

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COUNCIL
CHAMBER - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON FRIDAY, 27
APRIL 2018**

PRESENT

County Councillor JG Morris (Chairman)

County Councillors B Baynham, Mr J Brautigam, J Charlton, L George, K Laurie-Parry, M J Jones, WD Powell, T J Van-Rees, A Williams, S L Williams and H Hulme

In attendance: County Councillors

Cabinet Portfolio Holders In Attendance:

Officers:

Other Officers In Attendance:

Apologies for absence were received from County Councillors M Barnes, GD Price, R G Thomas and A W Davies

1.	APOLOGIES
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Apologies for absence were received from County Councillors

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

3.	DISCLOSURE OF PARTY WHIPS
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There were no disclosures of party whips.

4.	MINUTES
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The Chair was authorised to sign the minutes of the previous meetings, held on 2 and 22 February 2018, as correct records.

Arising thereon:

Financial Viability of Schools: the joint working group had not yet reconvened pending outturn figures for schools' finance.

5.	WAO - AUDIT PLANS 2018
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Documents:

- 2018 Audit Plan – Powys County Council
- 2018 Audit Plan – Powys Pension Fund

Discussion:

- As part of the audit, WAO will
 - Examine and certify whether the financial statements are ‘true and fair’
 - Assess whether proper arrangements have been made for securing economy, efficiency and effectiveness in the use of resources
 - Audit and assess whether the Authority have discharged the duties and met requirements of the Local Government Measure
 - Undertake studies to enable recommendations to be made for improving economy, efficiency and effectiveness or financial or other management arrangements
- The WAO will consider the Heart of Wales Property Service (HOWPS) as this is a new arrangement which has an annual budget in the region of £10M. There will be an element of estimation within the Authority’s accounts as the company’s year-end does not tally with that of the Authority – the WAO will need to assess if this is reasonable.
- The WAO’s Annual Audit Letter highlighted significant financial pressures. It was noted that an adjustment to the Minimum Revenue Position (MRP) policy had reduced the over-spend and allowed the budget to balance. This will be reviewed to ensure that this has been properly accounted for.
- As usual the fees charged are based on the assumption that information will be provided to a quality expected and in a timely manner
- Details were provided of the performance Audit which will be conducted across all 22 local authorities. The scope of local studies will need further definition and scoping
- The same principles will be applied to the audit of the Pension Fund
- Revised accounting and audit regulations issued by the Welsh Government allow for pension fund accounts to no longer be included with the main accounts. If these are not included however, an audit is still required. The WAO are in discussion with the Authority as to how this will be dealt with and whether the Annual Governance Statement will include the Pension Fund
- The Wales Pension Partnership has no implications for 2017/18 accounts as investments did not commence until 2018. Individual pension funds will have to consider how to reflect the new arrangements within their financial statements.

Outcome:

- **The Annual Audit Plans for the main financial statements and Powys Pension Fund were noted**

6.	CIPFA FINANCIAL MANAGEMENT MODEL
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Documents:

- Delegated Decision report by the Portfolio Holder for Finance
- CIPFA discussion document – Local Government Financial Resilience in Wales

Discussion:

- The WLGA has provided an opportunity for authorities to participate in a CIPFA assessment of financial resilience
- 6 authorities are taking part, Powys County Council is the first
- CIPFA have completed interviews, including the Chair and Vice Chair of Audit Committee
- A survey across the organisation will be completed to assess financial management
- A review two years ago focussed on Financial Services and recommendations from the WAO were implemented – the current assessment will determine whether the service is improving or identify whether any gaps remain
- A report is expected in late May or early June and will be reported to Audit Committee
- It was confirmed that SWAP had been interviewed as part of the process
- The scope of the work will include performance as well as financial resilience
- The Committee noted with concern the term ‘unplanned overspends’ and noted that this was not affordable and must be avoided. Financial monitoring had improved considerably and was one of the tests of financial resilience

Outcome:

- **The decision to participate in the CIPFA pilot scheme was noted**

7.	RISK MANAGEMENT
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8.	RISK MANAGEMENT - Q3
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Documents:

- Report of the Business Continuity and Risk Management Officer
- Risk Register (Q3)
- Summary
- Heat Map

Discussion:

- The register reflects the position as at 15 March 2018
- Two risks had been removed – CR3 (inadequate corporate governance arrangements) had been removed following implementation of a new model, and CR5 (lack of a clear definition and structure to support the commissioning and commercial vision) removed now that the commercial services team is fully embedded
- Six new risks had been added:
 - CR19 – GDPR noncompliance – this comes into force on 25 May 2018 and failure to comply could result in a significant fine
 - CS11 – failure to meet a statutory deadline regarding training to raise awareness of domestic violence. There had been a poor take up of staff undertaking the training

- ASC18 – recruitment to Adult Services
- ASC19 – projected demographics – it was noted that this was not due to an increased risk of demand but by a decrease in the available workforce to provide services
- ASC22 – BUPA contract expires and new management needs to be agreed and implemented
- Work continues on business continuity and a new policy is being drafted – this will be available for comment by Audit Committee
- The framework for Impact Assessments will also be updated
- The Chair reported that he and the Vice Chair had been concerned by the lack of comment by the Strategic Overview Board regarding ASC19 despite it being in the ‘catastrophic’ category. The Vice Chair reported that the Office of National Statistics had reported that in the period 2001 to 2011, the adult population over 65 had increased by 14% but that the increase of residential care clients had only increased by 0.4%. The relatively static population of residential care clients is confirmed by Stats Wales. It was important to break the link between demographics and demand in social care. There is a similar concern regarding data for those with learning disabilities – these numbers are steadily falling. The decrease in available workforce was acknowledged but determining this as ‘catastrophic’ was challenged given that the workforce was likely to reduce from 73800 in 2018 to 72800 in 2020. It was thought that the immediate threat was no more than that allocated to ASC18
- It was suggested that ASC18 reflected the current position but that ASC19 depicted a future crisis
- This is likely to be a corporate problem and further discussions are needed
- Complexities of care need to be understood
- Working age is rising to 67
- Carers of an ageing population are also ageing
- Over 85s are predicted to increase from 5200 now to 11200 in 2035 which would allow time for planning to take place
- It was suggested that the private sector was not experiencing the same difficulties in recruitment as more flexible employment opportunities could be offered
- Members also suggested that Brexit could have an impact depending on visa arrangements post Brexit. Wales as whole, and rural areas in particular, were more likely to be adversely affected by recruitment difficulties.

The Head of Transformation (People) joined the meeting

- The issues surrounding ASC19 were a concern and posed a significant risk to both ASC and the Council as a whole
- The increase in older residents was a separate risk and further debate could be had regarding whether demand will increase
- The working population (ie those aged between 16 and 64) is expected to decline from 77200 in 2014 to 73500 2018 and projected to drop to 56000 representing a significant and rapid decline
- This will have a significant effect on both recruitment and other issues such as council tax etc

- The Head of Transformation reported that there was currently 750 hours of domiciliary care that cannot be provided for. There was also a recruitment problem in the private sector. The Head of Transformation has agreed an increase in hours for the in-house team and reablement staff. Additional staff may be brought in but accommodation will have to be provided.
- In Radnorshire alone, two years ago between 20 and 30 hours care could not be provided – today this is 370 hours
- Other measures were being taken to address the issue – for example, work with Occupational Therapists to reduce double handling, and reassessing packages
- There were difficulties in retaining care staff as well as recruitment
- Although the workforce is currently 80% female there is a growing number of male carers
- Minimum wage is paid in an attempt to reduce costs and it was thought that some carers felt undervalued
- From next year, all carers will be regulated by Social Care Wales
- It is hoped that a university will undertake some work regarding workforce resources
- It was noted that there were many job vacancies for personal assistants
- The Health Authority is also experiencing difficulties
- It was suggested that if recruitment at higher levels was more successful, it may be easier to recruit at lower levels

Outcome:

- **ASC19 be reworded but remain in the catastrophic category**
- **A working group be established to consider the issue**

9.	RISK MANAGEMENT TOOLKIT AND JCAD CORE
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Documents:

- Report of the Business Continuity and Risk Management Officer
- Risk Management Guide and Toolkit (April 2018 – draft)

Discussion:

- An all-encompassing guide has been drafted
- All Members and Officers will have access
- Ownership of risk is being passed back to service areas
- Currently there is no scrutiny of controls – in future all will have action deadline dates
- Risk assessment should also identify opportunities
- Risk should also be integrated with Programmes and Projects
- Members will have read only access to the database – the database will be live and reports generated will be much more timely
- Training will be provided
- The new system is being used by over 40 local authorities and several FTSE 100 companies. It will ensure the Authority meets ISO 3000, the international standard.
- A risk maturity level is to be determined
- It is essential that services engage with the process

- Risk Champions will be appointed from each service area and a series of workshops will be held
- Members of the Audit Committee will need to have their role clarified – all Members must understand how to challenge and scrutinize the risks. The WAO suggested that there should also be clarity around who is undertaking the scrutiny and challenge regarding the management of risks.
- There needs to be correlation across services – for example, the recruitment issue discussed earlier
- A risk appetite should be ascertained prior to budget work being undertaken – some services may be more risk intolerant

Outcome:

- **The toolkit be approved and the Committee's comments incorporated**

10. INTERNAL AUDIT

11. INTERNAL AUDIT PLAN 2018/19
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Documents:

- Internal Audit Plan 2018/19

Discussion:

- Topics would include managing contracts, workforce, Heart of Wales Property Service and benefit realisation
- SWAP were to introduce a new approach and work alongside the service as they go through the process to enable issues to be corrected as they arise
- Key financial processes would also be audited

Outcome:

- **The Internal Audit Plan for 2018/19 be approved**

12. INTERNAL AUDIT ACTIVITY 2017/18
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Documents:

- Internal Audit Activity 2017/18

Discussion:

- Approximately 15% slippage had occurred primarily due to it being the first year of operation of SWAP in Powys, new staff, new management structure and processes and long term sickness absence
- Work outstanding will be carried forward
- A project sponsor is to be identified for each topic going forward

- The appendix identifies an opinion for every audit and the recommendations made as requested by Audit Committee
- It was questioned why issues relating to a particular school were not included – the role of Internal Audit is to ensure processes are in place rather than investigate individual issues. The Scheme of Financing dictates the levels of intervention that can be followed and Internal Audit ensures those processes are followed

County Councillor Van Rees left the meeting at 12.25

- There has been less intervention in those areas that have their own inspectorates
- The use of Internal Audit in a 'pre consultancy' capacity will be encouraged
- Relationships can be improved upon going forward
- It was noted that there was a significant sum related to invoices being disputed and whether income generation had been achieved – fees and charges are reviewed regularly and are included in a specific register. A strategy is needed going forward.
- The Committee questioned how effective the Income and Cost Improvement Board had been – it was noted that £1.7M of income had not been achieved. The role of the Board would be reviewed by all Heads of Service.

Outcomes:

- **Internal Audit Activity 2017/18 was noted**

13.	CORPORATE TRACKER
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Documents:

- Report of the Portfolio Holder for Finance

Discussion:

- The report covers Quarter 3
- 64 recommendations were included but none were 'red'
- A report and proposals for improvements would be brought forward for Audit Committee's consideration
- Two recommendations were recommended for archiving – CSSIW6 and CSSIW11 relating to domiciliary care and carers assessments
- The final paragraph within CSSIW11 contained figures which were confusing – an amended version would be circulated

Outcomes:

- **The report was noted**
- **The final wording of CSSIW11 would be circulated**
- **CSSIW6 and CSSIW11 were approved for archiving**

14.	CLOSURE OF ACCOUNTS
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Documents:

- Report of the Head of Financial Services

Discussion:

- Closure of accounts is under constant review
- Timescales are shortening
- Officers are attending training events
- Management accounts will close shortly
- Given the shorter timescales, it was acknowledged that there may be a need for more estimates within the accounts and the Head of Finance's opinion was sought on this issue – the team were working with WAO in defining a process for estimates

Outcomes:

- **The report was noted**

15.	TREASURY MANAGEMENT
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Documents:

- Report of the Portfolio Holder for Finance
- Credit Rating List (Confidential)

Discussion:

- The report covered Quarter 4
- Members were aware that there were difficulties in getting service areas to submit the correct supporting documentation to enable VAT to be reclaimed – 2000 invoices a month were received but only those over £5K were checked. It is mandatory for purchase card holders to attach receipts or invoices when claiming. Any potential recovery that cannot be claimed due to errors is charged back to the appropriate service area. To date £72K has been charged back to service areas
- The system was not thought to be at fault, but there are compliance issues
- Training has been given and is available online and over the phone
- A further £50K has been charged back to services where errors have been made including claiming for foreign purchases
- Advice has been given to schools
- Purchase cards are designed to be efficient but there needs to be a debate about accountability. All Heads of Service have agreed this must be prioritised. It is proposed to switch an ethos of accountability rather than control.
- A briefing note will be prepared for LEA Governors
- HMRC will not expect 100% accuracy but will monitor to ensure reasonable care is being taken. HMRC have also introduced a penalty regime
- A further issue relating to schools is that PTAs may be ordering goods – it must be the school that places the order although a PTA may make a donation to the school to cover the item
- Tax is going to be made digital and electronic evidence will be a requirement

- Internal Audit are also undertaking an audit of the debtor system and will report back.

Outcomes:

- **The report was noted**

16.	CORPORATE LEADERSHIP AND GOVERNANCE PLAN (SECTION D)
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Documents:

- Corporate Leadership and Governance Plan (Section D – Strategic and Financial Planning) – Action Plan

Discussion:

- Following the CIW Children’s Services Inspection a number of priorities were put in place
- Financial resilience would now be addressed through the CLGP Action Plan rather than the Corporate Tracker
- D1 - Medium Term Financial Strategy (MTFS) is amber due to the significance of the challenge faced. However, to date progress is good.
- D7 - Savings - £1.7M target has not been delivered. Heads of Service were not bringing savings to the Income and Cost Improvement Board and had been dealing with them on an individual basis. Heads of Service were now working more corporately.
- D8 - ASC Budget Recovery – actions are being implemented. A report on Learning Disabilities has been completed and further reports on Physical Disability and Mental Health are to be completed in the next two months. This is slightly later than expected due to capacity within the Team. The Committee suggested that it may not be the cost per client that is a cause for concern but that there is a disproportionate number of clients. The Learning Disability report has been considered and does not address the point that was being made by the joint Audit / ASC Group. Once all three reports are complete, the joint working Group should be reconvened.
- D17 - Income – pricing strategies have been developed. Evidence will be in outturn figures and there remains further work for improvement
- D5 - Reserves – these are continually reassessed. Some reserves are ringfenced for specific purposes.

Outcomes:

- **The Action Plan was noted**

17.	FINANCE SCRUTINY PANEL
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Documents:

- Scrutiny Summary Report

Discussion:

- It was noted that as part of the review of Committee structures, the role of FSP will also be reviewed – however it will continue in the near future pending further discussions

Outcomes:

- **Noted**

18.	CORRESPONDENCE
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There were no items of correspondence.

County Councillor JG Morris (Chairman)