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Audit Committee – 4 June 2020

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON THURSDAY, 4 JUNE 2020

PRESENT

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

Cabinet Portfolio Holders In Attendance: County Councillor A W Davies

Officers: J Thomas, Head of Finance and C Turner, Chief Executive

Other Officers In Attendance: P Pugh and L Williams, Audit Wales and I Halstead, SWAP

1.	APOLOGIES
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There were no apologies for absence.

2.	DECLARATIONS OF INTEREST
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There were no declarations of interest.

3.	CLOSURE OF ACCOUNTS
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3.1. WAO Audit Plans

Documents:

- Audit Wales – Audit Plans Powys County Council and Pension Fund 2019/20

Discussion:

- There has been an unprecedented impact from Covid 19 which has had an impact on both Audit Wales and the Authority's ability to compete the audit
- The Auditor General is keen to ensure the safety and wellbeing of staff in all organisations - Audit Wales staff continue to work from home
- Work is continuing wherever possible and links are being maintained with the Authority
- Both documents identify key risks
- In preparing its financial statements the Council is required to comply with the full CIPFA Code
- Work is ongoing with the Authority to ensure planned performance audit work supports the Council. There may be changes to the planned programme, but this will be in consultation with the Authority.
- The report into the Financial Sustainability study that was completed during the year is being finalised. Longer-term sustainability will also be considered as part of the study planned in the coming months and the

scope of this study is likely to be developed in consultation with the Welsh Treasurers' Group.

- A revised timetable for the scrutiny study is being discussed
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- The Audit Fee is below that for the previous year as there is less work on grants certification
- The Audit Wales team is largely the same – Members' attention was drawn to two potential, perceived conflicts of interest and how this would be addressed
- The Committee's attention was also drawn to the regulations and requirements in the Appendices to the report
- Audit Wales were asked if there would be a major change in the level of sampling to be undertaken. As Covid 19 occurred late in the financial year and the Council's accounts payables and receivables systems continued to operate no significant risk associated with the pandemic as no material expenditure had been made during the last two weeks of the financial year. Sampling may increase in estimates, accounts payable and receivable. The risk factor will stay the same.
- Audit Wales would not comment on political decisions but would consider the challenges the Authority may face regarding sustainability. A national study is to be undertaken.
- Business support grants were made in line with criteria although some payments were made before the funding had been received. Cash management has been carefully monitored over the period.
- A Member asked if there had been an increase in risk due to the speed of change witnessed throughout the pandemic. As mentioned previously, the pandemic occurred late in the financial year so there would not be a significant increase in risk in relation to the 2019-20 accounts.
- The Annual Governance Statement may be amended to reflect the control environment in place during the period up to and including the sign-off of the accounts. It is likely that reference will be made to the decision-making framework.
- Could the Actuary's Report be considered by Audit Committee – the report would be considered by the Pensions and Investment Committee but would be circulated to Audit Committee for information.
- A further query was raised regarding the All Wales Investment Pool and how that was reflected in the Authority's accounts. The Joint Partnership will provide financial statements. During 2018/19, the Authority had invested £72M with the Partnership and in 2019/20 a further £37M was invested. Audit Wales will audit the joint committee accounts and will provide assurance regarding the level of investments to the Powys Council audit team. Volatility in the markets was noted and Audit Wales will look at the evidence which supports valuations.

Outcomes:

- **The Audit Plans for Powys County Council and the Pension Fund were noted**

3.2. Closure of Accounts

The Head of Finance reported that the team were on track to finalize the draft accounts by 15 June. The team had adapted quickly and were working flexibly

from home to ensure that the service could continue to support business critical activity. She was pleased to report that, although some members of staff were shielding, no one from the team had fallen ill with Covid 19.

The next deadline to achieve is the 15 September 2020 for approval of the accounts and it was hoped that Audit Committee would meet on 4 September 2020 as planned, albeit virtually.

Outcomes:

- **The Committee asked that their thanks to the Finance Team be recorded for the outstanding work undertaken in difficult circumstances**

4.	DRAFT ANNUAL GOVERNANCE STATEMENT
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This item was deferred to a future meeting.

5.	SWAP - INTERNAL AUDIT UPDATE
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The Assistant Director, SWAP, informed the Committee that all staff were home working and none had been furloughed. SWAP was supporting the ongoing wellbeing of those staff.

Work has continued where possible but there have been challenges. All staff were registered on the redeployment register. Added value was provided by sharing across partners. Post Covid 19, a different approach will be taken with a new way of working being introduced. Staff are currently being upskilled to adapt to more agile working, with more client liaison and a data driven approach being adopted. More efficient reporting will be introduced with 'a report on a page' being the norm.

The 2020/21 Audit Plan had been agreed by EMT in March but had not been considered by Audit Committee due to the pandemic. Work has continued in those areas with greater capacity. The Audit Plan will necessarily be more flexible to address risk.

Discussion:

- If the service is to be more agile and quicker, shorter reports provided, would there be an opportunity for more work to be undertaken or the fee to be reduced? The new approach will require buy in from the client and the fee will remain static. The Plan will need to be reviewed constantly and resources for other topics considered.
- There will be further discussions with the Council Solicitor regarding how Internal Audit reports will be dealt with

Outcomes:

- **The report was noted**

6.	RISK REGISTER - COVID 19
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Documents:

- Covid 19 Risk Register

Discussion:

- The Covid specific Risk Register was established early in the pandemic and is reviewed weekly by Heads of Service
- Each risk is assessed on likelihood and impact
- The scoring matrix would be circulated for information
- A monthly claim is made against the Covid Hardship Fund
- Discussions with the WLGA and Welsh Treasurers continue to seek support from Welsh Government.
- The Committee had concerns regarding the financial impact of the flooding late in the last financial year followed by the impact of Covid 19. Claims have been made through the Emergency Fund for flood related support although the Council has to meet the first £517K of costs. Further claims are being made during the current financial year. Consideration is being given to flood alleviation schemes to limit future risk.
- There may be additional costs associated with some contracts due to sites being closed, projects delayed together with the risk of suppliers liquidating. This is kept under constant review.
- The Council's cash flow is under constant review
- Not all risks were showing a review date, but the Committee was assured that these were in place
- Creditor payments are made as quickly as possible to support the economy
- PPN2/20 has been implemented providing supplier relief where appropriate
- The Head of Finance works closely with other authorities through a network of Welsh Treasurer's and the WLGA
- Focus is now moving to recovery
- The Portfolio Holder was pleased to report that the Council was working across boundaries and that agencies had been brought together during the crisis
- Risk 0046 identified Track and Trace as a risk for one service only - this should be identified across all services
- There was concern regarding the statistics that were published by Public Health Wales and that this may lead to complacency in the County. Data from the Office of National Statistics was more accurate but there was a delay in reporting. The Portfolio Holder informed Members that the Chief Executive had written to the Welsh Government in this regard.
- Risk 0024 relating to the potential insolvency of any participating employers in the Pension Fund – the Vice Chair asked if the Authority was dangerously exposed. The Head of Finance advised that all participating employers were being monitored on an ongoing basis and there were no issues identified currently.
- The Assistant Director, SWAP, informed the Committee that a report on risk management would be finalized shortly. The Authority needed to know if risk was being over or under controlled.

Outcomes:

- **Each scrutiny committee should consider the risks relating to its area of consideration**

7.	POLICIES FOR INFORMATION AND REVIEW
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The following documents were received for information:

- Powys County Council Anti-Money Laundering
- Powys County Council Anti-Fraud
- Fraud Prosecutions and Sanctions

County Councillor JG Morris (Chair)

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