

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON FRIDAY, 30 SEPTEMBER 2016**

**PRESENT**

County Councillor JG Morris (Chair)

County Councillors A W Davies, E R Davies, L R E Davies, M J Jones, WD Powell, T J Van-Rees and Mr J Brautigam

Apologies for absence were received from County Councillors D E Davies, G Hopkins, P J Medicott, D G Thomas, R G Thomas and S L Williams

<b>1.</b>	<b>APOLOGIES</b>	<b>A1-2016</b>
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Apologies for absence were received from County Councillors

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

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

<b>4.</b>	<b>MINUTES</b>	<b>A4-2016</b>
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The Chair was authorised to sign the minutes of the previous meeting, held on 5 July 2016, as a correct record.

<b>5.</b>	<b>STATEMENT OF ACCOUNTS</b>	<b>A5-2016</b>
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5.1. Closure of accounts and statement of accounts

**Documents:**

- Report of the Professional Lead for Finance

**Discussion:**

- A Member Workshop had been held on 28 September to enable detailed consideration of the Statement of Accounts
- Some minor amendments had been made but the balance sheet remained unchanged
- Improvements had been recognised within the ISA260s but further improvements could be made
- The level of internal review had been disappointing due to staff absence and capacity and the support for this function will be assessed
- Recommendations made will be taken forward by the Project Group
- Future closure of accounts will be impacted by transformation and new models of working
- The Professional Lead, Finance was asked when revised timelines were to be introduced for closing the accounts – this was likely to be brought forward by one month in 2017/18 and again in 2020/21
- The Section 151 Officer was asked whether there were sufficient resources in place to enable the revised timelines to be met – the section was heavily reliant on key members of staff. Whilst this was to be reviewed, at the current time there was insufficient resource to meet the new deadlines
- The Professional Lead, Finance was in discussion with other local authorities which had already reduced their closing date
- The WAO advised the Committee that there was to be a conference, facilitated by them, on 10 November 2016 regarding the early closure of accounts. A post project meeting would be held with officers to discuss the closure of accounts and begin to look forward to the challenges ahead.
- The WAO were asked what were the advantages of early closure – rigorous monthly control would be introduced, facilitating a smoother closure of accounts. This would enable an earlier commencement of the budget process for the following year and provide greater resilience. The concept was based on partnership working.

**Outcome:**

- **Noted**

5.2. Audit of Financial Statement Reports

**Documents:**

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

**Discussion:**

- A materiality concept is adopted as it is impossible to examine every item of income and expenditure
- Material is defined as anything greater than £4 million or an item which qualifies by context or nature. This figure is £5M for the Pension Fund accounts – based on 1% of the Pension Fund
- Draft accounts had been received by 24 June for the Powys account and 29 June for the Pension Fund

- There was one uncorrected misstatement which exceeded the trivial level (£100K) but was less than the material level – the WAO ask that the Audit Committee agree to this. A more detailed explanation was given surrounding the misstatement which related to costs which had been capitalised and could not be linked to specific assets.
- The overall quality had improved and the Authority had acted positively with regard to previous suggestions
- There were opportunities for further improvements particularly in relation to internal review
- The WAO thanked the Finance team, particularly the Financial Reporting and Policy Accountant
- Members had considered the issues surrounding a long standing contract at their Workshop – the WAO had sought clarification on the way in which variations had been awarded and that this was in compliance with procurement law. The Vice Chair read out a statement from the Monitoring Officer confirming that the letting of contracts had been compliant.
- The Commissioning and Procurement Board, a non-decision making group comprising members of the Cabinet, considers issues regarding contract and spend. The Joint Chairs and Vice Chairs Steering Group were considering the role of the Commissioning and Procurement Board, although it was noted that the minutes of those meetings were not publicly available.
- With regard to the Pension Fund, there was one recommendation that a formal agreement should be put in place between the Authority and Pension Fund outlining the rationale and methodology for recharges of administration costs and that this should be reviewed on a regular basis
- Members asked for clarification of the basis of transfers in and out of the Pension Fund and were advised that this was determined by the Actuary
- A query was raised regarding the level of Reserves which, whilst within guidelines, could be considered to be too low – the WAO reported that Financial Resilience work was being undertaken and this would consider how authorities are managing their reserves. No specific issues had been raised to date but it was noted that scrutiny should be kept regularly informed. The Professional Lead, Finance reported that monthly monitoring reports were submitted to Cabinet and this level of detail was also contained with budget proposals.
- Members were informed of one change to the accounts – a figure had been incorrectly noted in an opening balance and a revised sheet was circulated
- It was expected that unqualified opinions would be provided on both sets of accounts

**Outcome:**

- **The uncorrected misstatement was accepted.**

5.3. Letters of Representation

**Documents:**

- Representations regarding the 2015-16 financial statements

- Representations regarding the 2015-16 financial statements – Pension Fund

**Outcome:**

- **Noted**

5.4. Statement of Accounts

**Documents:**

- Statement of Accounts 2015/16

**Outcome:**

- **The Statement of Accounts for Powys County Council and the Powys Pension Fund were approved and the Chair authorised to sign the accounts.**

<b>6.</b>	<b>AUDIT ENQUIRIES TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT</b>	<b>A6-2016</b>
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**Documents:**

- Audit enquiries to those charged with governance and management

**Outcome:**

- **Approved**

<b>7.</b>	<b>ANNUAL IMPROVEMENT REPORT</b>	<b>A7-2016</b>
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**Documents:**

- Annual Improvement Report 2015-16

**Discussion:**

- No formal recommendations had been made
- There were some proposals for improvement
  - Better alignment of financial and service performance –proposals were to be put to the Strategic Overview Board shortly
  - Improved governance arrangements – this issue was raised regarding the domiciliary care commissioning issue which was being report to Audit Committee on a regular basis
  - Regulatory recommendations – ensure control and visibility in working towards recommendations. To this end a Regulatory Tracker has been prepared for consideration by the Strategic Overview Board
- Members challenged the data within the report as some measures were dated 2014. The timing of the report could not be changed to wait for

newer, annual data to be released. The Authority could compare the report to current figures as part of its improvement process.

- Some data implied an improvement in performance yet the Authority was ranked 21 out of 22. The Committee asked whether the decline in performance was clustered in certain areas. Whilst this was accepted, it must be considered against the current financial environment and against peers in the same situation. Further analysis of the report was needed.

**Outcome:**

- **Further performance data would be circulated and the Professional Lead, Corporate Insight invited to the next meeting**

<b>8.</b>	<b>INTERNAL AUDIT - FUTURE SERVICE PROVISION</b>	<b>A8-2016</b>
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**Documents:**

- Report of the Head of Professional Services and Commissioning

**Discussion:**

- Options are being considered to strengthen the Internal Audit Service as the Council transforms
- The Internal Audit service has been subject to an external review which shows that the service complies with standards
- The Internal Audit service has to develop to support transformational work
- A soft market test was undertaken which has led to alternative options being presented
- The Committee asked the WAO representatives for their opinion regarding the issue – whilst it was a decision for the Authority, local government was moving into new territory with more complex and detailed relationships. It would be essential to have the relevant technical support going forward. The current provision was a traditional model. All authorities were subject to the same challenges and a robust, flexible Internal Audit service was required going forward. Some authorities have trialled joint working and in England some authorities are partnered with financial institutions for one off, technical expertise. Within Wales, the majority have a traditional model of internal audit. Government predominantly uses external auditors due to capacity issues.
- There was a lack of capacity within the current team and difficulties had been experienced in recruitment. Resilience and development would be key.
- Members asked that Audit Committee be consulted on the options prior to submission to Cabinet

**Outcome:**

- **The Audit Committee would be consulted on the proposals for the Internal Audit Service**

County Councillor E R Davies left the meeting at 15.35

<b>9.</b>	<b>PENSION FUND POOLING ARRANGEMENTS</b>	<b>A9-2016</b>
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**Documents:**

- Report of the Portfolio Holder for Finance

**Discussion:**

- There were eight pension funds across Wales
- Each pension fund has been directed to come together in groups with assets of over £25billion
- A special case was put for the Welsh Pension Funds to form one group despite not having the minimum asset base
- Each Pension Fund will remain as a sovereign body making their own investment decisions. These will be made through one body resulting in considerable savings.
- The Welsh group is considerably more advanced than others
- Expected to go live on 2017
- A governance structure overseeing the current eight pension funds will be put in place
- The Pensions Manager was commended for his work in the pooling arrangements

**Outcome:**

- **Noted**

<b>10.</b>	<b>FINANCE SCRUTINY PANEL</b>	<b>A10-2016</b>
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**Documents:**

- Scrutiny Summary Report

**Discussion:**

- The overspend in Adult Social Care was subject to a joint working group comprising the Chairs and Vice Chairs of Audit and People Scrutiny Committee and one other Member from each
- The Chief Executive had been charged with producing a Recovery Plan
- The Strategic Director, Resources informed the Committee that a recovery plan for Place Directorate was already available but that data was being cleansed which has resulted in a delay for the plan for People Directorate
- The Strategic Director, Resources, was asked if savings identified would start immediately – savings had been identified for the current year but that it was not yet possible to give assurance that this was sufficient to balance the books

**Outcome:**

- **Noted**

County Councillor T J Van Rees left the meeting at 3.35

<b>11.</b>	<b>WORK PROGRAMME</b>	<b>A11-2016</b>
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**Documents:**

- Work Programme

**Discussion:**

- It was noted that the date for 2017 Audit Committee to approve the Statement of Accounts was on Friday 29 September – WAO suggested that consideration could be given to bringing the date forward

**Outcome:**

- **Noted**

<b>12.</b>	<b>JOINT CHAIRS STEERING GROUP</b>	<b>A12-2016</b>
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**Documents:**

- Notes of meetings – 5 July and 13 September 2016

**Outcome:**

- **Noted**

<b>13.</b>	<b>CORRESPONDENCE</b>	<b>A13-2016</b>
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There were no items of correspondence.

**County Councillor JG Morris (Chair)**