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Governance and Audit Committee – 21 May 2021

MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD BY TEAMS LIVE ON FRIDAY, 21 MAY 2021

PRESENT

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

Cabinet Portfolio Holders in Attendance: County Councillor A W Davies

Officers: Jane Thomas, Head of Finance, James Chappelle, Treasury Manager, Julie Davies, Cyber Security Manager, Emma Palmer, Head of Transformation and Communications

Other Officers in Attendance: Phil Pugh, Non Jenkins and Bethan Hopkins, Audit Wales and Ian Halstead and David Hill, SWAP

1.	APOLOGIES
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Apologies for absence were received from County Councillors M Barnes and B Baynham

2.	ELECTION OF CHAIR
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County Councillor J G Morris was elected Chair for the ensuing year.

3.	ELECTION OF VICE CHAIR
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Mr J Brautigam was elected Vice Chair for the ensuing year.

4.	DECLARATIONS OF INTEREST
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There were no declarations of interest. During the meeting County Councillor D Meredith declared an interest as Chair of Governors at Brecon High School at item 7.3

5.	MINUTES
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The Chair was authorised to sign the minutes of the previous meeting, held on 11 February 2021, as a correct record.

It was noted that the Chair and Head of Finance had been discussing the Capital Programme.

A report on Fraud would be brought to the next meeting.

6.	CLOSURE OF ACCOUNTS
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Documents:

- Report of the Head of Finance
- Audit Wales – 2021 Audit Plan Powys County Council
- Audit Wales – 2021 Audit Plan Powys Pension Fund

Discussion

- Members were advised of the process to be followed and progress of the closure of accounts for 2020/21
- Audit Wales presented their Audit plans which detailed their responsibilities and highlighted risks for both the Powys County Council accounts and Pension Fund accounts, including accounting risks relating to a significant level of funding from the Welsh Government for one specific project – the Global Centre of Rail Excellence (GCRE)
- The concept of materiality was outlined
- Potential conflicts of interest were highlighted alongside the measures put in place to mitigate those conflicts
- Legislation had not been amended regarding the dates for closure of the accounts, but the Council will have to publish the revised date. The Authority, along with many other authorities, will have to delay publishing their final statement of accounts given the pressures on public sector bodies preparing their accounts and on Audit Wales in auditing them
- It was noted that the Minimum Revenue Policy had been revised during the year and Audit Wales confirmed that they would review whether this had been accounted for appropriately. It was possible that any adjustment could have an impact on the financial statements
- A flexible approach to performance work had been taken over the year with similar themes addressed across all authorities. The three Es (economy, effectiveness and efficiency) and five WOWs (Ways of Working) would underpin reviews. For the forthcoming year 2021-22, performance audit work will focus on two main areas undertaken across all Councils and some specific local risk work relating to Powys County Council. This will include highways, waste, housing as part of ongoing Assurance and Risk Assessment work, as well as a review of planning service performance in more detail. It was noted by the Chair that two planning authorities covered the south the County, but the remit for economic development was solely the responsibility of Powys County Council. Audit Wales clarified that the work proposed is specifically in relation to the Council's planning services, and that the National Park Authority is subject a different audit. However, the two audit teams would liaise on any relevant or related issues where appropriate.
- In the previous year's statement of accounts, a comment had been made regarding the valuation of property within the Pension Fund with the valuation of 10% of assets being subject to doubt. Audit Wales confirmed that the fund valuers had issued references to material estimation uncertainty. Whilst the values may not have been wrong, awareness of the level of estimation uncertainty had been raised by the independent valuers and was subsequently referred to in the audit opinion. This had been an industry wide approach during the pandemic. This will be considered in detail during the forthcoming audit and whether there will be any impact on the Statement of Accounts

Outcomes:

- **The reports were noted**

7.	INTERNAL AUDIT
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7.1. Audit Plan

Documents:

- Proposed 2021/22 Internal Audit Plan and Internal Audit Charter

Discussion:

- The difficulties of the previous year were noted
- SWAP had supported the Authority through the pandemic
- The forward plan was based on risks both local and regional
- Over the course of the year statutory compliance, budgets, project and contract management, partnerships and workforce issues would be reviewed as a matter of course
- There was a planned reduction in work of 10%
- Skills from various sources would be drawn upon – including the wider SWAP group, Fraud and ICT teams
- Greater engagement across the Authority was welcomed
- The Chair questioned whether all of the proposed audits were still active or if there was any slippage. A live tracker had been developed which will give more visibility and insight. EMT will have access to the live tracker and can challenge any work or address blockages. The Assistant Director agreed to keep the Committee informed of progress.
- A more agile approach has been adopted to improve efficiency and ensure reports are dealt with in a timely manner
- The Internal Audit Charter details the role, responsibilities, status and scope of reporting – it is agreed annually
- The Assistant Director would welcome any feedback on the Plan but emphasised that any requests for additional audits would need to be approved by EMT.
- Q2 audits would be approved by EMT in early June

Outcomes:

- **The proposed Audit Plan and Internal Audit Charter were approved**

7.2. Q4 Performance

Documents:

- Quarter 4 Performance Report

Discussion:

- A dashboard is available to EMT to improve visibility for the Council. However, this was not yet available for Members

- There were some risks where recommendations were outstanding – 4 in Education, 1 in Finance and 1 in Health and Safety
- Work undertaken includes a mix of assurance work to develop the Annual Audit Opinion, advisory work to support the Council and training events
- Some work has been deferred due to covid and will be picked up during the current year
- Other work was undertaken to replace those audits which had been deferred
- A quicker turnaround was noted for reports to have the greatest impact. This was being addressed through the new agile auditing process
- The Chief Executive of SWAP informed the Committee that the focus was on the speed of delivery. SWAP should be held to account for this and a KPI has been introduced regarding the delivery of final reports. The Head of Finance noted that the Authority also had a part to play in achieving this and that appropriate tracking and monitoring was in place to ensure this happens

Outcomes:

- **The report was noted**
- **A date when the dashboard might be available to Members to be provided**

7.3. Internal Audit Working Group - summary

Documents:

- Internal Audit Working Group Summary Report

Discussion:

- It was noted that a repayment timescale for historic debt at Brecon High School had not been identified. The Head of Finance reported improvements, but that a balance had to be maintained between appropriate educational provision and repayment of debt. The priority had been to stabilize and balance the budget within year. The Finance Team were working closely with the school.

County Councillor D Meredith declared a personal interest as Chair of Governors at Brecon High School.

- The relationship between HOWPS and housing voids was noted, and it was suggested that this relationship needed to be managed more proactively

Outcomes:

- **The report was noted**

8. STRATEGIC RISK REGISTER

Discussion:

- Twelve risks were included on the Strategic Risk Register with the Heads of Service having provided updated commentary
- Members were concerned regarding the continuing unreliability of WCCIS which was fundamental for delivery of adults and children's services
- Housing have amalgamated some risks

- Education have streamlined their risks in line with the Post Inspection Action Plan
- The Covid Risk Register has seen 22 risks removed or returned to service risk registers, leaving 26 risks
- The Committee has previously considered inviting Heads of Service to the Committee to provide assurance that risk is being addressed appropriately. As business returns to normal, a programme will be put in place to review service risks and the action being taken to manage them.
- The Authority has drawn down approximately £18M from the Welsh Government Hardship Fund in order to maintain its financial position. The Hardship Fund remains in place until September 2021 and consideration is being given to support after this time. A 3 to 5 year budget plan needs to be developed but the impact of covid on services must be assessed. An Audit Wales review of financial resilience will also help inform future work.
- The Chair and Head of Finance are developing some work on the capital programme which will be considered at a future meeting. Interest repayments are increasing and consideration should be given to the maximum level of repayments that are affordable. Members remained concerned regarding the ambitious capital programme and the potential impact on the revenue budget. There is an element of risk with all capital projects which could impact on service delivery for residents.
- The capital programme will also support the delivery of services and it was noted that doing nothing also had a cost .
- The risk of a significant long-term decline in the working age population was noted. Recruitment and retention are critical if service demand is to be met. A number of measures have been put in place to develop the health and care workforce including 'Growing Our Own'. All services have workforce plans in place.
- The Committee suggested that the Portfolio Holder and Corporate Director be invited to discuss developing the health and care workforce at the next meeting
- The Committee would also wish to consider Brexit which had been overshadowed by the pandemic

Outcomes:

- **County Councillor G Breeze and Corporate Director Childrens and Adults to be invited to the next meeting to discuss health and care workforce development**
- **Risks associated with Brexit to be considered in more detail at the next meeting**

9. TREASURY MANAGEMENT

Documents:

- Report of the Portfolio Holder for Finance

Discussion:

- Significant funding for the Centre for Rail Excellence had been received and is being held in a deposit account – any interest accruing must be retained for the project for which it is intended

- No investments had been made due to low interest rates
- Additional borrowing will be required at some point
- £25M of debt has been repaid
- The Committee noted that there had been a decline in compliance around purchase cards. The Head of Finance reported that resolving the issues had not been a priority during the pandemic, but work would be reinstated as part of the transformation work which will resume as business returns to normal. It was confirmed that the budget holder holds responsibility for ensuring that the appropriate documents were supplied, and processes followed.

Outcomes:

- **The report was noted**

10.	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).

11.	CYBER RESILIENCE IN THE PUBLIC SECTOR - POWYS COUNTY COUNCIL RESPONSE
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Documents:

- Cyber Resilience in the Public Sector – Powys County Council response

Outcome:

- **The report was noted**

12.	DRAFT ANNUAL GOVERNANCE STATEMENT
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Documents:

- Draft Annual Governance Statement

Discussion:

- Members wished to give greater consideration to the draft AGS

Outcomes:

- **A further seminar would be arranged for Members to enable consideration of the AGS in greater detail**

County Councillor JG Morris (Chair)