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Audit Committee – 4 September 2020

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

### PRESENT

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

Cabinet Portfolio Holders In Attendance: A W Davies, Finance and G Breeze, Corporate Governance

Officers: Jane Thomas, Head of Finance and Paul Bradshaw, Head of Workforce and Organisational Development

Other Officers In Attendance: Phil Pugh and Sara Leahy, Audit Wales and Ian Halstead, SWAP

<b>1. APOLOGIES</b>
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Apologies for absence were received from County Councillors M J Jones and D A Thomas

The Committee had been scheduled to sign off the Statement of Accounts at this meeting. However, timescales across other sectors have impacted on finalizing the Council's accounts and audit. With the agreement of the Welsh Government, the date has been extended. The Council had submitted its draft accounts in line with the deadline of 15 June with audit work commencing in July. The accounts would be finalised and presented to Committee for approval at an extra meeting of the Audit Committee on 29 September 2020. A further meeting will be required to approve the Pension Fund Accounts as that date has been extended to the end of November.

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

<b>3. AUDIT WALES - WORKFORCE PLANNING</b>
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#### Documents:

- Report of the Head of Workforce and Organisational Development
- Audit Wales – Workforce Planning at Powys County Council

#### Discussion:

- A council wide approach had been undertaken for workforce planning across all services for the first time.
- An audit was planned during 2019/20, which took place in the final quarter to coincide with the appointment of a new Head of Service.

- The audit provided reassurance that the new approach was a significant improvement on the previous process and that the stronger workforce planning meant that the Council was better placed to support its transformation objectives.
- Moving forwards and to further improve workforce planning:
  - An analysis of the local labour market will take place
  - Succession planning will be incorporated into the next round of planning
  - The workforce planning tools had been simplified for future years
  - And it was the intention to digitalise the process and to better embed workforce planning within the wider business planning process
- A significant improvement on previous plans was noted
- Audit Wales explained that the audit had intended to review and seek assurance regarding workforce plans at a strategic and operational level and to ensure such plans were embedded in the wider transformation process.
- The work had been completed before lockdown, and many of the points raised had been developed.
- The Chair asked if the pandemic had set the process back – there had been very little impact and all actions had been worked upon. The only process which had not progressed as much as planned, was the digitalisation of the planning tool which had been partially completed.
- It was also intended that HR Business Partners attend service management team meetings to help gauge and support progress against the workforce plan, this however has been deferred due to the activation of the Council's Emergency Plan.
- The Committee sought assurance that all twelve service areas would have similarly robust plans in place. At the end of 2019/20, nine services had robust plans in place but there were extenuating circumstances for the remaining three, for instance the Education Service had been developing an improvement plan at the time in response to a recent inspection. Workforce planning in this case had been deferred so it could encompass the workforce needs arising from the post inspection action plan. All services moving forwards would be supported in developing robust workforce plans as part of their overall business planning.

**Outcomes:**

- **The report was noted**

<b>4.</b>	<b>CORPORATE IMPROVEMENT REPORT AND PERFORMANCE CERTIFICATE</b>
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**Documents:**

- Report of the Head of Transformation and Communications
- Audit Wales – Improvement Plan Certificate
- Audit Wales – Performance Certificate

**Discussion:**

- There is a requirement under the Local Government Measure to publish an assessment of performance for 2019/20 together with an Improvement Plan to ensure continued improvement in 2020/21
- Both certificates have been issued and confirm that the Authority has acted in accordance with statutory guidelines and has discharged its duties
- The Committee asked how Powys County Council compared with other authorities – it was noted that most Councils fulfil the requirements of the Local Government Measure, however many Councils are not at a point of publication for their local measure outputs due to challenges in holding full Council meetings and other disruptions during Covid-19.
- The Assistant Director, SWAP, confirmed that work during 2019/20 had not stopped although there had been some delay at the end of the financial year. The real impact of the pandemic will be reflected in the current year's performance.

**Outcomes:**

- **The report was noted**

<b>5.</b>	<b>INTERNAL AUDIT - ANNUAL REPORT</b>
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**Documents:**

- SWAP – Annual Internal Audit Report

**Discussion:**

- It is the role of the Internal Auditor to give an opinion to support the Annual Governance Statement on governance, risk and control
- The opinion is based on a summary of work undertaken and any qualifications or issues arising would be stated
- Business continuity had prioritised critical services and this had had an impact on internal audit work
- The next Audit Committee on 29 September will receive a summary of the position of each piece of work
- An opinion of Reasonable Assurance has been given
- Adequate controls are in place but some need to improve
- Any audits receiving a partial opinion will be addressed through the Internal Audit Working Group
- Added value has been given by considering the top 20 risks across the partnership
- 77% of audits are complete, 17% are in draft and 6% have not been started
- Customer satisfaction is 93% and 98% of recommendations have been accepted by management
- SWAP is quality assessed regularly and has been found to conform to the required standards
- The Committee raised the issue of HOWPS and asked to be informed of the key governance issues raised. The Internal Audit Working Group is to consider the report in detail in the next few weeks. Governance has been identified as an issue and assurance has been sought from the Authority regarding measures to be put in place. The Audit Committee will receive

a summary report of the Working Groups findings. A further working group has also been established under the Economy, Residents and Governance Committee to consider HOWPS in more detail.

- A Member asked for a position statement on the review of YGaer – the Terms of Reference have been agreed and governance arrangements reviewed. The next step will be to interview stakeholders, but this has been on hold whilst the Authority is in business continuity mode.
- The Committee asked what processes were in place to get the internal audit work programme back on track to ensure that reviews do not become out of date or lead to increased risks if not dealt with
- Consideration will now be given to capacity within services to move the work programme forward
- Work is ongoing to improve reporting processes
- The Committee asked for more detail regarding the recommendations that were not accepted – this may be because there is insufficient resource available. A balance must be struck between risk and the costs of control

**Outcomes;**

- **The report was noted**
- **A further report detailing the current work programme will be considered at the next meeting**

<b>6. STRATEGIC AND COVID RISK REGISTERS</b>
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**Documents:**

- Strategic Risk Register
- Covid Risk Register

**Discussion:**

- The Head of Finance reminded Members that the role of Audit Committee was to gain assurance regarding the management of risk
- The report has been reviewed by Cabinet but there were no additional issues raised
- Each service head is required to bring their budget back to a balanced position
- Further support for local authorities will be key in addressing the situation
- Discussions around future settlements are being held
- Local authorities are inputting into the spending review
- The Portfolio Holder indicated that Finance Panel will consider the position later in the month and a wider budget seminar would also be arranged. There was significant uncertainty regarding funding, but this should become clearer as we move through the year bringing some clarity to the outturn for the current year.
- Comments have previously been made regarding the use of reserves to support the unprecedented situation which faces the Authority. All options will be considered going forward but reserves cannot be used for recurring costs. Consideration of future resilience must also be borne in mind.
- The Committee had asked for sight of the Shaun Harriss report – this was to be released by the Welsh Government in the near future

- Further consideration should also be given to the position regarding joint ventures – HOWPS should also be included in the register
- Many risks within the Covid Risk Register were noted as having a catastrophic rating – it was suggested that these should be reviewed where mitigation measures have been introduced.

**Outcomes:**

- **The Head of Property, Planning and Public Protection be asked to consider including the HOWPS Joint Venture on the Risk Register**
- **The Head of Finance to review the format of reports to enable them to be displayed more effectively**

<b>7. TREASURY MANAGEMENT - ANNUAL REVIEW 2019/20</b>
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**Documents:**

- Report of the Portfolio Holder for Finance

**Discussion:**

- There is a requirement in the CIPFA Code of Practice to submit an Annual Treasury Management review by 30 September
- The Capital Financing Requirement is £101M for 2019/20 and this is projected to rise to £490M in five years. The Authority has £299M borrowed and so remains in an under-borrowed position
- The rate of return on investments remains low
- There is a requirement to provide a summary statement of accounts for Treasury Management
- It was noted that the budget for transport appeared to have doubled – further detail would be provided to the Committee but it was for leasing and hire costs – individual budgets would be used for such things as ensuring social distancing on school transport
- Interest was shown as £3.5M lower in the year. There were delays within the capital programme. This has been the case for several years and is constantly under review. To mitigate against this, the Finance Team had budgeted for 70% delivery against the capital programme. This was likely to slip further due to the pandemic. The capital programme also has an impact on the revenue budget.

**Outcomes:**

- **The report was noted**
- **Further detail regarding transport leasing and hiring costs would be circulated**

<b>8. TREASURY MANAGEMENT - QUARTERLY REPORT</b>
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**Documents:**

- Report of the Portfolio Holder for Finance

**Discussion:**

- The Treasury Management Strategy has been approved by Council and does not show any changed investment strategies
- The Authority will aim for an optimum return whilst maintaining security and liquidity
- An under-borrowed position will be maintained as this is currently the most advantageous to the Authority
- The Head of Finance was asked what due diligence was undertaken when lending to other authorities or public bodies? The risk of borrowing or lending to other authorities was deemed to be low risk. Any authority wishing to borrow would submit a request which would be considered based on the amount, the term and the authority in question.
- A very high number of incorrectly coded debtor invoices was noted. In terms of monetary value this was not high. Consideration would be given to debtors during ongoing transformation work. The 'Right First Time' programme was to be reinvigorated.

**Outcomes:**

- **The report was noted**

<b>9. NEXT MEETING</b>
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The next meeting would be held on 29 September 2020 when the following items will be included on the agenda:

- Statement of Accounts
- Theatr Brycheiniog grant review
- HOWPS Internal Audit Report
- Internal Audit – work programme monitoring report

**County Councillor JG Morris (Chair)**