

# Public Document Pack

Audit Committee Thursday, 14 February 2019

## MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COUNCIL CHAMBER - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON THURSDAY, 14 FEBRUARY 2019

### PRESENT

County Councillors J G Morris, Chair, M J Jones, K Laurie-Parry, JG Morris, WD Powell, D A Thomas, R G Thomas, T J Van-Rees, A Williams, J M Williams and R Williams and Mr J Brautigam

#### 1. ELECTION OF CHAIR

**RESOLVED** that County Councillor J G Morris be elected Chair for the period to the Annual Meeting of the Council in May 2019.

#### 2. ELECTION OF VICE CHAIR

**RESOLVED** that Mr J Brautigam be elected Vice Chair for the period to the Annual Meeting of the Council in May 2019.

#### 3. APOLOGIES

An apology for absence was received from County Councillor K Lewis.

#### 4. DECLARATIONS OF INTEREST

There were no declarations of interest.

#### 5. DISCLOSURE OF PARTY WHIPS

There were no disclosures of party whips.

#### 6. MINUTES

The Chair was authorised to sign the minutes of the previous meeting, held on 16 November 2018, as a correct record.

#### 7. CLOSURE OF ACCOUNTS

##### Documents:

- Report of the Head of Financial Services

##### Discussion:

- Members were aware of the requirement for earlier closure of accounts in two years' time

- It had been proposed that a trial of early closure be undertaken during the current year and work was ongoing to achieve this
- Regular meetings are held between officers and representatives of the WAO to address issues as they arise
- CIPFA have issued new guidance and work is in hand to review all the notes to the accounts to ensure that they are relevant and required – proposals will be brought to the next Audit Committee for consideration
- The WAO advised the Committee that they would be issuing an Audit Deliverables document. Although the statutory deadline for early closure was two years hence, both bodies wished to iron out any problems in advance.
- The Committee were aware that estimates had been included within the Statement of Accounts to deal with Heart of Wales Property Services as their year-end did not coincide with that of the Authority. It was also noted that their accounts had not been published on time and Members questioned how this was dealt with. The Deputy Head of Financial Services advised the Committee that HOWPS' Management Accounts had been used as the basis for an estimate within the Authority's Accounts. When HOWPS statutory accounts were issued the estimate was proven accurate. The Portfolio Holder indicated that there had been an oversight by the parent company and that this should not recur.
- Members were reminded that HOWPS was a joint venture company with Kier. A loss had been made in the first year but the second year is more profitable and should be back in balance by their year-end. The Portfolio Holder for Finance sat on the Board of HOWPS. Any profit or loss was split equally between Kier and Powys. Members wished to discuss the matter further but the Chair agreed to refer the matter to the Scrutiny Co-ordinating Committee for further consideration as a general discussion was not appropriate at Audit Committee.

**Outcomes:**

- **The report was noted**
- **The Chair to refer the issue of HOWPS to the Co-ordinating Committee for consideration**

<b>8. RISK MANAGEMENT</b>
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**Documents:**

- Report of the Corporate Policy, Assurance and Inspection Officer
- Strategic Risk Register

**Discussion:**

- The Strategic Risk Register captures risks and the mitigation measures in place
- The approach had been reviewed as too many risks on the Corporate Risk Register were service based – the Corporate Risk Register had had 28 risks and these have been reduced to 12 on the Strategic Risk Register
- Members asked what criteria had been used to de-escalate risks from the former Corporate Risk Register – these risks had been discussed between the Leader and the former Corporate Policy, Assurance and

Inspection Officer. An Interim Officer had recently taken over pending a restructure within the service. The detailed criteria would be circulated to Members.

- Officers were asked if the Register could be provided in a format which showed the most expensive, financial risk at the top. The system may not allow this type of categorisation but it may be possible to include a cost against appropriate risks.
- A further challenge was made regarding the removal of risk CG1 identified as Failure of Governance. This particular risk had related to the implementation of the Modern Gov system which was used to issue Committee agendas and Minutes – the system was in place and was now deemed to be ‘business as usual’.
- The Committee had previously expressed concern regarding Risk ASC 19, relating to diminishing availability of workforce against increasing demand for service within Social Care, which continued to have a residual risk rating of catastrophic. Mitigation measures had not changed and the residual risk was not improving. The WAO advised that one of the Committee’s primary functions was risk and it would be appropriate for the Committee to invite a further report from the Director and discuss the issue with them at a future meeting. The Improvement and Assurance Board also considered workforce planning within its remit. There was to be a workshop later in February and an active recruitment programme was to be implemented.
- Some issues, such as the potential impact of Brexit, did not appear on the Strategic Risk Register. A recent programme on Radio 4 had indicated that Powys was not an area that young people would choose to live due to declining services, low wages etc. Members were concerned that there was a lack of detail around the Mid Wales Growth bid although the Portfolio Holder reminded Members of the difficulty the Authority currently faced in providing services in rural areas and that he hoped the Mid Wales Growth Deal would arrest and reverse this decline.
- It was noted that communication was a key area that needed to be addressed.

**Outcomes:**

- **The Director of Social Services and Portfolio Holder for Adult Services would be asked to attend the next meeting to discuss AGS19 in particular and general risk and assurance within Social Care**

<b>9. INTERNAL AUDIT</b>
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**Documents:**

- SWAP Report of Internal Audit Activity – Q3

**Discussion:**

- The Assistant Director, SWAP, continues to meet Directors and service teams
- Some delivery issues have been encountered in arranging timely meetings or agreeing actions. Greater engagement is required.

- There is a need to ensure that clients realise the added value that can be provided by SWAP
- Three areas of work have been given partial opinions
  - Section 33 Agreements – a number of agreements were not in place or signed promptly. Of seven areas audited, only one had the appropriate agreement in place. This highlights a lack of governance and oversight by the Joint Partnership Board.
  - Members' Expenses – the policy in place was appropriate and the Trent system for submitting claims was effective. A number of failed licence and insurance checks were found demonstrating a lack of governance and rigour in the checking of claims. There had also been a failure to publish online for some periods and some claims lacked key information.
  - Crickhowell High School – the School had failed to notify the Authority of monthly spend and of an increasing deficit. The deficit had not been licensed. There were inconsistencies in costings that were not reflective of spending.
- The Assistant Director proposed continuing to report audits with partial opinions to Audit Committee but monitoring of recommendations would be undertaken by the Internal Audit Working Group which was to be re-established
- The Internal Audit Plan, approved by Audit Committee annually, does not accommodate reactive work
- An audit of the main accounting system was to be deferred to Q1 2019/20 as a new financial system was in the process of implementation
- Overall, delivery of the Plan was on track
- The Committee challenged the partial opinion on Crickhowell High School – this had been the subject of a scrutiny meeting and it seemed as though the position had deteriorated since that time. The school had many successful aspects although there were concerns in some key financial areas, hence the partial opinion given.
- The Committee remain concerned regarding the overall level of school budget deficits. The Section 151 Officer reminded Members that a process was in place to licence deficits. However, there was the wider issue of rising deficits – individual schools could be subject to scrutiny but the wider issue could only be resolved by the Council. The Portfolio Holder informed the Committee that the Head of Schools, supported by Finance, had initiated significant intervention in some areas.
- There had been an item regarding Section 33 Agreements on the Risk Register in 2017 with a new process implemented in 2018 to mitigate that risk. It appeared therefore, that this risk had not been managed.
- It was suggested that the Authority needed to be aware of the potential impact on one area of using a successful professional to support other areas
- The Committee asked the Assistant Director if SWAP was providing good value for money and whether a better resource was being provided? The Assistant Director reported that SWAP was more inclusive with greater benefits in terms of support, systems and resources. In terms of delivery, the same resource was provided to the Authority. The Section 151 Officer confirmed that there would be no budget cut for internal audit services. The Authority was part owner of SWAP but distance was provided

- between the function and the Authority. Internal Audit continued to provide approximately 1000 days of service.
- Members had been aware that there had been a lack of engagement by services at the beginning of the new arrangements and questioned whether this had been resolved. Relationships were developing but there remained issues in some areas. If this continues the matter will be referred to Audit Committee. Meetings with the senior management team have improved. The Chair agreed to discuss the issue with the new Chief Executive once she had taken up post.

**Outcomes:**

- **The Chair would discuss issues of engagement by service areas with Internal Audit with the new Chief Executive once she had taken up her post.**

<b>10. IMPLEMENTATION OF FINANCE SYSTEM</b>
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The Deputy Head of Financial Services gave an oral update on implementation of the new Finance System.

This was progressing and on target to go live on 1 April 2019. There remained a significant amount of work still to do. Work with the Communications Team will provide a number of different delivery methods. Training is critical as the system aims to minimise face to face contact and be delivered via webinars etc. Data cleansing and general housekeeping will be undertaken up to the implementation date to ensure the live data is as 'clean' as possible.

The user interface will be more intuitive. However, there is an element of risk given the levels of ongoing organisational change. The Chair questioned whether this was included on the Service or Strategic Risk Register to ensure that it could be challenged at the appropriate level.

The system will also be used in schools.

<b>11. FINANCE PANEL</b>
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The Committee was invited to appoint two Members of the Committee to sit on the Finance Panel alongside the Lay Member.

**RESOLVED that County Councillors J G Morris and D A Thomas be appointed to the Finance Panel.**

<b>12. INTERNAL AUDIT WORKING GROUP</b>
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To appoint three Members to the Internal Audit Working Group.

**RESOLVED that County Councillors W D Powell, R G Thomas and A Williams be appointed to the Internal Audit Working Group along with the Chair and Vice Chair of the Committee.**

<b>13.</b>	<b>WORK PROGRAMME</b>
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**Documents:**

- Audit Committee Work Programme 2019/20

**Outcome:**

- **The Work Programme would be updated with items discussed**

**County Councillor J G Morris  
Chair**