

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COUNCIL CHAMBER - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON WEDNESDAY, 12 SEPTEMBER 2018

PRESENT

County Councillors JG Morris (Chair), J Charlton, L V Corfield, M J Dorrance, D R Jones, K Lewis, WD Powell, E Vaughan, A Williams and J M Williams

Councillors in Attendance: County Councillors P Roberts, Chair, Learning, Skills and Economy Scrutiny Committee and G Williams, Chair, Health, Care and Housing Scrutiny Committee

Cabinet Portfolio Holders in Attendance; County Councillor A W Davies

Officers: David Powell, Deputy Chief Executive, Jane Thomas, Head of Financial Services, Stephen Caple, Deputy Head of Financial Services, Dan Paley, Financial Reporting and Policy Accountant and Ann Owen, Treasury Manager

Officers in Attendance: Messrs P Pugh, A Veale and J Evans, WAO and Ian Halstead, SWAP

1.	APOLOGIES
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Apologies for absence were received from County Councillors M Barnes, B Baynham, Mr J Brautigam (Vice-Chair), E Durrant, M J Jones, K Laurie-Parry, D A Thomas, R G Thomas and T J Van-Rees

2.	DECLARATIONS OF INTEREST
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County Councillor M Dorrance declared a personal interest in item 18, Brecon Theatre as the Theatre was in his ward.

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 meeting, held on 6 July 2018 as a correct record.

Items 13 and 14 were discussed at this point on the agenda.

5.	STATEMENT OF ACCOUNTS
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5.1. Closure of Accounts

Documents:

- Report of the Head of Financial Services

Discussion:

- A workshop had been held recently to brief Members on the changes that had been made between their consideration of the draft Statement of Accounts and the final version
- A project management approach continues to be used
- The Committee have previously questioned the capacity within the Team, particularly in relation to earlier closing, and the Head of Financial Services reported that an ongoing training plan was in place which added to the resilience of the Team and allowed greater flexibility
- The Accounts were available for public inspection but this opportunity had not been taken up
- There were fewer amendments during the process than had previously been the case
- Challenges for the closure of the 2018/19 accounts will be earlier closure and the implementation of the new finance system – this will be carefully planned and managed

5.2. Audit of Financial Statements Reports

Documents:

- WAO Audit of Financial Statements Report – Powys County Council
- WAO Audit of Financial Statements Report – Powys Pension Fund

Discussion:

- It was noted that it was the Auditor General's intention to provide an unqualified opinion on both sets of Accounts
- The level of materiality had been set at £4.349M for the main accounts and £6.204M for the Pension Fund
- The audit procedures were almost complete but would be ongoing until 25 September 2018
- There were no uncorrected misstatements
- The draft accounts had been of good quality
- Earlier deadlines had been achieved but opportunities remain for further improvements
- A Statutory Recommendation had been made in the 2016 Audit Letter regarding the necessity to ensure savings plans were sufficiently well developed and that the MTFs should be reviewed. Given the level of savings that are not achieved the robustness of the initial plans must be questioned. The Head of Financial Services reported that processes have improved. Those savings that have not been achieved are being considered by Cabinet. Following initial discussions with Cabinet over future savings plans, full business cases and impact assessments are now being prepared.
- The WAO reserve the right to reconsider the Authority's decision regarding the Minimum Revenue Position
- There had been an imbalance on the trial balance and, whilst this was not a significant amount, this should not occur
- The WAO were discussing with officers the earlier closing of the 2018/19 accounts

- With reference to the Pension Fund, one recommendation has been made – to put in place a process which automatically updates changes in contribution rates due to a change in circumstances.
- The WAO thanked officers for their efforts during the auditing process. Early closure was still a challenge but improvements had been made and the WAO would work with officers to overcome these challenges
- The Chair reported that a useful joint meeting had been held between Audit Committee and the Pensions and Investment Committee to improve understanding of each other's roles.

Outcome:

- **The WAO Financial Statements Reports be noted**

5.3. Letters of Representation

Documents:

- Letter of Representation regarding the 2017-18 financial statements
- Letter of Representation regarding the 2017-18 Pension Fund financial statements

Outcome:

- The Letters of Representation were noted

5.4. Statement of Accounts

Documents:

- Statement of Accounts 2017/18 (including the Annual Governance Statement)

Outcome:

- **The Chair was authorised to sign the Statement of Accounts 2017/18 for both the Authority and Pension Fund**
- **The Statement of Accounts 2017/18 would be published by 30 September 2018**

6. BUDGET MONITORING REPORT

Documents:

- Report of the Portfolio Holder for Finance

Discussion:

- Two forecasts are now included within the report – one is the expected position and one the position including those savings where there is a high expectation of achievement
- Officers were asked what was the current level of unachieved savings – there was £1.7M identified by the Income and Cost Improvement Board and £2.2M within Children's Services. These savings will be reassessed as part of the current budget process but could lead to additional pressures within the budget.
- Members were also concerned that a school's deficit is written off if the school closes – this has to be absorbed elsewhere
- The Section 151 Officer reminded the Committee that if a service agrees a saving, then this must be delivered or found from elsewhere

- The Committee were of the opinion that the Children's Services and Delegated Schools budgets were significant risks for the Authority
- The report had already been considered in greater detail in the Finance Scrutiny Panel

Outcome:

- **The report was noted**

7. CAPITAL REPORT

Documents:

- Report of the Portfolio Holder for Finance

Discussion:

- Projects are on track
- 42% of the budget remains to be committed
- No major risks have been identified
- Two virements have been identified

Outcome:

- **The report was noted**

8. INTERNAL AUDIT

Documents:

- SWAP Internal Audit Activity – 1 April to 31 July 2018

Discussion:

- 61% of projects have been completed or started in the first four months of the financial year
- Recommendations are prioritized as follows
 - Priority 1 – fundamental
 - Priority 2 - important
 - Priority 3 - merits attention
- Under the previous scrutiny structure, an Internal Audit Working Group had considered adverse reports – Members asked how this was to be addressed under the new structure. There were two options, firstly to bring those reports to Audit Committee for consideration or secondly to establish a working group arrangement which reports to the Committee. The Working Group had worked well and both the Chair and Portfolio Holder agreed that it allowed more in depth scrutiny of the issues. It was also noted that the structure of scrutiny was to be reviewed to ensure it was fit for purpose and that this matter should be considered as part of that process.

County Councillor K Lewis left the meeting at 3.50

- Members asked when audits of Freedom Leisure contract management and functionality of Heart of Wales Property Services would be available – the Freedom Leisure report was substantially complete and it was likely

that the final report would be released within the month. The audit brief was being developed for the HOWPS review and this would not be complete for three months.

Outcome:

- **The report was noted**

9. WAO - TRANSFORMATION REVIEW

Documents:

- Project Brief – Review of Powys County Council's Organisational Transformation and Efficiency Savings Programmes

Discussion:

- The fieldwork has been completed for part one of the review which covers the planning and arrangements sitting behind transformation
- Conclusions are being formulated and will determine the way forward
- Phase two will consider progress made against the issues and results will be available during the fourth quarter of this financial year or the first of the next financial year
- The WAO will not involve scrutiny or Audit in the discussions as this will take place at a political and administrative level
- Audit Committee will monitor progress
- The Committee asked whether the Council had had any involvement in setting the questions and were advised that this was not appropriate. WAO are seeking assurance that the Authority is making the appropriate progress.

Outcome:

- **The Project Brief was noted**

10. CIPFA FINANCIAL MANAGEMENT MODEL UPDATE
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Documents:

- None

Discussion:

- Audit Committee had previously considered the brief for the CIPFA Financial Management Model

County Councillor J Charlton left the meeting at 4pm

- A survey had been rolled out for completion and interviews have taken place
- Initial feedback will be provided to Management Team

Outcome:

- **The report was noted**

11.	NEW FINANCE SYSTEM - PROJECT IMPLEMENTATION
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Documents:

- Report of the Deputy Head of Financial Services

Discussion:

- A project is ongoing to upgrade the finance system
- The implementation phase is commencing and workshops are underway
- Future Audit Committees will receive updates on the progress of the project
- Members noted that the data will be stored externally and asked whether there was any risk to this – security is in place and most of the data is outside of the GDPR regulations
- Internal Audit had previously considered a review into the safety of data but this had concentrated on the IT side. There had been some issues around rigour but these had been addressed and there were no concerns at present.
- The new system will replace e-financials but will not include council tax
- The system will improve interfaces and the movement of data will be more effective with much less manual intervention

Outcome:

- **The Committee will receive updates on the implementation of the new system**

12.	WORK PROGRAMME
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Documents:

- Scrutiny Work Programme

Outcome:

- **The Finance Scrutiny Panel be added to the work programme**

13.	ACCESS TO INFORMATION
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RESOLVED to exclude the public for the following item of business on the grounds that there would be disclosure to them of exempt information under category 3 of The Local Authorities (Access to Information) (Variation) (Wales) Order 2007).

14.	BRECON THEATRE
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The Committee was briefed on the issues surrounding an urgent decision which needed to be taken and that the Chairs of Scrutiny Committees (including Audit) had waived their right to call in the decision.

Members debated the need for confidentiality but were advised that on this occasion, the information given outweighed the public interest.

The Committee returned to public session

The Chair formally reported that he had been asked to waive the Committee's right to call in the decision of the Portfolio Holders given the urgency of the situation. However, he had been concerned at the lack of information available to him and that a press release had been issued confirming financial support to the Theatre prior to his having been asked.

The Portfolio Holder for Finance was asked if he and the Portfolio Holder for Highways, Recycling and Assets had had sufficient information to enable them to undertake due diligence in making their decision. The Portfolio Holder for Finance confirmed that they had.

The Theatre was thought to benefit the area by £1.5M per annum. However, the Audit Committee sought further information relating to the structural review, a valuation of the asset, the status of the lease and the level of risk of the Arts Council for Wales and EU Regional Fund requiring repayment of grants. They also questioned whether the funding would impact any other capital or revenue project of the Council.

Outcome:

- **The Committee was informed of the urgent request made of the Chair**
- **Further scrutiny may be appropriate and would be agreed and allocated by the Joint Chairs and Vice Chairs Steering Group in due course.**

County Councillor JG Morris (Chair)