

**CYNGOR SIR POWYS COUNTY COUNCIL.**

**COUNCIL**  
**22<sup>nd</sup> February 2018**

**REPORT AUTHOR: County Councillor Rosemarie Harris**  
**Leader of Council**

**SUBJECT: WAO Annual Audit Letter 2016-17**

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**REPORT FOR: Information and Decision**

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**1. Summary**

1.1 The purpose of this report is to present the Wales Audit Office Annual Audit Letter 2016-17 (Appendix A) to the council for information and decision. The letter, which was issued on 25<sup>th</sup> January 2018 summarises the key messages arising from the WAO's statutory responsibilities under the Public Audit (Wales) Act 2004 and reporting responsibilities under the Code of Audit Practice. It covers the last financial year prior to the elections in May 2017.

1.2 The letter sets out a Statutory Recommendation which requires consideration and a decision by the council, no later than one month following the letter issue date. The report meets this requirement.

1.3 The report's appendices indicate the action being taken to address the points raised in the letter.

**2. Proposal**

2.1 Having considered the improvement required to the Council's governance arrangements and the financial challenges which are outlined in the Audit letter, the WAO Auditor General has decided to make a Statutory Recommendation to the Council.

2.2 In accordance with sections 25 and 26 of the Public Audit (Wales) Act 2004, the Council is required to consider the WAO Statutory Recommendation outlined below:

***In setting a balanced budget, the Council must ensure that all savings plans are sufficiently well developed for inclusion in the annual budget. The Council must also act immediately to update its Medium Term Financial Strategy to enable the Council to live within its means going forward, and design and implement actions to address the weaknesses identified and reported by me in respect of its corporate and financial arrangements.***

2.3 The Council has strengthened the development of savings proposals included in the budget plan. The revised Impact Assessment includes a section on deliverability which assesses the risk of achieving the proposal. It

includes the timetable of action or further approval process that is required to complete and deliver the proposal.

2.4 A Cabinet sub-committee reviews the completed assessments for quality and where necessary requested improvements or omissions to be rectified for some proposals. This has strengthened the process and quality of assessments being completed.

2.5 The assessment of risk for each proposal is summarised at an overall level, categorising delivery by Low, Medium, High or Very High Risk. It is inevitable that a certain, manageable amount of risk is inherent within the budget. The assessment highlights the level of that risk and forms an essential part of the overarching assessment of the budget proposal.

2.6 In addition the Council operates a sound system of budget monitoring during the financial year providing monthly reviews on the achievement of savings. A sensitivity analysis is provided assessing the remaining risk of delivery and the potential impact this will have on the Outturn position. This enables corrective action or additional challenge to be taken in-year.

2.7 Specifically, and in accordance with section 26(5) of the Act, the Council should decide:

1. Whether the report requires the Council to take any action;
2. Whether the Recommendation made is to be accepted; and
3. What action, if any, is to be taken in response to the Recommendation

2.8 In accordance with the statutory recommendation above, the council has (prior to receipt of the letter) already recognised the need to produce a revised Medium Term Financial Strategy by the end of May 2018 and this is included as a recommendation to Council as part of the Cabinet's Budget Proposal. In addition, improvements in our Strategic and Financial planning are also being delivered and monitored through the new Corporate Leadership and Governance Plan, which clearly defines the need for an improved and more robust approach.

2.9 In order to support the council's decision, Appendix B draws out the key points/ recommendations from the WAO Annual Audit Letter and explains the actions the council already has planned to address the issues. Appendix B also makes reference to the proposals for improvement that the WAO published in their Annual Improvement Report 2016-17 (Issued in June 2017). Appendix B shows the action that has already been taken to address the proposals and action that is planned as part of the council's existing plans. Appendix B indicates that many of the issues identified in the WAO Annual Audit letter are addressed through dedicated action plans.

### **3. Corporate Improvement Plan**

3.1 As part of delivering its Corporate Improvement Plan, the council needs to ensure that the improvements identified in the Annual Audit Letter are clearly aligned to its improvement objectives. The WAO Statutory Recommendation will impact particularly on the council's Vision 2025 enabling priority: Making it Happen.

### **4. Sustainability and Environmental Issues/Equalities/Crime and Disorder,/Welsh Language/Other Policies etc**

4.1 Impact Assessments are completed for each individual saving plan which accompany and support the MTFS.

4.2 Impact Assessments will also be completed for individual change proposals which are delivered through the strategic planning process.

### **5. Children and Young People's Impact Statement - Safeguarding and Wellbeing**

7.1 This will be covered under the individual Impact Assessment.

### **6. Local Member(s)**

6.1 This report impacts all Members equally and does not affect local Members individually.

### **7. Other Front Line Services**

7.1 The recommendations of the report do not specifically affect individual front line services.

### **8. Support Services (Legal, Finance, Corporate Property, HR, ICT, Business Services)**

8.1 Legal: The recommendations can be supported from a legal point of view.

8.2 Finance: The Finance function is an integral part of the development and modelling of annual budgets, savings plans and financial planning.

### **9. Local Service Board/Partnerships/Stakeholders etc**

9.1 The statutory recommendation outlined in the WAO Annual Audit Letter requires a decision from the Council only, and does not require the views of partners or stakeholders.

### **10. Corporate Communications**

10.1 The report is of public interest and requires use of proactive news release and appropriate social media to publicise the report and the cabinet's response.

### **11. Statutory Officers**

11.1 The Head of Financial Services (Acting Section 151 Officer) comments: The budget being considered by Council on the 22nd February 2018 sets a balanced budget for the financial year 2018/19 as required under the Local Government Act 2003. There is no requirement to set out a balanced

position beyond the next year, but effective strategic planning is crucial to help develop well-considered, affordable and sustainable responses to financial pressures.

The Medium Term Financial Strategy provides the framework for future budget modelling and the effective alignment of resources across both Capital and revenue budgets. The five year strategy has been developed to enable this longer term planning and transformation.

The Council recognises that it needs to strengthen its medium and longer term financial strategy in light of the significant challenge it faces in delivering a balanced budget from 2019/20. This work is already underway and will strengthen the links between the strategies, policies and plans for services, with the medium and long-term financial plan. The revised Strategy will be completed by the end May 2018.

11.2 The Solicitor to the Council (Monitoring Officer) has commented as follows: "I note the legal comment and have nothing to add to the report".

## **12. Members' Interests**

The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

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<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
<p><b>1. That Council consider the WAO findings set out in the Annual Audit Letter 2016-17 and accept the Statutory Recommendation.</b></p> <p><b>2. That Council supports implementation of action plan in Appendix B as the Council's response to the WAO recommendations.</b></p>	<p><b>To ensure the Council addresses the recommendations identified by the WAO and has robust plans in place to improve its corporate governance and financial arrangements.</b></p>

<b>Relevant Policy (ies):</b>	MTFS, Corporate Improvement Plan, Regulatory Tracker.		
<b>Within Policy:</b>	<b>Y</b>	<b>Within Budget:</b>	<b>Y</b>

<b>Relevant Local Member(s):</b>	<b>All Members</b>
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<b>Person(s) To Implement Decision:</b>	<b>Chief Executive</b>
<b>Date By When Decision To Be Implemented:</b>	<b>25<sup>th</sup> February 2018</b>

<b>Contact Officer Name:</b>	<b>Tel:</b>	<b>Fax:</b>	<b>Email:</b>
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