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## AUDIT COMMITTEE 25/9/14

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**Present:** Councillor John Pughe Roberts (Chairman)  
Councillor Robert J. Wright (Vice-chairman)

**Councillors:** Eddie Dogan, Huw Edwards, Trevor Edwards, Tom Ellis, John B. Hughes, Aeron M. Jones, Charles Wyn Jones, Angela Russell, Gethin Glyn Williams and Peredur Jenkins (Cabinet Member for Resources)

**Lay Member:** Mr John Pollard

**Also in attendance:** Dafydd Edwards (Head of Finance Department), William E. Jones (Senior Finance Manager), Dewi Morgan (Senior Manager – Audit and Risk), Amanda Hughes (Local Manager – Wales Audit Office), Caroline Lesley Roberts (Investment Manager), Ffion Madog Evans (Finance Manager – Resources and Corporate) and Bethan Adams (Member Support and Scrutiny Officer).

**Apologies:** Councillors Anwen Davies, Aled Ll. Evans, Dafydd Meurig, Dilwyn Morgan and Michael Sol Owen.

### 1. WELCOME

The Chairman welcomed the members, officers and Sharon Warnes, Lay Member on the Audit Committee of Anglesey County Council, who was observing the meeting.

### 2. DECLARATION OF PERSONAL INTEREST

No declarations of personal interest were received from any members present.

### 3. MINUTES

The Chairman signed the minutes of the meeting of this committee held on 15 July 2014 as a true record.

### 4. FINAL ACCOUNTS 2013/14

#### i) Statement of the Accounts

The Head of Finance Department submitted the revised statutory financial statements for approval by the committee. He noted that Appendix 3 in the reports that followed by the Wales Audit Office noted the main changes in the accounts since the pre-audit version had been submitted to the Committee meeting of 15 July.

#### ii) Report of the Appointed Auditor on the Audit of Financial Statements

##### a) The Council's Accounts

In accordance with the Annual Audit procedure, namely the Appointed Auditor's report for those charged with governance, the report of the Wales Audit Office (WAO) was submitted. The Local Manager for the Wales Audit Office was present to submit the information.

The Wales Audit Office was responsible for undertaking an audit and for reporting whether it was of the view that the reports presented the financial position of the Council accurately and fairly at the end of every year. She notified the Committee that the Appointed Auditor intended to issue an unqualified audit report on Gwynedd Council's accounts for 2013/14.

The following main points were made by the Local Manager for the Wales Audit Office:

- In respect of uncorrected statements, the WAO had identified that the waste sites provision in the accounts had been understated by £404,000.
- In respect of current assets, there was a need to assess whether the assets had been depreciated excessively, or whether it was a retention policy matter, and the Council should improve the detail in its assets register.
- The actuary had amended their information on two occasions and the Council was expected to undertake a review to satisfy itself of the reasonableness of the figures.
- As was noted last year, it was essential that the Council ensured that its payroll and pensions systems were fully reconciled, and that the details were kept current. She noted that the WAO were satisfied that there would be no material effect, but it could potentially have an effect.

In response to the above observations, the Head of Finance Department noted the following:

- £404,000 had been set aside for this purpose in another place, and there was no risk for the Council. He added that the situation will have been amended by next year.
- He thanked the WAO for their very detailed work this year in respect of assets, and noted the concern in relation to quality assurance, but the effect on the authority's total net value would be marginal, and it was intended to address these in more detail during 2014-15.
- An understanding had been reached with the actuary, and only one report would be received from now on from the actuary, including information in relation to the old Gwynedd County Council as part of the current Council.
- Substantial work was continuing to reconcile the payroll and pensions systems.

In response to a member's observations regarding the accounts of the GwE Joint-committee, it was noted that the GwE accounts would be submitted to the Joint-committee at its meeting on 29 September 2014, as it had the responsibility for governance on behalf of the six councils.

## **b) Gwynedd Pension Fund Accounts**

The Local Manager for the Wales Audit Office reported that the Council was responsible for preparing financial statements to present the financial position of the Gwynedd Pension Fund as at 31 March 2014.

The WAO was responsible for undertaking an audit and for reporting whether it was of the view that the reports presented accurately and fairly the financial position of the Pension Fund at the end of the year. She notified the Committee that the Appointed Auditor intended to issue an unqualified audit opinion on the accounts of the Gwynedd Pension Fund for 2013/14.

An emphasis was placed on the need to work with the employers who were part of the Pension Fund to ensure their records were up to date.

In response to the above, the Head of Finance Department noted that he welcomed the content of the WAO's report and he thanked them for their cooperation.

All the relevant officers were thanked for their work on the accounts.

**RESOLVED that the Audit Committee, with the power delegated by the Council to be "those charged with governance" in relation to approving the statutory financial statements and the relevant audit, approves the amended statutory financial**

**statements, accepts the related reports by the Wales Audit Office, and authorises the Head of Finance Department and the Chairman of this meeting of the Committee to sign the “letters of representation” and to submit them to the Appointed Auditor of the Wales Audit Office.**

## **5. TREASURY MANAGEMENT 2013/14**

The background and context of the Investment Manager's report on the Council's actual treasury management activity during 2013/14, compared with the strategy that had been established for that financial year in February 2013, was laid out. The report provided details of the economic background, the borrowing requirement and debt management, investment activity and compliance with prudential indicators.

In response to a member's question regarding the Council's investments, the Head of Finance Department noted that a Notice of Motion by Councillor Owain Williams regarding investment in Israel following the latest situation in the Gaza Strip would be submitted to a meeting of the full Council on 9 October 2014 for consideration.

**RESOLVED to accept the report for information.**

## **6. REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP**

Submitted – the report of the Chairman of the Audit Committee regarding a meeting of the above working group held on 5 September 2014 to consider two audits that had received a category C opinion during the period from 1 April 2014 to 30 June 2014, namely -

- a) Leasing Arrangements in Schools
- b) Plas Ogwen, Bethesda

Senior Managers had been invited to attend the meeting to discuss the matters arising from the audits and the work that had been completed since the audit reports had been published to strengthen the internal controls in question.

It was noted that assurance had been received at the Working Group that the issues highlighted by the Internal Audit Section were receiving due attention and that steps were being taken.

In response to a member's question regarding the audit of Leasing Arrangements in Schools, the Senior Audit and Risk Manager noted that the Education Department intended to send correspondence to the schools noting the expectations there were of them, and noting the necessity for the schools to understand the risks involved. However, it had to be acknowledged that he accepted that the schools would be prioritising this in the context of matters such as educational standards and child protection.

In response to a member's observation regarding the audit of Plas Ogwen, Bethesda, the Senior Audit and Risk Manager noted that the Adults, Health and Well-being Department were producing a booklet for residential homes which highlighted good practice, and the Internal Audit Section offered observations on the proposed procedures.

A member noted her disappointment that the attendance level of members at the meetings of the working group was low, and she suggested establishing a system where if a member was unable to attend, another member of the Committee would attend in their place.

**RESOLVED:**

- (i) to accept the report;**
- (ii) to establish a system where if a member apologises from a meeting of the working group in good time, the Senior Audit and Risk Manager sends an e-mail**

**to the other members of the Audit Committee asking for a volunteer to attend the meeting of the working group in their place.**

## **7. INTERNAL AUDIT OUTPUT**

### **The work of Internal Audit for the period up to 12 September 2014**

Submitted – the report of the Senior Audit and Risk Manager outlining Internal Audit's work during the period between 1 July and 12 September 2014. In submitting the information on the work completed during the period, the officer referred to -

- 8 reports on audits of the action plan with the relevant opinion category shown
- 1 other report (memoranda etc.)
- 3 grant reviews
- 1 follow-up audit
- 1 responsive audit

Consideration was given to each individual report and during the discussion reference was made to the following matters –

#### **Secondary Schools – Governance**

A member noted that they should consider adding to the audit report that it was essential that Governors attended training, and consideration should be given to creating a mandatory courses policy. In response, the Head of Finance Department noted that the audit had already been released, and that it would not be appropriate for the Committee to amend the independent report by Internal Audit.

He added that the report could be considered at a meeting of the working group although the report had been awarded a 'B' opinion, and asked the relevant officers and the Cabinet Member for Education to attend the meeting.

#### **Officers' Gifts and Hospitality**

A member noted that ensuring compliance with the Gifts and Hospitality Policy was dependent on the individual's honesty, but there was a need to convey the message clearly that individuals must make declarations appropriately.

#### **Inclement Weather Plan**

Members noted their gratitude to the staff for their work during the inclement weather in February.

A member suggested that managers, during inclement weather, should consider contacting members of staff that were not working at the time as well as on-call members of staff. The member added that local members could also be of assistance during periods of inclement weather.

A member noted that the Council officers' use of social media to update officers and the public had been of great benefit during the period of inclement weather.

#### **Communities First Programme – The New Scheme**

A member noted the importance of conducting a review into this matter, as the Welsh Government could potentially reclaim some of the money if the quality of the evidence did not improve.

## Homelessness

A member noted that it was essential for the staff in the hostels to attend the Council's 'Personal Safety' course.

### RESOLVED

- (a) to accept the reports on the work of Internal Audit for the period 1 July 2014 until 12 September 2014 and to support the recommendations that have already been submitted to the managers of the relevant services for implementation.
- (b) that the Chair and Vice-chair of the committee, along with Councillors Huw Edwards, Trevor Edwards and Gethin Glyn Williams serve on the working group to consider the audits that have received a category 'C' opinion as well as the audit on 'Secondary Schools – Governance', and to extend an invitation to the Head of Education Department and the Cabinet Member for Education.

## 8. INTERNAL AUDIT PLAN 2014/15

Submitted – the report of the Senior Audit and Risk Manager, providing an update on the current situation in terms of completing the 2014/15 internal audit plan.

He provided details of the situation as at 12 September 2014 along with the time spent on each audit to date. The following table was highlighted, which revealed the current status of the work in the operational plan:-

<b>Audit Status</b>	<b>Number</b>
Planned	50
Working Papers Created	2
Field Work Started	13
Field Work Ended	1
Awaiting Review	8
Draft Report	2
Report Agreed	1
Final Report	20
Total	97
Cancelled	2

It was noted that the actual achievement of the Internal Audit Section until mid-September was lower than the target and that 14 audits would not have been released in order to meet the quarterly target of completing 34 out of 97 audits, namely 35%. It was added that there was a high number of responsive audits, with 99 days spent on them up until 12 September, and most of these audits continued to be in progress.

It was noted that all the service's staff were committed to completing the target for the year, and were aware of the expectations.

Attention was drawn to amendments to the Internal Audit Plan.

**RESOLVED to note the contents of the report as an update of progress against the 2014/15 audit plan.**

The meeting commenced at 10.30am and concluded at 12.20pm