plan & Accountability Framework. Action within SIP. Portfolio Holder delegated decision report was agreed for Domiciliary Care Framework Options (July 2017). Market position statement will lead into a Domiciliary Care Strategy. <b>Implement approved provider list.</b> <b>Currently developing the DPS which will aim to manage costs by adopting floor and ceiling prices.</b>	Phil Evans	Cllr Stephen Hayes	Improved working arrangements with PAVO to support and build capacity in the third sector; Move from traditional provider / commissioner relationship to co-production with stakeholders; Develop outcome based commissioning. Integrated approach with PTHB to design a joint domiciliary service model. <b>Revisit Adult Scrutiny Group with further proposals on the DPS.</b>	L	H	Medium	3	
CR2	Services delivered for less  Supporting people in the community  Developing the economy  Learning	15/07/2015	HoS	Organisational Development	Inability to recruit the level and scale of staff required to vacant posts across the organisation due to inability to attract and/or an unsustainable employable local demographic.	Insufficient staff to meet service demands; Inability to progress service development. Financial implication of using agency staff/contractors.	H	H	High	9	Powys County Council Recruitment Campaign. <b>Growing our own/career graded apprenticeship approach policy approved and launched</b>	Sarah Powell	Cllr James Evans	Develop workforce plans looking at workforce demographics over next 5-10 years, skills and workforce training. <b>Workforce assessment plans due from each service areas end of January 2018.</b> Move to a new approach of values based recruitment process. <b>Future Workforce (Making it Happen/Corporate Leadership and Governance Plan) has replaced ROOTS Programme.</b> Work with PCC/Heath Board to understand new skill mix required. <b>Informed by Healthcare Strategy/Parliamentary Review of Health and Social Care in Wales.</b>	M	H	Medium	6	
CR17	Services delivered for less  Supporting people in the community	22/01/2016	SMT	Corporate	Living wage and increased pension requirements are resulting in increased financial pressure.	Additional financial implications; Some ASC providers may remove provision; Inability to meet statutory requirements; Unaffordable within current budget.	H	C	High	12	Working with ASC providers to understand increased cost pressures; Funding identified for 2017/18 in the budget process.  Identify capacity issues. All change projects allocated a project manager. Regular budget monitoring. ICF money from WG to engage with Work undertaken with Vanguard.	David Powell	Cllr Aled Davies	Continuation of existing controls.	L	C	Medium	4	
CR11	Supporting people in the community	14/09/2015	CEO	Social Care	Continuity of provision of WCCIS (DRAIG replacement). Financial model has not been implemented. <b>WCCIS system is not currently able to provide all the data required for service monitoring and planning.</b>	Loss of data resulting in officers being unable to access client files. Continuity of reporting; Loss of data; Decisions around service management and change can not be based upon robust data. The development of the DPS requires accurate data. <b>Work is ongoing to utilise different packages within WCCIS, and work is ongoing with the Business Intelligence team to draw accurate information as required.</b>	H	H	High	9	Ongoing support from ICT: - SIP Objective 2017 - ICT1 Support post implementation benefit release of the National WCCIS system. Some data will became available beginning of November 2017 enabling reporting and practice.	Phil Evans	Cllr Stephen Hayes	<b>Delivery plan for the proposed WCCIS finance module. Business Intelligence working on data reporting and performance measures from WCCIS.</b> <b>Some decisions may need to be deferred if the data is not ready. This could lead to financial loss, legal risk, and reputational damage.</b>	H	H	High	9	
CG1	Services delivered for less	Prior to 2014	SIP.L.V2	Legal	Failure of governance.	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).	David Powell	Cllr Aled Davies	ModernGov Phase 2 <b>to-be-completed-by-end-of-April-2018 project started.</b> 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; Programme Governance Action Plan - spot audits of Programme Boards; Audit of Programme Board governance; Regulatory Reports.	L	M	Low	2	The software is extensively used by WG and automatically sends reminder emails to officers.
CG2	Services delivered for less	21/11/2012	Risk Register 21/11/12 12.11	Corporate	Data Protection Breaches	Information Commissioners Intervention. Financial Penalties	H	H	High	9	• Information Governance Plan supported by the Corporate Information Governance Group which meets on a quarterly basis; • Ensure we comply with corporate training requirements and quality assure our processes; • IT equipment encrypted; • Policies and procedures in place; • Staff training; • Printer security controls; • Data transmission controls (secure email).	Mark Evans	Cllr James Evans	Introduction of information asset owners; Information Asset Register; Information Risk Assessments.	M	M	Medium	4	

Risk Ref	Corporate Priority	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk				Current Controls	Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	Residual Risk				Notes
							P	I	Risk Rating						P	I	Risk Rating		
CR1	Services delivered for less	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	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; Budget Challenge Events; Moved to a 3 year balanced budget; Budget Management Reserve; Impact Assessments; Resource Delivery Plan.	Jane Thomas	Cllr Aled Davies	Re-establishment of the Income & Cost Improvement Board.	M	H	Medium	6	
CR3	Services delivered for less  Supporting people in the community  Developing the economy  Learning	21/11/2012	Risk Register 21/11/12 12.92	Corporate	Inadequate Corporate Governance arrangements for shared services and partnerships.	Failure to effectively deliver services	H	H	High	9	A number of Section 33 Agreements are in place and are overseen by Joint Partnership Board. A new model template is currently being developed for 2017/18 which will make signing off of future Section 33 Agreements much easier.	David Powell	Cllr Rosemarie Harris	A new governance structure under the Regional Partnership Board has been agreed, and will be implemented Winter 2017/2018.	M	H	Medium	6	New model has been developed and S33 agreement (between PCC and PTHB) signed until 31/3/2021.
CR5	Services delivered for less  Supporting people in the community	21/11/2012	Risk Register 21/11/12 12.102	Corporate	Lack of a clear definition and structure to support the organisation's commissioning and commercial vision.	Commissioned services not delivered in accordance with the Council's vision and priorities.	H	M	Medium	6	Commercial Services Team implemented; E-Learning; Gateway process; Contract Management; CS involved in all Strategic Commissioning Projects; CS rep at DMTs/SMTs. Consultation closed and published, report being prepared for portfolio holder to sign off.	David Powell	Cllr Aled Davies	Key messages around Commissioning communicated to all employees; Visibility of the contracts register; Introduction of Commissioning Toolkit; Understand how services initiate the commissioning process; Commissioning Training; Commercial & Commissioning Strategy being drafted; Contract Management Training; Further training to be undertaken within Commercial services to enhance public procurement skills. Work also to be undertaken to enhance tendering for community/voluntary sector organisations working with Business Wales/Powys Association of Voluntary Organisations; Introduction of new structure and staff members into the service.	M	M	Medium	4	Commercial services team implemented and embedded throughout the organisation.
CR6	Services delivered for less  Supporting people in the community  Developing the economy  Learning	21/11/2012	Risk Register 21/11/12 12.90	Corporate	Lack of adequate resilience planning	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; Business Continuity Management (BCM) Group established; Services supported to produce their own Business Continuity Plans (BCPs); Self-evaluation of BCM incorporated into SIP process; PCC representation on Dyfed Powys Local Resilience Forum (LRF); 24/7 Duty Emergency Planning Officer to facilitate PCC response.	David Powell	Cllr Aled Davies	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); Recent audit undertaken by Internal Audit team, resulting in an Action Plan.	L	M	Low	2	
CR10	Services delivered for less	21/11/2012	Risk Register 21/11/12 12.97	Corporate	Failure to monitor and protect Council assets	Theft and abuse of Council property assets	H	M	Medium	6	Each service should have its own asset register; All ICT equipment should be recorded on the ICT central asset register.	Mark Evans	Cllr James Evans	Ensure that all services have their own asset registers in place; Incorporate into Starters and Leavers process.	M	M	Medium	4	

Risk Ref	Corporate Priority	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk				Current Controls	Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	Residual Risk				
							P	I	Risk Rating						P	I	Risk Rating		Notes
PL1	Services delivered for less	Prior to 2014	SIP	Place Directorate	The authority doesn't have a sufficiently robust risk assessment process for the management of Health & Safety (H&S) across the organisation. In addition to this, due to nature of the work carried out in HTR, considerable reliance is placed on the workforce to deliver services safely, in the interests of both staff and public.	Injury to individuals 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. Promotional campaign for risk assessment for staff across the authority completed w/e 26/05/2017; Staff bulletin issued; Management Team (MT) briefing cascaded to ensure learning is understood by all staff responsible for H&S;	Paul Griffiths	Cllr James Evans	Continually review robust site supervision and monitoring processes internally and externally with contractors; Full review of risk assessments to be undertaken by all Service Areas - Risk assessment audit process currently being reviewed by H&S team; H&S to be included within IPRs; MT considering sufficiency of current mechanism for managing H&S;	M	H	Medium	6	
ICS1	Services delivered for less  Supporting people in the community  Developing the economy  Learning	Prior to 2014	SIP.ICT.?	ICT and Programmes	Current systems are not covered by a fully resilient DR Solution (Infrastructure and Policies/processes)	Failure to maintain key ICT services in the event of a major incident.	H	H	High	9	Close working with Microsoft and Platform Consultancy to explore utilising the latest cloud services. This will 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. Microsoft Data Protection Manager will perform nightly backups to on-site storage, this will then be replicated into Azure blob storage as an off-site back for long-term storage.	Mark Evans	Cllr James Evans	Replacement of existing systems; Fire prevention for server rooms; Second link from a second site within the North of the County to replicate systems; New systems which are purchased require cloud hosting capability; DR and BC within 2017/18 SIP; SLA discussions will also impact the solutions; Engagement with external provider to identify and provide a suitable BC solution.	H	H	High	9	
PPPP2	Services delivered for less	Updated 19th April 2016	SIP.PPP.V 1	Property, Planning & Public Protection	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.	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. c) Appeal heard June 2017, currently awaiting result.	Paul Griffiths	Cllr Jonathan Wilkinson	PCC won appeal at the High Court, however the aggrieved party is seeking permission to appeal this decision.	L	H	Medium	3	Result of request of Supreme Court hearing still unknown.
PPPP6	Services delivered for less  Developing the economy	Prior to 2014 Risk updated 05/04/2016	SBP 2014/17	Property, Planning & Public Protection	Failure to adopt the LDP	Reputational damage to the Council and a period when the Council would determine planning applications without an adopted LDP. Financial implications due to increased costs to produce LDP.	H	H	High	9	There has been close working relationships with WG officers. Examination process of re-submitted LDP has been completed, it went well. But currently awaiting response from Planning Inspector.	Paul Griffiths	Cllr Martin Weale	Currently awaiting response from the Planning Inspector. Final hearing held 10/1/2018 no action arising, draft inspection report expected 21/2/2018.	M	H	Medium	6	Full Council meeting required to adopt LDP.
PPPP12	Services delivered for less	11/12/2015	HoS	Property, Planning & Public Protection	We have identified £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.	Financial and reputation risk to the Council if the remedial works are not undertaken.	H	H	High	9	A further £500k capital identified to undertake work in 2018/2019.	Paul Griffiths	Cllr Jonathan Wilkinson	Rolling programme of works. Funding for the urgent works has been dealt with as part of the Council's overall budget setting process. £500k capital works (urgent works) has been completed. Programme developed for the next 2 years to address the highest priority cases.	M	H	Medium	6	Programme developed for £500k spend for 2018/2019.
CR14	Services delivered for less  Learning	13/01/2015	SMT	Corporate	Condition and security of buildings, premises and sites.	<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	Strategic review of office accommodation in progress. Schools Review of Special Schools; 21st Century Schools Programme (prioritised according to pupil vulnerability); 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.	David Powell	Cllr Phyl Davies	Strategic Outline Plan for 21st Century Schools and Capital Investment Programme; Revision of Schools Service Asset Management Plan including: - <ul style="list-style-type: none"><li>Revision of SLAs as part of JVC (incorporating Property Plus);</li><li>Defined Client side role;</li><li>Develop robust SLA with clearly defined roles;</li><li>Develop a commissioning model;</li><li>Understanding of how work is commissioned.</li></ul> Health & Safety Officer carrying out a rolling programme of audits. Further guidance to be issued to schools in September relating to Health & Safety and Safeguarding.	L	H	Medium	3	
CR15	Services delivered for less  Supporting people in the community	25/01/2016	PCC Welfare Reform Advisory Group	Business Services	The welfare reform programme against a backdrop of changing legislation and roll out of Universal Credit has likelihood of large impact on Powys citizens, in addition to HRA income. Access to IT equipment. Resourcing issue, particularly in Libraries.	Customers having less income and requiring support to adjust; Resilience of service to continue to provide additional service as UC increases; In subsidy audit potential penalty imposed; Rent collection rates drop, resulting in a loss of income for the HRA; Inability to implement change requirements and provide the expected service within the Government set framework and targets.	V	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; Financial advisers employed. Digital support being provided (training to staff). Establishment of Operational Group within Powys to co-ordinate activities of joint communications plan, joint training plan. Support from DWP - training, help with launches (Joint Powys & DWP introductions).	Mark Evans	Cllr Aled Davies	Financial profiling of tenants; Using Shire meetings to notify members; Discussions around working with Credit Unions to mitigate potential loss of income; Lessons learned via UC LA Group; Training provided to all support staff within Council; Template for work plans to be developed; Additional admin support to be used; Stakeholder event meeting.	H	M	Medium	6	Universal Credit will be rolled out in Powys by June 2018. Current resource issue - however two new officers will be working on a part-time basis to ensure work is completed.

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CR16	Services delivered for less  Developing the economy	07/07/2016	Audit Committ ee	Corporate	The impact on the Council as a result of Brexit	Interest rates, negative impact on investments and the pension fund, wider economic impact, exchange rates, European funding grants.	H	H	High	9	Close monitoring; Cabinet briefed; Advice from pension advisers; Continue to work with WEFO.	Mark Evans	Cllr Aled Davies	Continue to monitor economic indicators. Ongoing dialogue with external advisers.	H	H	High	9	
CR7	Services delivered for less	04/11/2016	Audit Committ ee	Corporate	Transition post-election of the Pensions Committee	Insufficient skills to oversee the Pension fund	H	M	Medium	6	The Pensions Board is fully trained and holds a great amount of training and expertise. This Board is available to provide assistance to the Pensions Committee if required.	Mark Evans	Cllr Aled Davies	Implement training plan previously developed for the Pensions Board, to develop members of the Pensions Committee where required.	L	M	Low	2	
ICS8	Services delivered for less  Supporting people in the community  Developing the economy  Learning	13/01/2016 (Revised 03/04/2017)	ICT SMT	ICT and Programmes	Failure to control and secure ICT systems and data against unauthorised access including Cyber-crime attack.	Corrupt data resulting in data loss. Corrupt machines resulting in system down time. Loss of internet access resulting in reputational damage. Financial consequences if we were held to ransom.	V H	H	High	12	Anti-virus software. Anti-malware software. Anti-spam software on email system. Firewalls. Security controls in place and continuously reviewed. Secure copies of data kept in the cloud to allow restoration of systems. Staff awareness of ICT security via e-learning.	Mark Evans	Cllr James Evans	ICT Governance reviewed and has directed a new BC to be authorised based on the results of field testing conducted on 3 products. Currently evaluating a product. Resilient systems to be implemented to allow delivery of ICT systems if main site compromised. Review to be undertaken of the NCSC 10 Steps to Cyber Security, to include: - 1. Risk Management Regime; 2. Network Security; 3. User education and awareness; 4. Malware prevention; 5. Removable media controls; 6. Secure configuration; 7. Managing user privileges; 8. Incident management; 9. Monitoring; 10. Home and mobile working. Patching (updating software to ensure they have no vulnerabilities). Implementation of Government Cyber Essentials.	M	H	Medium	6	
HTR2	Services delivered for less	2014	SIP	Highways, Transport & Recycling	Meeting the requirement of the MTFS, including achievement of savings and income generation targets.	Financial implications for the Authority - budget will suffer an overspend. Impact on other services / functions.	H	H	High	9	Regular review through the MTFS and corporate governance; Programme and Project Boards; Finance report to Cabinet	Paul Griffiths	Cllr Liam Fitzpatrick / Cllr Phyl Davies	Monitoring and reporting through corporate systems	H	H	High	9	Potential underspend of £561k in 17/18 (Period 9 forecast). Note also 18/19 MTFS target of £1.7m for Commissioning.
LR24	Services delivered for less  Supporting people in the community  Developing the economy  Learning	2016	LR SIP 2016-19 Objective LR10	Leisure & Recreation	Brecon Cultural Hub (Y Gaer) cost plan under continual pressure due to inflationary increases, complexity of design programme and other factors. Potential over-run beyond agreed budget.	Breaches in financial and project plans, resulting in project being subject to increased performance pressure and necessary scrutiny having to stop. Prospect of further funds having to be sought from Council before project completion remains a residual risk but the level of required funding greatly reduced and diminishing.	H	H	High	9	Sourcing additional external funding successful and ongoing: - £1m WG RCPP; £50k Garfield Weston Foundation & £35k BAT & private donations (Museum Interpretation & artefact restoration); £12,998 BBNPA SDF (Project Illumine); £200k WG (highways works). Continued working detailed design spec/materials and tender packages to determine detailed costings. Quantity & type of uncertainty greatly reduced as construction progresses. More risk being placed with Kier e.g. costs from programme delays. Raising awareness internally and with responsible Portfolio holders, Strategic Director and senior officers, along with partners and Stakeholders. Raise concerns at early stages, and raise through Programme Board and Project Board. Project Manager in place who has building and project management experience and knowledge – strict, persistent and challenging monitoring of contractors, costs & programmes protecting Council’s budgetary interests.	Paul Griffiths	Cllr Phyl Davies	Continuation and expansion of project development activity including cost engineering reduction exercise and design refinements and acquisition of accurate tender prices and costings. Continue close & exacting monitoring at high level between PCC, consultants & contractors. Continue fundraising campaigns to relieve pressures on budget, add value to overall scheme and mitigate deficiencies in cost plan i.e. where important scheme elements have been extracted (via VE) and need re-introducing e.g. development of Captain’s Walk (now funded); purchase of furniture and fit out for overall building; design & fabrication of integral public art elements (2). Continue to develop strong and transparent communication amongst project team; continue to liaise, communicate with & engage funding partners, stakeholders & community at strategic and local level. Promote scheme widely to encourage and build support (further & future funding, volunteering input, sponsorship) and to ensure excellent service delivery and customer usage / satisfaction upon opening. Continue detailed planning for a sustainable & rigorous business model to be in place upon opening.	H	H	High	9	Whilst the risk rating remains necessarily High due to the nature of costs being intrinsically partially fluid, the scale, type and impact of risk is greatly diminishing; Overall status of risk less critical as completion date draws closer (construction completion expected Aug 2018, with soft opening Dec 2018/Jan 2019).

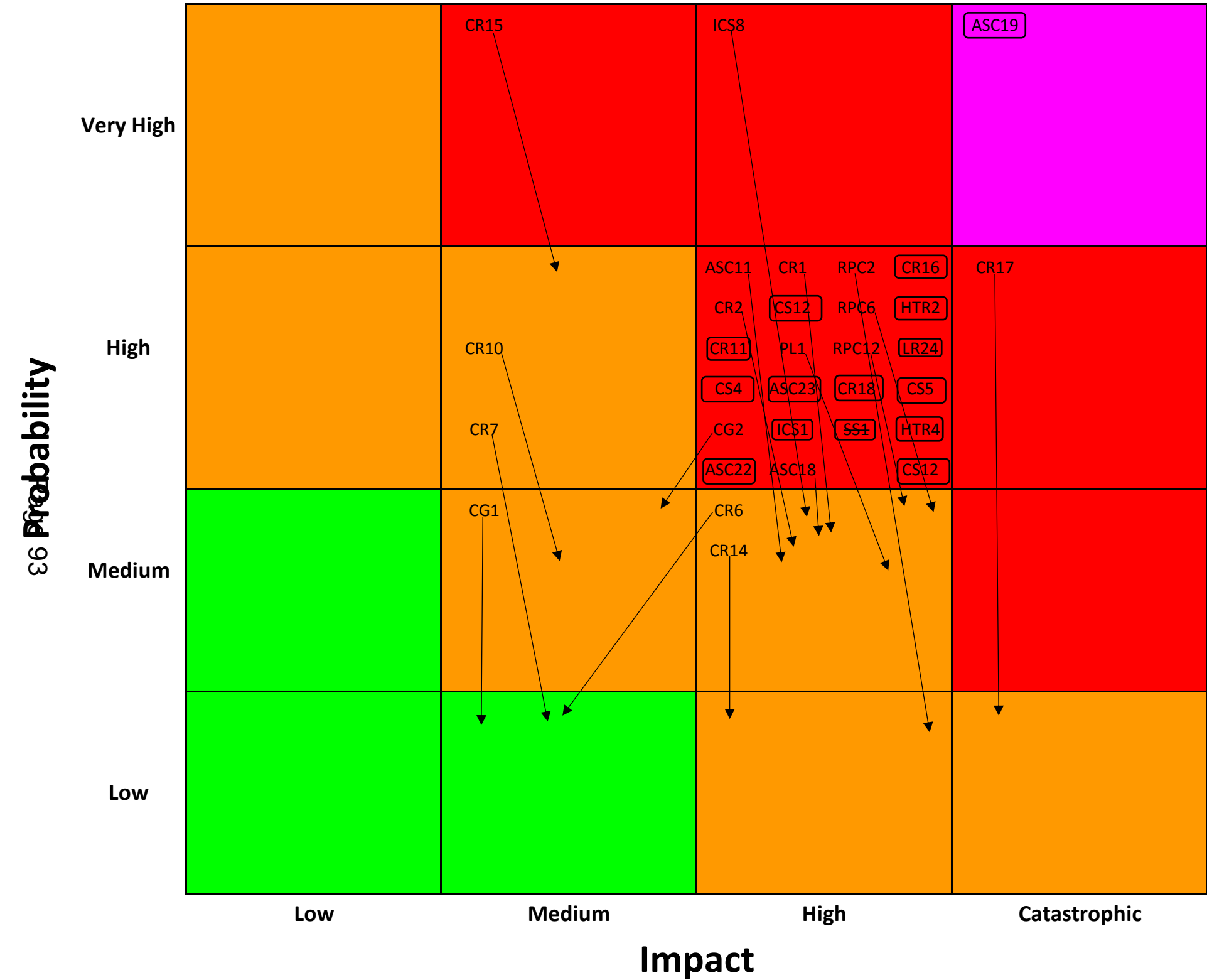



Risk Ref	Corporate Priority	Date Identified	Source	Service Area	Risk Identified	Potential Consequence	Inherent Risk				Current Controls	Risk Owner	Portfolio Holder	Proposed Further Actions / Controls	Residual Risk				
							P	I	Risk Rating						P	I	Risk Rating		Notes
CR18	Supporting people in the community	13/11/2017	HoS	Adult Social Care	1. Ability to meet the £2.2m savings target for 2017/18. 2. Addressing the deficit in the FRM for 2018/2019.	Financial implications for the Authority - budget will suffer an overspend. Impact on other services / functions.	H	H	High	9	- Regular budget monitoring and reviewing of the savings tracker. - Creative use of grant opportunities. - Practice development to support independence within a resilient community with service provision as a last resort. - Transformation plan agreed which is input into the budget review. - Review currently being undertaken by finance.	Phil Evans	Cllr Stephen Hayes	- Further resource to support the work is being negotiated. - Review of readiness assessment. - One of the tracked savings under reablement is being re-profiled across 3 years, therefore the £2.2m savings target is reduced. - Income generation ideas being explored.	H	H	High	9	
HTR4	Services delivered for less	16/11/2017	SIP	Highways, Transport & Recycling	To provide safe highways assets and structures as far as reasonably practical	Breach of statutory duties and subsequent financial and reputational demand, e.g. third party claims.	H	H	High	9	Careful prioritisation of work and resource allocation (Capital budget). Revenue budget (cleaning, sweeping, winter maintenance).	Paul Griffiths	Cllr Liam Fitzpatrick	Capital investment in highway network, road safety grants; Revise and update Highways Asset Management Plan; Determine future levels of service; Improve operational delivery.	H	H	High	9	
CS4	Supporting people in the community	14/11/2017	SMT	Children's Services	Develop structure to respond to CSSIW report (August 2017).	- Meeting regulatory and legislative duties. - Managing demand on the service. - Risk to children. - Recruitment and retention of staff. - Staff morale. - Reputational damage.	H	H	High	9	- Improvement Board. - Partnership Board (with other agencies). - Increase number of qualified social workers. - Communications strategy (internal/external). - Monitoring by CSSIW. - Report to Minister/CSSIW every 90 days. - Improved monitoring structures with Elected Members. - Updated and implemented supervision programme. - Monitoring of timeliness of assessment.	Phil Evans	Cllr Rachel Powell	- Continuation of current controls.	H	H	High	9	
CS5	Supporting people in the community	14/11/2017	SMT	Children's Services	Not having sufficient foster or respite placements.	- Children at risk. - Children placed greater distance from families. - Children in residential placements as no alternative available. - Children not having needs met.	H	H	High	9	- Fostering marketing and recruitment campaign developed. - Increased scrutiny of corporate parenting from Elected Members. - Part of Improvement Plan. - Active monitoring of children's placements and associated budgets. - All out of county (high cost) placements monitored through a multi-agency improvement panel.	Phil Evans	Cllr Rachel Powell	- Develop in-house provision to create efficiencies. - Increase in house capacity. - Increase early intervention to ensure families stay together. - Development of Edge of Care services. - CYPP to develop services for children across all agencies in Powys (prevent). - Develop provision for respite across the county. - MAAP process needs to be reviewed. - Strong communications links for recruitment for carers.	H	H	High	9	
CR19	Services Delivered for Less	28/11/2017	CIOG	Corporate	Non Compliance of the principals of the General Data Protection Regulation (GDPR) at introduction.	- Potential fine of up to €20,000,000 or 4% of annual turnover. - Regulatory data protection audits. - Reputational loss of PCC. - Regulatory enforcement action. - Detriment to the data subjects. - Civil action and associated consequences.	H	C	High	12	- Development of Communication Plan (completed September 2017) and in the process of being delivered. - Provision of information to SMT, HoS, and Team Meetings. - Presentations to schools. - GDPR Surgeries (completed December 2017). - Information Asset Audit (IAA) in progress, however this has been delayed to do resource issues, and lack of/late responses from some services. This will continue alongside GDPR preparation. - Development of internal records of processing, IAA are the foundations of this work. Deadline agreed at CIGG January 2019. - Staff training - work is underway to move current training into a new format. Completion expected Summer 2018. - Technical controls - existing controls will be documented by 25th August 2018. - Policies and Procedures - existing policies to be revised by 25th May 2018, Information Compliance Policy under development and to be completed by 25th May 2018. - Information sharing protocols - Information Asset	Paul Griffiths	Cllr James Evans	- Develop processes and provide awareness to all staff. - Actions from Information Asset Audit. - Further technical controls. - Further policies and procedures.	M	C	High	8	- Data Protection Officer planning aspect in hand, however there are concerns over service area management of their responsibilities in terms of considering legal basis for processing, developing privacy notices etc. - Comes into force 25/5/18.
CS11	Supporting people in the community	08/12/2017	HoS	Corporate	Failure to meet the statutory deadlines imposed on the Council as a relevant authority under the National Training Framework under Violence Against Women, Domestic Abuse and Sexual Violence Wales Act (2015).	- Risk to CIW inspection of adult services. - Potential criticism and legal challenge to the Council in the event of this lapse being a significant factor in a Domestic Homicide Review or instance of abuse. - Reputational damage to the authority.	V	H	High	12	- Report due to be considered by Cabinet, first two statutory requirements missed, final one is for 100% for Group 1 by 31st March 2018. - Presentations given to staff members who do not have IT access.	Phil Evans	Cllr Stephen Hayes  Cllr Rachel Powell	- Detailed improvement plan on VAWDASV prepared for Cabinet.	V	H	High	12	Latest reports (March 13th 2018) show completion rate of 57.13%.

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							P	I	Risk Rating						P	I	Risk Rating		
ASC18	Supporting people in the community	15/07/2017	HoS	Adult Social Care	Inability to recruit the level and scale of staff required within ASC.	Insufficient staff to meet service demands; Lack of qualified and experienced staff; Poor performance; Demotivated workforce; Unmet demand; Financial implications of using agency staff. Failure to recruit social workers has led to lengthy delays in assessments. Use of expensive agency staff can result in short term accountability, and a failure to provide a continuity of professional involvement for vulnerable service users. Short term funding of the enhanced brokerage service (to procure residential care placements) has led to inability to recruit and failure to provide the service as hoped. This has led to untrained practitioners brokering care placements with businesses and agreeing to costs significantly above the expected price.	H	H	High	9	- Investing in our workforce (training and development); - Support for staff; - Integrated approach across PCC and PTHB, including the alignment of HR/OD; - Working with HR Business Partners.	Phil Evans	Cllr Stephen Hayes	- Recruitment campaigns for key services; - Develop workforce strategy looking at workforce demographics over next 5-10 years, skills and workforce training. - Integration of Mental Health teams to be scoped.	M	H	Medium	6	
ASC19	Supporting people in the community	23/10/2017	HoS	Adult Social Care	Projected demographics of Powys suggest a significant increase in older people requiring care, and a significant decrease in the working age population. Therefore ensuring an adequate caring and professional workforce is a risk.	Care provision and assessment provision becomes scarce, leaving service users at risk of no care.	V H	C	Very High	16	Recruitment Campaign. Telecare.	Phil Evans	Cllr Stephen Hayes	PSB Consideration? Consideration of workshop to brainstorm future strategy? Develop economy? Lobby Welsh Government? Research to be commissioned in partnership with the Powys Social Value Forum, Credu, and PAVO, considering the untapped workforce potential in one area of Powys. This will look at the possibility of carers, stay at home parents, retired individuals, and others becoming part time support workers or carers for service users. This work is to be aligned with and owned by the PCC workforce development service.	V H	C	Very High	16	Needs consideration across wider Council and not just in ASC.
ASC22	Supporting people in the community	15/07/2017	HoS	Adult Social Care	Current Bupa contract for Powys Care Homes expires June 2019. Powys needs to agree and implement new management of Care Homes post 2019.	If no contract is agreed and implemented, homes may need to be taken under the management of PCC, which could be costly and resource hungry.	H	C	High	12	Work being undertaken to appraise various options - being undertaken during March/April 2018 with a Cabinet report being prepared during the Spring of 2018.	Phil Evans	Cllr Stephen Hayes	Meetings with interested parties. Meeting with one interested company is being held on 30th April 2018.	M	C	High	8	
ASC23	Supporting people in the community	02/02/2018	HoS	Children's Services	1. Ability to meet the 600k Children's Service savings target for 2017/2018. 2. Addressing the deficit in the Children's Service FRM (£1.1million) for 2018/19.	Financial implications for the Authority - budget will suffer an overspend. Impact on other services / functions.	H	H	High	9	- Regular budget monitoring and reviewing of the savings tracker. - Development of transformation plan. - Review of residential placements.	Phil Evans	Cllr Rachel Powell	- Future shape of service review. - Decrease use of agency staff.	H	H	High	9	

Ref	Trend	Corporate Priority	Risk Identified	Risk Owner	Portfolio Holder
ASC9	←→	Services delivered for less Supporting people in the community	The Council's ability to recommission the Domiciliary Care Service without increased costs as a result of Dynamic Purchasing System (DPS).	Phil Evans	CLlr Stephen Hayes
CR2	←→	Services delivered for less Supporting people in the community Developing the economy Learning	Inability to recruit the level and scale of staff required to vacant posts across the organisation due to inability to attract and/or an unsustainable employable local demographic.	Sarah Powell	CLlr James Evans
CR17	←→	Services delivered for less Supporting people in the community	Living wage and increased pension requirements are resulting in increased financial pressure.	David Powell	CLlr Aled Davies
CR11	←→	Supporting people in the community	Continuity of provision of WCCIS (DRAIG replacement). Financial model has not been implemented. WCCIS system is not currently able to provide all the data required for service monitoring and planning.	Phil Evans	CLlr Stephen Hayes
CG1	←→	Services delivered for less	Failure of governance.	David Powell	CLlr Aled Davies
CG2	←→	Services delivered for less	Data Protection Breaches.	Phil Evans	CLlr James Evans
CR1	←→	Services delivered for less	The Council is unable to manage the level of financial cuts required by the Welsh Government and the relatively poor funding position.	Jane Thomas	CLlr Aled Davies
CR6	←→	Services delivered for less Supporting people in the community Developing the economy Learning	Lack of adequate resilience planning.	Mark Evans	CLlr Aled Davies
CR10	←→	Services delivered for less	Failure to monitor and protect Council assets.	Mark Evans	CLlr James Evans
PL1	←→	Services delivered for less	The authority doesn't have a sufficiently robust risk assessment process for the management of Health & Safety (H&S) across the organisation. In addition to this, due to nature of the work carried out in HTR, considerable reliance is placed on the workforce to deliver services safely, in the interests of both staff and public.	Paul Griffiths	CLlr James Evans
ICS1	←→	Services delivered for less Supporting people in the community Developing the economy Learning	Current systems are not covered by a fully resilient DR Solution (Infrastructure and Policies/processes).	Mark Evans	CLlr James Evans
PPPP2	←→	Services delivered for less	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.	Paul Griffiths	CLlr Jonathan Wilkinson
PPPP6	←→	Services delivered for less Developing the economy	Failure to adopt the LDP.	Paul Griffiths	CLlr Martin Weale
PPP12	←→	Services delivered for less	We have identified €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.	Paul Griffiths	CLlr Jonathan Wilkinson
CR14	←→	Services delivered for less Learning	Condition and security of buildings and premises.	David Powell	CLlr Phyl Davies
CR15	←→	Services delivered for less Supporting people in the community	The welfare reform programme and roll out of Universal Credit has likelihood of large impact on Powys citizens, in addition to HRA income.	Mark Evans	CLlr Aled Davies
CR16	←→	Services delivered for less Developing the economy	The impact on the Council as a result of Brexit.	Mark Evans	CLlr Aled Davies
CR7	←→	Services delivered for less	Transition post-election of the Pensions Committee.	Mark Evans	CLlr Aled Davies
ICS8	←→	Services delivered for less Supporting people in the community Developing the economy Learning	Failure to control and secure ICT systems and data against unauthorised access including Cyber-crime attack.	Mark Evans	CLlr James Evans
HTR2	←→	Services delivered for less	Meeting the requirement of the MTFs, including achievement of savings and income generation targets.	Paul Griffiths	CLlr Liam Fitzpatrick / CLlr Phyl Davies
LR24	←→	Services delivered for less Supporting people in the community Developing the economy Learning	Brecon Cultural Hub cost plan under continual pressure due to inflationary increases, complexity of design programme and other factors. Potential over-run beyond agreed budget.	Paul Griffiths	CLlr Rachel Powell
CR18	←→	Supporting people in the community	1. Ability of Adult Social Care to meet the £2.2m savings target for 2017/18. 2. Addressing the Adult Social Care deficit in the FRM for 2018/19.	Phil Evans	CLlr Stephen Hayes
HTR4	←→	Services delivered for less	To provide safe highways assets and structures as far as reasonably practical.	Paul Griffiths	CLlr Liam Fitzpatrick
CS4	←→	Supporting people in the community	Develop structure to respond to CSSIW report (August 2017).	Phil Evans	CLlr Rachel Powell
CS5	←→	Supporting people in the community	Not having sufficient foster or respite placements.	Phil Evans	CLlr Rachel Powell
CR19	NEW	Services Delivered for Less	Non compliance of the principals of the General Data Protection Regulation (GDPR) at introduction.	Mark Evans	CLlr James Evans
CS11	NEW	Supporting people in the community	Failure to meet the statutory deadlines imposed on the Council as a relevant authority under the National Training Framework under Violence Against Women, Domestic Abuse and Sexual Violence Wales Act (2015).	Phil Evans	CLlr Stephen Hayes CLlr Rachel Powell

ASC18	NEW	Supporting people in the community	Inability to recruit the level and scale of staff required within ASC.	Phil Evans	Cllr Stephen Hayes
ASC19	NEW	Supporting people in the community	Projected demographics of Powys suggest a significant increase in older people requiring care, and a significant decrease in the working age population. Therefore ensuring an adequate caring and professional workforce is a risk.	Phil Evans	Cllr Stephen Hayes
ASC22	NEW	Supporting people in the community	Current Bupa contract for Powys Care Homes expires June 2019. Powys needs to agree and implement new management of Care Homes post 2019.	Phil Evans	Cllr Stephen Hayes
CS12	NEW	Supporting people in the community	1. Ability to meet the 600k Children's Service savings target for 2018/2018. 2. Addressing the deficit in the Children's Service FRM (£1.1million) for 2018/19.	Phil Evans	Cllr Stephen Hayes



The risk reference identifies the level of inherent risk to the Council before mitigating controls are applied (Inherent Risk).  
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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## **Powys County Council**

Internal Audit Plan 2018/19

1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019

# Contents

The contacts at SWAP in connection with this report are:

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Our audit activity is split between:

- **Corporate Priorities**
- **Healthy Organisation Principles**

## Role of Internal Audit

The Internal Audit Service for Powys County Council is provided by the South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors and is also guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). The work of the Partnership is also guided by the 'Internal Audit Charter' that was approved on the 4<sup>th</sup> April 2017.

Internal Audit provides an independent and objective opinion on the Authority's governance, risk and control environment by evaluating its effectiveness. In order to achieve this, the audit activity is split across the review categories listed to the left. Internal Audit provides an independent and objective opinion on the Authority's risk, governance and control environment by evaluating its effectiveness.

## Background

It is recommended by the Public Sector Internal Audit Standards that organisations nominate a 'Board' to oversee (monitor and scrutinise) the work of Internal Audit. As such, in addition to senior management oversight, this Council has determined that, the Audit Committee and its Working Groups will undertake this function.

It should be noted that audit titles and plan days are only indicative for planning our resources. Where efficiencies can be identified these will be implemented. At the start of each audit an initial meeting is held to agree the terms of reference for the audit which includes the objective and scope for the review. Any changes to individual plan items, in terms of days, are managed within the annual payment made by the Council. The plan is produced with a view to providing assurance to both Officers and Members that current and imminent risks faced by the Authority are adequately controlled and managed. The plan will have to remain flexible as new and emerging risks are identified. Any changes to the agreed plan will only be made through a formal process involving the Head of Finance (Section 151 Officer).

## The Annual Plan

**Audit Plan and approach to Planning**

As part of our 2018/19 planning process, we have sought to align a significant proportion of our plan with the Council's Corporate Plans to support the commitment to prioritising the seven national goals contained in the Well-being of Future Generations Act (Wales) 2015.

The corporate priorities for the Council are:

- Services Deliver for Less
- Supporting People in the Community
- Developing the Economy
- Improving Learner outcomes for all

Alongside audit work specifically designed to support the delivery of these outcomes, we have also developed our audit plan to provide assurance that the council operates as a 'Healthy Organisation'. The eight key areas are:

- Corporate Governance
- Financial Management
- Risk Management
- Performance Management
- Commissioning and Procurement
- Information Management
- Programme & Project Management
- People and Asset Management

## Internal Audit Plan – 2018/19

It follows that if an organisation can demonstrate that it operates in accordance with the sound principles of a 'Healthy Organisation' it is well placed to deliver sound services which contribute to the organisations stated Outcomes.

## The Annual Plan - Continued

**The Annual Plan and Approach - Continued**

The audit reviews included within the plan relate to those areas highlighted as key corporate risks, reviews specifically requested by Senior Management, or areas that SWAP has identified as potential emerging risks for the Authority.

Ultimately the work undertaken by the Internal Audit Service is to enable it to provide an independent opinion on the governance, risk and control framework of the Council.

The schedule provided in Appendix A details the Internal Audit Plan for 2018/19.

<b>Powys County Council</b>					
<b>Internal Audit Plan 2018/19</b>					
<b><u>CORPORATE PRIORITIES</u></b>	<b><u>Service Department</u></b>	<b><u>Category/ Sub Service</u></b>	<b><u>Status</u></b>	<b>ASSIGNMENT</b>	<b>PLAN DAYS</b>
<b><i>Services Delivered for Less</i></b>					<b>60</b>
	Finance		New	Projects Benefits Realisation	
	Adult Social Care	Supporting Adults	Carry Forward	Social Care- Financial Recovery Plan	
	Fraud	Financial Transactions	New	National Fraud Initiative	
<b><i>Supporting People in the Community</i></b>					<b>168</b>
	Adult Social Care	Contracting	Carry Forward	Contractor Payment Monitoring	
	Children's & Family	Looked after Children	Carry Forward	Looked After Children - Leaving Care	
	Adult Social Care	Grant Certification	New	Supporting People Grant	
	Housing	Grant Certification	New	Travellers Grant	
	Housing	Housing	New	Housing Rent System	
	Housing	Maintenance of Council Properties	New	Housing Repairs and Maintenance (HOWPS)	
	Children's & Family	Grant Certification	New	Youth and Community Grant	
	Adults	Contracting	New	Brokerage	
	Adults	Supporting Disabilities	New	Direct Payments	
	Adults	Monitoring	New	Safer Recruitment	

## Appendix A

<b><i>Developing the Economy</i></b>					<b>28</b>
	Management	Partnerships	New	Partnership and Collaboration-Follow up	
	Procurement	Contracting	<b>New</b>	Supply Chains- Local Economy	
<b><i>Improving Learner Outcomes</i></b>					<b>144</b>
	Education and skills	Secondary Schools	Carry Forward	Llandrindod School Budgetary Control Review	
	Education and skills	Secondary Schools	New	High Schools Establishment	
	Education and skills	Primary Schools	Carry Forward	Primary School x 3	
	Education and skills	Primary Schools	New	Primary Schools Establishment	
	Education and skills	Management of Schools	New	School Theme - Property & Health and Safety	
	Education and skills	Management of Schools	New	School Theme - Financial Administration	
	Education and skills	Management of Schools	<b>New</b>	School Theme - Voluntary Funds	
	Education and skills	Grant Certification	New	Welsh Government Grants (EIG/PDG) Q1	
	Education and skills	Grant Certification	New	Welsh Government Grants (EIG/PDG) Q2	
	Education and skills	Grant Certification	New	Welsh Government Grants (EIG/PDG) Q3	
	Education and skills	Grant Certification	New	Welsh Government Grants (EIG/PDG) Q4	

<b><u>HEALTHY ORGANISATION PRINCIPLES</u></b>	-	-	-		
<b><i>Corporate Governance</i></b>					<b>101</b>
Corporate Governance refers to the strategic management practices and values and beliefs by which the Council operates.	Healthy Organisation	Healthy Organisation	New	Health Organisation Review	
	Management	Follow-up	New	Follow up Audits	
	Information Management	Information Security Management	New	General Data Protection Regulations	
	Fraud	Strategic Management	New	Organised Crime Checklist	
<b><i>Financial Management</i></b>					<b>128</b>
Effective Financial Management is the bedrock of any successful organisation and is vital to the ongoing ability of local authorities to deliver services that the public wants.	Finance	Payroll	New	Payroll	
	Finance	Financial Transaction Management	New	Capital	
	Finance	Financial Transaction Management	New	Budgeting (CP)	
	Finance	Financial Transaction Management	New	Main Accounting	
	Education and skills	Cash Handling	New	Cashless Systems - Schools	
	Finance	Financial Transaction Management	New	Income Generation	
	Finance	Payroll	New	Travel Expenses	
	Finance	Payroll	New	Members Expenses	

## Appendix A

<b><i>Risk Management</i></b>					<b>6</b>
Organisations which can demonstrate and operate under a structured and active risk management approach, are far more likely to be able to focus upon their key priorities and outcomes and, in doing so, take informed and robust decisions.	Risk Management	Strategy and Governance	Carry Forward/ Follow up	Risk Management	
<b><i>Performance Management</i></b>					<b>18</b>
Performance management provides a transparent platform upon which the service is accountable to its citizens and service users for the effectiveness of its service provision and delivery of its objectives.	Management	Quality and Performance	Carry Forward	Performance Management	
<b><i>Commissioning and Procurement</i></b>					<b>72</b>
Assessing Procurement & Commissioning activity of a Local Authority is a critical determinant in establishing its effectiveness in both being able to deliver benefit for its community, but also in showing whether it can maximise value for money for its taxpayers.	Procurement	Procurement	New	Commercial Services	
	Procurement	Commissioning	New	Commissioning - Options Appraisal/Decommissioning	
	Procurement	Partnerships	Carry Forward	Section 33	
	Procurement	Contracting	New	HOWPS Contract Management	
	Procurement	Contracting	New	Freedom Leisure Contract Management	
<b><i>Information Management</i></b>					<b>77</b>
Effective Information Management will facilitate and support effective working, better decision-making, improved customer service and business transformation	Information & Communication	Threat and Vulnerability management	Carry Forward	End Point Security	

## Appendix A

	Information & Communication	Threat and Vulnerability management	New	Change Control	
	Information & Communication	ICT Service Management	New	Software Licensing	
	Information & Communication	ICT Service Delivery	New	ICT Procurement	
	Information & Communication	Strategy and Governance	New	Crisis Management	
<b>Programme and Project Management</b>					<b>20</b>
Organisations which can demonstrate and operate under a structured and active approach are far more likely to be able to focus their efforts and successfully achieve the delivery of anticipated outcomes.					
	Management	Project Management	New	Project Governance Arrangements	
<b>People and Asset Management</b>					<b>73</b>
Organisations which can demonstrate and operate under a structured and active approach to asset management are far more likely to be able to focus any available investment against key priorities and, as a direct result, deliver improved outcomes.	Human Resources	Administering Employees	New	Voluntary Severance	
	Human Resources	Workforce Planning	New	Workforce Planning	
	Human Resources	Administering Employees	Carry Forward	Sickness Management	
	Human Resources	Monitoring	New	Corporate Health & Safety	
	Human Resources	Training	New	Role of the Powys Manager	

## Appendix A

<b>Other</b>					<b>105</b>
	Client Support	Corporate Advice		Service Support and Advice	
	Client Support	Corporate Advice		Corporate Advice and Planning	
	Client Support	Corporate Advice		Liaison with other Regulatory Bodies	
	Client Support	Committee Reporting / Attendance and other Corporate meetings		Committee and Sub Committee Reporting	
	Client Support	Committee Reporting / Attendance and other Corporate meetings		Management Teams Liaison	
				<b>Total Days</b>	<b>1000</b>



## **Powys County Council**

Internal Audit Activity 2017/18

1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018 (Quarter 4)

# Contents

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## Summary

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## Internal Audit Work Plan 2017-18

Audit Plan progress	Pages 3 - 5
Conclusion	Page 6

## Appendices

Appendix A - Audit Plan Progress 2017-18	Pages 7 – 15
Appendix B – Recommendation Report 2017-18	Attached

Our audit activity is split between:

- **Corporate Priorities**
- **Healthy Organisation Principles**

See appendix A for individual audits.

See Appendix B for Recommendations made.

## Role of Internal Audit

The Internal Audit service for Powys County Council is provided by the South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors and is also guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). The work of the Partnership is also guided by the 'Internal Audit Charter' that was approved on the 4<sup>th</sup> April 2017.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work is categorised as:

Corporate priorities for the Council are:

- Services Deliver for Less
- Supporting People in the Community
- Developing the Economy
- Improving Learner outcomes for all

Alongside audit work specifically designed to support the delivery of these outcomes, we have also developed our audit plan to provide assurance that the council operates as a 'Healthy Organisation'. The eight key areas are:

- Corporate Governance
- Financial Management
- Risk Management
- Performance Management
- Commissioning and Procurement
- Information Management
- Programme & Project Management
- People and Asset Management

## Overview of Internal Audit Activity

Internal Audit work is largely driven by an Annual Audit Plan. The audit reviews included within the plan relate to those areas highlighted as key corporate risks, reviews specifically requested by Senior Management, or areas that SWAP has identified as potential emerging risks for the Authority.

This is approved by the Section 151 Officer following consultation with the Executive Management Team. This year's (2017/18) Plan was presented to this Committee on 6th July 2017.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk. It is important that Members are aware of the status of audits as this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

The summary of the Annual Plan for 2017/18 given overleaf highlights progress to date. Based on the findings of each review, an overall control assurance is offered.

The detailed progress of each audit is attached in appendix A.

A list of the reportable recommendations made during 2017-18 is attached in Appendix B. Please note that the list is not exhaustive as it does not include those audits done outside of the management system. Progress will be made to report these recommendations for the next committee.

## Summary of Audit Assignments by Delivery Status

## Audit Plan Progress

### 1. Corporate Plan- Delivering Services for Less

▪ Completed	3
▪ Draft / Discussion	0
▪ In Progress	0
▪ Audit Initiation	0
▪ Carried Forward	1
▪ Deferred / Delayed by Client	1

### 2. Corporate Plan – Supporting People in the Community

▪ Completed	9
▪ Draft / Discussion	0
▪ In Progress	0
▪ Audit Initiation	1
▪ Carried Forward	0
▪ Deferred / Delayed by Client	1

### 3. Corporate Plan – Developing the Economy

▪ Completed	1
▪ Draft / Discussion	1
▪ In Progress	0
▪ Audit Initiation	0
▪ Carried Forward	0
▪ Deferred / Delayed by Client	0

## Summary of Audit Assignments by Delivery Status

## Audit Plan Progress - Continued

### 4. Corporate Plan – Improved Learner Outcomes

▪ Completed	16
▪ Draft / Discussion	1
▪ In Progress	2
▪ Audit Initiation	0
▪ Carried Forward	0
▪ Deferred / Delayed by Client	0

### 5. Healthy Organisation - Corporate Governance

▪ Completed	2
▪ Draft / Discussion	0
▪ In Progress	0
▪ Audit Initiation	0
▪ Carried Forward	0
▪ Deferred / Delayed by Client	1

### 6. Healthy Organisation - Financial Management

▪ Completed	7
▪ Draft / Discussion	3
▪ In Progress	0
▪ Audit Initiation	0
▪ Carried Forward	0
▪ Deferred / Delayed by Client	0

## Summary of Audit Assignments by Delivery Status

## Audit Plan Progress - Continued

### 7. Healthy Organisation – Risk Management

Completed	1
Draft / Discussion	0
In Progress	1
Audit Initiation	0
Carried Forward	0
Deferred / Delayed by Client	0

### 8. Healthy Organisation – Performance Management

Completed	0
Draft / Discussion	0
In Progress	0
Audit Initiation	0
Carried Forward	0
Deferred / Delayed by Client	1

### 9. Healthy Organisation – Commissioning & Procurement

Completed	2
Draft / Discussion	0
In Progress	0
Audit Initiation	0
Carried Forward	0
Deferred / Delayed by Client	1

## Summary of Audit Assignments by Delivery Status

## Audit Plan Progress - Continued

### 10. Healthy Organisation – Information Management

▪ Completed	3
▪ Draft / Discussion	0
▪ In Progress	0
▪ Audit Initiation	0
▪ Carried Forward	1
▪ Deferred / Delayed by Client	0

### 11. Healthy Organisation – Programme and Project Management

▪ Completed	4
▪ Draft / Discussion	0
▪ In Progress	0
▪ Audit Initiation	0
▪ Carried Forward	0
▪ Deferred / Delayed by Client	1

### 12. Healthy Organisation – People and Asset Management

▪ Completed	3
▪ Draft / Discussion	0
▪ In Progress	0
▪ Audit Initiation	0
▪ Carried Forward	0
▪ Deferred / Delayed by Client	1



## Summary of plan delivery position

## Conclusion

Powys County Council entered into a partnership with SWAP to deliver internal audit services from the 1<sup>st</sup> April 2017. Wide scale changes in roles and responsibilities and new protocols, procedures and systems have taken time to become familiar. Understandably, this upskilling has impacted on the team's ability to deliver the audit plan especially in the first quarter. Two historic cases of long term sickness have severely reduced the resources available. However, additional resources have been brought in from other partners and outside contractors to limit the audit plan slippage.

In addition, this position has been exacerbated by some clients delaying the start of audit projects, uncertainty over the status of certain pieces of work and failing to respond effectively to the draft audit process. The Audit Team try to reschedule projects to minimise disruption to the plan, but there will be some instances that will unavoidably result in a loss of productive days. Internal audit has now created an issues log that will be sent regularly to the Contract Manager to identify those clients that have adversely affected the Internal Audit process. Furthermore, it is intended to allocate a sponsor for each piece of work to ensure a single point of contact in the council to ensure effective accountability, liaison and dialogue

It is envisaged that these measures will help to reduce the lost days.

Overall, the Internal Audit Team has delivery approximately 85% of the Internal Audit Plan for the 2017/18. Whilst this is at the lower end of percentage plan delivery for SWAP members, it is deemed reasonable given the factors identified above. Those assignments not delivered in 2017/18 have been considered in the planning process for 2018/19 and have been included in the plan where necessary.

C.P. Ref	Directorate/Service	Audit Area	Audit Type	Audit Name	Quarter	Status
1	*Finance	Financial Transactions Management	Governance, Fraud & Corruption	National Anti-Fraud Initiative 1718 - PCC	April 2017	Completed
1	*Adult care services	Supporting Adults	Operational	Financial Overspend - Recovery Plan 1718 - PCC	April 2017	Carried Forward
1	*Transport and infrastructure	Transport Planning	Operational	Leasing Commercial Vehicles 1718 - PCC	July 2017	Deferred by Client
1	*Finance	Financial Transactions Management	Operational	Medium Term Financial Strategy 1718 - PCC	Oct 2017	Completed
1	*Transport and infrastructure	Highway Development Control	Operational	Winter Maintenance 1718 - PCC	July 2017	Completed
2	*Education and skills	Access and Inclusion	Operational	Supporting Travellers Project 1718 - PCC	April 2017	Completed
2	*Housing	Enforcement	Follow Up	Gas Safety Follow-Up 1718 - PCC	April 2017	Completed
2	*Housing	Managing Tenancies	Operational	Housing - Service Charges 1718 - PCC	July 2017	Completed
2	*Housing	Procurement & Contracts	Investigation	Contractor (SWG)– Procurement 1718- Requested	Jan 2018	Completed

2	*Housing	Procurement & Contracts	Investigation	Contractor (SWG) – Health & Safety 1718- Requested	Jan 2018	Completed
2	*Housing	Procurement and Contracts	Investigation	Contractor (Arbed) – Contract Management	Jan 2018	Completed
2	*Adult care services	Supporting Adults	Operational	Supporting People 1718 - PCC	July 2017	Completed
2	*Children and Family's Services	Supporting Children	Operational	Grant - Youth Services 1718 - PCC	July 2017	Completed
2	*Adult Care Services	Supporting Adults	Operational	Social Care Payment Process 1718 - PCC	Oct 2017	Audit Initiated
2	*Children and Family's Services	Supporting Children	Operational	Looked after Children 1718 – Leaving care	Oct 2017	Client Delayed
2	*Housing	Housing	Operational	WQHS 1718 - PCC	Oct 2017	Completed
3	*Planning and Building Control	Building Control	Operational	Planning - Building Control 1718 - PCC	April 2017	Completed
3	*Consumer Affairs	Investigation, Inspections and Monitoring	Operational	Partnership and Collaborations 1718 - PCC	April 2017	Draft with Client

4	*Consumer Affairs	Investigation, Inspections and Monitoring	Grant Certification	BIS - Trading Standards 1718 - PCC	April 2017	Completed
4	*Children and Family's Services	Supporting Children	Grant Certification	Welsh Gov - Schools - EIG & PDG (Final Claim) 1718 - PCC	April 2017	Completed
4	*Education and Skills	Management of Schools	School	Castle Caereinion 1718 - PCC	April 2017	Completed
4	*Education and Skills	Management of Schools	Follow Up	Llandrindod High School Follow-Up	April 2017	Completed
4	*Education and Skills	Management of Schools	Follow Up	Ysgol Bannau Follow-Up 1718 - PCC	April 2017	Completed
4	*Education and Skills	Management of Schools	Follow Up	Abermule CP Follow-Up 1718 - PCC	April 2017	Completed
4	*Education and Skills	Management of Schools	School	Llanbister CP 1718 - PCC	April 2017	Completed
4	*Education and Skills	Management of Schools	School	Mount Street Infant CP 1718 - PCC	April 2017	Completed
4	*Education and Skills	Management of Schools	School	Mount Street Junior CP 1718 - PCC	April 2017	In Progress

4	*Education and Skills	Management of Schools	School	Leighton C.P. School 1718 - PCC	July 2017	Completed
4	*Education and Skills	Management of Schools	School	Llangedwyn C in W School 1718 - PCC	July 2017	Completed
4	*Education and Skills	Management of Schools	Operational	Grant - EIG Q1 1718 - PCC	July 2017	Completed
4	*Education and Skills	Management of Schools	Follow Up	Llanfaes CP School Follow Up 1718 - PCC	July 2017	Completed
4	*Education and Skills	Management of Schools	Follow Up	Builth Wells CP Follow Up 1718 - PCC	July 2017	Completed
4	*Education and Skills	Management of Schools	School	Guilsfield C.P. School 1718 - PCC	Oct 2017	Draft with Client
4	*Education and Skills	Management of Schools	School	Llandrindod High School-Budget Process 1718	Oct 2017	In Progress
4	*Children and Family's Services	Supporting Children	Grant Certification	Welsh Gov - Schools - EIG & PDG (Q2) 1718 - PCC	Oct 2017	Completed
4	*Children and Family's Services	Supporting Children	Grant Certification	Welsh Gov - Schools - EIG & PDG (Q3) 1718 - PCC	Jan 2018	Completed
4	*Children and Family's Services	Supporting Children	Grant Certification	Welsh Gov - Schools - EIG & PDG (Q4) 1718 - PCC	Jan 2018	Completed

5	*Leisure and Culture	Community Facilities	Follow Up	County Hall Restaurant Follow-Up 1718 - PCC	April 2017	Completed
5	*Democracy	Governance	Governance, Fraud & Corruption	Healthy Organisation Review 1718 - PCC	Jan 2018	Deferred by Client
5	*Democracy	Governance	Governance, Fraud & Corruption	GDPR Preparation	Oct 2017	Completed
6	*Leisure and Culture	Community Facilities	Operational	School Cashless System	April 2017	Completed
6	*Finance	Payroll and Pensions	Operational	Pensions 1718 - PCC	April 2017	Completed
6	*Finance	Local Taxation	Key Control	NNDR 1718 - PCC	April 2017	Completed
6	*Finance	Accounts Payable	Key Control	Accounts Payable 1718 - PCC	April 2017	Completed
6	*Finance	Financial Transactions Management	Operational	Income Generation 1718 - PCC	July 2017	Draft with Client
6	*Education and Skills	Management of Schools	Special Investigation	School Transport Rule 5.2 1718 - PCC	July 2017	Draft with Client
6	*Finance	Accounts Payable	Operational	Purchase Cards 1718 - PCC	July 2017	Completed

6	*Finance	Financial Transactions Management	Operational	Income Collection - Planning 1718 - PCC	July 2017	Completed
6	*Finance	Accounts and Audit	Key Control	Debtors	Oct 2017	Draft with Client
6	*Finance	Financial Transactions Management	Key Control	Bank Reconciliation 1718 - PCC	April 2017	Completed
7	*Finance	Financial Transactions Management	Governance, Fraud & Corruption	Fraud Risk Assessment 1718 - PCC	April 2017	In progress
7	*Risk Management and Insurance	Risk Management	Governance, Fraud & Corruption	Risk Management 1718 - PCC	Jan 2018	Completed
8	*Democracy	Governance	Governance, Fraud & Corruption	Service Improvement 1718 - PCC	Jan 2018	In Progress Delayed by Client
9	*Adult Care Services	Supporting Adults	Operational	Commissioning Review - Equipment Store 1718 - PCC	April 2017	Completed
9	*Consumer Affairs	Investigation, Inspections and Monitoring	Operational	Commercial Services 1718 - PCC	April 2017	Completed
9	*Democracy	Governance	Governance, Fraud & Corruption	Section 33 1718 - PCC	Jan 2018	In Progress Delayed by Client

9	*Council Property	Maintenance of Council Property	Operational	JVC Legal Costs 1718 - PCC	Oct 2017	Completed
10	*Information and Communication Technology	Cloud and Hosted Services	ICT	Cloud/Internet Filtering 1718 - PCC	April 2017	Complete
10	*Information and Communication Technology	Information Security Management	ICT	End Point Security 1718 - PCC	April 2017	Carried Forward
10	*Information and Communication Technology	Threat and Vulnerability Management	ICT	Cyber Security Assessment 1718 - PCC	April 2017	Completed
10	*Information and Communication Technology	Data Centre	Deferred/Removed	Interface Files 1718 - PCC	April 2017	Completed
11	*Finance	Accounts and Audit	Operational	Supporting Cashless Project 1718 - PCC	April 2017	Completed
11	*Finance	Accounts and Audit	Advice	New Accounting Systems - Project Support 1718 - PCC	April 2017	Completed
11	*Finance	Accounts and Audit	Operational	New Revenue Systems - Project Support 1718 - PCC	April 2017	Completed
11	*Finance	Accounts and Audit	Operational	Supporting Social Care Systems 1718 - POWYS	April 2017	Completed



11	*Transport and Infrastructure	Highway Development Control	Operational	HTR - Wholly Owned Company 1718 - PCC	Jan 2018	Deleted
12	*Transport and Infrastructure	Highway Development Control	Follow Up	Depot Stocks Follow-Up 1718 - PCC	April 2017	Completed
12	*Human Resources	Workforce Planning	Operational	Voluntary Severance 1718 - PCC	April 2017	Completed
12	*Human Resources	Workforce Planning	Operational	Workforce Planning 1718 - PCC	July 2017	Completed
12	*Human Resources	Occupational Health	Governance, Fraud & Corruption	Sickness Management 1718 - PCC	Jan 2018	Carried Forward

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## Recommendation details

## Appendix B

Unique Reference	Work Programme Name	Category	Description	Priority	Responsible Officer	Target Implementation Date
35768	Llandrindod Wells High School Follow-up	Delivery Notes	Staff to clearly sign all delivery notes/invoices as 'checked' with a clear initials/signature along with the date checked.	2	Business Manager	01/11/2017
35769	Llandrindod Wells High School Follow-up	Imprest	Imprest (Petty Cash) to be replenished by the value of spend bringing the balance back to the fixed amount.  If operated correctly the value of cash and any receipted expenditure should always balance to the imprest value (i.e. £150).	2	Bursar	01/12/2017
35770	Llandrindod Wells High School Follow-up	Cash Collection / receipting	When cash is collected a receipt should be issued to the payee, and a copy kept by the school.	2	Business Manager	30/09/2017
35771	Llandrindod Wells High School Follow-up	Invoice Addressing	All invoices should be addressed to 'Powys County Council'.	3	Business Manager	01/11/2017
35772	Llandrindod Wells High School Follow-up	Audit of Funds	Funds to be independently audited and reported to all interested parties within six months of the end of the financial year.	2	Bursar	01/04/2018
35773	Llandrindod Wells High School Follow-up	Password Policy	A robust password policy be implemented through active directory, requiring a complex password.	3	ICT Technician/Head Teacher	01/12/2017

35774	Llandrindod Wells High School Follow-up	Backup	A full offsite backup solution be implemented.	2	ICT Technician	01/11/2017
35776	Llandrindod Wells High School Follow-up	Staff IT	All staff issued with a School provided laptop or portable device, are required to sign a terms and condition of use form. This form should also contain details about the item issued, such as serial number, make model etc.	3	ICT Technician	01/11/2017
35777	Llandrindod Wells High School Follow-up	Encryption	All portable devices should be encrypted with a 256AES encryption and password only known to that member of staff.	4	ICT Technician	01/01/2018
35778	Llandrindod Wells High School Follow-up	Fire Alarm maintenance	Fire alarm systems should be tested weekly, and recorded on the appropriate log.	5	Caretaker	01/11/2017
35779	Llandrindod Wells High School Follow-up	Fire Drills	A minimum of Three planned fire drills (one per term) be held and recorded. If a false alarm resulting in the full evacuation process being instigated has taken place, and it is the schools intention to use this as a practice drill, this must be recorded accordingly.	5	Head Teacher/Caretaker	01/11/2017
36038	Llandrindod Wells High School Follow-up	Banking	A separation of collection and banking of money should exist, all cash to be banked should be checked against receipting records by an independent person.	4	Bursar	01/12/2017
35927	Building Control	Disability Exemption	Proof of disability should be obtained before giving exemption from fees.	3	Professional lead, Building Control	01/04/2018
35928	Building Control	Declaration of Interests	Introduce a formal system for officers to declare an interest in an application.	4	Professional lead, Building Control	01/08/2017

36132	Building Control	Building Control Policy	The Building Control System Manual to be formally authorised and signed off when completed.	3	Professional lead, Building Control	30/06/2017
36090	Castle Caereinion	Utility Costs	The school needs to ensure that the outstanding income for water usage of the community centre is received back to the budget.	3	Headteacher	30/10/2017
36107	Mount Street Infants	Main Door Entry	The keypad code to the main entrance has not been changed following changes in staff.	3	Headteacher	01/10/2017
36108	Mount Street Infants	Service of School Boiler	The current years annual service of the school boiler has not been undertaken as require in line with regulations..	5	Headteacher	01/09/2017
36117	Mount Street Infants	Business Interests of Governing Body	A complete register of Business Interests of the Governing Body is not maintained at the school. Recent appointment of two Parent Governors remain outstanding.	1	Headteacher	01/10/2017
36125	Mount Street Infants	Safe Keys	Keys to both safes are retained on site at all times which invalidate the insurance.	5	Headteacher	Completed
36126	Mount Street Infants	Voluntary Fund	A copy of the audited accounts have not been made available to school support services.	1	Headteacher	01/10/2017
36127	Mount Street Infants	Voluntary Fund	Void cheques although recorded the cheque has not been retained with fund records as required.	1	Headteacher	01/10/2017

36128	Mount Street Infants	Voluntary Fund	A stock record is not maintained for school uniform.	4	Headteacher	01/10/2017
36129	Mount Street Infants	Voluntary Fund	The value of uniform stock held at the school has not been included in the year end accounts.	4	Headteacher	01/10/2017
36171	Ysgol-y-Bannau - Follow Up	Inventory Record	A complete up to date inventory records has not yet been completed.		Headteacher	
36172	Ysgol-y-Bannau - Follow Up	Lettings Form	An appropriate letting form is still not in use at the school. The school need to introduce a relevant lettings form that includes a disclaimer for damages.		Headteacher	
36185	Ysgol-y-Bannau - Follow Up	Business Interests	No assurance could be given by the School that a complete up to date register of business interests is maintained.	5	Headteacher	
36186	Ysgol-y-Bannau - Follow Up	Voluntary Fund	No assurance could be given that the previous recommendation have been implemented.	5	Headteacher	
36194	Llanbister School	Voluntary Fund	There is no evidence that monthly bank reconciliations are being carried out with fund records.	3	Headteacher	30/07/2017
36432	Creditors 2017/18	Imprest Accounts	Imprest accounts are replaced with a Corporate Purchase Card.	3	Sue Spencer, and P2P working group, Jane Tomas	31/12/2017
36433	Creditors 2017/18	Invoice Accuracy	Amended invoices should not be accepted for payment. HMRC state that a VAT document cannot be altered in any way for amounts over £250, and best practice dictates that they should be altered at any point regardless of	4	Jane Thomas/Mark Evans – P2P Group	31/12/2017

36449	Creditors 2017/18	Disputed Payments	At the time of the audit, there were 839 invoices equating to £3,086,248.12 of unpaid invoices in the system. Despite regular reminders and reporting from the Creditor Section this does not seem to reduce a great deal throughout the	4	Jane Thomas, Head of Financial Services	31/10/2017
36478	Creditors 2017/18	Hand Written Invoices	Too much time is spent trying to process hand written low value invoices. These are generally a result of catering products such as milk and bread at Powys County Council establishments. It should be written into all contracts that	4	Commercials Services	01/04/2018
36479	Creditors 2017/18	Departmental Intervention	All Dom Care invoices are entered manually as they insist on having the invoices sent to them prior to being passed for payment. This makes the process very time consuming for the Creditors department. It also add another stage at	4	Jane Thomas/Mark Evans – P2P Group	31/12/2017
36576	Creditors 2017/18	Authorised Signatories	The manual process for collating authorised signatories is dated and virtually impossible to maintain accurately. A new automated process should be developed based on the Post rather than the individual and held within the	3	Jane Thomas	01/04/2018
36577	Housing Service Charges	Recalculation of Service Charges Including Independent Review	It has been agreed that the Service Manager - Landlord Services shall ensure that for 2018/19 all service charge rates are recalculated and the subject of independent review before they are uploaded to the QL housing	4	Service Manager - Landlord Services	28/02/2018
36758	Housing Service Charges	Evidence to Support Service Charge Setting Decisions	It has been agreed that the Service Manager - Landlord Services shall ensure that documentation is retained to evidence decisions made regarding service charge values.	4	Service Manager - Landlord Services	28/02/2018
36777	Housing Service Charges	Reporting of Service Charge Income	It has been agreed that the Service Manager - Landlord Services shall review the capabilities for reporting of housing service charge amounts. This may require a review of how charges are attributed within the housing	3	Service Manager - Landlord Services	28/02/2018
36848	Planning Income	BACS Guidelines	Write a set of instructions for staff to follow as to what should happen when a customer pays using BACS, this should include the information that needs to be passed to the customer.	1	Finance	01/01/2018
36849	Planning Income	Procedures and Guidelines	Ensure all procedures and guidelines are stored in a place which is accessible to all.	1	Professional Lead, Building Control	01/01/2018

36850	Planning Income	Post Log	Record what was received in the post and the date when the application was received in a document. Include in this whether a payment was received or if there was an error with the application.	1	Building Control Administrator	01/01/2018
36851	Planning Income	BACS Job Codes	There are seven different types of applications available within the Building Control Department (shown below), each of these have a set of cost codes (Cost Centre, Account Code, Activity Code, Job Code, and VAT number).	3	Professional Lead, Building Control	Completed
36875	Planning Income	Spot Checks	We recommend that spot checks are undertaken as part of a risk control process in order to insure that procedures are being followed and there is an appropriate audit trail.	2	Professional Lead, Building Control	01/01/2018
36895	Voluntary Severance	Union involvement	Unions should be involved in all aspects of the redundancy process. A copy of all correspondence between Powys County Council and the Unions must be held on the individuals personnel file along with any generic files that are retained.	3	HR	01/09/2018
36825	Voluntary Severance	Pension Calculations	Pension calculations should be held on file as proof of their completion, and they should also be independently checked for accuracy.	3	HR	01/09/2018
36904	Voluntary Severance	Payroll Calculations	Payroll calculations should be held on file as proof of their completion, and they should also be independently checked for accuracy.	3	HR	01/09/2018
36905	Voluntary Severance	Employee Engagement	At all times during the redundancy process the employee should be kept informed of the current situation. A copy of any communication sent, should be held on the individuals employee record as a record of events for completeness.	3	HR	01/09/2018



36906	Voluntary Severance	File Contents	There should be a copy of all documentation involved in every step of the redundancy process. All documents must be signed by the relevant officer and all calculations need to have been verified before issuing them.	4	HR	01/09/2018
36922	Voluntary Severance	Business Case Standards	There should be a guidance document that is produced which outlines the minimum requirements for each business case and what supporting documentation is required. Ideally there should be a template that is completed for all cases.	4	HR	01/09/2018
36877	Purchase Cards	Receipting	There is now a requirement to attach a VAT invoice/receipt to transactions where VAT is recovered. It is recommended that this requirement is extended to all transactions made via the purchase card system. This	3	Sue Spencer	31/01/2018
36878	Purchase Cards	Internet Purchasing Guidance	It is recommend that if there are specific sites or suppliers that should not be used, then these should be displayed on the intranet for the cardholders to view.	1	Sue Spencer	31/01/2018
36879	Purchase Cards	Employee Agreement Form	It is recommend that you update the employee agreement form to include the relevant procedure rule.	2	Sue Spencer	31/01/2018
36927	Purchase Cards	Spending Limits	It is recommended that the spending limits are reviewed on a yearly basis to ensure that there is an appropriate limit attached to each purchase card.	3	Sue Spencer	30/04/2018
36928	Purchase Cards	Unused Cards	It is recommended that reports are run yearly on all cards to determine whether the cards are being used.	2	Sue Spencer	31/01/2018
36940	Purchase Cards	Lodged Card Rules	It is recommended that a separate set of rules on how the cards should be held and used are created for the lodged cards.	3	Sue Spencer	31/01/2018

37022	Purchase Cards	Leavers & Transfers List	It is recommended that you check the leavers and transfers lists against the list of cardholders to ensure no one who has left the council or changed their role, has a purchase card.	3	Sue Spencer	20/12/2017
37150	Purchase Cards	Lodge Card Form	It is recommended that a new card form/ employee agreement form is created specifically for Lodged Cards.	3	Sue Spencer	31/01/2018
37151	Purchase Cards	User Guidance	It is recommended that the user guidance for the Cardholders is updated to include current information for the use of purchase cards.	2	Sue Spencer	20/12/2017
37010	Partnerships & Collaborations	Policy & guidance on entering partnerships	Policy & guidance on entering partnerships It is recommended that the Authority creates a policy and guidance document on setting up partnerships and makes it applicable to all service areas.	4		
37275	Partnerships & Collaborations	Register of Partnerships	It is recommended that an up to date register of partnerships is maintained by the Authority.	3	Head of Financial Services	
37011	Llangedwyn Church in Wales Primary School	Invoices	There is a lack of evidence that invoices have been checked and authorised prior to passing for payment centrally.	3	Sarah Chandler	21/09/2017
37012	Llangedwyn Church in Wales Primary School	Retention of Monies	Monies held on site prior to banking exceed the insurance level with not having a safe.	3	Emma Williams	21/09/2017
37013	Llangedwyn Church in Wales Primary School	Security Alarms	The intruder alarms at the school are out of action. With having an alarm fitted at the school and not working may invalidate the insurance.	4	Head Teacher	Completed
37242	Workforce Planning 2017	Budgetary planning details	Budgetary planning should be included within the workforce plan.	4		

37515	Commercial Services	Local Sourcing	Review and update the draft delivery plan as appropriate.	3	IPLCS	31/01/2018
37516	Commercial Services	Purchase order requisitions	Consider if the implementation of the current control on purchase order requisitions is an effective use of staff resources within Commercial Services and explore alternatives.	4	IPLCS	
37659	Commercial Services	Purchase order editing	Purchase ordering editing Commercial Services should periodically review purchase order data, available from ICT, to verify the reasonableness of amendments and to ensure compliance with the Council's Contract Procedure Rules.	4	Vince Hanly	31/03/2018
37545	JVC Legal Costs 17-18 PCC	Exemption from Standing Orders Request Forms	Request for exemption from standing orders forms should be fully completed before approval is given. This will prevent decisions being made without all the information being available.	4	Authorising Officer	Immediately
37809	JVC Legal Costs 17-18 PCC	Order Increases	All increases to orders should be passed through the Procurement Section before approval by a senior officer.	4	N/A	N/A
37618	Caersws CP School	ICT Data Backups	Regular backups should take place and saved to a device that is not on a separate network. Ideally this should be stored offsite.	4	Secretary and Powys County Council ICT	31/07/2018
37619	Caersws CP School	Inventory Records	To undertake an inventory of the assets at least once a year, and keep up to date records of any assets you may have. To ensure any disposals or write-offs are authorised and the reconciliation is checked and approved by a senior officer. This could be done either in the inventory book or on a electronic system.	3	Secretary	31/07/2018

37650	Income Generation	Provision and Understanding of Income Management and Service Cost Recovery Policy	We recommend that the Head of Finance ensures that Service Managers are provided with a copy of the Income Management and Service Cost Recovery Policy. A section of the next Income and Cost Improvement Board should be used to host an open discussion regarding the document to ensure its content is understood.	4	Head of Finance	
37651	Income Generation	Inadequate Training for Service Managers	We recommend that the Head of Finance ensures that an exercise is undertaken whereby Service Managers are able to provide suggestions regarding additional areas of training and assistance which would benefit their	4	Head of Finance	
37652	Income Generation	Additional Appointment to Board to Provide Scrutiny and Challenge	We recommend that the Head of Finance appoints an additional member of staff to the Board, to perform a role of scrutiny and challenge to the income generation work being performed by the Board, and help ensure that progression of income generation opportunities is at the forefront of the Board's work.	4	Head of Finance	
37653	Income Generation	Review of PwC Findings	We recommend that the Head of Finance ensures that each of the opportunities originally outlined by PwC are checked to ensure that there is no further scope within them for additional income or savings. It may also be	4	Head of Finance	
37446	Cashless Schools - Income Management	File Protection	The use of hashing should be used to identify if the files have been amended from the time they are generated to when they are loaded.	3	File originators and ICT Systems	01/09/2018
37578	Cashless Schools - Income Management	Debt Reporting	The debt reporting should be defined and carried out on a regular basis. KPI's should be prescribed and then adhered to.	3	Principal Catering Manager	01/09/2018
37717	Cashless Schools - Income Management	Bank Reconciliations	Reconciliations should be completed on a monthly basis and any outstanding issues are dealt with on a timely basis	3	BSU staff	01/09/2018

37718	Cashless Schools - Income Management	Till Security	Each till should have its own unique access code that is required every time the till is operated. Data Protection!!	4	Principal Catering Manager	01/09/2018
37719	Cashless Schools - Income Management	Parent Pay Sign up	It should be mandatory for all pupils to be registered with Parent Pay in order to avoid the need for cash collection.	3	School & Catering Manager	01/09/2018
37720	Cashless Schools - Income Management	Survey Results	The 3 main areas of concern need to be looked at and addressed accordingly.	3	Catering Manager	01/09/2018
37733	Cashless Schools - Income Management	Invoice Creation	There should be guidelines and rules defined that govern the raising of an invoice for outstanding debt. A minimum amount must be stipulated in order to make the process cost effective.	4	Catering Manager	01/09/2018
37734	Cashless Schools - Income Management	Debt Reporting and KPI's	As part of the debt management process, key areas need to be defined and monitored to determine the performance levels of the cashless process. These should then be reported to the relevant agreed parties and on a regular basis.	3	Catering Manager	01/09/2018
37735	Cashless Schools - Income Management	Overall Debt	The debt levels need to be monitored and controlled. In the 3 month period reviewed the average school debt more than doubled. Controls need to be put in place to closely monitor this to ensure the levels do not increase.	4	Catering Manager	01/09/2018
37777	GDPR	Risk Register	The new Risk Register should be approved and published prior to the start of GDPR.	2	Data Protection Officer	25/05/2018
37807	GDPR	Subject Access Requests	A new revised schedule needs to be created to allow for slippage that has already occurred. If necessary CIGG should release additional resources in order to achieve the May 2018 deadline for GDPR compliance.	3	Professional Lead - Data Protection and CIGG	25/05/2018

38035	GDPR	Timetable of Events	A timetable should be created in order to gauge the progress of the project.	3	Information Governance Manager	25/05/2018
38036	GDPR	Legal Basis for processing Data	The process for determining the basis of data collection should be agreed and approved as soon as possible.	3		
38037	GDPR	Consent	The review of how the council seek, obtain and record consent should be finalised as soon as possible.	2	Information Governance Manager	25/05/2018
38038	GDPR	Privacy Notice	A privacy notice be designed as soon as possible, and then agreed by the relevant parties before use.	3	Information Governance Manager	25/05/2018
38199	Debtors	Segregation of Duties	There should be segregation of roles between those who raise an invoice and those who process the payments.	4	ICT	01/09/2018
38010	Debtors	Low Value Invoices	It is not cost effective to raise invoices for under £25. An alternative method for these charges should be looked into.	3	Income and Awards Manager	01/09/2018
38349	Debtors	Account Maintenance - Wrongly allocated payments	Accounts with a high volume of transactions should be monitored closely and payments should only be allocated when the correct invoice has been identified. <del>A decision needs to be made on how to handle accounts</del>	4	Head of Financial Services & Acting Section 151 Officer	01/06/2018
38350	Debtors	Items in Dispute	A time limit should be agreed and implemented so that items do not remain in dispute for longer than is appropriate.	4	Head of Financial Services & Acting Section	01/09/2018
38351	Debtors	Credit Balances	Credit balances should be investigated and where possible either a refund is issued, or the amounts are written back into the general ledger under the appropriate codes.	3	Head of Financial Services & Acting Section	01/09/2018

38371	Debtors	Register of Fees and Charges	Ensure that all areas of the Council have a Register of Fees and Charges, and abide by them when raising an invoice.	3	Head of Financial Services & Acting Section	01/09/2018
38059	Risk Management	Recommendations From an Audit	It is recommended that action plan is put in place top ensure any recommendations made after an audit implemented.	4	Greg Thomas	31/08/2018
38200	Risk Management	Action Plan for New and Emerging Risks	Create an action plan that includes horizon scanning and which can be used by all sections of the Council to identify new and emerging risks.	4	Greg Thomas	31/08/2018
38201	Risk Management	Risk Appetite	Set a Risk Appetite for the council	4	Greg Thomas	31/08/2018
38202	Risk Management	Opportunity Risk Register	Create an opportunity risk register for the council	4	Greg Thomas	31/08/2018
38203	Risk Management	Training	To provide training to both members of the Council and staff regarding risk management.	3	Greg Thomas	31/08/2018
38208	Risk Management	Risk Control Process	Establish a process to determine what actions can be taken regarding a particular risk. e.g. When to Tolerate, Treat, Transfer or Terminate a risk.	3	Greg Thomas	31/08/2018
38209	Risk Management	Target Maturity Level	Agree target maturity level with Cabinet and implement Action Plan to reach target level.	3	Greg Thomas	31/08/2018

38230	Risk Management	Projects and Partnerships Risks	The should be more of a linkage between the projects and partnerships risk registers alongside the corporate and service risk register. All risks registers should be kept in one area to ensure they are accessible to the Risk Management Officer.	3	Greg Thomas	31/08/2018
38222	Guildsfield C.P School	Access to Safe	There is only one safe key available to the school safe, as a contingency measure it is recommended that the school obtains a second key to the safe.	3	Headteacher	
38223	Guildsfield C.P School	PAT Testing	Appropriate PAT testing is not up to date at the school.	4	Headteacher	
38331	Guildsfield C.P School	Safe Key	There is only one key available for the office safe, as a contingency matter the school needs to consider obtaining a second key.	2	Headteacher	
38395	Guildsfield C.P School	Door Combination Locks	The combination code to all doors at the school need to be changed as and when there are changes in personnel.	4	Headteacher	
38437	Guildsfield C.P School	Meter Readings	Electricity meter reading are difficult to obtain due to the location of the meter.	1	Headteacher	
38450	Follow Up Template CH Restaurant	Cash Float Storage	A new lockable cash box is required for the storage of the cash float whilst the storeroom is open during the day.	4	Area Catering Manager - Mid	30/06/2017
38458	Mount Street Junior	Lettings	The School need to produce a letting policy in agreement with the Governing Body, which also includes charges, letting form with a disclaimer. Records for recording such letting and payment and debtor controls.	4	Headteacher and Governors	



38459	Mount Street Junior	Lettings	There is no approved lettings policy in place at the school.	4	Headteacher	
38461	Mount Street Junior	School Voluntary Funds	There are only two cheque signatories on the fund account. As a requirement the minimum signatories is three.	4	Headteacher	
38462	Mount Street Junior	Risk Management	The safe combination code has not been changed following the changed in staff.	3	Headteacher	
38463	Mount Street Junior	School Voluntary Fund	Monies relating to the delegated budget that have been paid into the account are being transferred until six months later. Ideally monies should be paid into the delegated budget and not the school fund account.	3	Headteacher	
38464	Mount Street Junior	School Voluntary Fund	Several years fund accounts are being retained in one file, ideally previous years accounts should be archived with just the current years accounts being to hand.	2	Secretary	
38465	Mount Street Junior	Income	Letting charges have not been set and approved by the Governing Body.	3	Headteacher	
38466	Mount Street Junior	Income	Monies due direct to the delegated budget have been paid into the school fund and not transferred until six months later	3	Headteacher	
38467	Mount Street Junior	Safe	The combination code to the safe has not been changed following the changes is staff.	3	Headteacher	
38490	School Transport- Full Cost Recovery (Rule 5.2)	Costing Model	Llanidloes High School should regularly review its costing model to ensure that there is more financial resilience to cover changes in pupil numbers.	3	Headteacher	

38491	School Transport- Full Cost Recovery (Rule 5.2)	Financial Records	All transactions in relation to the School transport should be held in a single ledger, with adequate descriptions, to ensure that full cost recovery is transparent.	3	Finance	
38492	School Transport- Full Cost Recovery (Rule 5.2)	Debt Recovery	Llanidloes High School Should ensure that historic income and expenditure relating to school transport is transferred to the school delegated fund for 17/18.	3	Headteacher	
38493	School Transport- Full Cost Recovery (Rule 5.2)	Transport Arrangements	Llanfyllin High School should determine the way forward in relation to transport arrangements in enough time to allow effective consultation with pupils and parents.	4	Headteacher	

**CYNGOR SIR POWYS COUNTY COUNCIL.**

**Audit Committee**  
**27th February 2018**

**REPORT AUTHOR:** County Councillor Aled Davies  
Portfolio Holder for Finance

**SUBJECT:** Regulatory Tracker Update QTR3 17/18

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**REPORT FOR:** Information & Decision

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**1. Regulatory Tracker**

- 1.1 This overview report summarises progress with regards to recommendations received from the Council's regulators, predominantly Wales Audit Office (WAO), Estyn and Care Inspectorate Wales (CIW). In considering the report and appendices, the council should be satisfied that:
- Appropriate action is being taken in response to recommendations received.
  - Where actions are complete and desired outcomes achieved or embedded as required, recommendations may be archived in the tracker with approval from Strategic Overview Board and Management Team with evaluation from Audit Committee.
  - New recommendations are appropriate for inclusion in the tracker.
- 1.2 The Tracker will be a fixed agenda item on both Management Team and Strategic Overview board. The tracker will be referred to Audit Committee for review to provide challenge and for evaluation.

## **2. Overview of Regulatory Tracker**

- 2.1 At end of QTR3 2017/18, the overview of the tracker provides the following view of progress against National and Local recommendations received by the council.
- 2.2 Of the **64** recommendations made in Local and National studies there are currently **2** marked as Blue (Complete) **2** Local and **0** National.
- 2.3 Of the **64** recommendations **0** (**0** National and **0** Local) are marked Red (not on track or have major issues or no planned action undertaken to date).
- 2.4 The **3** Recommendations RAG'd Blue at the end of QTR2 have been archived in accordance with the tracker process having approval from Audit Committee **2nd February 2018**. These recommendations can be found on the blue tabs within the tracker spreadsheet.
- 2.5 The Council didn't receive any new reports locally and no national reports have been published since the last quarter.
- 2.6 At Audit committee on **2nd February 2018** it was agreed that the cross referencing and consolidation exercise to eliminate duplication across corporate plans and the regulatory tracker would continue.
- 2.7 **QTR3** has seen progression in regards to the consolidation exercise with the Finance elements currently undertaking a review. There is no update in relation to the Finance elements on the tracker for Audit Committee this quarter. The aim of this piece of work will be to remove duplication of process and free up capacity which would otherwise be taken provided the same update multiple times. Once a position has been concluded any items moving to the CLGP, AIP, CIP and Vision 2025 programmes will be referenced within the regulatory tracker.

3.     Red Recommendations Requiring action

Ref	Recommendation	Review Type	Date Received	Service	Position Statement	Responsible Officer

#### 4. Blue Recommendations proposed to be archived

Ref	Recommendation	Review Type	Date Received	Service	Position Statement	Responsible Officer
CSSIW6	The Council needs to strengthen its relationships with and oversight of domiciliary care providers operating in Powys, including setting up regular meetings and clear lines of communication with the commissioning managers to address ongoing concerns and queries.	Local	01/05/2015	Older People	Market development was formalised in autumn 2017 Provider forums are held bi-monthly and will continue ongoing Regular contract meetings are held on a regular basis	Lee Anderson
CSSIW11	The low uptake of carer assessments needs to be further investigated to understand the needs of this group of people and how they can be supported in their role.	Local	01/05/2015	Older People	<p>The Carers Support contract with Credu identifies and supports young carers within a school context and they continue to work with and support carers of all age. Credu were commissioned to publish a Carers Information Advice and Assistance booklet in Powys and this booklet was published in October 2017. It is available both online and as a printed document. Carers Champions are established across a range of agencies with more recruitment underway.</p> <p>Adult Social Care is also striving to adopt good practice in terms of listening and giving carers time to participate in assessments in their own right, along with providing a timely response to assist them in their caring role. There have been delays in assessments being undertaken in some areas because of staffing capacity but the data is currently showing a significant increase in the percentage of carers being offered an assessment up to almost 95%.</p> <p>This work now needs to be mainstreamed as daily work, rather than a regulatory recommended development and, as such, it is recommended that</p>	Louise Barry/Dylan Owen

					<p>this recommendation is closed down as of 1st April 2018.</p> <p>Number of assessments of need for support for carers undertaken and of those: 168 11 59</p> <p>- the number of assessments that led to a support plan 32 1 11</p> <p>Number of carer assessments offered that were refused by carers during the year 133 10 24</p>	
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<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
<b>Recommendation 1:</b> That 2 recommendations ( <b>status blue</b> ) are approved to be archived by decision of the Audit Committee.	Recommendations were planned, action is complete and desired outcomes have been achieved / embedded as required.

<b>Relevant Policy (ies):</b>			
<b>Within Policy:</b>	<b>Y</b>	<b>Within Budget:</b>	<b>Y</b>
<b>Relevant Local Member(s):</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>
Thomas Yeo	01597 826585		Thomas.yeo@powys.gov.uk



**CYNGOR SIR POWYS COUNTY COUNCIL****AUDIT COMMITTEE****27<sup>th</sup> April 2018****REPORT AUTHOR: Jane Thomas, Head of Financial Services****SUBJECT: Closure of Accounts****REPORT FOR: Information****1. Introduction**

- 1.1 Committee will be aware that the Statement of Accounts for 2016/17 were issued an unqualified audit opinion by the Auditor General and approved by the Audit Committee on the 22<sup>nd</sup> September. The accounts were then published on the public website before the statutory deadline of 30<sup>th</sup> September 2017.
- 1.2 The closure of accounts process and completion of the Statement of Accounts for 2016/17 was delivered under a project management approach. The approach has been adopted for 3 years and has led to continued improvements both to the quality of the draft financial statements and the information available to support them. This was recognised within the ISA260 report presented by Wales Audit Office to Committee on 22<sup>nd</sup> September 2017.
- 1.3 The project management approach will continue for the 2017-18 closure of accounts and look to build on the improvements made in previous years.

**2 Project Update**

- 2.1 The project team has met monthly and will continue to do so in April when the frequency of meetings will be reviewed.
- 2.2 Members of the project team and finance staff have fed into the post project review. Project meetings have given consideration to the issues raised and improvements have been built into the plan for 2017-18. The outline project plan was presented at the December team meeting alongside the on-going risk register.
- 2.3 Regular meetings with WAO are taking place to discuss timescales and issues arising. WAO have been sample testing income and expenditure up to period 10. They have issued a deliverables list that that will assist in the formation of the working papers that will be provided to them on the completion of the draft accounts.
- 2.4 The Account and Audit (Wales) (Amendment) Regulations 2018 were issued in February. Three amendments were made to the existing regulations. Firstly, there

is no longer a requirement for the Pension Fund accounts to be included in the Authority Statement of Accounts. The Pension Fund accounts will be completed and presented as a separate item to the Committee alongside the Authority accounts. Secondly, there is no longer a requirement to advertise in local papers the notice of public rights or the notice of conclusion of audit. These notices still need to be displayed on the website and also in “at least one conspicuous place in its area”. Thirdly, it has been confirmed that the timescales will be brought forward confirming dates previously presented to the Committee.

#### Statutory dates for the Statement of Accounts

	2017-18	2018-19	2019-20	2020-21
Draft Version	30 June 18	15 June 19	15 June 20	31 May 21
Published Version	30 Sept 18	15 Sept 19	15 Sept 20	31 July 21

2.5 Officers attended CIPFA hosted training days in late January and early February for both the Statement of Accounts and Pension Fund accounts.

2.6 Key dates to note in the project plan are as follows.

Date	Action
2 <sup>nd</sup> May	Closing management accounts
15 <sup>th</sup> June	Draft Accounts Completed (section 151 officer sign-off)
18 <sup>th</sup> June	Working papers to Wales Audit Office
29 <sup>th</sup> June	Seminar to Audit Committee
12 <sup>th</sup> September	Audit Committee Approval

Recommendation:	Reason for Recommendation:
<b>That Audit Committee notes the contents of the report.</b>	<b>To continue the improvement in accounts closure and that the continuing use of project management principles is endorsed for the closure and audit of the 2017/18 accounts.</b>

Contact Officer Name:	Tel:	Email:
Jane Thomas	01597 826341	jane.thomas@powys.gov.uk

## CYNGOR SIR POWYS COUNTY COUNCIL.

## AUDIT COMMITTEE

27<sup>th</sup> April 2018

## CABINET

1<sup>st</sup> May 2018

**REPORT AUTHOR:** County Councillor Aled Davies  
Portfolio Holder for Finance

**SUBJECT:** Treasury Management Qtr 4 Report

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**REPORT FOR:** Information

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**1. Summary**

**1.1** CIPFA's 2009 Treasury Management Bulletin suggested:

"In order to enshrine best practice it is suggested that authorities report formally on treasury management activities at least twice a year and preferably quarterly."

The CIPFA Code of Practice on Treasury Management emphasises a number of key areas including the following:-

- xi. Treasury management performance and policy setting should be subject to scrutiny prior to implementation.

**1.2** In line with the above, this report is providing information on the activities for the quarter ending 31<sup>st</sup> March 2018.

**2. Economic Background and Forecasts**

**2.1** The economic background is attached at Appendix B.

**2.2** The most recent forecast of interest rates by the Authority's advisor is as follows:

	<b>Mar 18</b>	<b>Jun 18</b>	<b>Sep 18</b>	<b>Dec 18</b>	<b>Mar 19</b>	<b>Jun 19</b>	<b>Sep 19</b>
<b>Bank rate</b>	0.50%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%
<b>5yr PWLB</b>	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
<b>10yr PWLB</b>	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%
<b>25yr PWLB</b>	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%
<b>50yr PWLB</b>	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%

### **3. Treasury Management Strategy**

- 3.1 The Treasury Management Strategy approved by Full Council on 7th March 2017 is at Appendix A.
- 3.2 The Authority's investment priorities within the Strategy are: -
- (a) the security of capital and
  - (b) the liquidity of its investments.
- 3.3 The Authority aims to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite has been low in order to give priority to security of investments.

### **4. Current Investments**

- 4.1 The current investment market is difficult in respect of earning the level of interest rates commonly seen in previous years as rates are very low and in line with the 0.50% Bank Rate.
- 4.2 The Authority had the following investments at 31<sup>st</sup> March 2018:-

<b>Invested with:</b>	<b>Principal £000's</b>	<b>Interest Rate</b>	<b>Start Date</b>	<b>Maturity Date</b>
Santander	2,935	0.50%	N/A	Deposit A/c
HSBC	20	0.25%	N/A	Deposit A/c
<b>Total</b>	<b>2,955</b>			

- 4.4 Higher return rates are difficult to achieve as the Authority is not in a position to invest its cash for more than a short period of time.
- 4.5 Redemption Penalties:  
There are no current fixed investments to redeem.
- 4.6 Investment returns in future years:  
Our advisors' current suggested earning rates for investments for budgeting purposes are as follows:-

	<b>Suggested Rate</b>
2018/19	0.80%
2019/20	1.25%

These are based on investments for up to three months duration.

### **5. Credit Rating Changes**

- 5.1 There have been no credit rating changes relevant to this Authority's position during the last quarter.
- 5.2 The credit rating list for end of March is attached as a separate file to this report.

## 6. **Borrowing / Re-scheduling**

6.1 Effective management of the Authority's debt is essential to ensure that the impact of interest payable is minimised against our revenue accounts whilst maintaining prudent borrowing policies.

6.2 The Authority's Capital Position:

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the current year's unfinanced capital expenditure and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through external borrowing or utilising temporary cash resources within the Council.

Net external borrowing (borrowings less investments) should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for the current year and next two financial years. This allows some flexibility for limited early borrowing for future years.

CFR Position:

	As at 31.03.17 Actual	2017/18 Original Estimate	2018/19 Original Estimate	2019/20 Original Estimate
	£M	£M	£M	£M
Capital Financing Requirement	307,524	326,461	357,224	382,433

6.3 The Authority had outstanding long-term external debt of £226.4M at 31<sup>st</sup> March 2017. In relation to the CFR figure for 31<sup>st</sup> March 2017, this equated to the Authority being under borrowed by £81M. This is a prudent and cost effective approach in the current economic climate. However, members will be aware that internal borrowing is only a temporary situation and officers have advised that, based on capital estimates, it will be necessary for the Authority to borrow at stages over the next few years. There have been instances of temporary borrowing during this financial year for cashflow purposes.

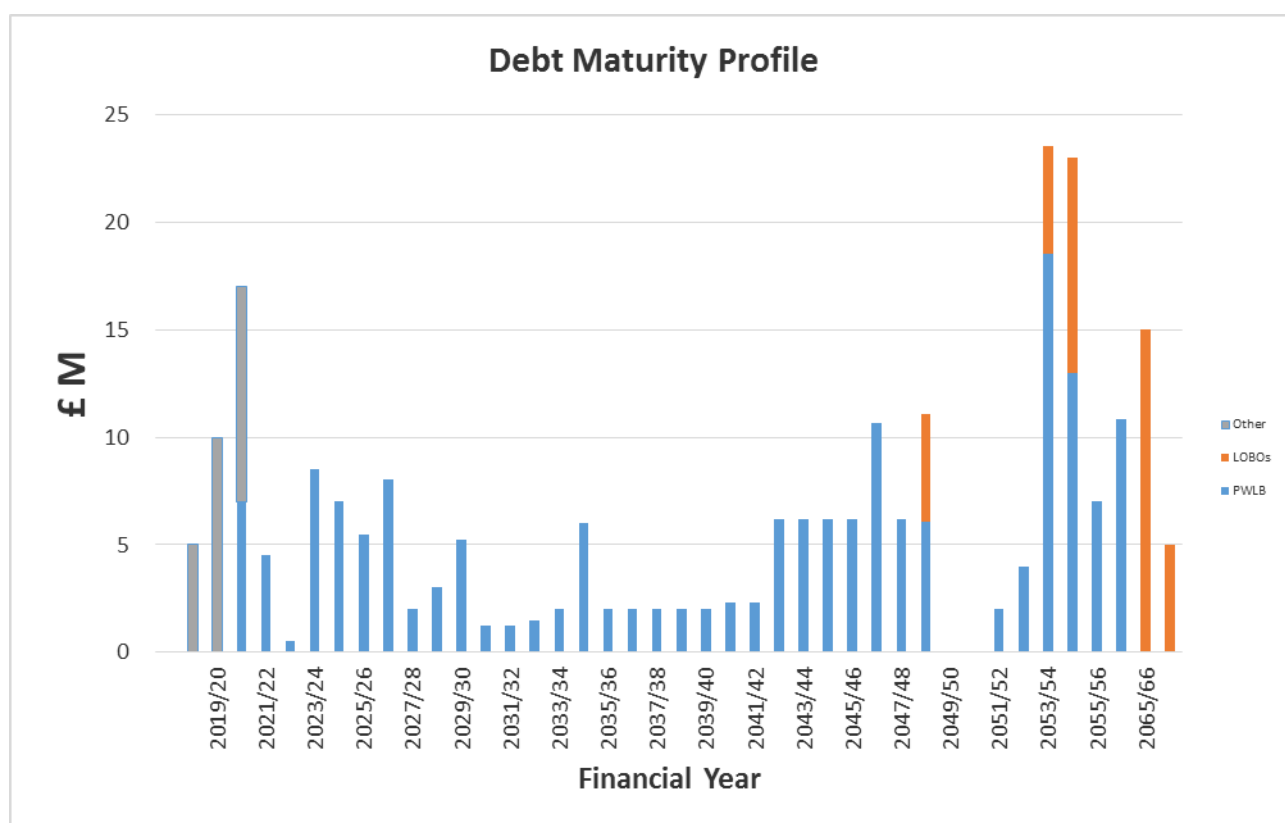
Alongside this, longer term borrowing totalling £20M took place in February as interest rates were conducive to this. This was a prudent approach to ensure some borrowing took place whilst interest rates are at their low levels as opposed to borrowing at a future date at increased rates.

#### 6.4 Capital Budget/Spend per efinancials:

Capital:	Approved Budget £	Working Budget £	Actual Capital Spend (not including commitments) £	%age spend
	74,111,259			
June		92,745,511	8,748,957	9.43%
Sept		96,322,803	19,174,168	19.91%
Dec		88,805,658	31,465,783	35.40%
March		68,504,710	48,813,152	71.26%

The financing of the approved capital budget included £17.9M of Prudential borrowing in total.

#### 6.5 Debt Maturity Profile as at 31.03.18:



#### 6.6 Rescheduling:

The Public Works Loans Board released a circular regarding rates on 20<sup>th</sup> October 2010. As a result of this, rates immediately increased by 0.87-0.88 basis points across the board. The overall impact of this circular was that it is far more difficult for authorities to reschedule debt

Members are aware that officers continue to look for interest savings on a daily basis by monitoring rates that may mean the Authority can re-schedule some of its debt or prematurely repay debt if applicable. However, PWLB interest rates have not been conducive towards rescheduling.

## **7. Prudential Indicators**

- 7.1 All TM Prudential Indicators were complied with in the quarter ending 31st March 2018.

## **8. VAT**

- 8.1 The Technical Section of Finance act as the authority's VAT section. VAT can pose a risk to the authority hence the TM has been asked to include VAT information in these quarterly reports.

- 8.2 The monthly VAT returns were submitted within the required deadlines during the quarter ending 31<sup>st</sup> March 2018.

- 8.3 Key Performance Indicators:

The VAT KPI's for 2017/18 are attached at Appendix C.

## **Proposal**

It is proposed that the Treasury Management quarterly report is received.

## **Statutory Officers**

The Head of Financial Services (acting s151 officer) notes the content of the report and supports the recommendation.

The Solicitor to the Council (Monitoring Officer) has made the following comment: "I have nothing to add to the report".

## **Future Status of the Report**

Not applicable

<b>Recommendation:</b>		<b>Reason for Recommendation:</b>	
<b>That the Treasury Management Quarterly Report be received</b>		<b>To ensure Cabinet remains informed about current Treasury Management performance</b>	
<b>Relevant Policy (ies):</b>		Treasury Management Policy	
<b>Within Policy:</b>	<b>Y</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:
Ann Owen	01597 826327	01597 826290	<a href="mailto:ann.owen@powys.gov.uk">ann.owen@powys.gov.uk</a>

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

CIPFA Code of Practice on Treasury Management and Cross Sectoral Guidance Notes  
Treasury Management Policy Statement  
Advisors' Information  
WAG Guidance on Local Government Investments 2010  
PWLb circulars

## **Appendix A:**

### **Approved Treasury Management Strategy 2017/18:**

#### **7.5 “High” credit quality:**

- 7.5.1 It is proposed that the Authority continue with the following in respect of defining a “high” credit quality. If a rating is not available from any of the rating agencies then the available ratings will be used. Members will note that this proposal excludes investments with some banks off the advisors’ suggested list:-

Long Term Ratings (in respect of long-term investments):

Permitted Fitch Ratings	Permitted Moody's Ratings	Permitted S&P Ratings
AAA	Aaa	AAA
AA+	Aa1	AA+
AA	Aa2	AA
AA-	Aa3	AA-

Short Term Ratings (in respect of short-term investments):

Permitted Fitch Ratings	Permitted Moody's Ratings	Permitted S&P Ratings
F1+	N/A	A-1+
F1	P-1	A-1

#### **7.6 Country limits:**

- 7.6.1 It is proposed that the Authority will use approved counterparties from the UK and approved counterparties from other countries with the following sovereign credit ratings:-

Permitted Fitch Ratings	Permitted Moody's Ratings	Permitted S&P Ratings
AAA	Aaa	AAA

Country	Maximum Investment per Country	Credit Rating/Other Assessment of Risk
AAA countries	£20M (held in call accounts)	As per rating list
UK	No Maximum Investment	As per rating list



7.7 *Group/Institutions - Counterparty Criteria/Limits:*

**Specified Investments:**

<b>Institution</b>	<b>Maximum Investment per Group/Institution £M</b>	<b>Maximum Length</b>	<b>Credit Rating/Other Assessment of Risk</b>
UK Banks	20 (a maximum £10M to be held in fixed term investments)	Up to 364 days	As per Capita's matrices and the Authority's definition of a high credit rating
Foreign Banks	5	Up to 364 days	As per Capita's matrices and the Authority's definition of a high credit rating
Other Local Authorities	25	Up to 364 days	N/A

**Non-Specified Investments:**

<b>Institution</b>	<b>Maximum Investment per Group/Institution £M</b>	<b>Maximum Length</b>	<b>Credit Rating/Other Assessment of Risk</b>
UK Banks	10 (£2M limit with any one institution)	Up to 2 years	As per Capita's matrices and the Authority's definition of a high credit rating
Lloyds Bank (as a mortgage lender in the LAMS scheme)	5	Up to 5 years	N/A
Foreign Banks	2	Up to 2 years	As per Sector's matrices and the Authority's definition of a high credit rating
Money Market Funds (max. of 5)	10	N/A	All are AAA rated plus the parents/owners must meet the Authority's short term investment criteria
Other Local Authorities	10	Up to 2 years	N/A
European Investment Bank Bonds	3	2-3 years	N/A

*Note: Limits for Specified and Non-Specified are combined limits. The maximum limit will also apply to a banking group as a whole.*

## **Appendix B**

### **Economic Background**

#### **UK**

Q4 GDP growth was revised lower on the second calculation, down to 0.4% q/q, but this left growth better balanced with investment increasing and net trade less of a drag. The Purchasing Managers Indexes are indicative of the opening quarter of 2018 maintaining Q4 growth, although the CBI is more pessimistic. Those surveys pre-date the bad weather so may prove overly strong but analysts are not expecting disruptions to be too severe.

Consumer high street spending was not strong at the end of 2017 and started the year in a downbeat manner with only a marginal increase in retail sales volumes. The CBI Distributive Trades Survey reflected annual retail sales volumes picking up, while annual consumer credit growth has remained strong, with borrowing levels indicative of consumer confidence. That said, consumer confidence measures eased in February but remain at strong levels. The cold weather snap may affect spending over the month as retail/leisure is set to be hit.

Increased imports saw the trade deficit widen markedly in December but this is largely on distortions from oil and erratic items, as excluding these would have seen a narrowing of the deficit. Export goods volume growth has slowed but orders continue to benefit from weaker Sterling, thus the slowing may prove temporary. Indeed, continued signs of healthy global growth should sustain goods exports.

December saw the largest increase in unemployment since 2013, driven by increased workforce participation. This resulted in the rate of unemployment ticking up to 4.4%. Employment rose at a healthy rate but annual employment growth slowed to 1.0%. Any concerns are tempered by surveys indicating that employment growth levels will hold up, as firms remain hungry to recruit, with vacancies hitting a new all-time high at the end of 2017. An increasing proportion of vacancies, however, are being filled by transferees which is starting to generate some upside wage pressures.

CPI in February decreased to 2.7% from 3.0% in January with the greatest downside influence from fuel prices. CPI looks set to fall over the year ahead as the impact of post-referendum Sterling weakening dissipates. Indications of global agricultural and domestic food producer prices suggest that food price inflation should fall. Meanwhile, price pressures at the start of the production process are softening, as indicated by input and factory gate inflation falling again in January. Brent crude oil price fell by \$6 per barrel over the month to \$64, receding from its recent peak. It should pull back further over the course of the year, with supply concerns fading. We have seen inflation expectations increasing at both household and market levels, but analysts believe that inflation will still fall back to the 2% target, largely as wage inflation is muted, as are other signs of domestically generated inflation. While CPI should be clipped back to target by early next year, the rise in mortgage interest rates could see RPI increase.

## **Appendix C**

### **VAT - Key Performance Indicators:**

#### **Creditor Invoices**

VAT return for	No of high value Creditor invoices checked	No of Creditor invoices highlighted as requiring "proper" document for VAT recovery	%age of creditor invoices checked requiring "proper" document for VAT recovery
Apr-17	159	5	3.14%
May-17	123	9	7.32%
Jun-17	203	11	5.42%
Jul-17	171	4	2.34%
Aug-17	182	27	4.84%
Sep-17	181	11	6.08%
Oct-17	197	11	5.58%
Nov-17	186	18	9.68%
Dec-17	147	14	9.52%
Jan-18	222	13	5.86%
Feb-18	238	17	7.14%
Mar-18	Not yet completed		

#### **Cash Receipting Entries**

VAT return for	No of cash receipting entries checked by formula per the ledger account code used	No of cash receipting entries needing follow up check	%age of cash receipting entries needing follow up check
Apr-17	3,429	11	0.37%
May-17	4,785	5	0.10%
Jun-17	4,497	9	0.20%
Jul-17	4,627	17	0.37%
Aug-17	3,134	12	0.38%
Sep-17	3,423	6	0.18%
Oct-17	5,316	14	0.26%
Nov-17	4,077	6	0.15%
Dec-17	3,374	37	1.10%
Jan-18	4,518	13	0.29%
Feb-18	4,279	6	0.14%
Mar-18	Not yet completed		

**Debtor Invoices**

VAT return for	No of Debtor invoices checked (value >£5k)	No of checked debtor invoices with incorrect VAT code used	%age of debtor invoices with incorrect VAT code
Apr-17	32	8	25.00%
May-17	47	7	14.89%
Jun-17	25	2	8.00%
Jul-17	27	4	14.81%
Aug-17	37	8	21.62%
Sep-17	44	18	40.91%
Oct-17	45	7	15.56%
Nov-17	35	3	8.57%
Dec-17	29	2	6.90%
Jan-18	32	10	31.25%
Feb-18	41	13	31.71%
Mar-18	Not yet completed		

**Purchase Cards**

VAT return for	No of Purchase Card transactions for previous month for which paperwork requested for checking	No of Amazon invoices included in Purchase card check	No of Purchase Card transactions for which no response received within timescale	Value of VAT potentially claimable but recharged to budget due to non-response	No of sampled Purchase Card transactions where VAT claimed incorrectly	%age of Purchase Card transactions available to be checked where VAT was claimed incorrectly	Value of VAT incorrectly claimed hence recharged to budget
Apr-17	62	18	40	£3,747.61	4	18.18%	£7.31
May-17	79	9	22	£3,330.52	3	5.26%	£266.96
Jun-17	157	114	14	£3,967.04	10	6.99%	£347.36
Jul-17	126	6	33	£4,321.97	3	3.23%	£442.14
Aug-17	156	56	48	£3,050.46	10	9.26%	£281.63
Sep-17	121	4	8	£1,605.17	9	7.96%	£458.18
Oct-17	115	9	11	£2,125.70	3	2.88%	£72.15
Nov-17	123	6	7	£852.07	2	1.72%	£72.68
Dec-17	114	4	3	£232.93	6	5.41%	£4.78
Jan-18	162	15	7	£2,816.20	5	3.23%	£162.14
Feb-18	191	16	28	£4,316.56	20	12.27%	£1,602.72
Mar-18	Not yet completed						

## Voluntary Declarations

Per HMRC regulations, any vat errors discovered can be adjusted in the current VAT account if they are:

- below the reporting threshold (>£10,000 or up to 1% of the VAT return Box 6 figure up to a maximum of £50,000)
- not deliberate
- for an accounting period that ended less than 4 years ago.

Any errors that do not meet these conditions have to be reported to HM Revenue and Customs and are referred to as voluntary declarations. The following have been reported and/or are ongoing in 2017. No penalties have been applied by HMRC but interest has been charged.

Date of declaration	Value of voluntary declaration	Service Area	Interest charged by HMRC
15-Nov-17	£34,315.54	Home to School Transport	not yet known

## Chargebacks to service areas

As a result of the monthly Creditor invoice checking, Treasury Management produce a list of Creditor payments for which a “proper” vat document has not been received. Any VAT amounts on these invoices are held in the vat account and are not claimed until such time as a valid invoice is received. The relevant budget holder is emailed the details and asked to source a correct document. Failure to do this results in the relevant budget being charged with the vat amount that cannot be reclaimed due to the lack of a proper document.

Further to the above, the upload of appropriate documents to the Barclaycard purchase card system to enable vat recovery was made mandatory in September as a result of the lack of response from service areas/establishments to provide documents when requested. Where no document has been uploaded, any VAT amount input against the transaction is charged to the service area.

The total amount charged back in 2017/18 in respect of the two occurrences above is £68,783.10. The majority of this is in respect of purchase card transactions.

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## Audit Committee

27 April 2018

### Finance Scrutiny Panel

**Purpose of Report:** Progress report

The Finance Scrutiny Panel reviewed proposals for the 2018/19 and 19/20 budgets. However the FSP was frustrated by the lack of information on the budget until late in January which compromised its ability to provide effective scrutiny. The FSP continues to support the development of 5 year budget plans but the lack of detail going forward poses a substantial risk to the delivery of savings.

The FSP are pleased that there will be a thorough review of the Medium Term Financial Strategy but remain concerned that the 2018/19 budget has been balanced by use of one off inputs and technical accounting practices.

The Authority is to proceed, as part of a WLGA pilot scheme, with using the CIPFA financial model to independently assess the current financial robustness of the organisation, and to benchmark the organisation's financial performance against best practice. This process should highlight strengths and weaknesses in the Council's financial management systems and will form the basis for future improvement.

At its most recent meeting, consideration was given to the budget approach for 2019/20 and noted that services are required to submit proposals for initial consideration by a Panel, comprising senior Cabinet Members and Officers, by early May prior to their consideration by Cabinet. The FSP were keen that deliverability of proposals be a key consideration.

Members will be aware that a review of scrutiny arrangements is underway. It is suggested that the FSP should continue for the time being but that a review be carried out to determine the way forward in light of the final decision regarding the committee structure.

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

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

**Background papers:** Notes of meetings held on 10 November and 8 December 2017 and 10 January 2018

**Group Membership: County Councillors J G Morris (Lead Member), M Dorrance, J Gibson-Watt, D R Jones, P Roberts, D A Thomas, E Vaughan, A Williams, G Williams and Mr J Brautigam**