

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT TEAMS LIVE ON
THURSDAY, 19 NOVEMBER 2020**

PRESENT

County Councillors JG Morris (Chair), D R Jones, M J Jones, K Lewis, DW Meredith, WD Powell, D A Thomas, R G Thomas, T J Van-Rees, A Williams, J M Williams and R Williams and Mr J Brautigam

Cabinet Portfolio Holders In Attendance: County Councillor A W Davies

Officers: Dan Paley, Financial Reporting and Policy Accountant, Wyn Richards, Head of Democratic Services and Jane Thomas, Head of Finance

Other Officers In Attendance: Messrs Phil Pugh, Audit Wales and Ian Halstead, SWAP

1.	APOLOGIES
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Apologies for absence were received from County Councillors M Barnes and K Laurie-Parry

2.	DECLARATIONS OF INTEREST
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County Councillor T J Van Rees declared a personal interest in relation to Item 3, Minutes as a former trustee of Theatr Brycheiniog

3.	MINUTES
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The Chair was authorised to sign the minutes of the previous meeting, held on 29 September 2020, as a correct record.

4.	POWYS PENSION FUND - STATEMENT OF ACCOUNTS
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Documents:

- Report of the Head of Financial Services
- Audit Wales – Pension Fund report
- Pension Fund Accounts 2019/20
- Letter of representation

Discussion

Overview

- The draft accounts were signed by the S151 Officer on 15 June 2020
- Audit Wales had had to prioritize work due to the pandemic and an approach was taken across Wales to complete statutory Local Authority accounts before auditing Pension Funds. The audit of the Pension Fund began in early September.
- It is the Auditor General's intention to issue an unqualified opinion
- There were no uncorrected misstatements

- There was one emphasis of matter relating to the valuation of property assets due to the pandemic
- The accounts will form part of the Pension Fund Annual Report which will be presented for approval to the Pension and Investment Committee on 25 November 2020
- The Annual Report must be published no later than 1st December.
- The Committee was asked to approve the sign off of the accounts and Letter of Representation by the Chair and S151 Officer
- The issue of materiality was explained that the level at which misstatements was set so that the reader of the accounts was not mislead. This level had been set at £6.453M.
- Audit Wales identified one potential conflict of interest relating to a member of their team. Planned safeguards operated as intended.
- Work was substantially complete and the Auditor General was due to issue his opinion on 23 November 2020
- The Committee asked about the current level of Employer contributions to the Fund. For Powys County Council this is 26.2% of pensionable pay in 2020-21.
- The UK Government proposed its remedy for the McCloud Judgement in July 2020. Confirmation had been obtained by the actuaries that assumptions used in the draft were broadly similar to those set out in the proposal.

Outcomes:

- **the 2019-20 Pension Fund Accounts and Letter of Representation be approved for formal signing by Chair of the Committee and the Section 151 Officer**

Discussion:

- There was one emphasis of matter relating to property assets and valuations
- The Statement of Accounts will be submitted by the deadline of 1 December
- The draft accounts had been submitted on time by 15 June, but Audit Wales had had to prioritize work due to the pandemic and an approach was taken across Wales to complete statutory Local Authority accounts
- It is the Auditor General's intention to issue an unqualified opinion
- There were no uncorrected misstatements
- The employer contribution to an employee's pension is 26.2%
- The McLeod had been considered in conjunction with the proposed remedy

Outcomes:

- **the 2019-20 Pension Fund Accounts and Letter of Representation be approved for formal signing by Chair of the Committee and the Section 151 Officer**

5.	AUDIT WALES - FINANCIAL SUSTAINABILITY OF LOCAL GOVERNMENT AS A RESULT OF THE COVID 19 PANDEMIC
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Documents:

- Audit Wales –Financial Sustainability of Local Government as a Result of the COVID-19 Pandemic

Discussion:

- Local Authorities had been in a challenging financial environment prior to the pandemic
- The report focusses on the financial sustainability of local government across Wales and will define future work for Audit Wales
- The costs of the pandemic have been considerable – Powys has recovered £6.5M from the Hardship Fund together with a further £1.5M for lost income
- Members attention was drawn to the Pillars of Financial Resilience as defined by CIPFA
- Reserves are also an indicator of financial resilience
- Audit Wales informed the Committee that the report had been issued in October
- There had already been a commitment from Audit Wales to look at financial sustainability as this was a key issue across Wales. One report had already been produced prior to the pandemic but events and circumstances have changed rapidly since then. A further report on local issues will be published in April with a national report following in early summer.
- The Head of Finance was asked how the Council could increase the level of reserves. Projects can be identified for funding from revenue and a planned contribution can be made to a specific reserve to support these. Other funds, such as spend to save, are also set aside. The council could decide to make a planned contribution to reserves as part of budget setting.
- It was noted that the balance sheet was relatively healthy in terms of assets and that this should be further explored through the Finance Panel. The Head of Finance confirmed that all aspects were considered when planning the budget and that assets should be utilized in the most appropriate way.

Outcome:

- The report was noted

6. AUDITOR GENERAL - DATA ANALYTICS
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Documents:

- Letter from the Auditor General, Wales

Discussion:

- The letter had been sent to all Chief Executives in Wales and stated the intention to increase the use of data analytics by securing routine data downloads from the principle financial systems of the bodies they audit.
- Audit Wales are seeking support from the Council to develop this approach

- Each authority has different financial systems – there are 15 different systems in operation in Wales
- The long- term aim is to access routine information in this way.
- The Committee asked how this was to be paid for and what would be the additional workload for Finance. The costs would be absorbed by Audit Wales and there would be benefits to both organisations of data being available more effectively. There was already a cost to authorities in terms of providing information throughout the year. This would automate the process making the process more efficient and less time consuming for the Council.
- There have already been improvements in the sharing of electronic files and this can be developed further

Outcomes:

- **The Auditor General, Wales, letter was noted**

7.	STRATEGIC AND COVID RISK REGISTERS
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Documents:

- Report of the Portfolio Holder for Finance
- Strategic and Covid Risk Registers
- Heat maps

Discussion:

- The Risk Registers were reported to Cabinet on 3 November 2020 and covered the position for quarter 2.
- There was considerable detail within the registers which could not be fully covered by Audit Committee during a meeting. Scrutiny Committees should be looking at the service specific issues as part their work, but Audit Committee needed to be assured that appropriate processes were in place to ensure that risks were identified, monitored and managed appropriately.
- The Committee should give further consideration as to how the process should be operating

Outcomes:

- **The Committee will give further consideration to the reviewing of risk registers at the next meeting**

8.	INTERNAL AUDIT - PERFORMANCE REPORT
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Documents:

- Internal Audit Update Quarter 2 report 2020/21

Discussion:

- There has been increased dialogue with Executive Management Team which helps focus on key risks for the Authority
- SWAP are looking at agile auditing to improve the speed with which risks can be addressed and mitigation put in place. There will be more data,

more engagement, faster reporting and an aim to resolve risk issues during the audit.

- The new approach is supported by EMT
- The recent firebreak did not impinge upon the work of SWAP
- Risks within Powys and the wider audit sector were reported and this will influence the forward work plan
- An audit plan will no longer be set at the start of each year and there is a need to react promptly to changing risks
- Adverse opinions are tracked by Internal Audit Working Group and two of those are reported in the Internal Audit Working Group Summary. A further two reports will be considered by the Working Group in early December, namely, Conflicts of Interest and Voids.
- The report contained a list of all recommendations made since April 2019 - all recommendations are now tracked, and the report will be fully populated by the next meeting to provide assurance to the Committee that audits are being actioned.
- A number of audits had been put on hold during the pandemic and this could negate the value of the audit. These audits will still be delivered and SWAP are working with services to complete them.

Outcomes:

- **The report was noted**

9. GOVERNANCE AND AUDIT COMMITTEE
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Documents:

- Report of the Head of Democratic Services

Discussion:

- The Local Government and Elections Bill is currently at the Committee stage in the Senedd and likely to gain Royal Assent in the new year
- One of the proposals is to amend the role and function of the Audit Committee
- The new Governance and Audit Committee would consider compliance, annual performance reports and self-assessments in addition to Audit Wales reports and Internal Audit reports. It has also been proposed that maladministration complaints should also be considered
- The Chief Executive was keen to introduce the revised proposals in advance of the legislation with a change to the Constitution from January 2021
- Governance issues were also considered by Democratic Services Committee and the Economy, Communities, Residents and Governance Committee but the roles were quite distinct
- It is intended that a report be considered by County Council early next year in relation to amending the Constitution
- In the meantime, the Audit Committee could receive briefings on the types of reports that they would be expected to consider in their new role
- Mandatory training for staff could also be considered – member training is overseen by Standards Committee

- Members commented that online training was more effective but would welcome the return of the feedback form
- Clarification was sought that an Internal Audit Working Group or Sub Committee would still be permissible – this was an internal arrangement which would not be affected
- There is also a proposal to increase the number of lay members to one third of the membership of the Committee, one of whom would become Chair
- Members were concerned about recruiting a sufficient number of suitably qualified lay Members if all Welsh Authorities were also trying to recruit. The increased costs were also noted.
- Audit Wales proposed refresher training in the new year

Outcomes:

- **The report was noted**
- **A briefing session would be arranged to consider the types of reports that would be considered by the Governance and Audit Committee**
- **The Head of Finance agreed to progress refresher training for the Committee**

10. TREASURY MANAGEMENT

Documents:

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

Discussion:

- The report provided an economic background and forecast
- The Treasury Management Strategy had been approved in February
- The Authority looks to achieve the optimum level of liquidity
- Bank rates remain low and returns are correspondingly low
- Some borrowing has occurred
- cash flow is constantly monitored
- There has been little activity in debt rescheduling
- The Capital Financing Requirement is lower than anticipated and the Council remains in an under-borrowed position
- The debt profile which had been static for some time was now changing and the Head of Finance was asked if borrowing was being used rather than cash reserves. A number of short term loans have been taken out and longer term loans are under constant review.
- The affordability of the Capital Programme going forward should be considered
- The benefits from a change in the Minimum Revenue Policy have been achieved but revenue expenditure will now increase - the Head of Finance agreed that a pressure will be seen going forward and will have to be considered as part of the budget planning process and longer term planning will be key.

Outcomes:

- **Issues to be considered by the Finance Panel and reported back to Audit Committee**

11.	INTERNAL AUDIT WORKING GROUP
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Documents:

- Internal Audit Working Group Summary Report

Discussion:

- The Assistant Director SWAP welcomed the work of the Internal Audit Group as it was able to consider reports in detail and provide a greater level of challenge
- The most recent meeting had considered reports into Welshpool High School and Employee Development
- The Chair suggested that it might be useful for the Committee if the SWAP reports were provided as an appendix for information to the summary report in future.

Outcomes:

- **The report was noted**

12.	NEXT MEETING
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The next meeting will be the AGM on Friday 27 November 2020 at 11 am.

The next full meeting will be on Thursday 10 December at 10am.

County Councillor JG Morris (Chair)