

# Public Document Pack

Audit Committee – 2 February 2018

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

### PRESENT

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

Cabinet Portfolio Holders In Attendance: County Councillor A W Davies

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

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

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

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

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

Arising thereon:

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

**Outcome:**

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

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

- WAO Review of Governance Action Plan

**Discussion:**

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

**Outcome:**

- **The Action Plan was noted**

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

- WAO Review of Education Finance Update

**Discussion:**

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

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

**Outcome:**

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

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

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

**Discussion:**

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

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

**Outcomes:**

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

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

- Report of the Portfolio Holder for Finance

**Discussion:**

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

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

**Outcomes:**

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

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

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

**Discussion:**

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

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

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

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

**Outcomes:**

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

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

- Internal Audit Activity Report – Q3

**Discussion:**

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

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

**Outcomes:**

- **Noted**

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

- Report of the Head of Financial Services

**Discussion:**

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

**Outcomes:**

- **The report was noted**

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

- Scrutiny summary report

**Discussion:**

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

**Outcomes:**

- **The summary was noted**

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

- Responses to comments made

**Discussion:**

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

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

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

**Outcomes:**

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

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

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

**Discussion:**

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

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

**Outcome:**

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

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

- Scrutiny work programme

**Outcome:**

- **Noted**

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

**County Councillor JG Morris (Chairman)**

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