

# Public Document Pack

Audit Committee – 7 February 2020

## MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON FRIDAY, 7 FEBRUARY 2020

### PRESENT:

Mr J Brautigam, In the Chair, County Councillors M Barnes, M J Jones, K Laurie-Parry, K Lewis, DW Meredith, D A Thomas, R G Thomas, T J Van-Rees and A Williams and

Cabinet Portfolio Holders In Attendance: County Councillors G Breeze and A W Davies

Officers: Jane Thomas, Head of Finance

Other Officers In Attendance: Messrs I Halstead and D Hill, SWAP, Mr P Pugh, Ms L Williams and Ms S Leahy, WAO

<b>1. APOLOGIES</b>
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Apologies for absence were received from County Councillors J G Morris (Chair), D R Jones, WD Powell, J M Williams and R Williams

<b>2. DECLARATIONS OF INTEREST</b>
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County Councillor T J Van Rees declared an interest in item 10, Theatr Brycheiniog as a former Board Member.

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

<b>4. MINUTES</b>
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The Chair was authorised to sign the minutes of the previous meeting, held on 19 December 2019, as a correct record.

<b>5. WAO ANNUAL AUDIT SUMMARY 2019</b>
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### Documents:

- WAO – Annual Audit Summary 2019

### Discussion:

- This was a new style report replacing annual audit letters that was being trialled – the WAO would welcome any feedback
- The summary provides a snapshot of work completed in the period October 2018 to December 2019

- The WAO were satisfied with value for money but recognised the challenges in the delivery of timely transformation
- A report regarding Financial Sustainability will be available for the March meeting
- The WAO were also satisfied that planning and reporting requirements were in place to deliver continued improvement
- the Corporate Improvement Plan had been published in October 2019
- Wellbeing of Future Generations examinations show that the Council has acted in accordance with the sustainable development principle, but improvements could be made with regard to schools' infrastructure and the design of the North Powys Wellbeing Programme
- A higher priority needs to be given to transformation
- Ongoing work includes
  - Delivering Vision 2025
  - Growing Mid Wales
  - Assurance and Risk Assessment
  - Financial Sustainability
- The Committee questioned whether the process associated with the use of funds under the Capital Receipts Directive had been considered and whether the projects financed had been sustainable. The requirements of the Directive are quite specific.
- The WAO were asked if there was any discussion with the senior management team regarding the work programme. The WAO combine their knowledge of what is happening within the Council with particular reference to risk. Prior to finalising the Audit Plan, discussions are held with the Chief Executive and other senior managers to discuss what has been included. The work programme will cover specific projects and national projects, but managers will be asked if there are any areas which they think should be included. The WAO would robustly challenge if there was a suggestion by management that an item was not included.
- The WAO were asked how their work programme ties in with the Internal Audit work programme. With regard to financial audit work there is no reliance on the internal audit work programme. However, the outcomes of internal audit reports inform the level of risk to the financial statements and whether any of those risks might lead to misstatements. If this were the case, then more testing would be done in that particular area. A similar process would apply to performance auditing.
- A specific query was raised regarding the Mid Wales Growth Deal – to date no money has been spent but the governance arrangements will be included in the work programme
- A Member asked the WAO if consideration was given to projects that were overspent but was advised that the Authority had responsibility for project management and the WAO would only consider whether funds had been properly accounted for and would not have an impact on the financial statements.
- The WAO were asked if they received good quality data from other sources. There were good relationships with CIW and Estyn. The WAO was also an observer on the Improvement and Assurance Board and could monitor implementation of Action Plans through that forum.
- With reference to Value for Money, the WAO were asked how their opinion had been evidenced. Consideration is given to processes, methods, policies and procedures to ensure money is spent effectively

and efficiently. This will be aligned with good practice and any recommendations included within the final report. There was very little benchmarking analysis, but the Portfolio Holder for Finance indicated that this was the subject of discussion at the Improvement and Assurance Board.

**Outcome:**

- **The summary report was noted**

<b>6. STRATEGIC RISK MANAGEMENT</b>
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**Documents:**

- Report of the Portfolio Holder for Corporate Governance and Engagement
- Strategic Risk Register
- Heat Map

**Discussion:**

- Report to end of quarter 3
- 11 risks on the Strategic Risk Register
- CS0009 – this risk had been escalated to the Strategic Register. Even after mitigation the risk remains high.
- Members requested that the date a risk is first included on the register be reported
- ED0022 – inherent risk had been scored at 9 but the residual risk after mitigation had increased to 12
- ED0023 – the score did not improve after mitigation
- Members were concerned that mitigation was not impacting upon the scores – this was apparent in a number of the risks and further information was sought. There was further concern that the service risk registers may be in a similar state.
- Evidence of mitigation actions was required
- Close monitoring was not an adequate mitigation measure
- The report was a Cabinet report and the Committee was unclear what the role of the Audit Committee was in considering this report – the Committee asked that their role be clarified with regards all reports – are reports for information, scrutiny etc
- It was suggested that the outcomes arising from Cabinet's consideration of the report should be considered

**Outcomes:**

- **The Chair would liaise with senior officers regarding the issues raised relating to the Strategic Risk Register**

<b>7. INTERNAL AUDIT</b>
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**Documents:**

- Report of Internal Audit Activity as at 30 January 2020

**Discussions:**

- More resource has been added as the year has progressed
- 63% of work has been completed or is in draft
- 31% is work in progress
- 6% is planned
- The top 20 risks across the sector have been reviewed
- There is a clear programme of work going forward
- If Members thought there were any further areas of risk, the Head of Internal Audit would appreciate feedback
- Partial opinions have been given:
  - Patch Management – a technical IT audit has been undertaken. Patches have been loaded straight into the system without testing. It is not clear that the process has been carried out effectively. There was a lack of supporting records.
  - Deprivation of Liberties (DOLs) – the scope of DOLs had widened in 2014 leading to an increase in the number of applications. There has been a significant failure in carrying out assessments in line with timescales. The Committee questioned why a ‘partial’ opinion was given rather than none at all. The Head of Internal Audit advised that the opinion given was based on a wider review.
- Additional work had been undertaken in relation to Theatr Brycheiniog with Schools IT and Commissioning having been postponed.
- Performance is good and the Plan is on track to be delivered by year end

**Outcomes:**

- **The report was noted**
- **The Internal Audit Working Group would consider those audits where a partial or low opinion was given in more depth**

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

- Report of the Portfolio Holder for Finance

**Discussion:**

- The Treasury Management Strategy will form part of the document pack for Council when the budget is considered
- A slight improvement in VAT reporting was noted but level of errors was still unacceptable. The team continues with the ‘right first time’ policy but there are notable failures in some areas to submit the correct documentation. Members were concerned that this issue continued despite any failure to claim VAT being charged to the service. This was particularly prevalent in schools.
- The Public Works Loan Board interest rate has increased, and the Committee asked if this had changed the debt management strategy or whether there were any inherent risks. The Head of Finance reported that alternatives were being considered for both short and longer-term loans but that there would be no greater risk provided the strategy was adhered to.

**Outcomes:**

- **The report was noted**

<b>9.</b>	<b>CLOSURE OF ACCOUNTS</b>
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**Documents:**

- Report of the Head of Finance

**Discussion:**

- A project management approach continues to be taken
- The WAO deliverables list has already been received
- CIPFA have produced information to streamline account preparation and are to run workshops
- Internal workshops are already in hand
- The process was on track and there were no issues to report

**Outcomes:**

- **The report was noted**

<b>10.</b>	<b>THEATR BRYCHEINIOG</b>
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The Chair informed the meeting that the review into the grant paid to Theatr Brycheiniog in 2018 had taken longer than expected. The report had been withdrawn in September 2019 pending a further review by SWAP. This is nearing completion and both reports will be considered at an extra meeting of the Audit Committee on 23 March 2020.

<b>11.</b>	<b>AUDIT COMMITTEE SELF EVALUATION</b>
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**Documents:**

- Report of the Chair
- Completed Self-Evaluation questionnaire

**Discussion:**

- Members were of the opinion that the core principles of an audit committee were not reflected in the Constitution
- The Committee regularly reviews its terms of reference to ensure they remain appropriate – this will be scheduled in the work programme for a future meeting
- A review of Internal Audit had also been carried out and both documents would be checked for consistency

**Outcomes:**

- **A review of the Audit Committee's Terms of Reference would be included on a future agenda**

<b>12.</b>	<b>WORK PROGRAMME</b>
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**Documents:**

- Work programme 2020

**Discussion:**

- The extra meeting on 23 March 2020 will consider
  - Savings delivery 2019/20
  - Update on risk register report
  - WAO Audit Plan
  - Internal Audit Plan
  - Theatr Brycheiniog
  - WAO Financial Sustainability
  - WAO Assurance and Risk Assessment
- WAO Audit Summary will be considered on 4 September 2020
- WAO Annual Improvement Report will be considered on 10 December 2020

**Outcomes:**

- **The work programme will be amended to include the items discussed**

**Mr J Brautigam  
Chair**