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Audit Committee 04.02.2016

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COUNCIL CHAMBER - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON THURSDAY, 4 FEBRUARY 2016

PRESENT

County Councillors JG Morris (Chair), D E Davies, E R Davies, L R E Davies, S C Davies, L Fitzpatrick, G Hopkins, M J Jones, P J Medicott, WD Powell, D R Price, G W Ratcliffe, D A Thomas, D G Thomas, T J Van-Rees and J Brautigam (Independent Member)

WAO: Messrs Iolo Llewelyn, David Rees and Anthony Veale

In Attendance: County Councillors W T Jones, Portfolio Holder for Finance and S M Hayes, Portfolio Holder for Adult Social Care, Amanda Lewis, Strategic Director, People and Joy Garfitt, Head of Adult Social Care

Officers: David Powell, Strategic Director Resources, Jane Thomas, Professional Lead, Finance, Ann Owen, Treasury Manager and Caroline Evans, Business Continuity and Risk Management Officer

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| 1. | APOLOGIES | A1-2016 |
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Apologies for absence were received from County Councillors F Jump, R H Mills and R G Thomas.

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| 2. | DECLARATIONS OF INTEREST | A2-2016 |
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There were no declarations of interest.

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| 3. | DISCLOSURE OF PARTY WHIPS | A3-2016 |
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There were no declarations of party whips.

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| 4. | MINUTES | A4-2016 |
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The Chair was authorised to sign the minutes of the previous meeting, held on 9 November 2015, as a correct record.

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| 5. | CLOSURE OF ACCOUNTS | A5-2016 |
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The Committee received a presentation on the Closure of Accounts Project by the Professional Lead, Finance.

Issues:

- A Working Group of officers had been set up to address concerns arising from the closure of accounts in previous years

- There is regular reporting to the S151 Officer and Resources Management Team
- Timescales have been shortened and this will support shorter, statutory deadlines which are expected to be introduced in the future
- A new WAO Team Leader has been appointed and initial meetings have already taken place regarding the closure of the 2015/16 accounts. Issues discussed have been around consistency, provision of more working papers electronically and the use of estimates
- Workshops with key officers from the WAO and Council have been held
- Further workshops with service areas have also been held to ensure that all officers have a better understanding of the needs of closing the accounts. Budget management responsibilities have also been reinforced

Discussion:

- It was noted that the presentation indicated that expertise may need to be purchased and the Committee sought further information on the nature of the expertise required, where this may be sourced and the cost. The Professional Lead, Finance informed Members that additional support may be required to undertake development work as the Council transforms. This expertise may not be required in the longer term but, assistance may be required in, for example, the development of a Joint Venture Company for Property.
- Further clarification was sought regarding using estimates – there may be instances where raw data would be used, for example wages claims for March were not submitted until mid-April. It would take time for those claims to be fully processed.
- The incoming WAO Engagement Lead informed the Committee that he welcomed the planning that was in place and that it was being shared with the Committee. He believed the use of estimates would become more prevalent as timescales shorten. He also welcomed the recognition that the closure of accounts was not just a function for finance. He was reassured that the planning included the closure of the pension fund accounts

Outcomes:

- **The Committee will continue to receive regular progress reports on the Closure of Accounts Project**

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| 6. | WAO | A6-2016 |
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6.1. Review into the Letting of the Domiciliary Care contract

Documents:

- Report of the Strategic Director, Resources
- WAO Review of the Letting of a Domiciliary Care Contract to Alpha Care Limited

Issues:

- Three reports regarding domiciliary care had been issued – one by the IPC which had been commissioned by the Authority, CSSIW and the WAO report which focuses on the letting of the contract.

- It was intended that one action plan addressing all three reports be produced
- The issues raised were relevant across the Authority and not limited to Adult Social Care

County Councillor L Fitzpatrick left the meeting at 10.15am

County Councillors G Ratcliffe and W D Powell arrived at 10.15 am

- Three recommendations had been made by the WAO – the Strategic Director, People was to lead on Recommendation 1 and the Strategic Director, Resources would lead on Recommendations 2 and 3.
- It was intended that the Action Plan would be monitored by Audit Committee on a regular basis
- Dates in paragraphs 37, 40 and 47 were corrected and a revised report would be issued.

Discussion:

- Assurance was sought from officers that the Authority had sufficient expertise to draw up documents, ensure data was correct and that projects of this type could be carried forward. The Strategic Director, Resources commented that the issue was applicable across the Authority and that a key message from the Review was that transformational change would have to be properly resourced. At the time the contract under discussion was let, the Authority had one Procurement Manager. A Commercial Services team has since been established from existing officers who are being trained to meet the Authority's requirements. However, the Team can only advise and support service areas. The Strategic Director, People noted that the role of Commercial Services to any future work would be critical. The Adult Commissioning Team had also been strengthened. Further work has been undertaken to strengthen data analysis and it was acknowledged that whilst progress had been made, further improvements would be sought.
- It had been hoped that the Portfolio Holder for Commissioning would have been able to attend, but Members queried whether lessons had been learnt from the exercise. There were further queries regarding accountability and whether there had been any conflict of interest with an officer involved in the process. The WAO were aware of the issue but had not discovered any evidence of impropriety.
- Members noted that issues had been highlighted by a Project Group which were not reported through to Cabinet. The flow of information must be highlighted at every stage and a request was made that this issue be incorporated within the Action Plan.
- Members also requested that the Action Plan be SMART and that mistakes should be admitted where they occurred
- The Portfolio Holder for Adult Social Care was asked if he had sufficient resources to deliver the service and whether he could give any assurance that there would be no reoccurrence of such issues. The Portfolio Holder replied that he was required to deliver a range of services which all carried an inherently high risk as they were supporting vulnerable clients. The requirements to deliver a safe service, deliver savings and deliver transformation were onerous but the WAO review would assist in helping to reduce risks.

- The WAO were asked if, during the course of their review, they were aware that any officer was reluctant or intimidated to bring information forward. The WAO confirmed that no officer raised any concern. It had been noted that the project had needed to be delivered quickly and flows of communication were not always evident. Furthermore, consideration by Members outside of Cabinet was lacking and there had been insufficient scrutiny by Audit and Scrutiny committees leading to a lack of an independent review of the issues.
- The Chair noted that there was an ongoing Adult Social Care scrutiny group and suggested that there be further dialogue between the Group and Audit Committee regarding further support and co-ordination between the two.
- Members asked what training and development would be put in place as a result of the review and were informed that this would feature in the Action Plan
- A comment was made that the Audit Committee had not taken sufficient notice when concerns were raised by a member of the Committee. The Chair noted the learning that needed to happen and asked that the Committee work more as a team and that a discussion would be taking place with the Strategic Director, Resources, regarding the future role of the Committee and its working groups to ensure a more focussed and proactive approach could be taken forward.

Outcomes:

- **The Action Plan would be circulated to all Members of Audit Committee once drafted. It is expected that it would be considered by Cabinet on 23 February.**
- **The Action Plan would be SMART to facilitate constructive monitoring**
- **Further discussions to take place on the role of the Committee and its working groups**
- **Further discussions with the Adult Social Care Working Group to ensure greater co-ordination**

6.2. Management Letter - 2014-15

Documents:

- Management Letter for 2014/15

Issues:

- Links with the closure of accounts presentation
- There had been a marked improvement on previous years
- Emphasises the evolving process
- Three main issues for consideration – asset accounting, accounting for internal recharges and bank reconciliations

Discussion:

- The WAO were asked by Committee how an unqualified opinion could be given while the audit certificate had not been issued. An opinion had been given that the accounts had been presented fairly. There was an

- outstanding objection and a final certificate would not be issued until the accounts were closed.
- The Committee queried whether best practice was in place and if appropriate training was given to staff. The Professional Lead, Finance confirmed that training was given although, in some instances, this was merely reinforcing issues to ensure consistency. The Project Group would pick up all recommendations made
 - The Chair invited the WAO to comment on performance compared to other Welsh authorities. Similar issues have been raised in other authorities although it was surprising to see an issue relating to bank reconciliations. As the new Engagement Lead settles into post, he would hope to be able to give a wider perspective across the four councils for which he was responsible and would encourage authorities to learn from each other's best practice.
 - The Chair noted the capacity for improvement.

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| 7. | CORPORATE ASSESSMENT | A7-2016 |
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The Committee received a presentation on the expectations of the Corporate Assessment.

Issues:

- Corporate Assessments were no longer required in England but were still required in Wales under the 2009 Measure
- The Assessment will consider the Authority's performance and capacity to improve
- A number of factors will be considered including regulators' reports, the closing of accounts etc. to assess whether the Authority has delivered its priorities and improved outcomes for its citizens
- Governance and accountability will be key
- Members will be interviewed to ensure there is clarity surrounding their role
- Audit Committee will be assessed to ensure that it links to key risk areas and acts on recommendations made
- External challenge is also required and KPMG have been engaged to assist with this process
- A Member Seminar will be arranged in due course

Discussion

- Members requested that they be fully briefed particularly members of the Audit Committee
- The Chair was of the opinion that the work programme must be adequate going forward and more challenging
- The Audit Committee should undertake a self-assessment in preparation for the Corporate Assessment
- The Portfolio Holder for Finance advised the Committee that he would be assuming responsibility for performance from 9 February

Outcome:

- **A Member Seminar be arranged to brief all members**

- **The Corporate Assessment be an agenda item for every Audit Committee during 2016**

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| 8. | RISK MANAGEMENT | A8-2016 |
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Documents:

- Update report on risk management
- Heat Map
- Risk Register
- Risk Assessment Matrix

Issues:

- Individual corporate risks have been assigned to a specific member of the Management Team to ensure stronger accountability and that the risks are current and appropriate mitigation is in place.
- The Risk Management Policy, Strategy and Methodology was approved by Cabinet in January 2016
- The last meeting of Audit Committee had expressed concern at the number of high risks and had asked that benchmarking data be investigated. It was noted that other authorities have a similar spread of corporate risks but that one authority does not publish its register and two further authorities do not have risk registers in place

Discussion:

- Members asked for clarification of the arrows displayed on the heat map. This indicates the expected direction of travel once mitigating measures have been implemented. There were four measures which would remain static.
- Business continuity has been included in the self-assessment process within Service Improvement Plans as a move towards Business Continuity Management becoming 'business as usual' in service areas – Members sought confirmation that this had been communicated to the service areas
- Some risks on the register did not have a date when identified and Members thought that this was essential as an indicator of how successful mitigation had been. Some risks had been identified prior to the current post holder's appointment. The Risk Management Officer agreed to include 'prior to 2014' for those risks.
- It was noted that some risks were identified as being in breach of legislation and this was unacceptable to Members. However it was stressed that there was a low probability of occurrence but the impact would inevitably be high – this, according to the matrix, results in a risk being classified as medium.

County Councillor T J Van Rees declared a personal and prejudicial interest and left the meeting whilst reference was made to the County Farms Estate

- Members queried whether other risks, such as the potential of withdrawing from the EU, should be included on the register?
- Members noted that the Single Integrated Impact Assessments (SIAs) were an improvement on previous approaches and useful but were unwieldy and not user friendly and asked whether the process was

sufficiently robust to ensure that risks were included in service registers and elevated, where appropriate, to the corporate register. The Risk Management Officer meets services regularly to discuss service risk registers and whether all items identified in SIAs are included and if any items should be escalated to a corporate level. Further assurance is provided by discussion at Directorate Management Team and the Chief Executive's Management Team.

Outcome:

- **Progress in identifying and classifying risks be welcomed**

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| 9. | TREASURY MANAGEMENT | A9-2016 |
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Documents:

- Q3 report of the Portfolio Holder for Finance
- Credit Rating List (confidential appendix)

Issues:

- Constantly changing market
- Treasury Management Strategy reviewed annually
- Concern that the Chancellor's targets might slip and the corresponding effect this may have on the Council's revenue position

Discussion:

- The Portfolio Holder confirmed that there is £205K identified for invest to save from the revenue budget. Any increase would come from revenue but there were much closer ties between revenue and capital budgets going forward. Some projects were being considered for capital funding to achieve service ambitions, such as investment to change street lighting to LED which could potentially deliver the required savings without any streetlights having to be permanently turned off. Another project which may be considered would be investment in baling equipment for recyclates.
- The Portfolio Holder was asked to clarify the position regarding the £5M 'other' included in the debt maturity schedule. The Committee was informed that this was a loan with another local authority.

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| 10. | DELEGATED AUTHORITY TO THE CHAIR OF AUDIT COMMITTEE | A10-2016 |
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Document:

- Report of the Strategic Director, Resources (S151 Officer)

Issues:

- Outstanding issues relating to the 2014/15 accounts have resulted in the certificate of completion not being issued by the WAO
- Although the accounts have been closed and approved by the Audit Committee, it is necessary to reapprove the accounts given the time that has elapsed
- Proposal to authorise the Chair to reapprove the accounts

- If there were to be any changes to the accounts, and this is unlikely, a full meeting of the Audit Committee would be called

Outcome:

- **That the Chair be given delegated authority to reapprove the 2014/15 accounts to enable the efficient delivery of the certificate of completion by the WAO**

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| 11. | SCRUTINY OF LOCAL AUTHORITY HOLDING AND UTILISING OF RESERVES | A11-2016 |
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Document:

- Welsh Government Guidance for Local Elected Members – Scrutiny of Local Authority Holding and Utilising of Reserves

Issues:

- This was brought forward to raise awareness of Audit Committees
- Reserves are currently an issue of interest to the Minister
- A risk assessment around reserves will be part of the budget process for the first time

Outcomes:

- **Further development regarding the use of reserves will be provided to the Committee**

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| 12. | WORKING GROUPS | A12-2016 |
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12.1. Finance Scrutiny Panel

Document:

- Scrutiny Summary report

Issues:

- The Finance Scrutiny Panel and been involved throughout the autumn in scrutinizing the budget setting process. This culminated in a presentation to the Members' Budget Seminar in December.
- The future role of the Finance Scrutiny Panel, and other Audit Committee working groups, will be discussed with the Strategic Director and Portfolio Holder for Finance to consider whether improvements can be introduced

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| 13. | WORK PROGRAMME | A13-2016 |
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Document:

- Work Programme

Outcome:

- **That the work programme be approved subject to the inclusion of items raised during the meeting:**
 - **Reserves**
 - **Domiciliary Care Action Plan**

○ **Self-Assessment of Audit Committee**

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| 14. | JOINT CHAIRS STEERING GROUP | A14-2016 |
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Documents:

- Notes of meetings held on 20 November 2015 and 22 January 2016:

Outcome:

- **That the notes be received**

County Councillor JG Morris (Chair)

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