

## Governance and Audit Committee

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Meeting Venue

**By Zoom**

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Meeting Date

**Friday, 29 July 2022**

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Meeting Time

**10.30 am**

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For further information please contact

**Wyn Richards**

01597 826375

wyn.richards@powys.gov.uk



County Hall  
Llandrindod Wells  
Powys  
LD1 5LG

21-07-2022

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Mae croeso i chi siarad yn Gymraeg neu yn Saesneg yn y cyfarfod.

Rhowch wybod pa iaith rydych am ei defnyddio erbyn hanner dydd, ddau ddiwrnod gwaith cyn y cyfarfod.

You are welcome to speak Welsh or English in the meeting.

Please inform us of which language you wish to use 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>DISCLOSURES OF INTEREST</b>
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To receive any disclosures of interest by Members relating to items to be considered at the meeting.

<b>3.</b>	<b>MINUTES</b>
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To authorise the Chair to sign the minutes of the previous meeting held as follows:  
13-06-2022

- Matters Arising

(To Follow)

<b>4.</b>	<b>TREASURY MANAGEMENT QUARTER 1 REPORT</b>
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To receive and consider the report of the Cabinet Member for Finance and Corporate Transformation.

(Pages 5 - 22)

<b>5.</b>	<b>SWAP REPORTS</b>
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5.1. **Internal Audit Progress Report - Quarter 1**

To receive and consider the report of the Assistant Director (Powys), SWAP.

(Pages 23 - 46)

5.2. **Annual Audit Opinion**

To receive and consider the report of the Assistant Director (Powys) SWAP.

(Pages 47 - 66)

<b>6.</b>	<b>AUDIT WALES REPORTS</b>
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6.1. **Audit Wales - Audit Plans**

To receive and consider the:

- 2022 Audit Plan for Powys County Council; and
- 2022 Audit Plan for the Powys Pension Fund

(Pages 67 - 92)

6.2. **Audit Wales - Powys Annual Audit Summary**

To receive and consider the Audit Wales – Powys Annual Audit Summary.

(Pages 93 - 108)

<b>7.</b>	<b>MONITORING AND REVIEW OF RISING ENERGY COSTS, OTHER COST IMPLICATIONS AND SUPPLY CHAIN ISSUES</b>
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To receive and consider the report of the Head of Finance.

(Pages 109 - 114)

<b>8.</b>	<b>COMMITTEE SELF ASSESSMENT AND ACTION PLAN</b>
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To receive and consider the report of the Head of Finance.

(To Follow)

<b>9.</b>	<b>WORKING GROUPS</b>
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The Committee is requested to establish the following Working Groups:

- Capital Working Group
- HTR (Highways, Transport and Recycling) Working Group
- Internal Audit Report Working Group (review audit plan)
- Representatives for HOWPS Working Group (Economy, Residents and Communities Scrutiny Committee).

The Committee determined at its meeting on 13-06-22 that there should be a minimum of 1 Lay member and 1 Councillor on each working group. In addition Working groups would be between 3 to 5 Members in total as a guide.

<b>10.</b>	<b>WORK PROGRAMME</b>
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- (a) To consider the forward work programme (attached)
- (b) To consider any items for inclusion on the forward work programme for discussion at the next meeting or a future meeting.

(Pages 115 - 118)

**Committee Reflection**

Following the close of the meeting, the Committee is asked to take 5 to 10 minutes to reflect on today's meeting.

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## CYNGOR SIR POWYS COUNTY COUNCIL.

## AUDIT COMMITTEE

29<sup>th</sup> July 2022

## CABINET EXECUTIVE

20<sup>th</sup> September 2022

**REPORT AUTHOR:** County Councillor David Thomas  
Portfolio Holder for Finance and Corporate  
Transformation

**REPORT TITLE:** Treasury Management Quarter 1 Report

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**REPORT FOR:** Information

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## 1 Purpose

- 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 30<sup>th</sup> June 2022.

## 2 Background

- 2.1 The Treasury Management Strategy approved by Full Council on 3<sup>rd</sup> March 2022 can be found here - [Council \(moderngov.co.uk\)](https://www.moderngov.co.uk)

## 3 Advice

### 3.1 Investments

- 3.2 The Authority's investment priorities within the Strategy are.

- (a) the security of capital, then,
- (b) the liquidity of its investments then
- (c) the yield

- 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. With interest rates

for investments remaining significantly lower than borrowing rates, the use of cash reserves as opposed to borrowing is prudent and cost-effective.

- 3.4 Short-term money market investment rates have continued to increase following the two increases to the Bank Rate in the last quarter. This has increased the interest rate on the deposit account with the councils' main bankers from 0.66% to 1.16%. This rate has been very competitive (higher than some 3 month fixed term deposits) while still allowing instant access to the funds. The bank has notified us that they are reducing this to 0.21% in September, so the treasury team are looking at suitable alternatives.
- 3.5 Investment returns on inter-authority lending are expected to remain low due to the relatively high levels of the surplus of cash held by other authorities. When looking at temporary investing, the Treasury team consider the bank fee to set up the arrangement, because of this cost some investments are not cost effective for very short periods of time. However, the Authority does not have sufficient certainty around its cashflow to lend for longer periods where the return is higher.
- 3.6 The Welsh Government repayable funding the council received in March 2021 towards the Global Centre of Rail Excellence (GCRE) is currently being held in the Council's deposit accounts until it is required for the project. This continues to generate interest which, under the terms of the agreement, this interest must be used towards this scheme and is not available for the Council to use.
- 3.7 The Authority had no other investments on 30<sup>th</sup> June 2022.

### **3.8 Credit Rating Changes**

- 3.9 There have been no credit rating changes relevant to this Authority's position during the last quarter.

### **3.10 The Authority's Capital Position**

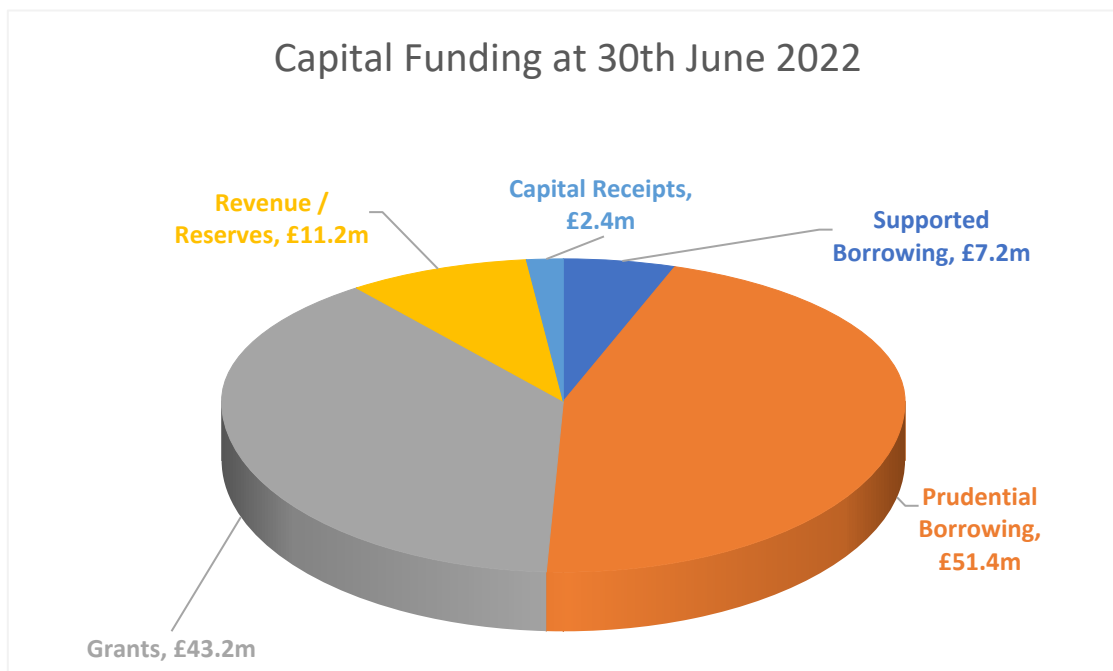
- 3.11 The 2022/23 Capital Programme was approved by Council on the 3<sup>rd</sup> March 2022. It included capital schemes totalling £133.88 million, of which £25.55 million related to the Housing Revenue Account (HRA). The revised programme at the 30<sup>th</sup> June 2022 is budgeted at £115.31 million following the successful award of additional grants and the reprofiling of budgets between financial years. Actual spend amounts to £11.22 million, representing 10% of the total budget. The £45.00 million that was included in the original programme for the Global Centre of Rail Excellence (GCRE) has at this stage been removed and will be reinstated when it is required.

### 3.12 Table 1 - Breakdown by service

Service	Original Budget	Virements Approved	Revised Budget	Actuals	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	%
Adult Services	712	139	851	(13)	864	102%
Childrens Services	0	1,111	1,111	283	828	75%
Education	27,868	3,641	31,509	1,256	30,253	96%
Highways Transport & Recycling	14,163	7,268	21,431	4,470	16,961	79%
Property, Planning & Public Protection	100	2,158	2,258	620	1,638	73%
Housing & Community Development	2,462	2,696	5,158	(887)	6,045	117%
Economy & Digital Services	9,974	4,236	14,210	806	13,404	94%
Finance	53,047	(45,525)	7,522	29	7,493	100%
<b>Total Capital</b>	<b>108,326</b>	<b>(24,276)</b>	<b>84,050</b>	<b>6,564</b>	<b>77,486</b>	<b>92%</b>
Housing Revenue Account	25,550	5,708	31,258	4,651	26,607	85%
<b>TOTAL</b>	<b>133,876</b>	<b>(18,568)</b>	<b>115,308</b>	<b>11,215</b>	<b>104,093</b>	<b>90%</b>

3.13 51% of the capital programme is currently funded through borrowing, the interest cost for this is charged to the revenue account. Finance will be working with the services to reprofile budgets at the earliest opportunity to ensure that only the minimum amount of borrowing is required.

### 3.14 Chart 1 – Capital Programme funding



3.15 Inflation is having a severe impact on the cost of schemes due to rising material and construction costs. It is unclear at this stage how this will impact the programme over the coming years. Services are aware of its impact and are mitigating these increases as far as possible but it is likely that either schemes will be reduced or paused. Any additional funding required is likely to be further

borrowing, this will increase costs on the revenue budget so this will need to be minimised.

- 3.14 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. 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.
- 3.15 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the finance team 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.
- 3.16 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.

### 3.17 Capital Financing Requirement (CFR)

£'m	Total	HRA	Council Fund
<b>Opening Balance – 1<sup>st</sup> April 2022</b>			
Original Estimates <sup>1</sup>	<b>430.33</b>	106.83	323.50
Actual Balance	<b>405.21</b>	101.44	303.77
<b>Closing Balance – 31<sup>st</sup> March 2023</b>			
Original Estimates <sup>1</sup>	<b>468.25</b>	118.62	349.63
Quarter 1 Estimate	<b>441.92</b>	113.44	328.48

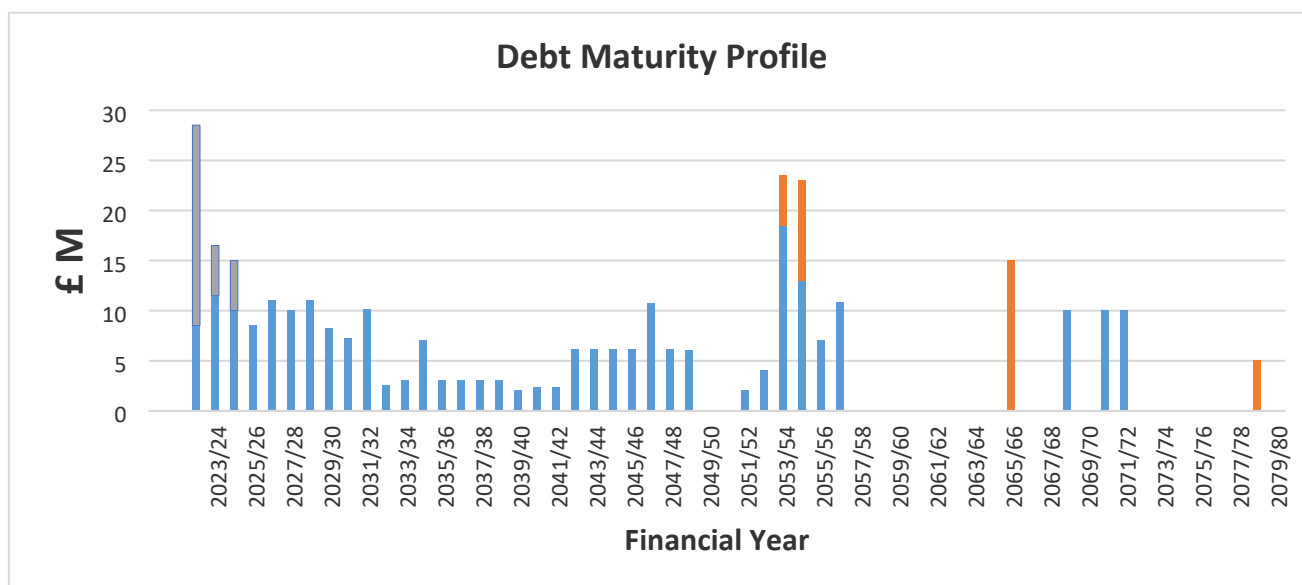
<sup>1</sup> Original estimate included in the Treasury Management Strategy approved by Full Council on 3rd March 2022 (excluding GCRC).

### 3.18 Borrowing / Re-scheduling

- 3.19 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.
- 3.20 A prohibition is still in place to deny access to borrowing from the Public Works Loan Board (PWLB) for any local authority which had purchase of assets for yield in its three year capital programme. There are currently no schemes for yield in the Capital Programme. With the significant amounts of borrowing in the future Capital Programme, the inability to access PWLB borrowing will need to be a major consideration for any future purchases of assets for yield. The additional income these assets generate must be sufficient to cover the increased borrowing costs, as borrowing sources other than the PWLB are likely to be more expensive.



### 3.21 Debt Maturity Profile



**Key** Blue = PWLB; Grey = Inter Authority Borrowing; Orange = Market Loans

3.22 No external borrowing was required during the first quarter of 2022/23.

3.23 £0.54 million PWLB and £10 million of borrowing from other local authorities and has been repaid during the first quarter. A further £1.50 million PWLB and £10 million of borrowing from other local authorities is due to be repaid in the second quarter.

3.24 The staged repayment of the Nant Helen section 106 deposit is continuing as the backfilling works on the site progress. This is also reducing the cash position of the authority; this repayment will reduce the amount the council is under borrowed.

3.25 With the changes to the MRP policy and the delayed requirement to borrow, the revenue budget set aside to cover these costs is projected to be underutilised in this financial year, however as demonstrated in the tables later in the report, these costs are likely to increase year on year.

### 3.26 PWLB Loans Rescheduling

3.27 Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

### 3.28 Financing Costs to Net Revenue Stream

3.29 This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the Councils net

revenue budget (net revenue stream). The estimates of financing costs include current commitments and the proposals in the capital programme.

£'m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
<b>From the approved Treasury Management and Capital Strategy 2022/23</b>			
Financing Costs	11.29	12.17	12.85
Net Revenue Stream	302.33	314.29	324.37
%	3.7%	3.9%	4.0%
<b>Quarter 1 estimates (before any over provision)</b>			
Financing Costs	10.96	12.26	12.77
Net Revenue Stream	302.33	314.29	324.37
%	3.6%	3.9%	3.9%

3.30 The table above shows the capital financing costs and the change between those disclosed in the 2022/23 Treasury Management and Capital Strategy.

3.31 The decrease has been caused by two factors.

1. The reduced borrowing requirement to support the capital programme in 2021/22 and future years. This has been the result of reprofiling of budgets into future years and funding from Welsh Government being made available earlier than anticipated. This has allowed the council to defer the date that it expected to take out additional borrowing, reducing the current interest costs, however this borrowing will still be required in the future.
2. As outlined in the amendment of the 2022/23 Budget approved by Council on the 3rd March 2022, the additional funds provided by Welsh Government, Capital (£3.6m) and Revenue (£2.3m), together with the projected underspend on MRP for 2021/22 (£1.5m) has been used to fund existing Capital schemes.

### 3.32 Prudential Indicators

3.33 All Treasury Management Prudential Indicators were complied with in the quarter ending 30<sup>th</sup> June 2022.

### 3.34 Economic Background and Forecasts

3.35 The forecast of interest rates by the Authority's advisor at the 30<sup>th</sup> June 2022 are shown below. The rates have increased over the last few months but are expected to reduce slightly over the next few years. The current higher rates will increase the cost of borrowing should any borrowing be required before the end of the year.

Link Group Interest Rate View 21.06.22												
	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
<b>BANK RATE</b>	1.75	2.25	2.75	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25
3 month ave earnings	2.00	2.50	2.80	2.80	2.80	2.80	2.60	2.50	2.30	2.30	2.20	2.20
6 month ave earnings	2.50	2.80	3.00	3.00	2.90	2.90	2.80	2.70	2.60	2.50	2.40	2.30
12 month ave earnings	3.10	3.20	3.20	3.20	3.00	2.90	2.80	2.60	2.50	2.40	2.40	2.40
5 yr PWLB	3.20	3.30	3.30	3.30	3.30	3.20	3.10	3.00	3.00	3.00	2.90	2.90
10 yr PWLB	3.40	3.50	3.50	3.50	3.50	3.40	3.30	3.20	3.20	3.20	3.10	3.10
25 yr PWLB	3.70	3.70	3.70	3.70	3.70	3.70	3.60	3.50	3.50	3.40	3.40	3.30
50 yr PWLB	3.40	3.40	3.50	3.50	3.40	3.40	3.30	3.20	3.20	3.10	3.10	3.00

3.36 The economic background provided by our treasury advisers; Link Group at the 30<sup>th</sup> June 2022 is attached at Appendix A.

### 3.37 Sundry Debt

3.38 The prompt collection of debt and encouraging payment as soon as possible helps the Councils cashflow position, reducing the need for short term borrowing.

3.39 The following table outlines the Council's sundry debt at the 11<sup>th</sup> July 2022 of £15.13 million. This does not include Council Tax arrears.

Service	Current Debt (30 days or less)	Aged Debt (31 to 60 days)	Aged Debt (61 - 90 days)	Aged Debt (Over 90 days)
Adult Services	3,749,434	306,939	283,746	6,118,670
Children's Services	16,443	5,612	0	222,527
Corporate, Legal & Democratic Services	56,131	0	0	1,581
Digital Services	48,946	565	745	23,998
Finance	117,881	0	1,221	534,550
Highways, Transport & Recycling	191,633	50,170	71,544	704,623
Housing	11,888	107,700	320	237,990
Housing & Community Development	3,829	9,316	30,230	348,638
Leisure	12,264	18,362	313	39,189
Other	38,247	15,414	4,117	64,663
Property, Planning & Public Protection	226,690	75,693	23,248	643,858
Schools	49,374	59,733	0	309,776
Workforce and OD	116,103	82,243	29,966	66,968
<b>Total</b>	<b>4,638,863</b>	<b>731,747</b>	<b>445,450</b>	<b>9,317,029<sup>2</sup></b>

<sup>2</sup> There is a further £1.05 million outstanding debt with the local health board that sits outside this figure.

3.40 The £4.64 million shown in the current debt column relates to invoices that are less than 30 days old and are classed as overdue 30 days after the invoice date.

3.41 The 2022/23 revenue budget includes £73.59 million of generated income. Based on the total debt it represents 21% of the annual generated income, if you exclude the current debt (less than 30 days old) this falls to 14%.

3.42 There is a significant level of aged debt (over 30 days old) and we will monitor this in future reports with the aim to improve this position. This will help the Councils cashflow and reduce the need to borrow.

### **3.43 VAT**

3.44 The Technical Section of Finance act as the authority's VAT section. VAT can pose a risk to the authority hence this report includes VAT information.

3.45 The monthly VAT returns were submitted within the required deadlines during this quarter.

3.46 Key Performance Indicators - The VAT KPI's for 2022/23 are attached at Appendix B.

## **4. Resource Implications**

a. N/A

## **5. Legal implications**

5.1 N/A

## **6. Data Protection**

6.1 N/A

## **7. Comment from local member(s)**

7.1 N/A

## **8. Impact Assessment**

8.1 N/A

## **9. Recommendation**

9.1 This report has been provided for information and there are no decisions required. It is recommended that this report be accepted.

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Head of Service:	Jane Thomas

## Appendix A

### 1. Economics update – Provided by Link

- The second quarter of 2022 saw:
  - GDP fall by 0.1% m/m in March and by 0.3% m/m in April;
  - An easing rather than a collapse in the composite Purchasing Managers Index (PMI);
  - A further rise in Consumer Price Index (CPI) inflation to a new 40-year high of 9.1% in May;
  - The first signs that the weakening in economic activity is filtering into a slightly looser labour market;
  - Bank Rate rise to 1.25%, taking it to its highest level since the Global Financial Crisis;
  - Gilt yields caught up in the global surge in bond yields triggered by May's strong rise in US inflation;
  - Rising global bond yields and concerns over growth drive a global sell-off in equity markets.
- Following the 0.1% m/m fall in GDP in March and the 0.3% m/m contraction in April, the economy is now moving towards a recession (two quarters of falling output in a row). Indeed, GDP would need to rise by 0.4-0.5% m/m in both May and June to prevent the economy from contracting in Q2 as a whole. That said, without the joint wind down of the COVID-19 Test and Trace and vaccination programme, GDP would have risen by 0.2% m/m and 0.1% m/m in March and April respectively. That's hardly strong, but it suggests the underlying momentum is not quite as weak as the headline figures imply.
- There is not much evidence that higher inflation and higher interest rates have yet become a big drag on activity. Services output did fall by 0.3% m/m in April. But output in consumer-facing services, conversely, rose by a solid 2.3% m/m in April. And although the Office for National Statistics (ONS) said that some of the 1.0% m/m fall in manufacturing output was linked to the drag on activity from higher prices, it also said that some of the 0.4% m/m drop in construction output in April was a drop back after the boost in the wake of February's Storm Eunice.
- The fact that the composite PMI didn't fall in June also suggests that in Q2 (Apr – June) real GDP has softened rather than collapsed. The S&P Global/CIPS all-sector PMI for June was unchanged from its level of 53.1 in May, signalling tepid but positive growth. According to the Lloyd's barometer, business confidence in May also remained remarkably resilient.
- Despite the fall in the GfK composite measure of consumer confidence to a new record low of -41 in June, April's £1.4bn rise in consumer credit suggests households appear to have turned to credit to support their spending as the cost-of-living squeeze has intensified. Meanwhile, the household saving rate held steady at 6.8% in Q1 in line with its long-term average and we expect households to lower their saving rate further when the bigger falls in real incomes come in Q2 and Q3 to cushion the blow to spending.
- The Chancellor's latest fiscal support of £10.3bn (0.5% of GDP), which comprised £15.3bn of handouts to households, partly funded by a £5bn tax on the profits of oil and gas producers, will help support GDP in the second half of the year. And with the Prime Minister and the Chancellor desperately needing to boost their popularity, some tax cuts may be announced in the Autumn Budget.
- There has been early signs that the recent weakening in economic activity is filtering through into a slightly looser labour market. The unemployment rate edged up from 3.7% in the three months to March to 3.8%. The single-month data showed that employment fell by 254,000 in April and the unemployment rate rose from 3.5% to 4.2%. And the upward march in the number of job vacancies slowed, with the three-month average only rising from 1.296m in April to 1.300m in May. A seasonal adjustment of the single-month data implies that vacancies fell in May for the first time since COVID-19 was rife in December.
- At the same time, a 1.8% m/m fall back in average earnings in April meant that the 3myy rate of earnings eased from 7.0% in March to 6.8% in April. And a lot of the 0.5% m/m rise in earnings

excluding bonuses was probably due to the 6.6% rise in the National Living Wage on 1<sup>st</sup> April. The 3myy rate of earnings excluding bonuses stayed at 4.2%.

- That said, conditions in the labour market remain exceptionally tight. The unemployment rate is still close to its recent 47-year low, and there is the same number of unemployed people as job vacancies and at 6.8% in April, the 3myy rate of average earnings is at a 10-year high (although it is still falling in real terms) and is well above the 3.0-3.5% that is broadly consistent with the 2.0% inflation target (assuming that productivity growth is 1.0-1.5%).
- CPI inflation rose from 9.0% in April to a new 40-year high of 9.1% in May and it is not yet close to its peak. The increase in CPI inflation in May was mainly due to a further leap in food price inflation from 6.7% to a 13-year high of 8.5%. With the influence of increases in agricultural commodity prices yet to fully feed into prices on the supermarket shelves, we think that food price inflation will rise above 10% in September. And with two-thirds of the observation period for the Ofgem price cap having now passed, something like a 40% rise in utility prices is pretty much baked in the cake for October. The further rise in core producer price inflation, from 13.9% to 14.8%, suggests that core goods CPI inflation will probably rise to 14% before long. We think that will take CPI inflation to a peak of around 10.5% in October.
- The rise in services CPI inflation from 4.7% in April to 4.9% in May suggests that domestic price pressures are still strengthening.
- There now seems to be an even greater likelihood that second-round effects, whereby high inflation feeds back into higher price and wage expectations, keep inflation higher for longer. For some time, the Monetary Policy Committee (MPC) has placed a lot of weight on the results of the Bank of England's monthly Decision Maker Panel which asks businesses how they expect to change their prices and wages over the next year. May's survey revealed that businesses still expect to raise their selling prices by 6.0% and their wages by 4.8% over the next year. Meanwhile, XpertHR said that pay settlements across the economy stayed at a 30-year high of 4.0% in May. The government appears to be contemplating raising public sector pay by up to 5%. And the 7.1% pay rise granted to some railway workers sets a high bar for the negotiations that led to train strikes across large parts of the country in mid-June.
- The MPC has now increased interest rates five times in as many meetings and raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed raised rates by 75 basis points (bps) in June and a handful of other central banks have recently raised rates by 50bps, the Bank of England's action is relatively dovish. The MPC's decision not to follow the Fed and raise rates by more makes some sense. The UK's status as a larger importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.
- But the MPC's new guidance is that if there are signs of "more persistent inflationary pressures" it will, "if necessary act forcefully in response". We expect the MPC to continue to raise rates in steps of 25bps rather than 50bps. We think the MPC will raise rates from 1.25% now to a peak of 2.75% next year. That's higher than the peak of 2.00% forecast by economists, but lower than the peak priced into the financial markets.
- Gilt yields have been caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21<sup>st</sup> June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. And in response to signs that central banks (particularly the US Fed) are going to raise interest rates faster to get on top of inflation, we now think that 10-year gilt yields will reach a peak of 2.70% (up from 2.39% currently) this year and into 2023.
- While the S&P 500 is 8.4% below its level a month ago, the FTSE 100 is 5.7% below it. Part of the sell-off has been driven by the rapid rise in global bond yields and the resulting downward pressure on equity valuations as well as concerns over economic growth.
- Finally, the pound has already weakened from \$1.37 and €1.21 earlier this year to \$1.21 and €1.16. A lot of these moves have been driven by concerns over the outlook for the global economy and the resulting poor performance of risky assets, which has increased the demand for the dollar relative to sterling. If interest rates rise faster and further in the US than in the UK, rate differentials and a worsening in risk appetite will push the pound even lower, from \$1.21 now to \$1.18 by the end of 2022. We don't expect the pound to fall by as much against the euro (from €1.16 to €1.14

next year). But once global inflation and global interest rates peak, the pound will probably benefit from the return of risk appetite. It may rise to \$1.25 by the end of 2023 and to \$1.30 by the end of 2024.

### **MPC meetings 5<sup>th</sup> May and 16<sup>th</sup> June 2022**

- After the Bank of England became the first major western central bank to put interest rates up in this upswing in December, it has quickly followed up its first 0.15% rise by a further four 0.25% rises to 1.25%, in what is very likely to be a series of increases repeated throughout the rest of 2022 and into 2023.
- In May, the MPC voted 6-3 vote in favour of a 0.25% increase, but not only was this the first time in its 25-year history that the MPC had raised rates at four meetings in a row but also three members (Haskel, Mann and Saunders) wanted a 0.5% hike (up from none in March). However, GDP growth was forecast to drop to -0.25% in 2023 (+1.25% previously) and only +0.25% in 2024 (+1.00% previously). Anyone for a recession?
- Nonetheless, over Q2, it is clear central banks in the developed economies have placed the dampening down of inflation pressures front and centre of their primary objectives, even if it comes at the cost of sluggish growth or, indeed, recession (mild ideally but it is very difficult to micro-manage economic performance). The Monetary Policy Committee (MPC) is in step with this approach although, arguably, the UK economy is dragging its feet to a greater extent than that seen in the US.
- What are the key factors for consideration? First, the CPI measure of inflation is already at 9.1%, and the Bank of England anticipates it will peak near to 11% just before Christmas. With the cost-of-living squeeze in full swing by that juncture, and unemployment likely to be ticking upwards, we judge that the Bank will pause following its March 2023 meeting and judge it has done enough so long as inflation starts to fall, albeit at a slow pace. To that extent, we can envisage the MPC waiting a full year before loosening the reins and starting to cut Bank Rate in spring 2024. However, given the number of geopolitical factors that could push this forecast off track, we would caution against taking a strong view on how interest rate movements evolve and instead focus on optimising balance sheet management and the risk management of investment and debt portfolios.
- Regarding gilt yields, all developed economies have seen a considerable uplift in government bond yields across the whole curve since the start of 2022 and, in many ways, gilts have simply played catch-up of late. To that end, we have revised our PWLB forecasts upward and you will even see we have a 3.7% PWLB rate projected for the 25-year part of the curve in both 2022 and 2023. However, as headline inflation falls back, we project a slow reduction in gilt yields as investors acknowledge that price pressures are gradually coming under control.
- At the 16<sup>th</sup> June MPC meeting, part of the reason for the Committee only seeing a 0.25% hike as necessary is the prevailing weak economic data. The vote was again 6-3 (the same as in May) but the words were more hawkish with the Bank strengthening its forward guidance. It deleted the previous phrase that “some degree of further tightening...may still be appropriate” and replaced it with “the scale, pace and timing of any further increases in Bank Rate will reflect the Committee’s assessment of the economic outlook and inflationary pressures” and that “the Committee will be particularly alert to indications of more persistent inflationary pressures, and will, if necessary, act forcefully in response.”
- Whereas in May two members objected to the guidance that rates will rise further, it appears that all members are behind this new, stronger guidance. However, the growing evidence that firms’ price and wage expectations have become dislodged from the 2.0% target suggest that the Bank is between a rock and a hard place in navigating the appropriate monetary policy response. As always, the economic data will be key to anticipating whether our assumptions remain sound.

## **2. Interest rate forecasts**

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1<sup>st</sup> November 2012.

The latest forecast on 21<sup>st</sup> June is compared below to the previous forecast (10<sup>th</sup> May). A comparison of these forecasts shows that PWLB rates have increased generally and show a speed up in the rate of increase in Bank Rate as inflation is now posing a greater risk. The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally as inflation concerns abound. To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but without pushing the economy into recession.

Our current and previous PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1<sup>st</sup> November 2012.

Link Group Interest Rate View 21.06.22												
	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
<b>BANK RATE</b>	1.75	2.25	2.75	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25
3 month ave earnings	2.00	2.50	2.80	2.80	2.80	2.80	2.60	2.50	2.30	2.30	2.20	2.20
6 month ave earnings	2.50	2.80	3.00	3.00	2.90	2.90	2.80	2.70	2.60	2.50	2.40	2.30
12 month ave earnings	3.10	3.20	3.20	3.20	3.00	2.90	2.80	2.60	2.50	2.40	2.40	2.40
5 yr PWLB	3.20	3.30	3.30	3.30	3.30	3.20	3.10	3.00	3.00	3.00	2.90	2.90
10 yr PWLB	3.40	3.50	3.50	3.50	3.50	3.40	3.30	3.20	3.20	3.20	3.10	3.10
25 yr PWLB	3.70	3.70	3.70	3.70	3.70	3.70	3.60	3.50	3.50	3.40	3.40	3.30
50 yr PWLB	3.40	3.40	3.50	3.50	3.40	3.40	3.30	3.20	3.20	3.10	3.10	3.00

Link Group Interest Rate View 10.5.22													
	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
<b>BANK RATE</b>	1.25	1.50	1.75	2.00	2.00	2.00	2.00	2.00	1.75	1.75	1.75	1.75	1.75
3 month ave earnings	1.20	1.50	1.70	2.00	2.00	2.00	2.00	2.00	1.70	1.70	1.70	1.70	1.70
6 month ave earnings	1.60	1.90	2.10	2.20	2.20	2.20	2.20	2.10	2.00	1.90	1.90	1.90	1.90
12 month ave earnings	2.00	2.20	2.30	2.40	2.40	2.30	2.30	2.20	2.20	2.10	2.10	2.10	2.10
5 yr PWLB	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.50	2.50	2.50	2.50	2.50
10 yr PWLB	2.80	2.80	2.90	2.90	2.90	2.90	2.90	2.90	2.80	2.80	2.80	2.80	2.80
25 yr PWLB	3.00	3.10	3.10	3.20	3.20	3.20	3.10	3.10	3.00	3.00	3.00	3.00	3.00
50 yr PWLB	2.70	2.80	2.80	2.90	2.90	2.90	2.80	2.80	2.70	2.70	2.70	2.70	2.70

- LIBOR and LIBID rates ceased at the end of 2021. In a continuation of our previous forecasts, our money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.
- Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.



## **A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE**

- Our central forecast for interest rates was last updated on 21<sup>st</sup> June and reflected a view that the MPC will be keen to further demonstrate its anti-inflation credentials by delivering a 0.25% increase in Bank Rate in August, September, November, December, February and March i.e., the next six MPC meetings.
- The CPI measure of inflation is now forecast to rise to close to 11% in Q4 2022 and the MPC will be keen to stifle the prospect of average earnings data (6.8% y/y currently including bonuses) providing further upside risk to inflationary factors that are primarily being driven by supply-side shortages.
- When Bank Rate reached 1% in May, the MPC indicated (no earlier than August) that it will also consider the extent to which it implements Quantitative Tightening (QT), primarily the selling of gilt holdings. However, they are likely to take any such decision cautiously as they are already not refinancing maturing debt.
- Notwithstanding the MPC's clear desire to increase Bank Rate throughout 2022, negative real earnings, the 54% hike in the Ofgem energy price cap from April (to be followed by a potential 40%+ further increase from October), at the same time as employees (and employers) have incurred a 1.25% Health & Social Care Levy, growing commodity and food inflation plus council tax rises - all these factors will hit households' finances hard. However, lower income families will be hit disproportionately hard despite some limited assistance from the Chancellor to postpone the full impact of rising energy costs.
- Given the above outlook, it poses a question as to whether the MPC may shift into protecting economic growth if it flatlines or contracts through 2022. Accordingly, we remain tentative about whether the MPC will increase Bank Rate as far as the market is currently pricing in (3.25% in April 2023).
- In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies, but the on-going conflict between Russia and Ukraine, including the manner in which the West and NATO respond through sanctions and/or military intervention. Currently, oil, gas, wheat and other mainstream commodities have risen significantly in price and central banks will have to balance whether they prioritise economic growth or try to counter supply-side shock induced inflation.
- On the positive side, consumers are estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above increases. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income before these increases hit and have few financial reserves.

## **PWLB RATES**

- The yield curve has steepened considerably through the quarter and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 2.75% to 3.75%.
- We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook (although we thought that in May and markets went much further than expected in respect of the gilt market sell-off).
- It is difficult to say currently what effect the Bank of England starting to sell gilts will have on gilt yields now that Bank Rate has gone to above 1%. Nothing will be decided before August, however, but the Bank is likely to act cautiously as it has already started on not refinancing maturing debt. A pure roll-off of the peak £875bn gilt portfolio by not refinancing bonds as they mature, would see holdings fall to about £415bn by 2031, which would be about equal to the Bank's pre-pandemic holding.
- Increases in US treasury yields over the next few months could add further upside pressure on gilt yields as they have done since the turn of the year.

**The balance of risks to the UK economy: -**

- The overall balance of risks to economic growth in the UK is to the downside.

**Downside risks to current forecasts for UK gilt yields and PWLB rates include: -**

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- **The Bank of England** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks**, for example in Ukraine/Russia, Iran, China, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

**Upside risks to current forecasts for UK gilt yields and PWLB rates: -**

- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates an even more rapid series of increases in Bank Rate faster than we currently expect.
- **The Government** acts too quickly to cut taxes and/or increases expenditure in the light of the cost-of-living squeeze.
- **The pound weakens on the back of UK/EU trade friction** resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer term **US treasury yields** continue to rise strongly and pull gilt yields up higher than forecast.

## **Appendix B**

### **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	% of creditor invoices checked requiring "proper" document for VAT recovery
Apr-22	269	3	1.12%
May-22	294	8	2.72%
Jun-22	247	4	1.62%
Jul-22			
Aug-22			
Sep-22			
Oct-22			
Nov-22			
Dec-22			
Jan-23			
Feb-23			
Mar-23			

#### **Income Management Entries**

VAT return for	No of entries checked by formula per the ledger account code used	No of entries needing follow up check (but not necessarily incorrect).	% of entries needing follow up check
Apr-22	857	0	0.00%
May-22	955	2	0.21%
Jun-22	1,080	0	0.00%
Jul-22			
Aug-22			
Sep-22			
Oct-22			
Nov-22			
Dec-22			
Jan-23			
Feb-23			
Mar-23			

## Debtor Invoices

VAT return for	No of Debtor invoices checked	No of checked debtor invoices with incorrect VAT code used	% of debtor invoices with incorrect VAT code
Apr-22	81	0	0.00%
May-22	73	0	0.00%
Jun-22	84	0	0.00%
Jul-22			
Aug-22			
Sep-22			
Oct-22			
Nov-22			
Dec-22			
Jan-23			
Feb-23			
Mar-23			

Note: Debtors VAT checking is carried out by Finance via a work process prior to the invoice being raised hence the improvement in errors compared to previous years

## Purchase Cards

VAT return for	No of transactions for which paperwork requested for checking	Resolvable errors discovered	Value of VAT potentially claimable but recharged to budget due to non- response	No of transactions where VAT claimed incorrectly	% of transactions available to be checked where VAT was claimed incorrectly	Value of VAT incorrectly claimed hence recharged to budget
Apr-22	155	22	£2,668.91	14	9.03%	£380.22
May-22	142	14	£2,159.74	25	17.61%	£196.73
Jun-22	141	15	£2,048.25	18	12.77%	£1,005.40
Jul-22						
Aug-22						
Sep-22						
Oct-22						
Nov-22						
Dec-22						
Jan-23						
Feb-23						
Mar-23						

### Chargebacks to service areas

The upload of appropriate documents to the Barclaycard purchase card system to enable vat recovery was made mandatory in September 2017 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 as there is no evidence to support the vat recovery.

Any other VAT errors that come to light as a result of the various checks are also charged to the relevant service areas.

Budget holders are able to see this clearly as chargebacks are coded to account code EX400600 and the activity code used alongside this gives the reason why this chargeback has occurred.

The total amount charged back to service areas in 2022/23 is £12,386 to date. The breakdown of this is as follows:

### Potentially correctable errors

<b>Reason</b>	<b>Amount £</b>
Not a tax invoice	5,527
Powys County Council is not the named customer	0
No invoice uploaded to purchase card system	4,290
Invoice(s) do not match payment	755
No evidence to back recovery	0
No Signed Authenticated Receipt	0
<b>Total</b>	<b>10,572</b>

### Other errors

<b>Reason</b>	<b>Amount £</b>
Non-domestic VAT	463
No tax on invoice	264
Supply not to Powys County Council	50
Over-accounting for VAT	991
Internal payments	46
<b>Total</b>	<b>1,814</b>

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# Powys County Council

## Internal Audit Progress Report Quarter 1 2022/23

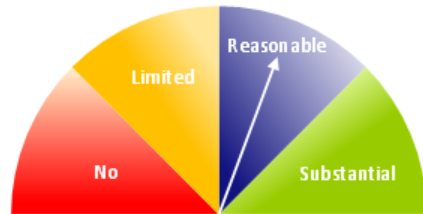
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Governance and Audit Committee – 29<sup>th</sup> July 2022

5.1

# Internal Audit Update – 2022/23: ‘At a Glance’ Quarter 1 – July 2022

## Rolling Opinion



There is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.

## The Headlines ( April – June 2022)



A suite of audits was undertaken in the Highways Operations area following concerns raised as part of an independent investigation. The audits covered commissioning, procurement, overtime, stocks and materials, delivery and reporting, vehicles, and fuel. These reports were released without agreed actions as the Service was in the process of appointing a change Manager. There has been subsequent engagement around the content of the reports in Q1 2022/23 and the Internal audit team are supporting Highways in producing a consolidated response. The Audits and the action plan will be presented in detail to a Highways G&A Sub-Committee.



19 Completed reviews delivered as part of the 22/23 Internal Audit Plan. The internal audit work programme is on track to be delivered. Whilst it is still early in the year, the profile of audits with positive assurance is indicative of an annual opinion of reasonable assurance.



Internal Audit activity is supporting the Council in its duty to prevent and detect fraud.



Action tracking is on-going, and the Council have access to the results of those activities on the data dashboard. There has been an increase in overdue actions, but generally the Council are implementing internal audit recommendations in accordance with plans.



### Adding Value by spreading awareness and learning

SWAP delivered training to members of the Governance and Audit Committee to help understand and fulfil their obligations.

## Internal Audit Assurance Opinions 2022/23

	YTD
Substantial	1
Reasonable/ Certified	10
Limited	3
No Assurance	0
Advisory / Support	5
<b>Total</b>	<b>19</b>

## Internal Audit Agreed Actions 2022/23

	YTD
Priority 1	5
Priority 2	28
Priority 3	23
<b>Total</b>	<b>56</b>



As part of our rolling plan reports, we will provide an ongoing opinion to support the end of year annual opinion, detail progress against the agile plan and any updates in scope and coverage.

We will also provide details of any significant risks that we have identified in our work, along with the progress of mitigating significant risks previously identified through audit activity.

The contacts at SWAP in connection with this report are:

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### Rolling Opinion and Summary of Significant Risks

#### **Introduction**

This is the first quarterly update for the 2022/23 financial year and reports against the quarterly plans endorsed by this Committee in June 2022. Our planning process involves half yearly reviews with senior managers to ensure internal audit activity remains appropriate in scope and timing with the opportunity for risk-based flex.

#### **Rolling Opinion**

The Rolling Opinion is based on information obtained from multiple engagements and sources, the results of which, when viewed together, provide an understanding of the organisation's governance arrangements, risk management processes and internal control environment and facilitate an assessment of overall adequacy and effectiveness. These sources include:

- Completed reviews (for 2022/23) which evaluate risk exposures relating to the organisation's governance, operations, risk and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations;
- Observations from consultancy/advisory support;
- Follow up of previous audit activity, including agreed actions;
- Notable changes to the organisation's strategy, objectives, processes or IT infrastructure; and
- Other assurances (1<sup>st</sup> and 2<sup>nd</sup> line) and from other providers, including third parties, regulators etc.

Based upon our completed work to date, which covers various assurance and advisory pieces and a range of grant certifications, our rolling opinion is **Reasonable**. Appendix A summarises internal activity completed, in progress and due to commence for the period covered by this report. This, along with the cumulative summary position is provided above in the 'At a Glance' section.

For those audits with adverse opinions which have reached report stage through the year, we have assessed the following risks as 'High'.

Definition of High Risk-Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

The specific outcomes of this report are available to members on the Internal Audit Action Tracker.

It is proposed that the Highways reports will be considered in detail by a Governance & Audit Sub Committee.

**Significant Issues (Up to June 2022)**

A series of audits were undertaken on Highway activities following concerns arising from an investigation. Below is the summary of the key findings of each report.

**Highways Fleet.**

Assurance Opinion		Number of Actions	
	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	Priority	Number
		Priority 1	1
		Priority 2	3
		Priority 3	0
		Total	4

Risks Reviewed	Assessment
Resources are not utilised to obtain good value for money to deliver a service	Medium
Individuals fraudulently claim their non-standard hours for personal financial gain.	

Key Findings	
	<p><b>Driver Behaviour</b> – There is evidence that of a wide-spread culture of poor driver behaviour. Speeding increases the risk of an incident which could result in damage to council property or an injury to the employee or member of the public.</p> <p><i>The council do not monitor or take corrective action to control excess speed which can lead to unlawful driving. In addition, speeding is an inefficient way of driving that wastes Council resources.</i></p>
	<p><b>Fuel Usage</b> – Fuel usage is not recorded in a uniform way, resulting in anomalies and inconsistencies in the usage statistics for vehicles. Therefore, missing data means it is not possible to ensure that vehicles and fuel are being used for official work purposes only, and not for personal gain.</p> <p>A review of data found that:</p> <ul style="list-style-type: none"> <li>• Vehicles were fuelled 2212 times outside of the standard work hours, at a cost of £137,717</li> <li>• The master key was used for dispensing £64,484 worth of fuel over 1427 occasions.</li> <li>• Significant occasions when fuel obtained out of hours</li> <li>• Fuel consumption for like for like vehicles varied depending on its location</li> </ul> <p>Management in the Service are not actively monitoring the position to improve workforce behaviour and to protect against misuse.</p> <p><i>Weak systems and poor compliance have resulted in less visibility and control of the use of Fuel at Council Depots.</i></p>
	<p><b>Vehicle Usage</b>- Most Council vehicles have GPS trackers fitted. Management do not use this information to actively monitor vehicle usage in terms of activity and location.</p> <p>A review of tracker data over 18 months found that there were:</p> <ul style="list-style-type: none"> <li>• Nearly 9000 instances where vehicles were away from the depot overnight</li> <li>• Over 4000 cases where the vehicle duration exceeded 3 hrs</li> <li>• Vehicles spent significant time with the engine idling</li> </ul> <p><i>Tracking data does not appear to be part of the management of the workforce to ensure effective and legitimate use of Council vehicles.</i></p>

Audit Scope and Limitations
<p><b>Scope</b></p> <p>Using the data that has been provided by the Fleet Section, and along with available user guides and procedural notes, ensure that:</p> <ul style="list-style-type: none"> <li>• Are vehicles being driven safely?</li> <li>• Fuel – does fuel consumption appear consistent throughout the fleet, are there any signs of fuel theft?</li> <li>• Reporting- is there any management oversight?</li> <li>• Data – identifying patterns and trends</li> </ul> <p>Data was analysed for the period of 1<sup>st</sup> January 2020 to 30<sup>th</sup> June 2021.</p>
<p><b>Limitations</b></p> <p>The depth of testing, and subsequent assurance of this audit, was limited by the quality of data presented for review. Therefore, we <u>cannot</u> offer any assurance that vehicles or fuel have been obtained for personal use as we were unable to perform all the testing within the scope.</p>

The specific outcomes of this report are available to members on the Internal Audit Action Tracker.

It is proposed that the Highways reports will be considered in detail by a Governance & Audit Sub Committee.



**Management Oversight** – Detailed or meaningful routine reports were not easy to obtain. This may have contributed to the inconsistency of the data.  
*Management information reporting on the use of vehicles and fuel does not provide the necessary oversight to identify inefficient, excessive, or potential misuse of Council resources.*

**Highways Non-Standard Payments**

Assurance Opinion	Number of Actions	
	Priority	Number
<p>There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</p>	Priority 1	0
	Priority 2	2
	Priority 3	2
	Total	4

Key Findings	
	<p>There are several documents that relate to the claiming of Non-Standard Working time, section 6 of the Terms and Conditions of Service – June 2021 document contains a comprehensive account of where, what and when these additional hours can be claimed.  <i>The Council have appropriate rules and frameworks in place.</i></p>
	<p>Operational based staff submit their claims to the depot administration team who enter the details on bulk into Trent via a spreadsheet, there are limited checks performed on these before being submitted. Office-based staff enter their own details via Trent. There is no authorisation required for office-based staff claims.  <i>The lack of checking could result in fraudulent claims being paid.</i></p>
	<p>Financial data is held within one system whilst the job costing data is held in another system. These systems do not talk to each other, so requires more manual intervention for inputting claims. The more manual interaction that is required, the greater the chance of error of fraud occurring.  <i>Additional resource is being used to transfer data from one system to another, an integrated system would reduce this.</i></p>
	<p>Reports are available in Trent that show what has been claimed, but it is not easy to drill down into the detail that makes up the claim. This may result in reports not being utilised.  <i>Poor management reporting of claims and costs result in a lack of visibility on activity in their service in relation to non-standard time costs.</i></p>
	<p>An analytical review of overtime data identified the following patterns:</p> <ul style="list-style-type: none"> <li>• During the calendar year of 2020, £837,317.46 was paid out in additional payments to Highways employees. This equates 15% of the overall total of highways operational employee costs (not including NI and Sup).</li> <li>• The costs seem to be evenly spread between overtime, callout and standby payments.</li> <li>• The split between management and operatives varies as the North spending slightly more on management as opposed to operatives and the South the opposite way around.</li> </ul>

Risks Reviewed	Assessment
Resources are not utilised to obtain good value for money to deliver a service	Medium
Individuals fraudulently claim their non-standard hours for personal financial gain.	

Audit Scope and Limitations
<p><b>Scope</b>                      Using data that has been provided by the Trent team for the period of 1 Jan 2020 to 31 Dec 2020, and along with available user guides and procedural notes, ensure that:</p> <ul style="list-style-type: none"> <li>• Policies and user guides are comprehensive and updated on a regular basis</li> <li>• System – set up and control around updating and authorisation</li> <li>• Data – identifying patterns and trends</li> <li>• Reporting- mechanisms, visibility, and management oversight</li> </ul>
<p><b>Limitations</b>                      The depth of testing, and subsequent assurance of this audit, was limited by the quality of data presented for review. Therefore, we <u>cannot</u> offer any assurance that no fraudulent claims have been made and subsequently paid as we were unable to perform all the testing within the scope.</p>

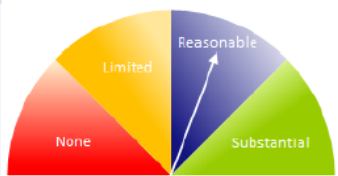
The specific outcomes of this report are available to members on the Internal Audit Action Tracker.






It is proposed that the Highways reports will be considered in detail by a Governance & Audit Sub Committee.

The specific outcomes of this report are available to

<ul style="list-style-type: none"> <li>The number of individuals that claim non-standard payments also varies from area to area, on average an individual in the South would claim £1000 more a year than their counterparts in the North and mid of the County.</li> <li>19 Individuals received over £10k in payments for non-standard hours over a year.</li> </ul> <p><i>It is difficult to assess the performance of the current resourcing model, but the use of additional non-standard payments may be inefficient, excessive, or potentially subject to abuse.</i></p>
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### Highways Time Recording

Assurance Opinion	Number of Actions	
	Priority	Number
 <p>There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</p>	Priority 1	0
	Priority 2	0
	Priority 3	4
	Total	4

Key Findings	
	<b>Deadlines</b> – there are no forced time deadlines to enter missing times, this has meant in some cases it has taken nearly a year to enter the relevant details. The Council should consider enforcing a deadline to ensure that working hours are entered on a timely basis.
	<b>Timesheet Entry</b> – the time taken to enter missing details can be excessive which could lead to inaccurate data being held and reported on. There is no requirement for manual entries to be authorised by a line manager.
	<b>User Manuals</b> – the main user guide was last updated in 2013 and is now out of date since the switch to manual online entries. There are two new guides for the online system, but these do not contain any reference to the flexi time rules and procedures.
	<b>Management Reports</b> – these are available online via the system when required, there are also monthly exception reports sent to managers. Therefore, the ability to gain oversight is available, but this control is dependent on managers undertaking this task routinely.
	<b>Fraud</b> - Based on the data that was provided for analyses, there was no clear evidence of manipulation of clocking's for personal gain by members of the Highways Team

Risks Reviewed	Assessment
Individuals fraudulently manipulate their clocking's for personal gain, both in terms of flexi time gained and the timing of entries to ensure the defined threshold of + or – 10 hours at the end of the flexi period are not exceeded.	Medium

Audit Scope
Using the flexi time data that has been provided for the period of 1 Jan 2021 to 28 Jun 2021, and along with available user guides and procedural notes, ensure that: <ul style="list-style-type: none"> <li>Policies and user guides are comprehensive and updated on a regular basis?</li> <li>System – how it is set up what the controls around updating and authorisation?</li> <li>Data-analyse data from system</li> <li>Reporting- is there any management oversight?</li> </ul> <p>Data was analysed for the period of 1<sup>st</sup> January 2021 to 28<sup>th</sup> June 2021. Data for all Highways office-based employees was requested (workmen and women are not on the flexi system) and analysed to provide the results quoted throughout the report.</p>

members on the Internal Audit Action Tracker.

It is proposed that the Highways reports will be considered in detail by a Governance & Audit Sub Committee.

**Highways Resurfacing – Monitoring and Delivery**

Assurance Opinion		Number of Actions		Risks	Assessment
	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited	Priority	Number	Lack of visibility and control increasing the likelihood of service delivery failure  Loss of financial and reputation damage due to fraudulent activities	Medium
		Priority 1	2		
		Priority 2	0		
		Priority 3	2		
		Total	4		

**Background and Scope**  
 The key findings detail the processes used for monitoring and delivery in relation to the resurfacing work that is undertaken by the Highway’s Service. Further pieces of work are concurrently being undertaken in the other parts of the process and will be reported using a similar reporting arrangement.  
  
 The scope of this audit is to undertake a root to branch within in the Highways Resurfacing, focusing on the delivery of the work, the review process and the monitoring and reporting of progress.

**Key Findings**

**Delivery of Work**

After the works have been commissioned and assigned to a team, the foreman is responsible for monitoring the work and reporting any issues to the Depot Supervisors. This is an informal process of monitor the work programme that may work locally but has no visibility corporately.

Spot inspections can take place by the Depot Supervisors, subject to capacity, to ensure that staff are complying with regulations, and health and safety practises. Whilst not formally recorded, these visits provide some management oversight locally, but not corporately.

Towards the end of the last year, the Depot Managers started to implement a review process where supervisors would fill in a form to assess the level of completion. Before this, there was no such process in place. This process stands alone and doesn’t integrate with the defects system and service procedures. Checking quality at a local level is beneficial but does not give the oversight corporately on the completion and standard of the work carried out on the road network.

*Recent improvements allow the Depots to informally oversee delivery of work at a local level from a completion/ quality perspective. Unfortunately, the oversight is not recorded in a format that can be used by Management. Therefore, the Highways Function does not have the processes and information in place to give assurance corporately that work is scheduled and delivered on time and to an acceptable standard.*

There are records of defects within the AMX system. However, the detail of the information needs to be improved:

- The HAMP lists up 4 types of hierarchy defects: critical defect, maintenance defect, safety defect, programme repairs alongside several different timeframes for each one. None of these are clearly reflected or aligned within the AMX system, therefore making it hard to determine the time in which the jobs need to be completed by, and the priority of the jobs.

- The information within the AMX only records the date of inspection, not the required completion date. This makes it is hard to determine deadline and whether these targets have been met.
- There are blank fields within the status and work areas within the defect lists.

*The Highways Function cannot give assurance that the road network is being maintained in accordance with the HAMP because of poorly integrated systems and information. Delivery and workload information is gathered locally but does not manifest itself into oversight arrangements for corporate reporting. There is a lack of visibility and transparency on the activity of the workforce for responsive repairs.*

An analysis of scheduled and unscheduled jobs that were outstanding over 30 days was undertaken. The majority of the major defects (Category 1’s) had been completed (85%), however there were 97 that were still outstanding after 30 days. The vast majority are within HGSS Areas 1 and 2(see appendix 2). These jobs are considered the most urgent works and should have been completed to comply with the HAMP.

*Some areas of critical work on the road network remain outstanding on the system well after the prescribed deadlines. There is a risk that critical defects are not being promptly and effectively repaired.*

45% of the major defects (Category 1’s) were within Area 1, and 25% were located in Area 2. The number of Category 1 defects within these areas were significantly higher than within the other areas. The Split between the Category 2.1’s is more even; 23% were located in Area 7, 18% in Area 2, 17% within Area 1, and 15% within Area 3. 64% of all jobs were registered as a Category 2.1.

The table below displays the total number of jobs listed within each of the areas and their completion status. Areas 1, 2 and 7 have a higher workload than other areas, with each registering over 1000 jobs. However out of the three, Area 7 is better at managing their workload, with 81% completion. There are issues within Work Area 2, which has the highest number of jobs but the lowest completion level (33%). A detailed analysis of the workload can be found in Appendix 2.

Work Areas	Total No. of Jobs	Complete	Scheduled	Superseded	Unscheduled
HGSS Work Area 1	1208	53.56%	13.66%	0.00%	32.78%
HGSS Work Area 2	1466	33.56%	41.06%	0.00%	25.38%
HGSS Work Area 3	922	76.90%	23.10%	0.00%	0.00%
HGSS Work Area 4	362	62.43%	37.57%	0.00%	0.00%
HGSS Work Area 5	825	74.67%	25.21%	0.12%	0.00%
HGSS Work Area 6	645	92.40%	0.31%	0.00%	7.29%
HGSS Work Area 7	1386	81.31%	15.08%	0.00%	3.61%
(blank)	15	73.33%	26.67%	0.00%	0.00%

*The data indicates some areas have much higher workload and some of these, Areas 1 and 2 also have problems with delivery. There is a risk that the workforce is not effectively balanced to meet demand or that performance is not as expected.*



**Financial Monitoring**

Budget holders have easy access to financial reports for the work that they are undertaking. The reports display a greater breakdown on the Capital, Trunk and Private costs than the Revenue costs due to the breakdown of the coding structure. Spreadsheets produced by the Finance team, are discussed with managers within Highways. Reports are produced by the Finance Team that detail the spending in each area and potential issues e.g., where the budget may be short and overspends in particular areas. The Highways budget is reported to cabinet alongside the other services to ensure that there is appropriate governance of the budget.

*There is visibility of Capital and Trunk Road spending at level allowing Managers to confirm or challenge the financial position. However, there is a lack of visibility on a granular level to allow scrutiny of revenue cost*

The projected budgets of capital jobs are stored on a spreadsheet, these are not embedded to the EFinancials system. Having them within the system would allow management to clearly see whether there are overspends.

*There is a need for a proper costing structure to be embedded including projected costs within the EFinancials system, to ensure visibility increases and to prevent inappropriate or fraudulent activity because of poor cost reporting.*

The budget for Environment, Safety & Routine and Highways Operations displayed that there was good control over the costs for these areas. In 20/21 there was a significant decrease within the budget however the accounts displayed that the costs were controlled by the service.

Account Code	Accounting Year	Budget	Actual Costs	Difference
Highways Operations	2019/20	£9,088,847.65	£9,111,474.13	£22,626.48
	2020/21	£5,171,460.00	£5,321,479.92	£150,019.92
	2021/22	£5,504,410.00	£4,694,197.92	-£810,212.08
Environment, Safety and Routine	2019/20	£6,381,061.48	£6,350,558.87	-£30,502.61
	2020/21	£3,594,220.00	£3,540,153.27	-£54,066.73
	2021/22	£3,680,750.00	£3,683,436.29	£2,686.29

However, a review of the Level 9 account codes displays that the lower-level budget costs did not align within the actuals (see appendix 2). During the last year, within capital Scheme the cost for private contractors was 3.5 times higher than the budgeted costs. The overall actual costs were double the budget.

*There is control over the top-level budgets, however detailed budget setting and virements should be made within the service to ensure that there are cost controls on a lower level.*



#### Performance Reporting

Depot meetings occur on a regular basis to keep a track of the work progress. Management teams have formalised meetings to discuss both the finance and workload of the depots. The reporting of progress is informal and is not backed up by a statistical analysis. This lack of information does not provide clear direction for the service.

The Capital progress is reported to the HAMP board and discussed with its members, however there are no formalised documents of how in depth these discussions. Whilst there is informal oversight, stronger formalised governance will ensure that there is a transparent direction for the Capital program.

*Updates on workloads are verbally reported. There is a lack of statistical data provided to the management teams to display those jobs are completed within the required timeframes. There needs to be greater visibility of the service and to prevent jobs being missed.*

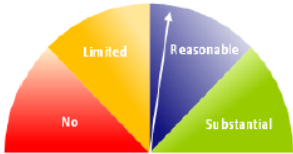


#### Systems

Currently the AMX system displays the status of the works (completed, scheduled, unscheduled, superseded), when these were identified and completed. The Laying of the Asphalt has numerous steps in its process alongside multiple work forms (spreadsheets) that are required. Integrating all of this into one system would provide greater visibility to managers, through ease of access.

**There is a disconnect between activity, financial and performance reporting. The current processes rely too heavily on spreadsheet and paper-based systems. Consolidated reporting would give improved assurance on management control.**

## Highways Stock and Materials


Assurance Opinion		Number of Actions		Risks	Assessment
 <p>There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited</p>		Priority	Number	Lack of visibility and control increasing the likelihood of service delivery failure  Loss of financial and reputation damage due to fraudulent activities	Medium
		Priority 1	0		
		Priority 2	1		
		Priority 3	2		
		Total	3		

### Background and Scope

The key findings detail the processes used for materials and stock in relation to the resurfacing work that is undertaken by the Highway's Service. Further pieces of work are concurrently being undertaken in the other parts of the process and will be reported using a similar reporting arrangement.

The scope of this audit is to undertake a root to branch review within in the Highways Resurfacing, focusing on the use of materials, the stock process, and recording of these items.

### Key Findings

Key Findings
 <p><b>Stock Recordings</b></p> <p>Stock items are signed out by the workmen on the timesheets that record their daily hours. This is transferred into the financial system by the administrators. An analysis displayed that this system did not always work. The stock reports at the end of the financial year displayed differences from the stock takes alongside negative stock figures. From the Analysis (details appendix 2) it displayed that in March 2021 the biggest loss was -£2,678.22. This was from stock being taken from the depots without being signed to a job.</p> <p><i>There are issues with the stock recording system, stock is being used without being costed to the jobs within the financial system. This could potentially lose income for the council if these were for capital or trunk road jobs. Also, this could be an indicator that stock items are missing.</i></p> <p>Stock taken out for revenue jobs are coded to the generic cost codes, there is less breakdown within the codes which therefore makes it harder to determine where the stock items have been used. In 20/21, £18,519.66 was costed to one specific revenue code. Although it is easy to see which depot used this stock, it is hard to locate which job these were used on a granular level without going back through the timesheets. There is also no clear link connecting which job within programme of works (AMX system) they were used for.</p> <p>A review of level 9 account codes displayed that there was no budget for stock items within the financial system (see appendix 2).</p> <p><i>There is a lack of visibility on a granular level to allow scrutiny of stock within revenue costs. Virements should be made throughout the year for stock items to ensure that the budgets are accurate.</i></p>





#### Materials

There are procedures in place for purchasing, disposing of materials and the selling of plannings. These procedures seem fit for purpose.

Resurfacing materials are primarily purchased through the procurement card system. The quantity of materials purchases should be calculated as per the information within the initial inspection. The Council are charged for any excess material that is sent back to the plant. Workmen are instructed to use the excess materials close to the work site area. If there is a large number of excess materials the Depot Managers are consulted about the location, before the excess is laid.

*Where excess materials are purchased, and the decision to offload these excess materials is described as “anywhere needed”, there is an opportunity for misuse to occur. Although there are purchasing forms in place there is nothing stopping someone from over ordering and resurfacing a driveway close by. The possible locations for excess tarmac should be identified by priority using previously identified defect data from the inspection process.*

Abnormal tarmac purchases may be difficult to spot due to the current revenue costing structures. The structure uses generic codes for revenue jobs but has a greater breakdown for capital and private works. Within the last year over 59% of tarmac was coded to one revenue code. The lack of visibility within the generic coding makes it hard to link the materials used to specific revenue jobs within the programme of works (AMX system).

*There needs to be greater visibility over the materials within the revenue costing structure to ensure that there no abnormal transactions. Linking the purchases to the original specifications within the program or works would help to ensure that no excess tarmac has been ordered.*

An analysis displayed the number of materials that the disposed relating to patching works within Environment, Safety and Routine throughout the depots was minimal (£4,702.11). It was also identified that the only Welshpool Depot had sold plannings (£8,776) within the last year.



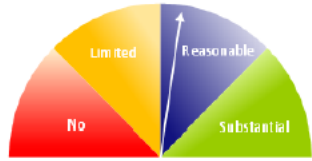
#### Systems

The cost of the materials and stock are recorded using the EFinancial system. However, the majority of the materials for resurfacing are purchased within the procurement card system. These transactions would take up to a month to reach the jobs within the finance system. Stock purchases can also be made through the procurement card and transferred into the stock recording system. It was seen that on some occasions the amount of stock recorded within the system was in negative figures.

The amount of stock or materials used is not linked to the programme of works within the AMX system.

*There are inconsistencies with the update of stock information within the financial system, it is not possible to have negative stock figures within the depots. There is a disconnect between activity, purchases of stock/ materials, use of stock/materials and the programme or works recording system.*

## Highways Resurfacing Commissioning

Assurance Opinion		Number of Actions		Risks	Assessment
	<p>There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</p>	Priority	Number	<p>Loss of financial and reputation damage due to fraudulent activities</p>	<p>Medium</p>
		Priority 1	1		
		Priority 2	2		
		Priority 3	2		
Total	5				

### Background and Scope

The key findings detail the processes used for commissioning in relation to the resurfacing work that is undertaken by the Highways Services. Further pieces of work are concurrently being undertaken in the other parts of the process and will be reported using a similar reporting arrangement.

The scope of this audit is to undertake a root to branch review of commissioning in the Highways Resurfacing, focusing on frameworks, inspections, work programmes, financial control, systems and governance.

### Key Findings








#### Safety Inspections:

The quality and quantity of the information recorded for safety inspections of the highway can vary between inspectors in various depots. This information is required to ensure that the Council have a consistent and reliable view of the road network so that they can plan and undertake repairs.

A pre-work site may then be undertaken by a Works Supervisor to obtain Health and Safety information. This cannot be seen within the AMX system, which reduces the transparency of the work that has been undertaken by the Service and does not aid monitoring of performance or financial control.

Duplicated site visits are sometimes taking place by different teams for the same location to facilitate the delivery of the work. A single thorough inspection would be a much more efficient process. The cause of this may be the varying quality of information that is received from the Highway Inspectors and the possible uneasiness of Depot Supervisors to place reliance on the information. The inspectors may need additional training so that reliance can be placed on their work.

A post work inspection is not undertaken in a formal manner. Therefore, there is no independent quality control of the work undertaken in place. An inspection could be carried out as part of the normal highway inspection programme of work and would give assurance that work has been completed to an appropriate standard. In addition, a separation of duties between the pre inspection, delivery and post inspection would be good governance and avoid and potential or perceived conflict of interest.

	<p><b>Frameworks, Systems and Performance:</b> A formalised framework is in place (HAMP) and inspections of the road network take place in line with the Council's Policy. Although, the categories used for the setup of the HAMP do not align with those used in the AMX which makes it more difficult to report performance against the control framework.</p> <p>The lack of completion dates within the AMX data reduces the ability to produce performance information. Therefore, it is unclear whether the Service is meeting its targets to complete the urgent works. Furthermore, the council could be unsighted on incomplete highways work which could impact on liability.</p>
	<p><b>Financial Control:</b> Capital costs are monitored and controlled using the Council's financial system with unique cost codes, whereas revenue work is posted to generic cost codes. Generic coding of revenue expenditure makes it hard to determine the costs spent on the individual revenue jobs. As a result, the Council cannot measure how much it spends on each job in terms of workforce, vehicles, equipment, and contractors. This lack of visibility increases the potential for misuse and error as it is impossible for Managers to properly scrutinise the costs incurred in a meaningful manner.</p>
	<p><b>Governance:</b> The selection process for capital work uses scoring criteria to determine which projects should be commissioned. Whilst this offers good governance, there are inconsistencies between the three areas (South, Mid, North), with the scores being subjective to each area. There is information within the scoring system that has a strong influence from complaints and Member input that will significantly impact inclusion in the work program. Whilst these areas need to be considered, improved commissioning should mainly be based on the need to undertake the work for specific structural and safety needs and not on subjective external factors that can't be particularly quantified or corroborated.</p> <p>There is no formalised approval of the decisions made by the HAMP Board, and which jobs are to be undertaken within the Capital Work Program. Whilst there is informal oversight, stronger formalised governance will ensure that there is a transparent direction in commissioning the Capital program.</p> <p>The focus of the governance process is around the capital programme given its value. However, consideration should be given to the governance and commissioning of the revenue work.</p>
	<p><b>Delivery Decision:</b> The route of delivery i.e., internally or externally, is chosen based on the choices of the Highways teams. The Council has a responsibility to demonstrate value for money in protecting the public purse, but there is no evidence that the financial implications are considered when the delivery route is chosen for capital works. The cost control mechanisms are much more formalised and visible when commissioning external work. However, it is acknowledged that internal delivery is vital in retaining an internal workforce that offers responsive resilience across other Highways functions.</p>
	<p><b>Potential Misuse:</b> There was no evidence that the commissioning system had been manipulated or misused in any shape or form for personal gain.</p>

Our audit plan coverage assessment is designed to indicate whether we have provided sufficient, independent assurance to monitor the organisation's risk profile effectively.

For those areas where no audit coverage is planned, assurance should be sought from other sources to provide a holistic picture of assurance against key risks.

## SWAP Internal Audit Plan Coverage

The table below provides a visual representation of how our completed audits and work in progress for 2021/22 and 2022/23 financial year to date provides assurance over key strategic risks areas (Risk Universe) in the Internal Audit Plan. As the year builds and more work is completed, coverage across the key risk areas increases. 'Adequate' coverage reflects delivery of planned assurance levels.

Risk Rank	Powys Risk Reference	Powys Risk Area	SWAP Risk Review	Coverage Level
1	ASC0064	Social Care Management systems	Housing- homeless and vulnerable, safeguarding, Adults -caseloads, workforce, partnerships, multiagency, Inspections Children – safeguarding, caseloads, LAC, foster care	
2	PPPP007	HOWPS Performance and Delivery	Contract, procurement, and partnerships- social value, insourcing, modern slavery, supplier resilience, nth Party risk, outsourcing risk	
3	WO0021	Workforce Planning. Recruitment and Retention	Workforce – covid, recruitment and selection, exit payments, talent management, training, sickness	
4	PCC0005	Impact of the Covid pandemic on the residents of Powys	Covid- Delivering Services	
5	FIN0001	Inability to Setting a balance Budget heightened by pandemic	Financial resilience- spending review, funding gaps, commercialisation, financial crime, Brexit, Capital	
6	ICT0029	Cyber Security Threat	Information Management – Access, cyber security, business continuity, information governance, digitalisation, Comms, Mobile Devices	
7	PCC0002	Impact of Brexit	Change- Brexit, transformation, project failure, emergency planning	
8	PROC0008	Increasing costs of supply and materials in current market		
9	ICT0010	GDPR and DPA Non-Compliance		

Overall the internal audit programme of work has adequate coverage of key risks.

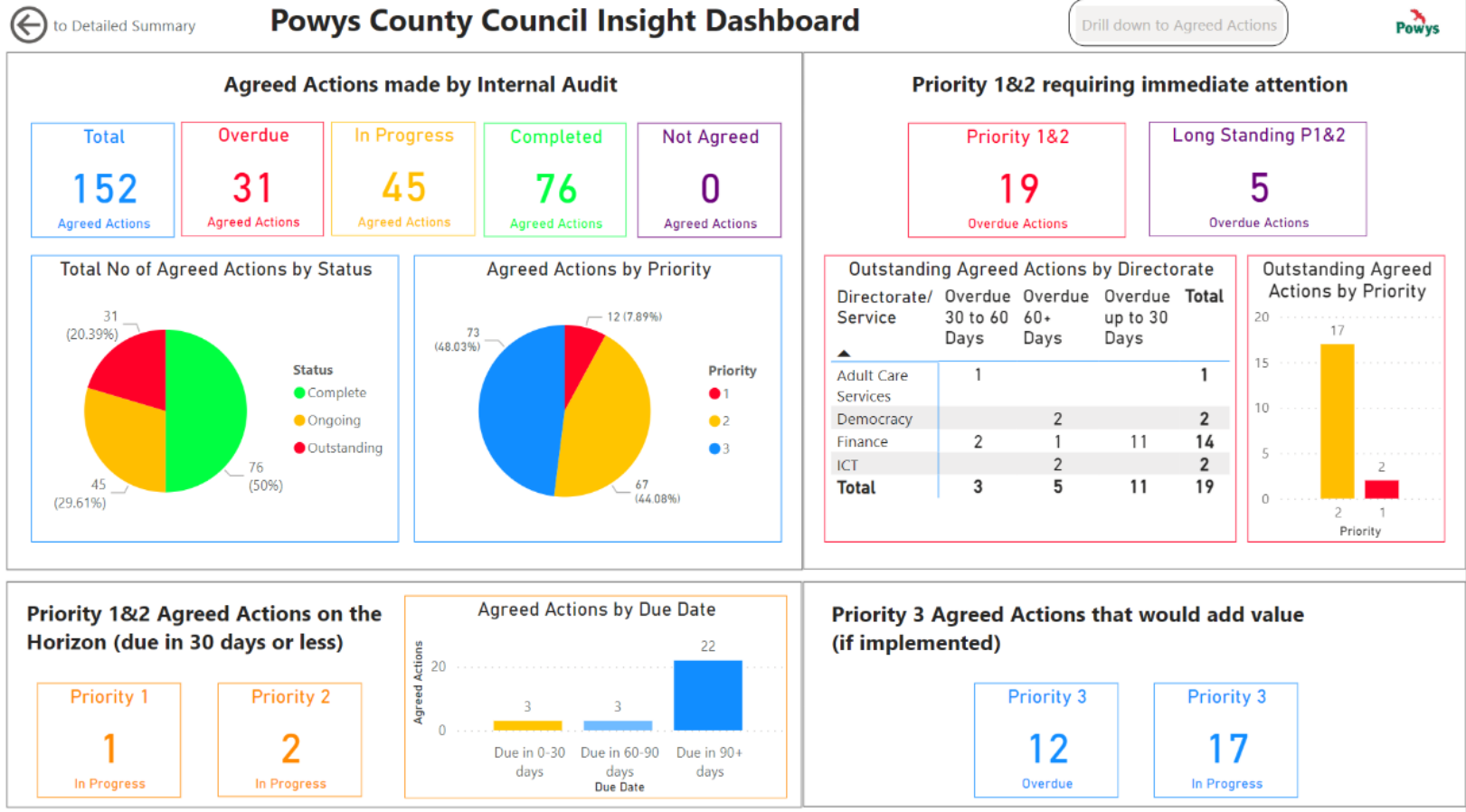
It should be noted that forms of assurance are sometimes given by other providers.

10	CS0081	Children Services Budget Management	Financial resilience- spending review, funding gaps, commercialisation, financial crime, Brexit	
11	ED0022	Schools Financial Management / Distribution formula	Educational Delivery – absence, asset management, budgets, workforce, transport,	
12	PCC0003	Negative Inspection Reports		
13	COVID0058 (Withdrawn)	Non delivery of PIAP due to Covid, Schools Transformation	Educational Delivery – absence, asset management, budgets, workforce, transport,	
14	HO0024	Statutory Compliance in Housing stock	Strategic asset management- land and property management Health, Safety and Wellbeing – homeworking, public spaces, building cladding, housing maintenance	
15			Governance- decision making and scrutiny, culture, ethics and regulatory compliance	
16			Planning-affordable Housing Local Economy -unemployment, decline of High Street, transport Environment – sustainability, climate change, carbon reduction, recycling	

Coverage Key	
<b>Good</b>	Good coverage complete
<b>Adequate</b>	Adequate coverage complete
<b>Some</b>	Coverage Completed
<b>In progress</b>	Some Areas of Coverage planned or in Progress
<b>None</b>	No coverage to date

Follow up work confirms the responsive nature of management in implementing agreed actions to mitigate exposure to areas of risk.

Action tracking and Follow Up



**Key Outstanding Issues**

These outstanding issues have been



SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

stagnated and are long overdue.

The failure to implement agreed actions increases the risk of unwanted events occurring.

All Internal Audit issues have been accepted by management.

The are no significant actions on the horizon that may become outstanding

Management is successfully implementing

The list below is those priority 1 and Priority 2 recommendations that have not been implemented within the agreed timescale.

Directorate /Service	Audit Name	Ref	Agreed Action	Priority	Responsible Officer	Implementation Date	Implementation Days	Status
Finance	Baseline Assessment of Fraud Maturity	458 03	Align counter-fraud resources to the results of the risk assessment and establish responsibility for assurance between SWAP and the Powys Counter Fraud Team.	2	David Morris	01/07/2022	18	Outstanding
Finance	Baseline Assessment of Fraud Maturity	457 97	Complete risk assessment process in liaison with SWAP and assign responsibility for ongoing management of process.	2	David Morris	30/06/2022	19	Outstanding
Finance	Baseline Assessment of Fraud Maturity	458 02	Create and approve a training plan for Council Officers and Members in relation to anti-fraud and corruption and agree on awareness protocol.	2	David Morris	30/06/2022	19	Outstanding
Finance	Baseline Assessment of Fraud Maturity	458 00	Create and publicise a direct anti-fraud phonenumber to stakeholders.	2	David Morris	30/06/2022	19	Outstanding
Finance	Baseline Assessment of Fraud Maturity	458 11	Ensure relevant strategies and policies are subject to required ongoing scrutiny and review.	2	David Morris	30/06/2022	19	Outstanding
Finance	Baseline Assessment of Fraud Maturity	458 08	Implement a process for vetting candidates in respect of fraud and financial fraud risk.	2	David Morris	30/06/2022	19	Outstanding
Finance	Baseline Assessment of Fraud Maturity	457 98	Make anti-fraud and corruption training mandatory for all staff.	2	David Morris	30/06/2022	19	Outstanding
Finance	Creditors Control Risk Self Assessment	464 15	Payments made without purchase orders – schools that do not use e-procurement: project is being started to investigate the procure to pay process in schools.	2	Sarah Quibell	30/04/2022	80	Outstanding
			Covid Business Grants, Free school meals payments and School uniform grants are processed without orders					

internal audit agreed actions.

Imprest claims do not have orders  
School transport contract payments do not have orders.

There are very few payments outside of these categories that are made without orders.

Of greater concern are the orders that are created after the invoice date – these are being reported to Heads of Service and will be scrutinised. Training will be provided where there are persistent offenders who continue to raise orders after the invoice has been raised.

Directorate /Service	Audit Name	Ref	Agreed Action	Priority	Responsible Officer	Implementation Date	Implementation Days	Status
Finance	Baseline Assessment of Fraud Maturity	45810	Re-perform baseline assessment for fraud maturity.	2	David Morris	30/06/2022	19	Outstanding
Finance	Baseline Assessment of Fraud Maturity	45806	Review Whistleblowing Policy and ensure it has the correct contact details and is then made available to key stakeholders as appropriate.	2	David Morris	30/06/2022	19	Outstanding
Adult Care Services	D.O.L.S	42073	Staffing Resources - Assessors We recommend reviewing staffing/contractor arrangements to ensure that the DoLS team is adequately resourced with appropriate procedures in place to ensure the availability of Best Interest Assessor to enable assessments to be carried out on a timely basis.	1	Senior Manager Contact & Adult Safeguarding	31/03/2020	80	Outstanding
Finance	Commissioning & Partnerships	47035	The contracts register and contracts exemption protocols have been updated to ensure full and proper authorisation and compliance.	2	Vince Hanly &	01/07/2022	18	Outstanding
Finance	National Fraud Initiative	46913	The team undertake proactive anti-fraud and error exercises regularly outside of NFI including Single Person Discount reviews and Business Grant checks. This is helpful to prevent and detect fraud before the NFI exercises every two years. Despite the recent pressures on Local Government by ways of grant support for	1	Jane Thomas	01/06/2022	48	Outstanding



Directorate /Service	Audit Name	Ref	Agreed Action	Priority	Responsible Officer	Implementation Date	Implementation Days	Status
			residents and business, the anti-fraud review work has continued but the teams have found it difficult to also find time for updating the NFI exercises on what has been done already along with reviewing those NFI matches that are new. I can confirm that teams have now completed the NFI matches providing updates on all cases and have only 7 cases that have been opened to investigate and complete as of today's date.					
Finance	Baseline Assessment of Fraud Maturity	45807	Update staff and Member codes of conduct to include direct fraud reference.	2	David Morris	30/06/2022	19	Outstanding
Democracy	Conflict of Interest	42929	We recommend all staff should receive appropriate training as new employees and periodic refreshers in relation to the code of conduct.	2	Head of Legal and Democratic Services.	01/01/2021	384	Outstanding
			We also recommend that the Authority needs to issue guidelines for all Officers of the Authority as to how to declare and record any Conflicts of Interests. This guidance should be linked to the Code of Conduct and should form part of a structured training and refresher programme.					
Finance	Debt Management	42315	We recommend that all debt is pursued in line with the Authorities approved guidance.	2	Dave Thomas	01/04/2020	839	Outstanding
ICT	GDPR-Information Asset Registers	45119	We recommend that going forward the Professional Lead Data Protection officer undertakes monitoring of the information that the services enter into the asset registers to determine that the information is accurate and timely.	2	Helen Dolman/Clive Pinney	31/03/2022	110	Outstanding
Democracy	Conflict of Interest	42928	We recommend that the Authority needs to ensure that all staff are made aware of their declaration responsibilities and methods to record any conflict of interests.	2	Head of Legal and Democratic Services.	01/12/2020	475	Outstanding
ICT	GDPR-Information	43965	We recommend that the Council reviews its current information asset registers to ensure that	2	Helen Dolman/	31/03/2022	110	Outstanding

Asset Registers

all information has been included, and the quality of information is consistent throughout.

Clive Pinney

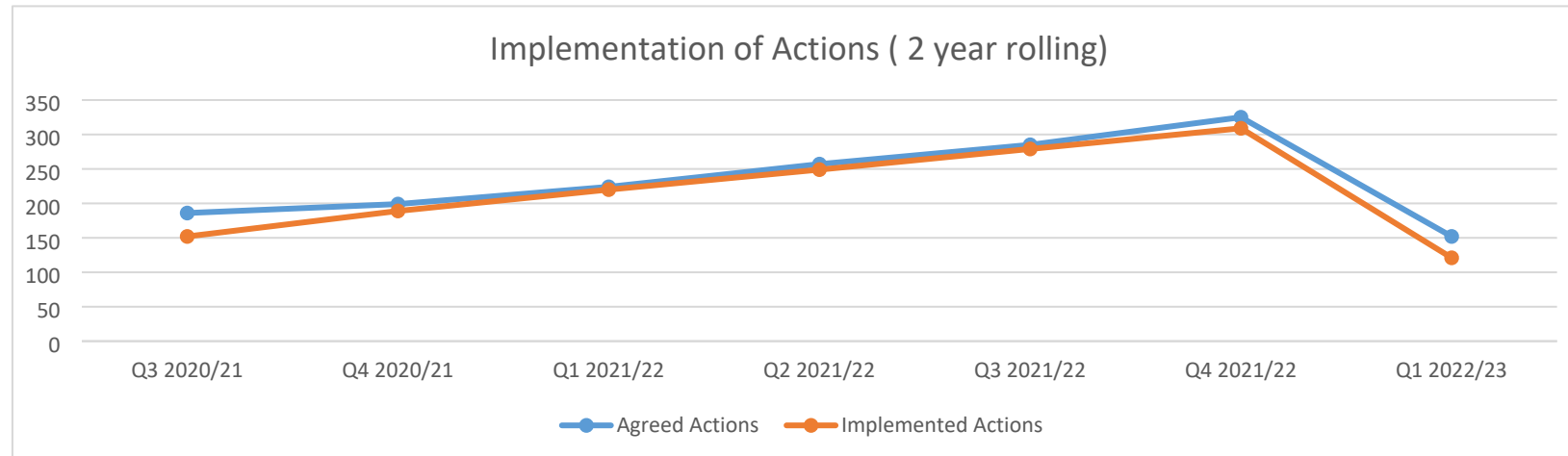


**Not Agreed Actions**

All actions were agreed by the Service at the time of the audit.

**Agreed Action Implementation**

The chart below shows the number of agreed actions from audit work compared to those actions that are not implemented after exceeding the agreed deadline.



# Summary of Internal Audit Work 2022/23 - Q1

Appendix A

Service Area	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
<b>Completed</b>							
Adults & Childrens	Continuing Health Care	Complete	Limited	4	-	4	-
Finance	Contract Exemptions	Complete	Reasonable	2	-	2	-
Finance	National Fraud Initiative Administration (Qrt 1)	Complete	Advisory	-	-	-	-
Finance	National Fraud Initiative Interim Report Q1	Complete	Advisory	-	-	-	-
Finance	Risk Appetite Benchmarking	Complete	Advisory	-	-	-	-
Highways, Transport & Recycling	Highways – Delivery, Reporting and Monitoring	Complete	Limited	4	2		2
Highways, Transport & Recycling	Highways - Flexi- time Payments	Complete	Reasonable	3	-	-	3
Highways, Transport & Recycling	Highways – Non-Standard Payments	Complete	Reasonable	4	-	2	2
Highways, Transport & Recycling	Highways -Fuel Security and Usage	Complete	Limited	4	1	3	-
Highways, Transport & Recycling	Highways -Stocks and Materials	Complete	Reasonable	3	-	1	2
Highways, Transport & Recycling	HTR Resurfacing – Commissioning	Complete	Reasonable	5	1	2	2
Highways, Transport & Recycling	HTR Resurfacing – Procurement	Complete	Reasonable	6	1	2	3
Public Protection	Estate Agent Grant	Complete	Reasonable	-	-	-	-

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Service Area	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
Schools	Brynhafren CP	Complete	Reasonable	4	-	1	3
3Schools	Gwernyfed High School	Complete	Substantial	3	-	2	1
Schools	Penygloddfa Primary School	Complete	Reasonable	10	-	8	2
Schools	Ysgol Maesydderwen High School	Complete	Reasonable	4	-	1	3
Transformation and Communication	Action Tracking and Follow-up Q1 (Apr/May/Jun)	Complete	Advisory	-	-	-	-
Corporate	Archiving Powys IA records	Complete	Support	-	-	-	-

#### Reporting

Schools	Berriew Primary School	Draft with Client					
Schools	Guilsfield Primary School	Draft with Client					
Schools	Llanidloes Primary School	Draft with Client					
Schools	St Marys Primary School	Draft with Client					

#### In Progress Q1

Finance	Ordering Goods and Services	Draft					
Finance	Purchase Cards Qtr1	WIP					
Schools	Ysgol Bro Hyddgen High School	Draft					

Service Area	Audit Area	Status	Opinion	No of Actions	1 =	↔	3 =
					Major		Action
					1	2	3

**Not Started – Q2**

Childrens	Managing Financial Commitments	Not Started					
Corporate	Complaints	Not Started					
Corporate	Fraud Maturity Base Line Assessment follow up	Not Started					
Corporate	Integrated Business Planning	Not Started					
Corporate	Risk Management	Not Started					
Corporate	Whistle Blowing	Not Started					
Finance	Business Rates – Liability and Billing	Not Started					
Finance	Capital Accounting	Not Started					
Finance	Debt Administration	Not Started					
Finance	Pensions	Not Started					
Finance	Suspense Account Income	Not Started					
Housing & Community	Statutory Compliance Housing	Not Started					

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# Powys County Council

## Internal Audit Annual Report 2021/22

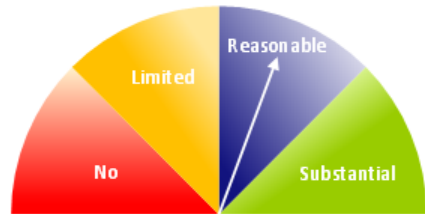
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Governance and Audit Committee – 29<sup>th</sup> July 2022

5.2

# Internal Audit Annual Opinion – 2021/22: ‘At a Glance’

## Annual Opinion



There is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.

## The Headlines



51 Completed reviews were delivered as part of the 2021/22 Internal Audit Plan. The internal audit work programme was substantially delivered. The profile of audits with positive assurance (substantial or reasonable) supported an annual opinion of reasonable assurance.



7 Audit assignments found weakness of significant concern that resulted in limited levels of assurance. These were either reported to committee throughout the year or will be reported in 22/23.

Other key areas of concern have been highlighted to Committee throughout the year however recognition is given where improvements to control frameworks have already commenced including those relating to corporate project management and governance.



Internal Audit activity is supporting the Council in its duty to prevent and detect fraud. The Fraud risk assessment is a critical document in audit planning so that key fraud risks are mitigated. The Committee should ensure they are sighted on the ongoing fraud risks the Council faces.



Improvements from the implementation of agreed actions (2021/22)  
Action tracking is on-going, and the Council have access to the results of those activities on the data dashboard. In general, the Council are implementing internal audit recommendations in accordance with plans.



Adding Value by spreading awareness and learning e.g. fraud bulletins and the bi-monthly news round up. SWAP have delivered training sessions to schools to enable them to understand the requirements of the audit process together with guidance on common issues and fraud. Specialised Data and Fraud Teams have supported the council throughout the year. One-page audit report, introduction of Agile auditing and planning.

## Internal Audit Assurance Opinions 2021/22

	YTD
Substantial	3
Reasonable/ Certified	33
Limited	7
No Assurance	0
Advisory / Support	8
<b>Total</b>	<b>51</b>

## Internal Audit Agreed Actions 2021/22

	YTD
Priority 1	10
Priority 2	51
Priority 3	69
<b>Total</b>	<b>130</b>





**Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.**



## Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
  - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities
  - whether the information technology governance of the organisation supports the organisation's strategies and objectives
  - the effectiveness of risk management processes; and
  - the potential for the occurrence of fraud and how the organisation manages fraud risk.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the governance framework.
- Summarise the performance of the internal audit function against its performance measures and criteria.
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.



## Three Lines Model

To ensure the effectiveness of an organisation's risk management framework, the Audit and Governance Committee and senior management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The 'Three Lines' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line – functions that own and manage risk.
- the second line – functions that oversee or specialise in risk management, compliance.
- the third line – functions that provide independent assurance.

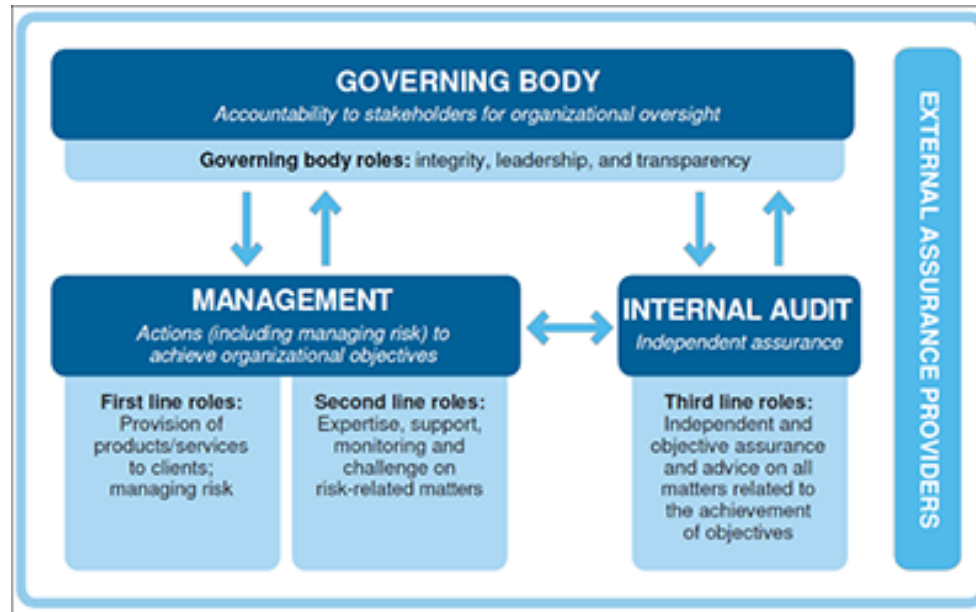


## Background

The Internal Audit service for Powys County Council is provided by SWAP Internal Audit Services. The team's work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of the Internal Audit team for the 2021/22 year.

The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines model shown below.



The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Governance Frameworks.



### Annual Opinion

On the balance of our 2021/22 audit work for Powys County Council, supported by the work of other assurance providers, I am able to offer a **Reasonable Assurance** opinion in respect of the areas reviewed during the year.

The Annual Opinion is made based on the following sources of information:

- Completed audits (during the year 2021/22) which evaluate risk exposures (including new and emerging risks) relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.
- Observations from consultancy/advisory support.
- Follow up of previous audit activity, including agreed actions.
- Significant/material risk where management has not accepted the need for mitigating action.
- Notable changes to the organisation's strategy, objectives, processes or IT infrastructure.
- Assurances from other providers, including third parties, regulator reports etc.

The following are considered key outcomes that support the annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control:

- *Baseline Assessment for the Maturity of Fraud and a Fraud Risk Assessment*
- *Agreed Action implementation Tracking*
- *Resilience in Key financial audits*
- *Improvements in Budget Management*
- *Effective Information Governance and Digital Risk Assessment*
- *Robust Covid 19 Response and Risk Plan*

# Keys Risks and Audit Coverage



## Audit Coverage by Corporate Risk

The table below provides a visual representation of how our completed audits for 20/21 and 2021/22 financial years provides assurance over key strategic risks areas (Risk Universe) in the Internal Audit Plan

Corporate Risk	Coverage	Assurance assessment based on completed internal audit work
CS0081 - Children Services Budget	Blue	Reasonable
ED0022 - Schools Budget Management	Blue	Reasonable
ED0023 - PIAP Delivery (withdrawn during year)	Yellow	Reasonable
FIN0001 - Setting a balance Budget	Yellow	Reasonable
HOU0018 - Statutory Compliance in Housing stock	Red	
ICT0010 - GDPR Compliance	Blue	Reasonable
ICT0029 - Cyber Security Threat	Yellow	Reasonable
PCC0002 - Impact of Brexit	Red	
PCC0003 - Negative Inspection Reports	Red	
PCC0005 - Impact of Covid	Yellow	Reasonable
PPPP007 – HOWPS Delivery and Performance	Red	
WO0021 -Workforce planning and Recruitment	Yellow	Reasonable
ASC006 – Resilience of Social Care systems	Red	
PRO008 – Increasing cosy of materials in current climate	Yellow	Reasonable

Coverage Key		Assurance Key	
Good	Reasonable internal audit coverage	Substantial	Sound systems of governance, risk management and control exist
Adequate	Adequate internal audit Coverage	Reasonable	Generally sound systems of governance, risk management and control in place
Some	Adequate internal audit Coverage	Limited	Significant gaps, weaknesses or non-compliance were identified
None	No recent internal audit coverage	No Assurance	Fundamental gaps, weaknesses or Non-compliance identified

Internal audit coverage should be aligned to key corporate priorities and key corporate risks.

SWAP audit work is generally aligned to the key risks of the Council.

For those areas where no audit coverage is provided, assurance should be sought from other sources to provide a holistic picture of assurance against key risks.

In the near future, SWAP will be implementing a new audit management system that will provide details assurance mapping to the Council.


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## Significant Risks- Summary of Adverse Opinion Reports

For those audits with adverse opinions which have reached report stage through the year, we have assessed the following risks as 'High'.

Definition of High Risk-Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

### Y Gaer ( lessons learned) - Executive Summary

Assurance Opinion		Agreed Action Summary	
	<p>Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.</p>	Priority	Number
		<b>Priority 1</b>	<b>1</b>
		<b>Priority 2</b>	<b>9</b>
		<b>Priority 3</b>	<b>1</b>
		<b>Total</b>	<b>11</b>

#### Summary

y Gaer is a new, vibrant cultural hub in Brecon which provides valuable community resources to the people of Brecon and the surrounding area. y Gaer will provide opportunities for participation and volunteering and will become a significant tourist attraction. The key features include:

- New 21st century public library facilities for adults and children.
- New museum gallery spaces with increased flexibility for visiting exhibitions.
- Restoring and conserving the Grade II\* Listed Brecknock Shire Hall and Assize Court, both inside and out.
- Community and education rooms providing shared learning experiences.
- Café and shop.

As with many major projects it took many years to develop, was costly, high profile and carried high risks given the scale and complexity of the project.

The Council identified a clear need for a project of this nature given the issues facing the Brecknock Museum & Art Gallery and as part of the Council's wider regeneration agenda.

There was considerable pressure to address the issues of the building, time pressure because the building was continuing to deteriorate, and once Heritage Lottery funding had been obtained it was widely expected to use this funding. The securing of funding for the project became

## Summary of Audit Outcomes 2021/22

**The issues identified in the y Gaer assignment pointed to historic failures in project, programme, and contract management. This was amplified by inadequate governance arrangements.**

**Programme and Project management guidance has been suitably revised and the Council have undertaken reviews to confirm the activity is in line with the new frameworks.**

**Internal Audit work will focus on the delivery of the frameworks in the audit planning pipeline.**

from the outset, integral to the way in which the project progressed, with one of the key drivers becoming protection of the Council's ability to draw down the grant and how the Council would fund its share of the construction costs.

Significantly, it was during the early period of the project, before the setting up of a full governance process, that key decisions regarding the project were made. The crucial point for the project was in May 2016, when Cabinet decided to proceed to contract. This was effectively a commitment to the project and was also the time that the full governance process was set up. The original, limited governance process, prior to May 2016, was unable to address the key, early challenges of this project, significantly including the robustness of project definition and funding within a documented business case. Given the limited budget, the management of expectations to ensure the proposed project was realistic and decision makers really understood the risks became challenging.

A key weakness was that the project was not fully scoped at an early stage and an ongoing, appropriately updated, well-documented, defined business case was not produced. The Council understood its desired outcomes but was unclear at times during the project about the roadmap they needed to follow to deliver those objectives.

Despite the consultants and agency staff employed, at a very early stage in the project, the Council did not have the experience and knowledge to take on a project of this scale and complexity, especially given that project management skills within the Council lacked maturity at this time. The Council became overly reliant on a key team and individuals regarding the technical aspects to bring the project forward. The complexity of roles, responsibilities and the interrelationship between senior management, project managers, contractors and sub-contractors became an issue over the lifetime of the project, compounded by a lack of continuity with key members of staff.

The processes used for the employment of the main contractors on the project were found to be in order. The delays and complexity of the project impacted upon the performance of the contractors, nevertheless there were serious concerns regarding the performance of contractors with adherence to timeframe being one of the key issues.

Standard budgetary control processes were in place for the project. Many of the increased costs associated with the project came to light once the contract had been let and it is notable that many of these costs can be directly linked with early issues concerning the design and scoping. There were always financial pressures with the project, but underfunding was also evident suggesting an optimism bias, in that the budget did not adequately reflect the likelihood of unforeseen costs. A small risk contingency was set aside, but this was not adequate to reflect the cost uncertainty of the construction contract.


Although stakeholder engagement was initially successful, and continued throughout the project, there were concerns over the eventual need for a new partner to come into the building.

The scale, duration, nature and technical complexity of the project was a challenge to the Council. However, improved current project management practices will enhance the successful delivery of all future projects.




Timely, accurate and relevant information is essential in making effective decisions.

The Council recognised the need to improve the supporting information and Committee reports in this decision and have implemented robust gateways to ensure compliance and quality along the decision making pathway.

## Executive Summary - Ysgol Calon Cymru (Merger Proposal)

Assurance Opinion		Agreed Action Summary		Risk Reviewed
	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Priority	Number	<b>High</b>
		Priority 1	1	
		Priority 2	0	
		Priority 3	0	
		Total	1	

**Introduction**  
 On the 28<sup>th</sup> February 2017, Cabinet confirmed their decision to close Builth Wells High School and Llandrindod High School on 31<sup>st</sup> August 2018, and to establish a new dual-stream 11-18 secondary school that will operate across the current sites of the two school from 1<sup>st</sup> September 2018. This report reviews aspects of the decision-making process. It should be noted that the Council has adopted a new programme and project methodology approach since the decision was made.





Key Findings	
	<p><b>Frameworks</b>                      The Council used a prescribed framework for setting out the merger proposal and has since developed and instigated new project management frameworks.</p>
	<p><b>Proposal -Project Needs and Objectives</b>                      The Council clearly laid out its reasons for a merger between Llandrindod and Builth Wells High Schools. The business case identified the objectives of the merger and subjectively defined what the Council hoped to achieve. However, it was difficult to determine if the merger proposal was successful because the Council did not constitute what success looked like in tangible terms. The proposal provided a strategic fit but didn't necessarily provide a compelling case.</p>
	<p><b>Proposal – Options Appraisal</b>                      The Council undertook a relatively simplistic options appraisal, but it was based mostly on subjective factors and the reasoning behind the results was not particularly transparent or supported. It was unclear how the options impacted on learners and the value to the wider society. It is indicative that the need to switch to an interim measure of an unfavoured option whilst undertaking further appraisal suggests that the business case submitted was immature and needed further diligence.</p>

# Summary of Audit Outcomes 2021/22

## Ysgol Calon Cymru – Merger Proposal (Ctd)

Page 56

Internal Audit work will focus on the delivery of the frameworks in the audit planning pipeline.

	<p>The proposal for an interim dual site / dual school option came into the decision-making process after the previous preferred options were discounted. As a result of timescales, the information supporting that proposal and impact of the schools appears much less rigorous than previously undertaken for a preferred option. The Council made the decision, but it failed to outline a pathway about how Ysgol Calon Cymru would deliver both educational and financial improvements. This plan should have been developed before the decision was made to determine its likelihood of success rather than expecting an interim governing body to find the detailed solutions. Working more closely and collaboratively may have resulted in a more widely accepted and successful solution.</p>
	<p><b>Financial Implications</b>                  The financial analysis was too simplistic with a lack of evidence to support the financial viability of the options. This may have been a knock-on effect of the underdeveloped business proposal.</p> <p>The risk of the changing financial position regarding the allocation of funding to schools was not significantly considered and mitigated especially around the delivery of option 2. The decision-making process took 12 months, but the business case was not updated. The impact on the school's ability to deliver an unaltered curriculum with diminished funding and to make efficiencies and saving was specifically considered.</p> <p>There is a significant difference between the future budget projections in the proposal and the actual figures which indicates that there are either issues with the budget setting, overly optimistic financial assumption, or a lack of control over spending. Ultimately the cost of implementing option 2 dual stream /dual site was more costly than projected.</p>
	<p><b>Decision</b>                  The Council rejected the preferred option because further feasibility study work was required. As an interim measure the Council switched to an option that was rejected as part of the initial analysis because it did not meet the objectives. There was limited information provided to Members on how the Dual site/ dual stream interim arrangement would be delivered and the potential impact it would have on the learners of those schools affected.</p>
	<p><b>Governance</b>                  The Council followed the constitutional rules in considering the merger proposal and making the decision. However, the Council did not have effective scrutiny arrangements in place to review school proposals.</p> <p>The decision-making process took over a year to determine that the Council needed to put in place an interim measure whilst more feasibility work was commissioned. It would have been a much more agile and efficient process if the feasibility and diligence work had been undertaken prior to making the initial merger proposals.</p>
	<p><b>Planning the Delivery of the Proposal</b>                  Whilst the outline principles of the merger were agreed by the Council, there was much less certainty around the delivery pathway during the decision process i.e., how those principles were going to be delivered in practice. Reliance was primarily placed on the interim governing body to be able to develop and deliver the solution with the support of HR, Finance and Challenge Advisors.</p>



# Summary of Audit Outcomes 2021/22

There are many activities undertaken by Schools that are on the periphery on the Council's responsibility and oversight.

Pre School activities involve the responsibility for employing staff, ensuring proper management and effective governance arrangements. Failure to have the control process in place increases the risk of fraud and error

An agreed action plan has been agreed by the Governors and will be subject to a follow up audit.

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Primary School & Early Years Setting – Financial Health Check Final Report 10/03/22



**Audit Objective** To ensure that the financial systems and procedures at both the Primary School and its Early Years setting are operating adequately.

Assurance Opinion	Number of Actions		Risk	Assessment
	Priority	Number		
<p>Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.</p>	Priority 1	2	Poorly administered financial controls leading to financial loss and reputational damage.	Medium
	Priority 2	5		
	Priority 3	2		
	<b>Total</b>	<b>9</b>		

### Key Findings

- In line with legislation, the Early Years Setting has policies and procedures in place, but the documented procedures held did not cover all aspects of financial and supporting administrative procedures.
- The indications are that an employee did not perform her role with capability. Those responsible for her management, did not undertake effective supervision to ensure that issues with performance were identified and that suitable training was provided.
- The governing body did have some oversight over the Early Years Setting, but the degree of oversight did not match that given to the school and they were unaware of matters such as outstanding debts.
- The Early Years Setting is financially sustainable, but there were issues with the budgetary control process which requires regular input/monitoring from the budget holders. All details regarding 2020/21 did not come to light until after the year end
- The financial administration of Early Years Setting was inadequate. There has been a failure by the Responsible Individuals/ governing body to monitor the financial administration and outstanding debts. The employment of an employee, who had an existing debt with the Early Years Setting, represented a conflict that was not dealt with in a transparent manner.
- The school's financial administration and oversight of their unofficial fund was inadequate. It left the fund open to potential error and fraud.
- The school's administrative processes and supervision for school uniform was inadequate. There was a risk of potential fraud and error.

# Summary of Audit Work 2021/22

## SWAP Performance - Summary of Audit Opinions

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- Substantial – A sound system of governance, risk management and control exists
- Reasonable – There is a generally sound system of governance, risk management and control in place
- Partial – Significant gaps, weaknesses or non-compliance were identified
- No – Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified



## Summary of Audit Opinion

**Table 1: Audit Opinions Split**

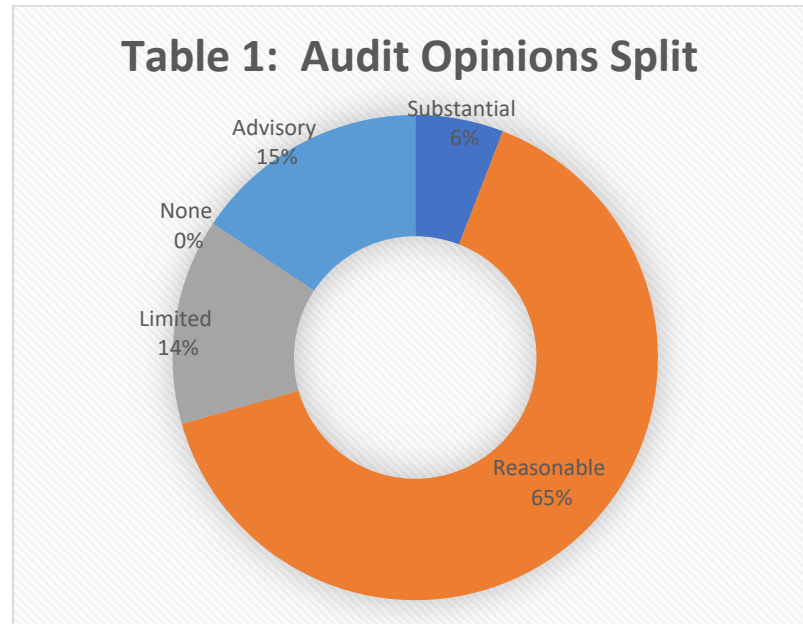


Table 1 above indicates the spread of assurance opinions across our work during the past year. The Council’s willingness and openness to identify areas for review has naturally resulted in an increased number of Limited Assurance opinions.



# Summary of Audit Work 2021/22

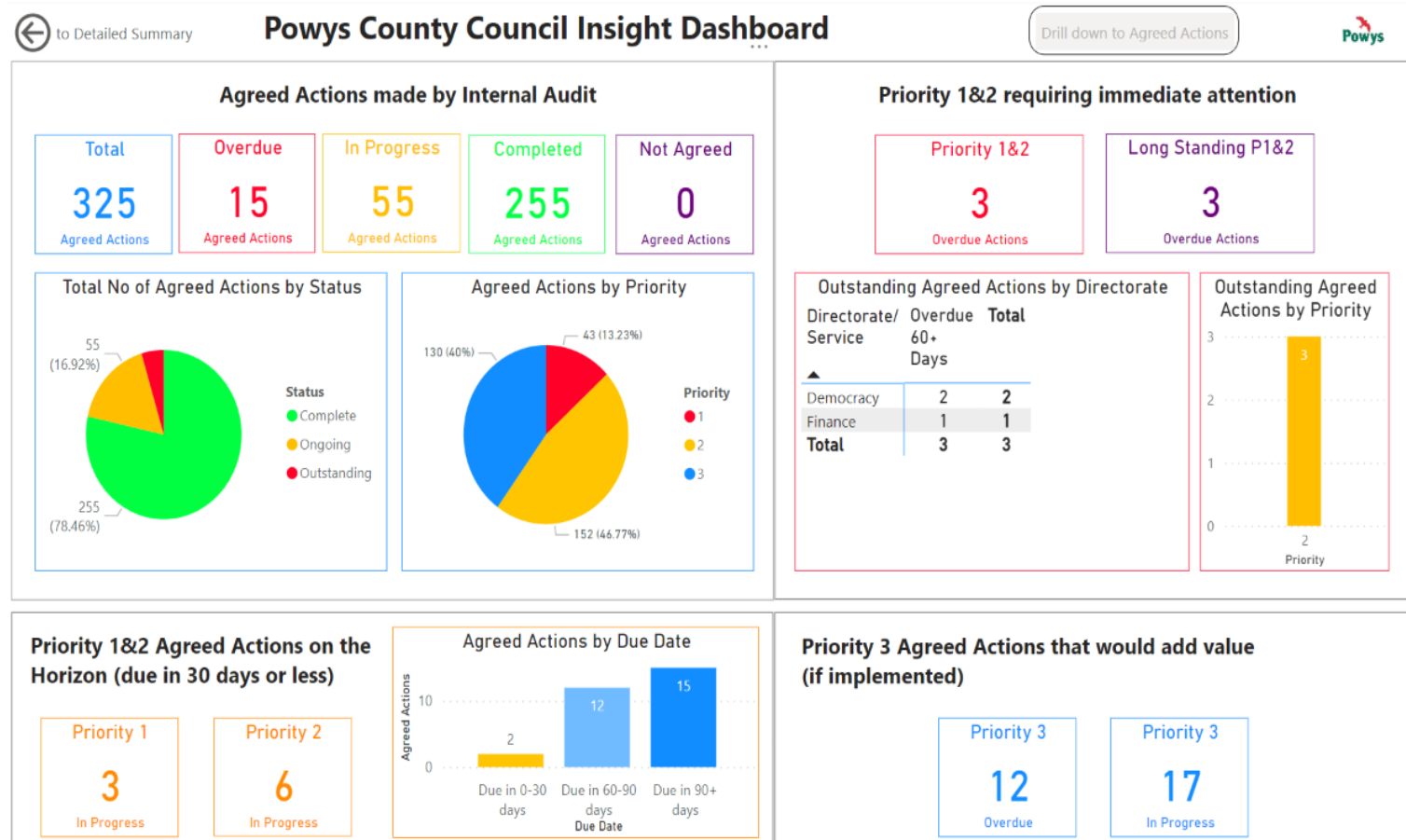
## SWAP Performance – Action Tracking

Note: the action tracker reports over a rolling two-year period.

The tracker is based mostly on self-assessment rather than independent verification. Therefore, a role remains for the Internal Audit working Group and follow-up audits on the areas of highest risk.

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## Action Tracking



# Summary of Audit Outcomes 2021/22

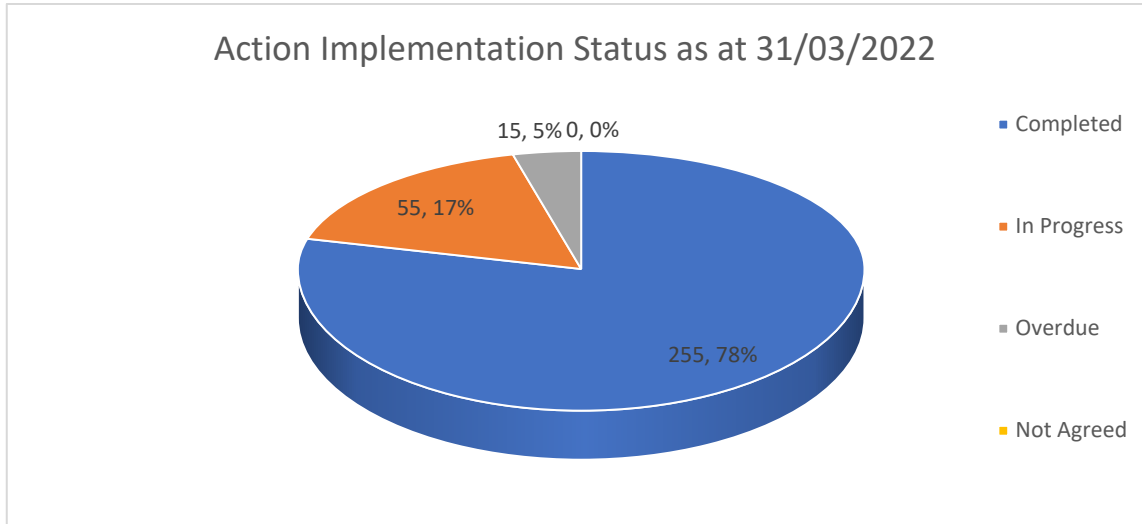
Recommendation tracking is having a positive effect on promptly mitigating risks in the Council.

Management is successfully implementing internal audit agreed actions.

These outstanding issues have been stagnated and are long overdue.

The failure to implement agreed actions increases the risk of unwanted events occurring.

All Internal Audit actions have been accepted by management.



### Key Outstanding Issues

The list below is those priority 1 and Priority 2 recommendations that have not been implemented within the agreed timescale.

Directorate/ Service	Audit Name	Ref	Agreed Action	Priority	Responsible Officer	Implementation Date	Revised End Date	Implementation Days
Democracy	Conflict of Interest	42929	We recommend all staff should receive appropriate training as new employees and periodic refreshers in relation to the code of conduct.  We also recommend that the Authority needs to issue guidelines for all Officers of the Authority as to how to declare and record any Conflicts of Interests. This guidance should be linked to the Code of Conduct and should form part of a structured training and refresher programme.	2	Head of Legal and Democratic Services.	01 January 2021	30 June 2021	285
Finance	Debt Management	42315	We recommend that all debt is pursued in line with the Authorities approved guidance.	2	Dave Thomas	01 April 2020		740
Democracy	Conflict of Interest	42928	We recommend that the Authority needs to ensure that all staff are made aware of their declaration responsibilities and methods to record any conflict of interests.	2	Head of Legal and Democratic Services.	01 December 2020	31 March 2021	376

### Not Agreed Actions

The Council have no actions that were not agreed by the Service at the time of the Annual Report..

### Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



### Added Value

Throughout the year, SWAP strives to add value wherever possible i.e. going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost.

The 2021/22 financial year saw the introduction of quarterly planning which has allowed SWAP Internal Audit Services to be more dynamic and agile in their approach to planning and ensure that audits completed are covering risks as and when they arise. SWAP Internal Audit Services will move to a rolling plan of audits in 2022/23 to ensure that planning is agile, this rolling plan will include a pipeline of potential audit work that will allow the committee to have sufficient coverage for a future 12 to 18 months.

#### Benchmarking

- Counter fraud – a Cross Comparison Partner Review presented information from separate fraud risk assessments of eleven SWAP Partners to enable comparison of relative maturity and an overview of findings across participants. This information is being considered as part of action implementation following a counter fraud risk assessment of the Council in 2021/22.
- Sector and partner risks - information to inform strategic risk register development and review is gathered and shared to support the Council's risk management process.
- Information on topical issues and good practice is gathered and appropriately shared across SWAP and sector partners.
- Specific benchmarking exercises on: Appointee prepaid cards, Insurance, Coroners, School forum, Disclosure and baring checks, NNDR appeals provision, Customer Services.

#### Visibility

- Audit Committee training and awareness
- Training on fraud, risk and controls in Schools

#### Reactive

- Investigation resource from SWAPs Counter fraud team including fraud alerts
- COVID-19 Grant Certification Work to respond to government review and sign off requirements

#### Project

- Real-time project advice provided as required

**Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).**



### SWAP Quality & Performance

SWAP's performance is subject to regular monitoring and review by both the SWAP Board of Directors and the Owners Board.

SWAP work is completed to comply with the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Under these standards we are required to be independently externally assessed at least every five years to confirm compliance to the required standards. SWAP was recently assessed in February 2020 and confirmed that we are in conformance to PSIAS.

Attribute Standard 1300 of the IPPF requires Heads of Internal Audit to develop and maintain a Quality Assurance and Improvement Programme (QA&IP). Standard 1310 continues this dual aspect by stating that the programme must include both internal and external assessments. This acknowledges that high standards can be delivered by managers, but it also implies that improvements can be further developed when benchmarking is obtained from outside the organisation and the internal audit function. Following our External Assessment, we have pulled together our QA&IP and included additional improvements and developments identified internally that we want to make, as aligned to SWAP's Business Plan. The QA&IP is a live document and will be regularly reviewed by the SWAP Board to ensure continuous improvement and delivery on our actions.

# List of Internal Audit Work 2021/22

Appendix A

Service Area	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
<b>Completed</b>							
Children	Budget Management	Complete	Reasonable	9	-	6	3
Children	Mental Capacity Act	Complete	Reasonable	3	-	1	2
Digital	Digital ICT Risk Review	Complete	Reasonable	-	-	-	-
Finance	Council Tax (Control Risk Self-Assessment)	Complete	Reasonable	1	-	-	1
Finance	Covid Fraud Risks Business Grants	Complete	Reasonable	5	-	2	3
Finance	Creditors (Control Risk Self-Assessment)	Complete	Substantial	0	-	-	-
Finance	Debtors (Control Risk Self-Assessment)	Complete	Reasonable	2	-	-	2
Finance	Education Improvement Grant	Complete	Reasonable	-	-	-	-
Finance	Fraud Risk Assessment	Complete	Reasonable	-	-	-	-
Finance	Growth Mid Wale 20/21s – Grant	Complete	Reasonable	-	-	-	-
Finance	National Fraud Initiative Administration (Qrt 1, 2,3 &4)	Complete	Advisory	-	-	-	-
Finance	National Fraud Initiative Update Report Q1	Complete	Reasonable	-	-	-	-
Finance	National Fraud Initiative Update Report Q3	Complete	Limited	1	1	-	-
Finance	Pupil Deprivation Grant	Complete	Reasonable	-	-	-	-

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## Summary of Audit Work 2021/22

Service Area	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
Finance	Purchase Cards (Control Risk Self-Assessment)	Complete	Reasonable	2	-	2	-
Finance	School Covid Claims on Barclaycard (April / May/ June)	Complete	Reasonable	-	-	-	-
Finance	School Covid Claims on Barclaycard (July/ August/ September)	Complete	Reasonable	-	-	-	-
Finance	School Covid Claims on Barclaycard (Oct-Dec)	Complete	Reasonable	-	-	-	-
Finance	Supply Chain Fraud Risks	Complete	Reasonable	6	-	1	5
Highways, Transport & Recycling	Highways – Delivery, Reporting and Monitoring	Draft with Client	Limited	4	2	-	2
Highways, Transport & Recycling	Highways - Flexi- time Payments	Draft with Client	Reasonable	3	-	-	3
Highways, Transport & Recycling	Highways -Fuel Security and Usage	Draft with Client	Limited	4	1	3	-
Highways, Transport & Recycling	Highways – Non-Standard Payments	Draft with Client	Reasonable	4	-	2	2
Highways, Transport & Recycling	Highways -Stocks and Materials	Draft with Client	Reasonable	3	-	1	2
Highways, Transport & Recycling	HTR Resurfacing – Commissioning	Draft with Client	Reasonable	5	1	2	2
Highways, Transport & Recycling	HTR Resurfacing – Procurement	Draft with Client	Reasonable	6	1	2	3
Highways, Transport and Recycling	Interim Report on HTR Commissioning	Complete	Advisory	-	-	-	-
Housing & Community Development	Enable Grant	Complete	Reasonable	-	-	-	-
Housing & Community Development	Y Gaer (Lessons learned)	Complete	Limited	11	1	9	1

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## Summary of Audit Work 2021/22

Service Area	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
Schools	Audit Training Session for Schools Q3	Complete	Advisory	-	-	-	-
Schools	Audit Training Session for Schools Q4	Complete	Advisory	-	-	-	-
Schools	Brecon High School (Follow-up)	Complete	Reasonable	1	-	1	-
Schools	Fornden Primary School	Complete	Substantial	4	-	-	4
Schools	Franksbridge CP	Complete	Reasonable	7	-	-	7
Schools	Gladestry Primary School	Complete	Substantial	3	-	-	3
Schools	Llandinam Primary School	Complete	Limited	9	2	5	2
Schools	Llangattock Primary School	Complete	Reasonable	9	-	3	6
Schools	Llangynidr Primary School	Complete	Reasonable	8	-	2	6
Schools	St Michaels CIW, Kerry	Complete	Reasonable	4	-	-	4
Schools	Ysgol Bro Cynllaith CP	Complete	Reasonable	4	-	1	3
Schools	Ysgol Calon Cymru	Complete	Limited	1	1	-	-
Schools	Ysgol Gymraeg Dyffryn Glowyr	Complete	Reasonable	2	-	1	1
Schools	Ysgol Pennant	Complete	Reasonable	6	-	-	6
Transformation and Communication	Action Training and Follow-up Q1 (Apr/May/Jun)	Complete	Advisory	-	-	-	-

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## Summary of Audit Work 2021/22

Service Area	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
Transformation and Communication	Action Tracking and Follow-up Q2 (Jul/Aug/Sep)	Complete	Advisory	-	-	-	-
Transformation and Communication	Action Tracking and Follow-up Q3 (Oct/Nov/Dec)	Complete	Advisory	-	-	-	-
Transformation and Communication	Action Tracking and Follow-up Q4 (Jan/Feb/Mar)	Complete	Advisory	-	-	-	-
Transformation and Communication	Impact Assessment	Complete	Reasonable	2	-	1	1
Adults & Children	Continuing Health Care	Draft	Limited	4	-	4	-
Digital	Management of Digital Information Assets	Complete	Reasonable	4	-	1	3
Schools	Brynhafren CP	Draft	Reasonable	4	-	1	3

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## 2022 Audit Plan – Powys County Council

Audit year: 2022-23

Date issued: July 2022

Document reference: 3077A2022

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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# 2022 Audit Plan

## About this document

- 1 This document sets out the work I plan to undertake during 2022 to discharge my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

## My duties

- 2 I complete work each year to meet the following duties.

## Audit of financial statements

- 3 Each year I audit Powys County Council's (the Council) financial statements to make sure that public money is being properly accounted for.

## Value for money

- 4 The Council has to put in place arrangements to get value for money for the resources it uses, and I have to be satisfied that it has done this.

## Sustainable development principle

- 5 The Council needs to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

## Impact of COVID-19

- 6 The COVID-19 pandemic has had an unprecedented impact on the United Kingdom and the work of public sector organisations.
- 7 While Wales is currently at Coronavirus Alert Level 0, Audit Wales will continue to monitor the position and will discuss the implications of any changes in the position with your officers.

## Audit of financial statements

- 8 It is my responsibility to issue a certificate and report on the financial statements. This includes:
  - an opinion on the 'truth and fairness' of the Council's financial statements for the financial year ended 31 March 2022; and
  - an assessment as to whether the Council's Narrative Report and Annual Governance Statement is prepared in line with the CIPFA Code and relevant guidance and is consistent with the financial statements and with my knowledge of the Council.
- 9 In addition to my responsibilities for auditing the Council's financial statements, I also have responsibility for:
  - responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary);
  - auditing the Powys Pension Fund accounts (a separate audit plan has been prepared for the audit of the pension fund); and
  - the certification of a number of grant claims and returns as agreed with the funding bodies.
- 10 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Governance and Audit Committee prior to completion of the audit.
- 11 Any misstatements below a trivial level (set at 5% of materiality) I judge as not requiring consideration by those charged with governance and therefore will not report them.
- 12 There have been no limitations imposed on me in planning the scope of this audit.
- 13 I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#), along with further information about my work.

## Audit of financial statements risks

14 The following table sets out the significant risks I have identified for the audit of the Council.

### Exhibit 1: financial statement audit risks

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

Audit risk	Proposed audit response
<b>Significant risks</b>	
<p><b>Risk of Management Override</b></p> <p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases; and</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>
<b>Other Audit Risks</b>	
<p><b>Impact of COVID-19</b></p> <p>Although COVID-19 restrictions have now been removed, there have been ongoing pressures on staff resource and of remote working that may impact on the preparation, audit and publication of accounts. There is a risk that the quality of the accounts and supporting working papers eg around estimates and valuations, may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and make arrangements to monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.</p>



Audit risk	Proposed audit response
<p><b>Accounting for Welsh Government funding and other grant income</b></p> <p>The Welsh Government has made available various funding streams to the Council. In some cases, these monies provide financial support to the Council itself. In other cases, the funds have been administered by the Council, making payments to third parties on behalf of the Welsh Government. Payments have been made available through a number of different schemes over the course of 2021-22 with significant additional funding being provided towards the latter part of the financial year. The amounts involved are material to the accounts.</p> <p>There is a risk that the Council has incorrectly accounted for this income.</p>	<p>We will review the funding streams received from Welsh Government and confirm the appropriate accounting treatment with the Council.</p>
<p><b>Asset valuations</b></p> <p>In light of the COVID restrictions that were in place throughout 2021-22 and uncertainties over market values for assets since the start of the pandemic, there is a risk that the carrying value of assets reported in the accounts may be materially different to the current value of assets as at 31 March 2022. In particular, this may be the case where assets have been valued on a rolling basis and not as at the financial year end.</p>	<p>We will review the Council's asset valuation programme to establish when individual groups of assets were valued and seek to confirm that valuations carried out earlier than as at 31 March 2022 are not materially different to the current value of assets as at the year end.</p>
<p><b>Related parties</b></p> <p>Disclosure of related party transactions are important as these transactions identify relationships that might materially prevent a body pursuing its separate interests or allow the body to prevent another party from pursuing its interests independently.</p>	<p>We will review the Council's processes and procedures for identifying and disclosing related party transactions in the accounts to ensure their accuracy and completeness.</p>

Audit risk	Proposed audit response
<p>We have identified related party transactions as material to the accounts as they can provide scope to distort financial information and/or obscure the substance of transactions.</p> <p>Last year's audit identified weaknesses in the Council's systems for identifying and recording related party transactions.</p>	
<p><b>Global Centre of Rail Excellence – Repayable Funding</b></p> <p>As reported in our 2020-21 Audit plan, in May 2019, Powys County Council, Neath Port Talbot County Borough Council and Welsh Government entered a Joint Venture Agreement to work together to bring forward the development of the Global Centre of Rail Excellence (GCRE).</p> <p>In March 2021, the Council was awarded £50 million of Repayable Funding in respect of Global Centre of Rail Excellence project by Welsh Government. The Council received £33 million in March 2021 and was due to receive the remaining £17 million in 2021-22 (£10 million) and 2022-23 (£7 million) respectively.</p> <p>In addition, the UK Government offered to match fund up to £30 million of the cost of the project, details of which are still to be determined.</p> <p>These funding opportunities were seen as a unique opportunity to progress the GCRE project. However, significant additional due diligence was required before the proposed project proceeds to a full business case position and inclusion within the Council's capital programme/approval by full Council.</p> <p>Initially, the Council had until 30 September 2021 to progress to the full business case position and it was able to return the funding without penalty prior to</p>	<p>We will review the terms of the Repayable Funder offer provided by Welsh Government and confirm that:</p> <ul style="list-style-type: none"> <li>• the Council has appropriately considered its powers to accept the funding; and</li> <li>• the funding has been appropriately disclosed and accounted for in the Council's 2021-22 draft financial statements.</li> </ul>

Audit risk	Proposed audit response
<p>this date if it is decided that it is not viable to proceed with the project.</p> <p>The deadline to proceed to the full business case position had been extended and Welsh Government has been reviewing its Repayable Funding Offer including the potential to request that the Council repay some of the initial funding.</p> <p>Consequently, there is a risk that the funding has not been accounted for appropriately in the financial statements.</p>	

## Performance audit

- 15 In addition to my Audit of Financial Statements I also carry out a programme of performance audit work to discharge my duties as Auditor General as set out in **paragraphs 4 and 5** in relation to value for money and sustainable development.
- 16 In response to the pandemic, I adopted a flexible approach to my performance audit work both in terms of topic coverage and methodology. This enabled me to respond to the fast-moving external environment and provide more real-time feedback in a range of formats.
- 17 For 2022-23, I intend to continue this approach to help enable my work to be responsive and timely, and where possible to share learning more quickly. As part of this approach, I anticipate that a significant proportion of my local performance audit programme will continue to be delivered through the Assurance and Risk Assessment Project, that will be ongoing throughout the year.
- 18 Given the high degree of commonality in the risks facing councils I also intend to deliver a number of thematic projects examining risks common to all councils.
- 19 During 2020-21, I consulted public bodies and other stakeholders on how I will approach my duties in respect of the Well-being of Future Generations (Wales) Act 2015 from 2020-2025.
- 20 In March 2021, I wrote to the public bodies designated under the Act setting out my intentions, which include a). carrying out specific examinations of how public bodies have set their well-being objectives and b). integrating my sustainable development principle examinations of steps to meet well-being objectives with my national and local audit programmes.
- 21 My auditors are liaising with Powys County Council to agree the most appropriate time to examine the setting of well-being objectives

- 22 The examination of steps to meet well-being objectives will be conducted as part of work set out in this audit plan and successive audit plans, leading up to my statutory report under the Act in 2025.
- 23 For 2022-23 my performance audit work at Powys County Council is set out below.

### Exhibit 2: performance audit programme 2022-23

This table summarises the performance audit programme for 2022-23

Performance audit programme	Brief description
Assurance and Risk Assessment	<p>Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources and acting in accordance with the sustainable development principle</p> <p>At Powys County Council the project is likely to focus in particular on:</p> <ul style="list-style-type: none"> <li>• financial position;</li> <li>• capital programme management</li> <li>• contract management;</li> <li>• use of performance information – with a focus on service user feedback and outcomes; and</li> <li>• setting of well-being objectives</li> </ul>
Thematic review - unscheduled care	<p>We intend to undertake a cross-sector review focusing on the flow of patients into and out of hospital. This review will consider how Powys County Council is working with its partners to address the risks associated with the provision of social care to support hospital discharge, as well as prevent hospital admission. The work will also consider what steps are being taken to provide medium to longer-term solutions.</p>

Performance audit programme	Brief description
Thematic review: Springing Forward Digital	As a result of the consultation referred to in paragraph 24, and following on from our Springing Forward Workforce, and Springing Forward Assets thematic reviews in 2021-22, we intend to undertake a similar review focussing on Digital in 2022-23.
Scrutiny Review Follow Up	To assess the Council's progress in relation to our Scrutiny Follow up published in 2021.

- 24 In March 2022, I published a [consultation](#) inviting views to inform our future audit work programme for 2022-23 and beyond. In particular, it considers topics that may be taken forward through our national value for money examinations and studies and/or through local audit work across multiple NHS, central government and local government bodies. As we develop and deliver our future work programme, we will be putting into practice key themes in our new five-year strategy, namely:
- the delivery of a strategic, dynamic, and high-quality audit programme; supported by
  - a targeted and impactful approach to communicating and influencing.
- 25 The possible areas of focus for future audit work that we set out in the consultation were framed in the context of three key themes from our [Picture of Public Services](#) analysis in autumn 2021, namely: a changing world; the ongoing pandemic; and transforming service delivery. We also invited views on possible areas for follow-up work.
- 26 We will provide updates on the performance audit programme through our regular updates to those charged with governance.

## Certification of grant claims and returns

- 27 I have also been requested to undertake certification work on the Council's grant claims, which I anticipate will include Housing Benefits, Teachers Pension, NDR and pooled budget returns.

## Statutory audit functions

- 28 In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
  - Section 31 Right to make objections at audit.
- 29 As this work is reactive, I have made no allowance in the fee table below. If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee, audit team and timetable

- 30 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with a timescale to be agreed taking into account the impact of COVID-19, to the quality expected and have been subject to a robust quality assurance review;
  - information provided to support the financial statements is in accordance with the agreed audit deliverables document;
  - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
  - all appropriate officials will be available during the audit;
  - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
  - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements
- 31 If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee

- 32 As set out in our Fee Scheme 2022-23 our fee rates for 2022-23 have increased by 3.7% as a result of the need to continually invest in audit quality and in response to increasing cost pressures.
- 33 The estimated fee for 2022 is set out in **Exhibit 3**. This represents a 3.1% increase compared to the estimated fee set out in our 2021 Audit Plan.

### Exhibit 3: audit fee

This table sets out the proposed audit fee for 2022, by area of audit work, alongside the estimated audit fee for last year.

Audit area	Proposed fee (£) <sup>1</sup>	Estimated fee last year (£)
Audit of accounts <sup>2</sup>	215,131	207,830
Performance audit work <sup>3</sup>	113,848	110,090
Grant certification work <sup>4</sup>	44,000	44,000
Total fee	372,979	361,920

34 Planning will be ongoing, and changes to my programme of audit work, and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Council.

35 Further information can be found in my [Fee Scheme 2022-23](#).

### Audit team

36 The main members of my team, together with their contact details, are summarised in **Exhibit 4**.

### Exhibit 4: my audit team

This table lists the members of the local audit team and their contact details.

Name	Role	Contact number	E-mail address
Clare James	Engagement Director	07837 384617	<a href="mailto:Clare.James@audit.wales">Clare.James@audit.wales</a>

<sup>1</sup> Notes: The fees shown in this document are exclusive of VAT, which is not charged to you.

<sup>2</sup> Payable November 2021 to October 2022.

<sup>3</sup> Payable April 2022 to March 2023.

<sup>4</sup> Payable as work is undertaken.

Name	Role	Contact number	E-mail address
Phil Pugh	Audit Manager (Financial Audit)	02922 677837	<a href="mailto:Phil.Pugh@audit.wales">Phil.Pugh@audit.wales</a>
David Burridge	Audit Lead (Financial Audit)	07798 503066	<a href="mailto:David.Burridge@audit.wales">David.Burridge@audit.wales</a>
Non Jenkins	Audit Manager (Performance Audit)	02920 320500	<a href="mailto:Non.Jenkins@audit.wales">Non.Jenkins@audit.wales</a>
Bethan Hopkins	Audit Lead (Performance Audit)	02920 320500	<a href="mailto:Bethan.Hopkins@audit.wales">Bethan.Hopkins@audit.wales</a>

- 37 There is one potential conflict of interest that I wish to bring to your attention. This relates to a member of my financial audit team whose husband is employed by Powys Teaching Health Board and who is also a governor of a secondary school within Powys. I have introduced appropriate arrangements to ensure that this officer does not undertake work in relation to the health board (eg Pooled Budget Accounts) or the school.
- 38 I can confirm that, with the exception of the above, all other members of my team are independent of the Council and your officers.

## Timetable

- 39 The key milestones for the work set out in this plan are shown in **Exhibit 5**.
- 40 The Public Audit (Wales) Act 2004 provides electors with the right to ask questions and to make objections to the Authority's accounts to the Auditor General. The rights to ask questions and make objections at audit are linked to electors' rights to inspect the accounts that are also set out in the 2004 Act.



**Exhibit 5: audit timetable**

<b>Planned output</b>	<b>Work undertaken</b>	<b>Report finalised</b>
2022 Audit Plan	February to May 2022	July 2022
<b>Audit of Financial statements work:</b> <ul style="list-style-type: none"> <li>• Audit of Financial Statements Report</li> <li>• Opinion on Financial Statements</li> <li>• Financial Accounts Memorandum</li> </ul>	June to September 2022  October 2022  December 2022	30 October 2022  30 October 2022  31 December 2022
<b>Performance audit work:</b> <ul style="list-style-type: none"> <li>• Assurance and Risk <b>Assessment project</b></li> <li>• Thematic <b>Review – unscheduled care</b></li> <li>• Thematic Review</li> <li>• Local Projects</li> </ul>	Timescales for individual projects will be discussed with the Council and detailed within the specific project briefings produced for each piece of work.	
<b>Grants certification work</b> <ul style="list-style-type: none"> <li>• Housing Benefit</li> <li>• Non-Domestic rates</li> <li>• Teachers Pensions</li> <li>• Social Care Workforce Development Programme</li> <li>• Pooled Budgets</li> </ul>	November 2022 to January 2023	February 2023
<b>Annual Audit Summary</b>	N/A	December 2022



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## 2022 Audit Plan – Powys Pension Fund

Audit year: 2021-22

Date issued: July 2022

Document reference: 3079A2022

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# 2022 Audit Plan

## Summary

- 1 This document sets out the work I plan to undertake during 2022 to discharge my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice to examine and certify whether Powys Pension Fund's (the Pension Fund) accounting statements are 'true and fair'.
- 2 The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
- 3 There have been no limitations imposed on me in planning the scope of this audit.

## Impact of COVID-19

- 4 The COVID-19 pandemic has had an unprecedented impact on the United Kingdom and the work of public sector organisations.
- 5 While Wales is currently at Coronavirus Alert Level 0, Audit Wales will continue to monitor the position and will discuss the implications of any changes in the position with your officers.

## Audit of pension fund accounts

- 6 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows us to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the Pension Fund accounts as a whole.
- 7 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Governance and Audit Committee prior to completion of the audit.
- 8 Any misstatements below a trivial level (set at 5% of materiality) I judge as not requiring consideration by those charged with governance and therefore will not report them.
- 9 I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#), along with further information about my work.

## Financial audit risks

- 10 The following table sets out the significant risks I have identified for the audit of the Pension Fund accounts.

**Exhibit 1: financial audit risks**

This table summarises the key financial audit risks identified at the planning stage of the audit.

Audit risk	Proposed audit response
<b>Significant risks</b>	
<p><b>Management override</b> The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases; and</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>
<b>Other risks</b>	
<p><b>COVID-19</b> Although COVID-19 restrictions have now been removed, there have been ongoing pressures on staff resources and of remote working that may impact on the preparation, audit and publication of accounts. There is a risk that the quality of the accounts and supporting working papers eg around estimates and valuations, may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>	<p>We will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and make arrangements to monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.</p>

Audit risk	Proposed audit response
<b>Other risks</b>	
<p><b>Private Equity Investments</b></p> <p>Year-end valuation of private market investments is provided by investment managers which is based upon forward looking estimates and judgements and industry guidelines. As there is no quoted market price, there is a greater risk for the reasonableness of valuation bases of these investments.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>confirm the investment valuation to fund manager reports; and</li> <li>seek additional assurance over the valuation basis from control assurance reports.</li> </ul>
<p><b>Wales Pension Partnership</b></p> <p>The eight Pension Funds in Wales have created an ‘all-Wales’ pooled investment vehicle which is overseen and reported on by a joint governance committee the Wales Pension Partnership.</p> <p>The Pension Fund has continued to invest/divest in the pooled investment vehicle with significant transfers in and out of the fund during the year.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>work with the auditors of the joint governance committee to obtain the required assurances over the valuation of the funds transferred into the Wales Pension Partnership arrangement; and</li> <li>review the disclosures made in respect of this partnership.</li> </ul>
<p><b>Contributions</b></p> <p>Contributions from employers and employees represent a significant percentage of the Pension Fund’s revenue. The completeness and accuracy of the transfer of contributions is therefore identified as a risk.</p>	<p>To address this risk my audit team will gain an understanding of the Pension Fund’s system for accounting for contribution income and substantively test balances accordingly.</p>
<p><b>Benefits payable</b></p> <p>Pension benefits payable represent a significant percentage of the Fund’s expenditure. The completeness, accuracy and occurrence of the transfer of pension benefits payable is therefore identified as a risk.</p>	<p>To address this risk, my audit team will gain an understanding of the Pension Fund’s system for accounting for benefits and substantively test balances accordingly.</p>



## Statutory audit functions

- 11 In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
  - Section 31 Right to make objections at audit.
- 12 As this work is reactive, I have not included an estimated fee in **Exhibit 2** below. If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee, audit team and timetable

- 13 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with a timescale to be agreed, taking into account the impact of COVID-19, to the quality expected and have been subject to a robust quality assurance review;
  - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
  - all appropriate officials will be available during the audit;
  - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
  - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

## Fee

- 14 As set out in our Fee Scheme 2022-23, our fee rates for 2022-23 have increased by 3.7%, as a result of the need to continually invest in audit quality and in response to increasing cost pressures.
- 15 The estimated fee for 2022 is set out in **Exhibit 2**. This represents a 3.8% increase compared to your actual 2021 fee.

## Exhibit 2: audit fee

This table sets out the proposed audit fee for 2022, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) <sup>1</sup>	Actual fee last year (£)
Audit of pension fund accounts <sup>2</sup>	35,914	34,599

- 16 Planning will be ongoing, and changes to my programme of audit work, and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Head of Finance.
- 17 Further information on my [fee scales and fee setting](#) can be found on our website.

## Audit team

- 18 The main members of my team, together with their contact details, are summarised in **Exhibit 3**.

## Exhibit 3: my audit team

This table lists the members of the local audit team and their contact details.

Name	Role	Contact number	E-mail address
Clare James	Engagement Lead	07837 384617	<a href="mailto:clare.james@audit.wales">clare.james@audit.wales</a>
Phil Pugh	Audit Manager	07964 118615	<a href="mailto:phil.pugh@audit.wales">phil.pugh@audit.wales</a>
David Burridge/ Jayana Williams	Audit Lead	02922 677839 02920 829383	<a href="mailto:david.burridge@audit.wales">david.burridge@audit.wales</a> <a href="mailto:jayana.williams@audit.wales">jayana.williams@audit.wales</a>

<sup>1</sup> Notes: The fees shown in this document are exclusive of VAT, which is not charged to you.

<sup>2</sup> Payable November 2021 to October 2022.

## Timetable

- 19 The key milestones for the work set out in this plan are shown in **Exhibit 4**. As highlighted earlier, there may be a need to revise the timetable in light of developments with COVID-19.

### Exhibit 4: audit timetable

Planned output	Work undertaken	Report finalised
2022 Audit Plan	March to April 2022	July 2022
<b>Audit of pension fund accounts:</b> <ul style="list-style-type: none"><li>• Audit of Financial Statements Report; and</li><li>• Opinion on Financial Statements.</li></ul>	October/ November 2022	30 November 2022

- 20 We can confirm that team members are all independent of you and your officers.



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We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

## Powys County Council

### Annual Audit Summary 2021

This is our audit summary for Powys County Council. It shows the work completed since the last Annual Audit Summary, which was issued in February 2021. Our audit summary forms part of the Auditor General for Wales' duties.



More information about these duties can be found on our [website](#).

## About the Council

### Some of the services the Council provides



#### Key facts

The Council is made up of 73 councillors who represent the following political parties:

- Independent Group: 23
- Welsh Conservatives: 12
- Welsh Liberal Democrats: 14
- Welsh Labour Group: 8
- Action for Powys: 7
- Plaid Cymru: 3
- New Powys: 2
- Members not aligned to groups within the Council: 3
- Vacancy: 1

The Council spent £273.2 million on providing services<sup>1</sup> during 2020-21, the seventh-highest spending of the 22 unitary councils in Wales.

<sup>1</sup> We define spending on services as the cost of services charged to the general fund from the Expenditure Funding Analysis, less any Housing Revenue Account cost of services, plus precepts, levies and debt interest.

## Key facts

As at 31 March 2021, the Council had £47.8 million of useable financial reserves<sup>2</sup>. This is equivalent to 17.5% of the Council's annual spending on services, the 16th-highest percentage of the 22 unitary councils in Wales<sup>3</sup>.

Powys County Council has one of its 79 areas deemed of the most deprived 10% of areas in Wales, this is the second lowest of the 22 unitary councils in Wales<sup>4</sup>.

The population of Powys is projected to increase by 0.9% between 2020 and 2040 from 132,421 to 133,602, including a 7.6% decrease in the number of children, a 9.6% decrease in the number of the working-age population and a 27.2% increase in the number of people aged 65 and over<sup>5</sup>.

## The Auditor General's duties

### We completed work during 2020-21 to meet the following duties

- **Continuous improvement**  
The Council also had to put in place arrangements to make continuous improvements, including related plans and reports, and the Auditor General had to assess whether the Council met these requirements during 2020-21.
- **Audit of Accounts**  
Each year the Auditor General audits the Council's financial statements to make sure that public money is being properly accounted for.
- **Value for money**  
The Auditor General examines whether the Council has put in place arrangements to get value for money for the resources it uses, and he has to be satisfied that it has done this.
- **Sustainable development principle**  
Public bodies need to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

<sup>2</sup> We define useable financial reserves as reserves usable for revenue costs, where the purpose is not protected by law. This is the total of the general fund, earmarked reserves and schools' balances. It excludes Housing Revenue Account reserves, capital receipts and capital grants unapplied.

<sup>3</sup> Source: 2020-21 Statement of Accounts

<sup>4</sup> An area in this context is defined as a 'Lower Super Output Area'. Source: Stats Wales

<sup>5</sup> Source: Stats Wales



We continue to recognise the huge strain on public services and to work in a way that seeks to reduce the impact on public bodies' response to COVID-19, while still meeting our statutory duties.



**To meet the Auditor General's duties we complete specific projects, but we also rely on other audit work, and the work of regulators such as Care Inspectorate Wales and Estyn (the education inspectorate). We take the findings of our audit work into account when assessing whether the Council has put in place arrangements to secure value for money. Our findings and conclusions are summarised below.**

## What we found

### Audit of Powys County Council's 2020-21 Accounts

Each year we audit the Council's financial statements.

#### For 2020-21:

- the Auditor General gave an unqualified true and fair opinion on the Council's financial statements on 30 September 2021, ahead of the Welsh Government's revised deadline of 30 November 2021.
- the Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. They were also consistent with the financial statements prepared by the Council and with our knowledge of the Council.
- the quality of the draft statements presented for audit on 21 June 2021 was generally of a good standard.
- a number of changes were made to the Council's financial statements arising from our audit work, which were reported to the Audit Committee in our Audit of Financial Statements Report on 29 September 2021.
- in addition to the Auditor General's responsibilities for auditing the Council's financial statements, he also has responsibility for the certification of a number of grant claims and returns. Our work to date has not identified any significant issues.
- the Auditor General issued the certificate confirming that the audit of accounts for 2020-21 has been completed on 30 September 2021.

## Our work in response to the COVID-19 pandemic

In response to the COVID-19 pandemic, we changed the approach and focus of our performance audit work in local government and other bodies. Below is a summary of some of the work we have undertaken in response to the pandemic across a number of sectors, much of which is of relevance to local government.

We undertook a project to support public sector efforts by sharing learning through the pandemic. The project aims to help prompt some thinking, and practise exchange. [Further information is available on our website.](#)

In March 2021, we published a [national report](#) setting out an overview of progress to date on Test, Trace, Protect in Wales. In December 2020, we also published some [observations](#) of the Auditor General on the procurement and supply of PPE during the COVID-19 pandemic, followed by a [report](#) in April 2021. In June 2021, we also published our [report](#) on the rollout of the COVID-19 vaccination programme in Wales.

## Continuous improvement

The Auditor General certified that the Council had met its remaining Local Government (Wales) Measure 2009 duties for the financial year 2020-21, as saved by an order made under the Local Government and Elections (Wales) Act 2021.

## Financial sustainability

During 2020-21, we examined the financial sustainability of each council in Wales. In July 2021, we concluded that: **The Council has a significant medium-term budget gap and despite improvements to aspects of its financial management arrangements in recent years, it still faces a number of key risks which could impact on its financial resilience going forward.** The [report](#) is on our website.

We also published two national summary reports: the [first report](#) in October 2020 and the [second report](#) in September 2021.

## Recovery planning

During 2020-21, we reviewed the arrangements that each council in Wales was putting in place to support recovery planning. In Powys County Council we undertook this work on an ongoing basis, providing real-time feedback where appropriate.

## Local projects

In October 2021 we published a follow-up review to our 2018 Review of the Council's Scrutiny Arrangements. The [original report from 2018 is on our website.](#) This follow-up review sought to answer the question: **Has the Council acted on Audit Wales' previous proposals for improvement and identified further opportunities for improvement?** The [follow-up report](#) found that the Council has made limited progress in addressing the issues we raised in our 2018 report on the effectiveness of its scrutiny function, in part due to the COVID pandemic, and there is consensus across members and officers that scrutiny is not working as effectively as it could.



## Other inspectorates

We also took into account the reports of Care Inspectorate Wales (CIW) and Estyn as well as any subsequent actions taken by the Council in response.

In October 2021, a report was published by Estyn following the 'Monitoring of a Local authority causing significant concern'. The [report](#) found that Powys County Council was judged to have made sufficient progress in relation to the recommendations following the most recent core inspection. As a result, the authority was removed from the category of local authorities causing significant concern.

CIW continues to monitor Powys on their improvement journey across Children's and Adults' services, through regular meetings with the Director and Heads of Service.

## Local government studies

As well as local work at each council, each year we also carry out studies across the local government sector to make recommendations for improving value for money. Since the last annual improvement report, we have published the following reports:

### Discretionary services (April 2021)

Financial pressures have led to councils reducing spending and cutting services, but the pandemic has shown local government services are essential to keeping people safe and healthy. We focussed on how councils define services, the systems and processes they have used to review services and how robust these are. Demand for some essential services is continuing to increase and councils are not confident that they can continue to deliver these services in the face of this rising and complex demand. Councils need to take the opportunity to refresh, reevaluate and reset what they do and to learn from the pandemic to build a better future. Our [report](#) was published in April 2021.

### Regenerating town centres in Wales (September 2021)

Between 1950 and 1980, local authorities prioritised regeneration of town centres creating new and greater retail space. However, past policy choices, changing consumer expectations and technological advances are now adversely affecting many Welsh town centres. And the pandemic has created challenges for local government and central government, with one in seven shops on Welsh high streets now empty, despite the Welsh Government investing and leveraging in £892.6 million in the last seven years. Local authorities do not have the capacity to respond to this situation and are not always using the powers they have to help regenerate towns. To deliver the best local outcomes, policies and joint working need to be aligned and integrated, and resources prioritised on town centres. Our [report](#) was published in September 2021.

## Planned work for 2021-22

We also looked at the key challenges and opportunities facing the Council. These could have an effect on the Council's ability to meet its legal obligations in relation to the sustainable development principle and the use of its resources.

The most significant risk and issue facing councils and the wider public sector during 2021-22 continues to be the COVID-19 pandemic. We have shaped our work to provide assurance and challenge in a way which helps to support the Council through this period. Our planned work for 2021-22 includes:

- Assurance and risk assessment including a focus on:
  - The Local Government and Elections Act (Wales) 2021
  - Recovery planning
  - Carbon reduction plans
  - Self-assessment arrangements
  - Financial position
- Springing Forward – as the world moves forward, learning from the pandemic, this review looks at how effectively councils are strengthening their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities
- Improvement reporting audit
- Follow-up review of Safeguarding Arrangements
- Review of Planning Services

The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the Senedd.

The Auditor General audits local government bodies in Wales, including unitary authorities, police, fire and rescue authorities, national parks, and community councils. He also conducts local government value for money studies, assesses compliance with the remaining requirements of the Local Government (Wales) Measure 2009 and may undertake special inspections under the Local Government and Elections (Wales) Act 2021.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Senedd Commission, and National Health Service bodies in Wales.

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities with their own legal functions, as described above. Audit Wales is not a legal entity.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document is also available in Welsh.

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## Cyngor Sir Powys

### Crynodeb Archwiliad Blynyddol 2021

Dyma grynodeb o'n harchwiliad ar gyfer Cyngor Sir Powys. Mae'n dangos y gwaith a gwblhawyd ers y Crynodeb Archwiliad Blynyddol diwethaf, a gyhoeddwyd ym mis Chwefror 2021. Mae crynodeb ein harchwiliad yn rhan o ddyletswyddau Archwilydd Cyffredinol Cymru. Mae rhagor o wybodaeth am y dyletswyddau hyn ar gael ar ein [gwefan](#).



## Ynglŷn â'r Cyngor

### Rhai o'r gwasanaethau a ddarperir gan y Cyngor



#### Ffeithiau allweddol

Mae'r Cyngor yn cynnwys 73 o gynghorwyr sy'n cynrychioli'r pleidiau gwleidyddol canlynol:

- Grŵp Annibynnol: 23
- Ceidwadwyr Cymreig: 12
- Democratiaid Rhyddfrydol Cymru: 14
- Grŵp Llafur Cymru: 8
- Gweithredu dros Bowys: 7
- Plaid Cymru: 3
- Powys Newydd: 2
- Aelodau nad ydynt yn gyflin i grwpiau o fewn y Cyngor: 3
- Sedd wag: 1

Gwariodd y Cyngor £273.2 miliwn ar ddarparu gwasanaethau<sup>1</sup> yn ystod 2020-21, sef y seithfed gwariant uchaf o blith y 22 cyngor unedol yng Nghymru.

<sup>1</sup> Rydym yn diffinio gwario ar wasanaethau fel cost gwasanaethau a godir ar y gronfa gyffredinol o'r Dadansoddiad Cyllid Gwariant, llai unrhyw gost gwasanaethu Cyfrif Refeniw Tai ynghyd â phraeseptau, ardollau a llog dyled.

## Ffeithiau allweddol

Ar 31 Mawrth 2021, roedd gan y Cyngor £47.8 miliwn yn ei gronfeydd ariannol wrth gefn y gellid eu defnyddio<sup>2</sup>. Mae hyn yn cyfateb i 17.5% o wariant blynyddol y Cyngor ar wasanaethau, y 16eg ganran uchaf o blith y 22 cyngor unedol yng Nghymru<sup>3</sup>.

Bernir bod gan Gyngor Sir Powys un o'r 79 ardal ymhlith y 10% mwyaf difreintiedig yng Nghymru, sydd yr ail isaf o blith y 22 cyngor unedol yng Nghymru<sup>4</sup>.

Rhagwelir y bydd poblogaeth Powys yn cynyddu 0.9% rhwng 2020 a 2040 o 132,421 i 133,602, gan gynnwys gostyngiad o 7.6% yn nifer y plant, gostyngiad o 9.6% yn nifer y boblogaeth oedran gweithio a chynnydd o 27.2% yn nifer y bobl 65 oed a hŷn<sup>5</sup>.

## Dyletswyddau'r Archwilydd Cyffredinol

### Rydym wedi cwblhau gwaith yn ystod 2020-21 i gyflawni'r dyletswyddau canlynol

- **Gwelliant parhaus**

Bu'n rhaid i'r Cyngor hefyd roi trefniadau ar waith i wneud gwelliannau parhaus, gan gynnwys cynlluniau ac adroddiadau cysylltiedig, a bu'n rhaid i'r Archwilydd Cyffredinol asesu a wnaeth Cyngor fodloni'r gofynion hyn yn ystod 2020-21.

- **Archwilio Cyfrifon**

Bob blwyddyn mae'r Archwilydd Cyffredinol yn archwilio datganiadau ariannol y Cyngor i sicrhau y cedwir cofnod priodol o wariant arian cyhoeddus.

- **Gwerth am arian**

Mae'r Archwilydd Cyffredinol yn archwilio a yw'r Cyngor wedi rhoi trefniadau ar waith i gael gwerth am arian am yr adnoddau y mae'n eu defnyddio, ac mae'n rhaid iddo fod yn fodlon ei fod wedi gwneud hyn.

- **Egwyddor datblygu cynaliadwy** Mae angen i gyrrff cyhoeddus gydymffurfio â'r egwyddor datblygu cynaliadwy wrth bennu a chymryd camau i gyflawni eu hamcanion llesiant. Rhaid i'r Archwilydd Cyffredinol asesu i ba raddau y maent yn gwneud hyn.

<sup>2</sup> Rydym yn diffinio cronfeydd ariannol y gellir eu defnyddio fel cronfeydd wrth gefn y gellir eu defnyddio ar gyfer costau refeniw, lle nad yw'r diben wedi'i ddiogelu gan y gyfraith. Dyma gyfanswm y gronfa gyffredinol, cronfeydd wrth gefn wedi'u clustnodi a balansau ysgolion. Mae'n eithrio cronfeydd wrth gefn Cyfrif Refeniw Tai, derbyniadau cyfalaf a grantiau cyfalaf heb eu cymhwysu.

<sup>3</sup> Ffynhonnell: Datganiad o Gyfrifon 2020-21

<sup>4</sup> Diffinnir ardal yn y cyd-destun hwn fel 'Ardal Cynnyrch Ehangach Haen Is'. Ffynhonnell: Stats Cymru

<sup>5</sup> Ffynhonnell: Stats Cymru



Rydym yn parhau i gydnabod y straen enfawr ar wasanaethau cyhoeddus ac yn gweithio mewn ffordd sy'n ceisio lleihau'r effaith ar ymateb cyrff cyhoeddus i COVID-19, ac yn parhau i gyflawni ein dyletswyddau statudol.



Er mwyn cyflawni dyletswyddau'r Archwilydd Cyffredinol rydym yn cwblhau prosiectau penodol, ond rydym yn dibynnu ar waith archwilio arall hefyd, a gwaith rheoleiddwyr fel Arolygiaeth Gofal Cymru ac Estyn (yr arolygiaeth addysg). Rydym yn ystyried canfyddiadau ein gwaith archwilio wrth asesu a yw'r Cyngor wedi rhoi trefniadau ar waith i sicrhau gwerth am arian. Ceir crynodeb o'n canfyddiadau a'n casgliadau isod.

## Yr hyn a ganfuwyd gennym

### Archwiliad o Gyfrifon 2020-21 Cyngor Sir Powys

Bob blwyddyn rydym yn archwilio datganiadau ariannol y Cyngor.

#### Ar gyfer 2020-21:

- rhoddodd yr Archwilydd Cyffredinol farn ddiamed, gwir a theg ar ddatganiadau ariannol y Cyngor ar 30 Medi 2021, cyn dyddiad cau diwygiedig Llywodraeth Cymru, sef 30 Tachwedd 2021.
- paratowyd Datganiad Llywodraethu Blynyddol ac Adroddiad Naratif y Cyngor yn unol â Chod CIPFA a chanllawiau perthnasol. Roeddent hefyd yn gyson â'r datganiadau ariannol a baratowyd gan y Cyngor a gyda'n gwybodaeth ni am y Cyngor.
- roedd ansawdd y datganiadau drafft a gyflwynwyd i'w harchwilio ar 21 Mehefin 2021 o safon dda ar y cyfan.
- gwnaed nifer o newidiadau i ddatganiadau ariannol y Cyngor yn deillio o'n gwaith archwilio, a adroddwyd i'r Pwyllgor Archwilio yn ein Hadroddiad Archwilio Datganiadau Ariannol ar 29 Medi 2021.
- yn ogystal â chyfrifoldebau'r Archwilydd Cyffredinol dros archwilio datganiadau ariannol y Cyngor, mae hefyd yn gyfrifol am ardystio nifer o hawliadau a ffurflenni grant. Nid yw ein gwaith hyd yma wedi nodi unrhyw faterion o bwys.
- cyhoeddodd yr Archwilydd Cyffredinol y dystysgrif yn cadarnhau bod yr archwiliad o gyfrifon ar gyfer 2020-21 wedi'i gwblhau ar 30 Medi 2021.

## Ein gwaith mewn ymateb i bandemig COVID-19

Mewn ymateb i bandemig COVID-19, gwnaethom newid dull a phwyslais ein gwaith archwilio perfformiad mewn llywodraeth leol a chyrrff eraill. Isod ceir crynodeb o rywfaint o'r gwaith yr ydym wedi'i wneud mewn ymateb i'r pandemig ar draws nifer o sectorau, y mae llawer ohono yn berthnasol i lywodraeth leol.

Gwnaethom gynnal prosiect i gefnogi ymdrechion y sector cyhoeddus drwy rannu dysgu drwy'r pandemig. Nod y prosiect yw helpu i ysgogi rhywfaint o feddwl, ac ymarfer cyfnewid. [Mae rhagor o wybodaeth ar gael ar ein gwefan.](#)

Ym mis Mawrth 2021, gwnaethom gyhoeddi [adroddiad cenedlaethol](#) yn nodi trosolwg o'r cynnydd hyd yma ar Brofi, Orlhain, Diogelu yng Nghymru. Ym mis Rhagfyr 2020, gwnaethom hefyd gyhoeddi rhai [arsylwadau](#) gan yr Archwilydd Cyffredinol ar gaffael a chyflenwi Cyfarpar Diogelu Personol (PPE) yn ystod pandemig COVID-19, ac yna [adroddiad](#) ym mis Ebrill 2021. Ym mis Mehefin 2021, gwnaethom hefyd gyhoeddi ein [hadroddiad](#) ar weithredu rhaglen frechu COVID-19 yng Nghymru.

## Gwelliant parhaus

Ardystiodd yr Archwilydd Cyffredinol fod y Cyngor wedi cyflawni ei ddyletswyddau o dan fesur Llywodraeth Leol (Cymru) 2009 sy'n weddill ar gyfer y flwyddyn ariannol 2020-21, fel yr arbedwyd drwy orchymyn a wnaed o dan Ddeddf Llywodraeth Leol ac Etholiadau (Cymru) 2021.

## Cynaliadwyedd ariannol

Yn ystod 2020-21, buom yn archwilio cynaliadwyedd ariannol pob cyngor yng Nghymru. Ym mis Gorffennaf 2021, daethom i'r casgliad canlynol: **Mae gan y Cyngor fwch sylweddol yn y gyllideb yn y tymor canolig ac er gwaethaf gwelliannau i agweddau ar ei drefniadau rheoli ariannol yn ystod y blynyddoedd diwethaf, mae'n dal i wynebu nifer o risgiau allweddol a allai effeithio ar ei gydnherthedd ariannol wrth symud ymlaen.** Mae'r [adroddiad ar ein gwefan.](#)

Gwnaethom gyhoeddi dau adroddiad cryno cenedlaethol hefyd: yr [adroddiad cyntaf](#) ym mis Hydref 2020 a'r [ail adroddiad](#) ym mis Medi 2021.

## Cynllunio adferiad

Yn ystod 2020-21, gwnaethom adolygu'r trefniadau yr oedd pob cyngor yng Nghymru yn eu rhoi ar waith i gefnogi cynllunio adferiad. Yng Nghyngor Sir Powys, gwnaethom gyflawni'r gwaith hwn yn barhaus, gan ddarparu adborth amser real lle bo hynny'n briodol.

## Prosiectau lleol

Ym mis Hydref 2021, gwnaethom gyhoeddi adolygiad dilynol i'n Hadolygiad o Drefniadau Craffu'r Cyngor yn 2018. Mae'r [adroddiad gwreiddiol o 2018 ar ein gwefan.](#) Ceisiodd yr adolygiad dilynol hwn ateb y cwestiwn: **A yw'r Cyngor wedi gweithredu ar gynigion blaenorol Archwilio Cymru ar gyfer gwella ac wedi nodi cyfleoedd pellach i wella?** Canfu'r [adroddiad dilynol](#) fod y Cyngor wedi gwneud cynnydd cyfyngedig o ran mynd i'r afael â'r materion a godwyd gennym yn ein hadroddiad yn 2018 ar effeithiolrwydd ei swyddogaeth



graffu, yn rhannol oherwydd pandemig COVID, ac mae cytundeb ymhlith aelodau a swyddogion nad yw craffu'n gweithio mor effeithiol ag y gallai.

## Arolygiaethau eraill

Gwnaethom hefyd ystyried adroddiadau Arolygiaeth Gofal Cymru (AGC) ac Estyn yn ogystal ag unrhyw gamau dilynol a gymerwyd gan y Cyngor mewn ymateb.

Ym mis Hydref 2021, cyhoeddwyd adroddiad gan Estyn yn dilyn 'Monitro Awdurdod Lleol sy'n peri pryder sylweddol'. Canfu'r [adroddiad](#) y barnwyd bod Cyngor Sir Powys wedi gwneud cynnydd digonol mewn cysylltiad â'r argymhellion yn dilyn yr arolygiad craidd diweddaraf. O ganlyniad, cafodd yr awdurdod ei dynnu o'r categori o awdurdodau lleol sy'n peri pryder sylweddol.

Mae AGC yn parhau i fonitro Powys yn ystod eu taith wella ar draws y gwasanaethau Plant ac Oedolion, drwy gyfarfodydd rheolaidd gyda'r Cyfarwyddwr a Phenaeithiad Gwasanaeth.

## Astudiaethau llywodraeth leol

Yn ogystal â gwaith lleol ym mhob cyngor, bob blwyddyn rydym hefyd yn cynnal astudiaethau ar draws y sector llywodraeth leol i wneud argymhellion ar gyfer gwella gwerth am arian. Ers yr adroddiad gwella blynyddol diwethaf, rydym wedi cyhoeddi'r adroddiadau canlynol:

### Gwasanaethau dewisol (Ebrill 2021)

Mae pwysau ariannol wedi arwain at gynghorau'n lleihau gwariant a thorri gwasanaethau, ond mae'r pandemig wedi dangos bod gwasanaethau llywodraeth leol yn hanfodol i gadw pobl yn ddiogel ac yn iach. Gwnaethom ganolbwyntio ar sut mae cynghorau'n diffinio gwasanaethau, y systemau a'r prosesau y maent wedi'u defnyddio i adolygu gwasanaethau a pha mor gadarn yw'r rhain. Mae'r galw am rai gwasanaethau hanfodol yn parhau i gynyddu ac nid yw cynghorau'n ffyddiog y gallant barhau i ddarparu'r gwasanaethau hyn yn wyneb y galw cynyddol a chymhleth hwn. Mae angen i gynghorau fanteisio ar y cyfle i adnewyddu, ailbriso ac ailosod yr hyn y maent yn ei wneud a dysgu o'r pandemig er mwyn adeiladu dyfodol gwell. Cyhoeddwyd ein [hadroddiad](#) ym mis Ebrill 2021.

### Adfywio canol trefi yng Nghymru (Medi 2021)

Rhwng 1950 a 1980, rhoddodd awdurdodau lleol flaenoriaeth i adfywio canol trefi gan greu mannau manwerthu newydd a mwy o faint. Fodd bynnag, mae dewisiadau polisi yn y gorffennol, disgwiliadau newidiol defnyddwyr a datblygiadau technolegol bellach yn cael effaith andwyol ar lawer o ganol trefi Cymru. Ac mae'r pandemig wedi creu heriau i lywodraeth leol a llywodraeth ganolog, gydag un o bob saith siop ar y stryd fawr yng Nghymru bellach yn wag, er gwaetha'r ffaith fod Llywodraeth Cymru wedi buddsoddi ac ysgogi buddsoddiad o £892.6 miliwn yn ystod y saith mlynedd diwethaf. Nid oes gan awdurdodau lleol y gallu i ymateb i'r sefyllfa hon ac nid ydynt bob amser yn defnyddio'r pwerau sydd ganddynt i helpu i adfywio trefi. Er mwyn sicrhau'r canlyniadau lleol gorau, mae angen alinio ac integreiddio polisiâu a chydweithio, a blaenoriaethu adnoddau i ganol trefi. Cyhoeddwyd ein [hadroddiad](#) ym mis Medi 2021.

## Gwaith wedi'i gynllunio ar gyfer 2021-22

Edrychwyd hefyd ar yr heriau a'r cyfleoedd allweddol sy'n wynebu'r Cyngor. Gallai'r rhain effeithio ar allu'r Cyngor i gyflawni ei rwymedigaethau cyfreithiol mewn cysylltiad â'r egwyddor datblygu cynaliadwy a'r defnydd o'i adnoddau.

Y risg a'r broblem fwyaf arwyddocaol sy'n wynebu cynghorau a'r sector cyhoeddus ehangach yn ystod 2021-22 o hyd yw pandemig COVID-19. Rydym wedi llunio ein gwaith i roi sicrwydd a her mewn ffordd sy'n helpu i gefnogi'r Cyngor drwy'r cyfnod hwn. Mae ein gwaith a gynlluniwyd ar gyfer 2021-22 yn cynnwys:

- Sicrwydd ac asesu risg gan gynnwys pwyslais ar y canlynol:
  - Deddf Llywodraeth Leol ac Etholiadau (Cymru) 2021
  - Cynllunio adferiad
  - Cynlluniau lleihau carbon
  - Trefniadau hunanasesu
  - Sefyllfa ariannol
- Llamu Ymlaen – wrth i'r byd symud ymlaen, gan ddysgu o'r pandemig, mae'r adolygiad hwn yn edrych ar ba mor effeithiol y mae cynghorau'n cryfhau eu gallu i drawsnewid, addasu a chynnal y modd y darperir gwasanaethau, gan gynnwys y rhai a ddarperir mewn partneriaeth â rhanddeiliaid a chymunedau allweddol
- Archwiliad adrodd am welliant
- Adolygiad dilynol o Drefniadau Diogelu
- Adolygiad o Wasanaethau Cynllunio

Mae'r Archwilydd Cyffredinol yn annibynnol ar y llywodraeth, ac fe'i penodir gan Ei Mawrhydi y Frenhines. Mae'r Archwilydd Cyffredinol yn ymgymryd â'i waith gan ddefnyddio staff ac adnoddau eraill a ddarperir gan Swyddfa Archwilio Cymru, sy'n fwrdd statudol a sefydlwyd at y diben hwnnw ac i fonitro a chynghori'r Archwilydd Cyffredinol. Mae Swyddfa Archwilio Cymru yn atebol i'r Senedd.

Mae'r Archwilydd Cyffredinol yn archwilio cyrff llywodraeth leol yng Nghymru, gan gynnwys awdurdodau unedol, yr heddlu, awdurdodau tân ac achub, parciau cenedlaethol a chynghorau cymuned. Mae hefyd yn cynnal astudiaethau gwerth am arian llywodraeth leol, yn asesu cydymffurfiaeth â gweddill gofynion Mesur Llywodraeth Leol (Cymru) 2009 a gall gynnal arolygiadau arbennig o dan Ddeddf Llywodraeth Leol ac Etholiadau (Cymru) 2021.

Y tu hwnt i lywodraeth leol, yr Archwilydd Cyffredinol yw archwilydd allanol Llywodraeth Cymru a'r cyrff cyhoeddus a noddir ganddi a chyrff cyhoeddus cysylltiedig, Comisiwn y Senedd, a chyrff y Gwasanaeth Iechyd Gwladol yng Nghymru.

Archwilio Cymru yw'r enw cyfunol anstatudol ar gyfer Archwilydd Cyffredinol Cymru a Swyddfa Archwilio Cymru, sy'n endidau cyfreithiol ar wahân â'u swyddogaethau cyfreithiol eu hunain, fel y disgrifir uchod. Nid yw Archwilio Cymru yn endid cyfreithiol.

Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg ac yn Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi. We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay.

Mae'r ddogfen hon hefyd ar gael yn Saesneg.

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**CYNGOR SIR POWYS COUNTY COUNCIL.****AUDIT COMMITTEE****29<sup>th</sup> July 2022****REPORT AUTHOR:** Head of Finance (Section 151 Officer)**REPORT TITLE:** Price Inflation Variation and Volatility Pressures

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**REPORT FOR:** Information

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**1. Purpose**

- 1.1 The purpose of the report is to inform the Governance and Audit Committee of the processes which have been employed to monitor and manage the price increases for Councils goods and services in response to rising inflation and supply demand.
- 1.2 Explain the actions taken by the Head of Financial Services to identify, manage and control all requests and their impact on services and Council budgets.

**2. Background**

- 2.1 The Council are, and have been, receiving requests from its suppliers, providers, and contractors for increases in contract values to take account of their increased costs brought about by the volatility in current markets.
- 2.2 Some of these have been as a result of the Ukraine War and rising inflation, with others derived from the impact of Covid, Brexit Transition and other forces, all are having an impact with requests for increases above and beyond levels set out in terms and conditions of some contracts.
- 2.3 There are stated inflationary variation clauses in many of the Councils contract clauses (e.g., Retail Price Index (RPI) or Consumer prices Index (CPI)), though some of these are capped at a maximum of 3%. Current Inflation however is running at 11.7% (RPI).
- 2.4 Other contracts are governed by wholesale prices of product or market commodity prices (e.g., energy and steel) and the council has limited options to manage these.
- 2.5 Whilst the Welsh Government has not issued any specific guidance to assist local authorities with these demands, the Council is relying on Welsh Procurement Policy Note 09/21 Sourcing Material for

Construction Projects issued in October 2021 at a time when there was considerable increases on commodities and shortages of material affecting the viability of the delivery of construction projects and contractors. The Council is following the principles set out in the policy note when experiencing demands for inflationary rates over and above contracted value.

- 2.6 In summary it also states that it is reasonable to expect contractors to absorb price fluctuations within moderate tolerances as prices for materials/service and supplies will change regularly depending on the level of supply and demand within markets and based on what they knew at the time they set their prices. However, where these tolerances are exceeded then Contracting Authorities could consider appropriate variations using processes highlighted within the policy, one of which is the requirement that suppliers agree to provide transparency and supporting evidence for any claim.

### **3. Example of Market Price Increases**

- 3.1 Prices are increasing in a significant way for many products and services that are purchased by the Council. Front Line Services across the County generally require transportation of one form or another and the effect of fuel increases is being felt across social care, highways, transport and for many other services.
- 3.2 Tender prices will be affected by these increases for any future retender or new requirements and the cell is keeping a watchful eye on market prices from various sources.
- 3.3 A good example of sudden price change is where British Steel imposed a 25% average increase on their customers in April this year in the face of soaring costs. This is likely to affect prices for construction, new vehicles, vehicle spares etc. Others that we are aware of include:
- Gas Increases of between 55% and 70% or more (larger and smaller sites)
  - Electric estimated at 73%
  - Food - some products increasing by between 20 and 30% and some shortages on product available
  - Building materials generally 25 to 35%
  - Fuel has increased by 60 to 70%
  - CPI is currently standing at 9.1%
  - RPI is currently standing at 11.7%

### **4. Ukraine Procurement Supply and Costs Cell**

- 4.1 The Head of Finance has some time ago set up a specific cell to help the Council manage the impacts of any significant increases from our supply

chains and its effect on services and service budgets. Terms of reference have been agreed (see Appendix 1), protocols developed to help services identify specific inflationary and budget pressures or shortages in supply and for the Section 151 Officer and Heads of Service to jointly consider budgetary impacts.

- 4.2 A register is maintained so we can track each request and its impact and undertake, where above normal contract provisions, an exercise with the supplier or contractors to an 'open book' review of their increased costs enabling the Council to challenge and consider the requests being made.
- 4.3 An example of this consideration would be where an increase of 60 % on fuel might have been demanded but will only have an overall impact on a contract of 6% if we jointly calculate that only 10% of the costs of the contract is spent on fuel as it may be for instance in a transport contract which has high reliance of the prices of fuel.
- 4.4 The options considered when demands for large increases are received are:
  - Product Substitution
  - Doing Less or lessening the requirement e.g., for Capital schemes living within overall budget and therefore reducing the range of works to be carried out
  - Reorganise services to lower the use of specific products or services
  - Look at alternatives to reduce energy consumption over the medium to longer term e.g., Photovoltaics/electric vehicles etc (aligns with sustainable decarbonisation agendas)

## 5. **Current Contract Position**

- 5.1 The increase can be divided into two separate categories. There are increases that cannot be negotiated as they are imposed or governed by commodities or by national price rises imposed by wholesalers and manufacturers for instance who may not directly be contracted to Powys. This would include Fuel and Energy but also Food items from wholesalers which are distributed by our contracted suppliers.
- 5.2 Other contracts which may be affected by increased costs are governed by variation clauses or may even be silent on inflationary increases and in some cases the suppliers have not received increases for several years though these may have been built in at time of tender and procurement. Some contracts have not received increases for many years but when we wish to exercise extension options suppliers will increase prices at that point.

- 5.3 Many clauses offer inflationary options such as CPI but to a threshold of 3% and this has worked very well for many years, but the recent and substantial increases have suggested that this may not be viable in the current market climate.
- 5.4 It's important that to ensure competition and a strong market that officers may need to reconsider this approach within its tenders for the immediate future or suppliers may not bid or may build in extra costs to cover this risk or even force suppliers out of the market.
- 6. Contract Increase Register**
- 6.1 A register of all price variations being dealt with is maintained and being informed by services through the cell. So far, the list is limited but we are expecting an increase in requests. Concern being expressed in areas such as social care, transport, and construction projects either through requests from current suppliers or through tender price.
- 7. Budgetary Implications**
- 7.1 Services will need to consider any cost implications as part of their service budgets and manage as much as possible within them. Any movement of budget between headings is governed by the virement process set out in the Financial Procedure Rules which forms part of the Council constitution.
- 7.2 Where services cannot contain costs within their budgets a business case will be submitted to the Executive Management Team for consideration to draw down additional funding, again this process is governed by the virement process.
- 7.3 The situation will be closely monitored and reported through the quarterly budget monitoring reports. In part Council did agree the potential use of reserves for pressures held at risk, such as Covid and rising inflation, estimated to be at a level of £2.8 million.
- 7.4 If these costs are deemed recurrent they will need to be reflected in the Services Finance Resources Model as a cost pressure and funding be considered as part of the budget setting process for 2023-24.

<p>Contact Officer: Vincent Hanly  Tel: 01597826326  Email: vincent.hanly@powys.gov.uk</p>
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Head of Service: Jane Thomas

Corporate Director:/Chief Executive

Caroline Turner



## UKRAINE PROCUREMENT SUPPLY AND COST CELL

### Terms of Reference

23<sup>rd</sup> March 2020

#### Aims and Objectives

The purpose of the Procurement Cell (the “Working Group”) is to aid support, provide guidance and oversight to Gold to manage monitor to services who are experiencing supply difficulties, demands for higher prices, and reluctance of companies to fix pricing for any projects

The Working Group members undertake to:

1. Monitor Market conditions and supply chain issues and provide support
2. Provide oversight of any substantial pricing issues and any effect on budgets and to provide protocols and type of evidence required in line with guidance for acceptance or otherwise of increase to maintain services.
3. Compare Increases against contractual obligations and advise services of any necessary changes required
4. The Working Group members role will be to bring any increases requested to the working group to consider any market issues which ay effect service delivery or delivery of projects and/or budgets
5. Ensure consistency is applied across the authority in dealing with these issues
6. Implement and Policy or guidance notes issued by Welsh Government
7. All services to feed into group which in turn can be fed back to Welsh Government and WLGA

#### Membership

The Steering Group membership reflects the importance of the working group during the volatile market conditions and the future effects on service budgets

Current Steering Group members are:

Jane Thomas Head of Finance and S151 Officer	Vince Hanly Commercial Services
Clive Pinney	Ellen Sullivan
Marianne Evans	Dylan Macphee
Sarah Quibell	Anwen Orrells
Graham Evans	Paul Bradshaw
Catherine Richards	John Forsey
Sally Beech	Dylan Owen (Jo Harris)
Neil Clutton	

#### Governance and Management

The Steering Group will be chaired by Jane Thomas and Vince Hanly to Deputise.

The Working Group shall meet (regularly) and build intelligence on market conditions. Briefings to be written and provided to Gold regularly.

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# 10

## Governance and Audit Committee Forward Work Programme 2022 – 2023

2022

Date and Time	Type and Detail
30-09-22 10 am	<p>Statement of Accounts – if audit completed – otherwise Oct (including Letters of Representation, ISA 260 etc) – if audit completed – otherwise Oct</p> <p>Quarterly (Q1 Reports):</p> <ul style="list-style-type: none"> <li>• Strategic Risk Management</li> <li>• SWAP quarterly report</li> <li>• Fraud</li> <li>• Treasury Management - 2021/22</li> </ul> <p>Audit Wales reports - asset report?</p> <p>Work Programme</p>
Oct 2022	<p>Final Statement of Accounts (including Letters of Representation, ISA 260 etc)</p> <p>Audit Wales reports ?</p>
24-11.22 10am	<p>Audit Wales reports ?</p> <p>Quarterly (Q2 Reports):</p> <ul style="list-style-type: none"> <li>• Strategic Risk Management</li> <li>• SWAP quarterly report</li> <li>• Fraud</li> <li>• Treasury Management - 2021/22</li> </ul> <p>Quarterly (Q2 Reports):</p> <ul style="list-style-type: none"> <li>• Strategic Risk Management</li> <li>• SWAP quarterly report</li> <li>• Fraud</li> <li>• Treasury Management - 2021/22</li> </ul> <p>Pension Fund Accounts</p>

### Items to be Scheduled: (Committee / Working Groups / Finance Panel)

- Chief Exec of GCRE to speak to committee in closed session – update to Committee – Nigel / Jane
- Non Disclosure Agreements Reporting – Committee – Debby Jones.
- CIW Inspection report

**Governance and Audit Committee  
Forward Work Programme 2022 – 2023**

- Benchmarking comparative data (Scrutiny v FP v G&A)
- Social Care risk.
- Partnership working – key partnerships.
- Contract management?
- Procurement strategy
- Insurance Policy Arrangements – Committee to keep an eye on (JB 24-06-22)

**2023**

Date and Time	Type and Detail
Jan	
Feb	<p>Quarterly (Q3 Reports):</p> <ul style="list-style-type: none"> <li>• Strategic Risk Management</li> <li>• SWAP quarterly report</li> <li>• Fraud</li> <li>• Treasury Management - 2021/22</li> </ul> <p>Audit Wales Reports?</p> <p>Work Programme</p>
Jan/Feb	Budget Scrutiny - robustness off estimates and adequacy of reserves / risk ??
Feb	Alternative Budget
Mar	Self-Assessment
May	<p>Annual:</p> <ul style="list-style-type: none"> <li>• Election of Chair</li> <li>• Election of Vice Chair <ul style="list-style-type: none"> <li>• Appointments to Finance Panel</li> <li>• Appointments to Internal Audit Working Group</li> </ul> </li> </ul>
June/July	Seminar: Statement of Accounts AGS
July	Annual: AW Audit Plans.

**Governance and Audit Committee  
Forward Work Programme 2022 – 2023**

<b>Date and Time</b>	<b>Type and Detail</b>
	<p>Quarterly (Q4 Reports):</p> <ul style="list-style-type: none"> <li>• Strategic Risk Management</li> <li>• SWAP quarterly report</li> <li>• Fraud</li> <li>• Treasury Management - 2021/22</li> </ul> <p>Audit Wales reports?</p> <p>Council Annual Self Assessment</p> <p>Work Programme</p>
Sept	<p>Statement of Accounts – if audit completed – otherwise Oct (including Letters of Representation, ISA 260 etc) – if audit completed – otherwise Oct</p> <p>Quarterly (Q1 Reports):</p> <ul style="list-style-type: none"> <li>• Strategic Risk Management</li> <li>• SWAP quarterly report</li> <li>• Fraud</li> <li>• Treasury Management - 2021/22</li> </ul> <p>Audit Wales Reports?</p> <p>Work Programme</p>
Oct?	
Nov	<p>Quarterly (Q2 Reports):</p> <ul style="list-style-type: none"> <li>• Strategic Risk Management</li> <li>• SWAP quarterly report</li> <li>• Fraud</li> <li>• Treasury Management - 2021/22</li> </ul> <p>Audit Wales Reports?</p> <p>Work Programme</p>

**Items to be Scheduled:**

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