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Audit Committee Friday, 15 April 2016

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON FRIDAY, 15 APRIL 2016

PRESENT

County Councillor JG Morris (Chair)

County Councillors D E Davies, E R Davies, L Fitzpatrick, G Hopkins, M J Jones, F H Jump, P J Medicott, R H Mills, D R Price, G W Ratcliffe, D A Thomas, D G Thomas, R G Thomas, T J Van-Rees, J Brautigam and D R Jones, Chair People Scrutiny Committee and W T Jones, Portfolio Holder for Finance and Performance

WAO: Ms Justine Morgan, Performance Audit Lead, Messrs Colin Davies, Lead Performance Audit, Phil Pugh, Audit Manager and Anthony Veale, Engagement Director

Officers: David Powell, Strategic Director, Resources, Jane Thomas, Professional Lead for Finance, Ian Halstead, Internal Audit Manager, Caroline Evans, Business Continuity and Risk Management Officer, Lee Anderson, Senior Strategic Commissioning Manager and Dylan Owen, Head of Transformation, Adult Social Care

1.	APOLOGIES	A1-2016
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Apologies for absence were received from County Councillors L R E Davies, S Davies and W D Powell.

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

3.	DISCLOSURE OF PARTY WHIPS	A3-2016
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There were no disclosures.

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

5.	WAO	A5-2016
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5.1. Powys County Council Statement of Accounts 2014-15

Documents:

- WAO letter to Strategic Director, Resources

Issues:

- 2014/15 accounts could not be certified due to the ongoing review into the letting of the domiciliary care contract

- This had been concluded and receipt of the letter formally concluded the 2014/15 Financial Statements

Outcome:

- **That the letter be noted**

5.2. Assessment of Financial Resilience

Documents:

- Financial Resilience Assessment

Issues:

- A national study had been undertaken with authorities receiving individual feedback
- Three areas had been considered – financial planning, financial control and financial governance
- An overall rating of ‘medium’ risk had been given
- An Action Plan would be produced in due course

Discussion:

- The WAO had acknowledged the improved approach taken by the Authority
- The Finance Scrutiny Panel (FSP) had started to have an impact
- Scrutiny of performance was inadequate. The Committee noted that finance and performance would be vested in one Portfolio Holder and hoped that this would improve the situation
- The WAO acknowledged the difficult circumstances in which budgets were being set and noted that traditional budget setting arrangements may no longer be adequate. Investment in the FSP was beginning to show improvements but this should continue to ensure rigorous scrutiny and challenge is ongoing
- Impact assessments had been identified as good practice and the benefits of ensuring rigorous assessment were noted
- Members commented that whilst some service areas had submitted clear and robust impact assessments, others required improvement. The committee would wish to see the initiative continued and improved to increase the usefulness of the documents
- It had previously been acknowledged that scrutiny of finance and performance needed to be strengthened. Proposals for combined reporting are under discussion
- The WAO were asked how Powys ranked against other authorities – it was reiterated that Powys had been classified as ‘medium’ showing that there is more work to do but that there were no concerns that Powys was not attempting to address improvements. There was no precise definition for ‘medium’.
- The FSP had considered the report at a meeting on 11 April and welcomed the acknowledgement the Panel had received. The Panel noted the Business Partner arrangement that was ongoing with the BBC but remained concerned that there were capacity issues which may hinder ongoing work. It had been acknowledged for some time that the Audit Committee’s Finance and Performance working group had not been as effective as hoped but that the committee and working group structure

- was currently under review. The need for further improvements to impact assessments in some areas had also been commented on
- The Strategic Director was asked whether the risk register would influence the action plan in the response to the WAO. Key elements were being brought together and, whilst there was better correlation between the register and strategic plans, there is not yet a complete overlap.
 - The Portfolio Holder for Finance was asked whether outstanding savings from 2014/15 had been achieved. Savings had not been met in the schools service and the Portfolio Holder is awaiting details of plans to cover the shortfall. A further £31K had not been achieved in relation to lease cars but this would be rectified over the three year period of the lease
 - The Chair reported Joint Chairs' Steering Group concerns in relation to the Commissioning and Procurement Board
 - The WAO was asked whether it thought the Council was positioned to assess the impacts of future changes. An opinion was expressed that the Council was suitably positioned, with the extent of predictions in the medium term being as robust as could be expected. Assumptions must be revisited on a regular basis.

Outcome:

- **An Action Plan to be prepared, incorporating comments made by the Finance Scrutiny Panel, and monitored by the Audit Committee.**

5.3. **Pension Fund Audit Plan**

Documents:

- 2016 Audit Plan

Issues:

- Financial audit only
- Aims to conduct work to achieve an opinion that the Pension Fund accounts are free from misstatement or error
- Key risks are identified and proposed responses included

Outcome:

- **Noted**

5.4. **Audit Plan**

Documents:

- 2016 Audit Plan

Issues:

- Financial and performance audit
- Statutory duty of the Auditor General for Wales and discharges responsibilities under the International Standards of Auditing
- The principles are the same as the Audit of the Pension Fund but with different risks identified
- Risks identified include the change to the minimum revenue position, transfer of leisure services and ongoing themes identified in the previous year.

- Grant claims work would also be undertaken and it was expected that this would be for between 13 and 16 claims

Discussion:

- Members noted that there had been difficulties with continuity of WAO staff during the last audit necessitating the authority's staff to repeat work. The WAO assured the Committee that there would be continuity throughout the audit with the core element remaining consistent.
- Meetings at officer level have taken place to consider options for improvement on both sides. Issues identified will lead to improvements.
- The WAO were asked if sampling would take place at the same level as the previous audit. This would be determined by the risks identified and the audit approach.

Outcome:

- **Noted**

County Councillor D R Price left the meeting at 11.20

5.5. Letting of domiciliary care contract

Documents:

- Report of the Portfolio Holders for Adult Social Care and Finance and Performance
- Original and updated Action Plans
- Learning Document – Adult Social Care

Issues:

- The Strategic Director, People was responsible for one element of the Action Plan and the Strategic Director, Resources responsible for two elements
- The report had been accepted by Cabinet
- The Action Plan had been updated and circulated to Members

Discussion:

- Names against some actions still needed to be updated
- Members expressed concerns that commissioning was being adequately dealt with – not only the initial commissioning but the managing and monitoring of projects. The Strategic Director, Resources informed the Committee that the Authority had taken steps to strengthen commissioning and a Commercial Services Team was now in place. This would ensure greater engagement in the future. He went on to say it was essential that sufficient resource was available to ensure continuing improvements and deliver change. Senior managers had also developed a greater awareness of commissioning.
- A comment was made that both the Chief Executive and Leader had been leading when the initial contract had been let, and were now responsible for implementing corrections. A query was raised whether there would be any external oversight. It was noted that the commissioning of the domiciliary care contract was a corporate issue and that Management Team had considered best practices to ensure that there would not be a reoccurrence.

- The Chair of People Scrutiny Committee had concerns that resources to remedy the domiciliary care issue had disadvantaged other projects such as the re-letting of the residential care contract. He asked whether there was sufficient resilience and resource within the Council to deal with these issues. The Strategic Director, Resources responded that there was sufficient resource and acknowledged the delays in taking the contract forward. Lessons must be learned. The Senior Strategic Commissioning Manager informed the Committee that commissioning over the next two to three years had been prioritized and resourced appropriately. A team is being put together to support the Adult Social Care Commissioning Team to ensure the residential care contract is delivered on time. This additional resource had been provided to cover not just the reletting of the BUP contract but more extensive work to address provision in both the private and voluntary sectors over the next 25 to 30 years. The Head of Transformation noted that there was no evidence to suggest that better terms could have been negotiated if the contract had been dealt with earlier. He reassured Members that work was in hand to ensure planning was in place for April 2017.
- The Committee noted the references to scrutiny and were of the opinion that the matter should have been considered by scrutiny earlier in the process
- The Chair informed the Committee that concerns regarding challenge of the Commissioning and Procurement Board had been raised and sought assurance that the Board were fully aware of their role and responsibilities
- It was acknowledged that this had been a wider corporate failure and not just People Services that lessons had to be learned. One of the driving factors in commissioning domiciliary care had been the need to deliver savings and the process had been undertaken quickly. More preparation time should have been allowed which may have enabled more effective scrutiny to take place. The Strategic Director Resources confirmed meetings were taking place with Heads of Service to ensure that all savings identified over the next three years are supported by a robust plan. The level of support required needs to be quantified and the Authority must recognise that transformation will require funding. This must be factored into individual business cases
- The Chair questioned the level of engagement with scrutiny and Audit Committee despite both being mentioned in the Action Plan

Outcome:

- **That the implementation of the Action Plan continue to be monitored by the Audit Committee**

6.	CORPORATE ASSESSMENT	A6-2016
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Documents:

- Local Government studies programme and 2016-17 performance audit programme

Issues:

- A full corporate assessment would not now take place as planned

- Unprecedented change has taken place including austerity measures, the demise of the Local Government Measure 2009 and the Future Generations and Wellbeing Act.
- The WAO had also had budgets reduced and this would affect the improvement programme
- All authorities will be subject to three, themed studies
 - Financial Resilience – a stronger focus on savings plans and initiatives alongside the content and robustness of those plans
 - Governance – decision making and scrutiny particularly around the setting of the budget
 - Transformational Change – an expert panel is scoping this element and it is anticipated that this study will not take place until the last quarter
- The studies will identify areas where further assurance is required for those authorities that have not yet completed a full corporate assessment. This could potentially focus on leadership and vision and integration
- The Portfolio Holder for Finance and Performance reported that a task group had already been established to identify weaknesses. Work undertaken in preparation for a full corporate assessment would continue to ensure a joined up approach was taken. He considered this to be good practice irrespective of the audit regime.

Outcome:

- **The change to the performance monitoring framework was noted**

7.	RISK MANAGEMENT	A7-2016
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Documents:

- Report of the Business Continuity and Risk Management Officer
- Heat Map
- Risk Register
- Risk Assessment Matrix

Issues:

- Single Integrated Impact Assessments (SIIAs) had analysed risks
- Feedback from Members and officers had been received and templates would be revised. Would now be known as Impact Assessments (IAs)
- Training of officers and Members responsible for signing off IAs to be undertaken to ensure better information is included
- IAs of savings for 2017/18 are currently being completed and will be completed by mid-June – these will then feed into budget planning meetings
- Training regarding risk assessment had been undertaken with Members immediately prior to the Committee. This had also been delivered to Cabinet and will be rolled out to remaining Members in due course.

Discussion:

- The training session was welcomed by Members
- Members again raised the issue that some risks were owned by both the Leader and Chief Executive and queried where accountability lay. All

officers are accountable and measures are in place to ensure this occurs. It was noted that the WAO had oversight of the Authority and that the Chief Executive was subject to a rigorous annual review by an external partner and Group Leaders. The One Powys Plan has shared objectives and there will be ongoing discussions with the WAO regarding arrangements. Assurance will be gained through the three themed studies that are replacing the Corporate Assessment.

- Improvements to the risk management process were welcomed but Members sought assurance regarding the robustness of some of the plans behind risk management. These were always discussed with Heads of Service and should be living documents subject to regular review
- Internal Audit had conducted a review of Risk Management – the report will be available to Members in due course and may address the issues raised

Outcome:

- **Noted**

8.	SCRUTINY OF RESERVES	A8-2016
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Documents:

- Report of the Professional Lead, Finance
- Statement of reserves
- Report of the Portfolio Holder for Finance
- Reserves Policy

Issues:

- Additional information for Members following on from a document considered at the last meeting regarding scrutiny of reserves
- A Reserves Policy was agreed by Cabinet in 2015
- Monthly monitoring reports are submitted to Cabinet

Discussion:

- Further information would be provided regarding usable and unusable reserves
- The Portfolio Holder for Finance reported that the budget was expected to be balanced for 2015/16 and the previously identified use of reserves would no longer be required. He believed it was unacceptable to maintain reserves at 4% while services were being cut – there was an expectation that the reserves level would be between 3 and 3 ½ % when the accounts were finalized
- A £1.019M Budget Management Reserve was maintained to mitigate any failures to achieve savings. This could be rolled forward to the current financial year.

Outcome:

- **A further report on the reserves position would be submitted following the closure of accounts**

9.	CLOSURE OF ACCOUNTS	A9-2016
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Documents:

- Report of the Professional Lead for Finance

Issues:

- Project Team meets fortnightly throughout the year to resolve issues as they arise
- Phase 2 will be completed by the end of April
- A meeting with the WAO audit team has already been held and proved to be beneficial

Discussion:

- Officers were asked whether the Authority would be in a position to deliver an earlier completion date as required by Welsh Government – the timescale will be shortened in 2018/19 and again in 2020/21. New internal targets have been implemented and service accounts will be closed by 29 April
- As the authority devolves services, contracts are clear with regard to future timescales

Outcome:

- **The report be noted.**

10.	TREASURY MANAGEMENT	A10-2016
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Documents:

- Report of the Portfolio Holder for Finance
- Credit rating list

Issues:

- Interest rates were not changing
- Current investment rates remained low but the lower level for borrowing was more important
- The Capital budget is more closely aligned to the Revenue Budget

Discussion:

- The Local Authority Mortgage Scheme cannot be extended. Members were of the opinion that this was a lost opportunity given the low wage economy and high property prices

Outcome:

- **The report be noted**

11.	WORKING GROUPS	A11-2016
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Documents:

- Scrutiny summary report – Internal Audit Working Group

Issues:

- Delivery of S106 Agreements had been disjointed across the Authority – following the Internal Audit Review Members were pleased to note that Planning had actively developed a co-ordinated approach to improve delivery of S106
- Procurement of Portable IT Equipment – the Group had asked that a letter to be sent to schools regarding the purchase of equipment outside of a corporate contract to be strengthened. The Chair reminded Members that many of them were LEA governors and asked that if the delegated budgets were to be used to purchase equipment, that every effort be made to ensure that such items were compatible with corporate systems.

Outcome:

- **A copy of the letter being sent to schools to be copied to all Members**

12.	WORK PROGRAMME	A12-2016
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Documents:

- Work Programme

Outcome:

- **The work programme be approved**

13.	JOINT CHAIRS' STEERING GROUP	A13-2016
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Documents:

- Notes of the Joint Chairs' Steering Group held on 18 March 2016

Outcome:

- **Noted**

14.	CORRESPONDENCE	A14-2016
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There were no items of correspondence.

County Councillor JG Morris (Chair)

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