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## AUDIT COMMITTEE 16/7/15

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

**Councillors:** Trevor Edwards, Tom Ellis, Aled Ll. Evans, John B. Hughes, Aeron M. Jones, Charles Wyn Jones, Sion Wyn Jones, Dilwyn Morgan, Angela Russell and John Wyn Williams.

**Also in attendance:** Dafydd Edwards (Head of Finance Department), William E. Jones (Senior Finance Manager), Ffion Madog Evans (Finance Manager – Resources and Corporate – for Item 5 on the agenda), Caroline Lesley Roberts (Investment Manager – for Item 5 and 6 on the agenda), Dewi Morgan (Revenue and Risk Senior Manager), Luned Fôn Jones (Audit Manager), Hawis Jones (Strategic Planning and Performance Manager – for Item 9 on the agenda) and Bethan Adams (Member Support and Scrutiny Officer).

**Apologies:** Councillors Eddie Dogan, Michael Sol Owen and Glyn Thomas along with Mr John Pollard.

### 1. DECLARATION OF PERSONAL INTEREST

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

### 2. URGENT ITEMS

A member drew attention to a matter that he had noted at the previous meeting of the committee in terms of how consultants were appointed, along with their relationship with officers and ensuring that the appointment procedure conformed to OJEC standards. He noted that he had received further information relating to one case of using a consultant in the Education Department to examine the possibility of two secondary schools sharing a head teacher and this caused the member concern.

In response, the Chairman noted that the Internal Audit Section was already investigating the issue of employing consultants and a response would be prepared by the next meeting of the Committee. The member drew attention to another matter that caused him concern, namely the leasing of the Rhyd Ddu Outdoor Centre to Antur Nantlle Cyf.

The Chairman suggested that the relevant officers from the Economy and Property services could be invited to the next meeting of the Controls Improvement Working Group to discuss the matter with the member present.

### 3. MINUTES

The Chairman signed the minutes of the meeting of this committee held on 30 June 2015, as a true record.

### 4. 2014/15 STATEMENT OF ACCOUNTS

The Head of Finance Department set out the background and context of the report. Attention was drawn to the fact that unaudited draft accounts were being submitted here, with the final version to be submitted for the Committee's approval at the meeting on 24 September 2015.

The Senior Finance Manager guided members through the accounts and noted that the Annual Governance Statement would also be included with the accounts to form one

composite document which would be brought before the next meeting of the Committee. It was reported that last year's accounts had received approximately 800 visits on the website and this was heartening.

The departments were congratulated on their work of managing budgets, as underspend only represented 0.18% (point one eighth of one per cent) of the total expenditure.

The Head of Finance Department drew attention to the figure associated with 'Remeasurements of the net defined benefit liability/assets' of £70,697 million on page 9 of the accounts. He explained that the pension liability situation had not changed significantly but the actuarial projection unit method was used with today's prices placed on some pension liabilities 60 years in the future. He noted that accounting rules insisted on using the returns rates on bonds as the discount rate, which meant that there was great movement between the years in the perceived value of the pension liabilities but were not a real change in terms of cash and this could give the wrong impression of the situation.

In response to a question regarding the costs of retirements at a time of cuts, the Head of Finance Department noted that the additional cost would be identified when applications were made for retirement funded by a contribution from the Department and/or the Corporate Redundancy Fund. Members were reminded that they had considered the decision of the Cabinet of the Council on 23 June 2015 to transfer £2,986,685 to the Redundancy Fund at the last meeting of the Committee. It was noted that the exact total cost could not be foreseen but the Redundancy Fund provision was being reviewed continuously so that the costs could be addressed.

In response to a further question, it was noted that the actuary had taken into account the change of pensionable age from 65 to 67 years.

A member referred to school reserves under 'Note 10 – Transfers to/from earmarked reserves' on page 26 and he noted that schools should still be encouraged to reduce their balances. The Head of Finance Department confirmed that schools were encouraged to use balances for the students' education and that the Education Department secured an explanation annually regarding the schools' intention of dealing with the money.

Regarding school balances, a member suggested the need to re-examine the funding formula for schools.

In response to an observation by a member, the Head of Finance Department noted that the Full Council, at its meeting on 9 October 2014, had underlined a previous decision not to invest the Council's own money in Israel. In terms of the Pension Fund's investments, it would have involved a long and costly exercise of re-contracting with the Investment Managers of the Fund to ensure that there would be no investment in Israel. He noted that officers and members of the Pensions Committee were trying to influence Investment Managers of companies who were investing on behalf of the Fund on how to invest the money and also they were trying to influence by means of the Local Authority Pension Fund Forum. He added that investment decisions to safeguard the interests of members of the scheme had to be made on the merits of the companies and the returns received.

A member referred to other employer costs under 'Note 31 – Officers' Remuneration' on page 56 regarding the retirement of Senior Officers. The Senior Finance Officer noted that the figures reflected additional costs for the Council and that they were not direct payments.

All staff associated with preparing the accounts and all Council staff involved with the Council's budgets were thanked for their hard and detailed work.

**RESOLVED to accept and note the 2014/15 Statement of the Council's Accounts (subject to the 2014/15 audit).**

## 5. TREASURY MANAGEMENT 2014/15

The background and context of the Investment Manager's report on the Council's actual treasury management activity during 2014/15, compared with the strategy that had been established for that financial year in February 2014, was laid out. The report provided details of the economic background, the borrowing requirement and debt management, investment activity and compliance with prudential indicators.

The Investment Manager confirmed that the Council's borrowing activities had been within the restrictions established and there had been no failure to pay or lack of liquidity by any of the counter parties used by the Council during 2014/15.

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

## 6. OUTPUT OF THE INTERNAL AUDIT SECTION

### **The work of the Internal Audit Section for the period up to 30 June 2015**

The report of the Audit Manager was submitted, outlining the work of the Internal Audit Section for the period between 1 April and 30 June 2015. It was noted that there had been seven reports regarding audits from the operational plan with the appropriate opinion categories shown completed during the period.

Consideration was given to all the reports individually.

A member noted regarding 'First Aid Payments' that there was a need for Council members to receive first aid training.

### **RESOLVED:**

- (a) to accept the reports on the work of the Internal Audit Section for the period 1 April 2015 to 30 June 2015 and to support the recommendations that have already been submitted to the managers of the relevant services for implementation.**
- (b) that the members appointed to serve on the Controls Improvement Working Group at the meeting of the Committee on 30 June consider the audits that have received a category 'C' opinion in this period also.**
- (c) it is the responsibility of any member who is unable to be present in the Working Group to arrange a substitute.**

## 7. INTERNAL AUDIT PLAN 2015/16

The report of the Senior Audit and Risk Manager was submitted, providing an update on the current situation in terms of completing the 2015/16 internal audit plan.

It was reported that the Internal Audit Unit had exceeded the target for quarter 1 with seven final reports released, namely 11.1% audits of the plan compared with a target of 8%.

**RESOLVED to note the contents of the report as an update of progress against the 2015/16 audit plan.**

## 8. EXTERNAL AUDIT REPORTS

The report was submitted by the Strategic Planning and Performance Manager. It was noted that the report provided an update in terms of the external audit reports received with the appendix detailing the reports, the actions and the scrutiny arrangements.

A member noted that with regard to assessing care investigations, there was a need for members to receive training to equip them to deal with care matters. In response, the

Strategic Planning and Performance Manager noted that she would raise the matter with the Democratic Services Manager.

**RESOLVED:**

- (i) to accept the report and to note that the Committee is satisfied that the recommendations of the external auditors are receiving sufficient attention.**
- (ii) that the Strategic Planning and Performance Manager raises the matter regarding training for members to equip them to deal with care issues with the Democratic Services Manager.**

**9. RESPONDING TO SIGNIFICANT FINANCIAL STRESS**

It was reported that a national report had been published in April 2015, by the Wales Audit Office (WAO), stating that "Councils in Wales have responded well to significant financial stress but they need to improve their financial management and planning processes to meet the increasing financial challenges ahead."

It was noted that some Welsh Treasurers considered that the report was rather superficial with insufficient evidence to support some conclusions and lacking reference to good practice in Wales due to failure to effectively engage with local authority finance departments on this work.

The Head of Finance Department guided the members through the report which detailed the WAO recommendations and the Council's response/action.

Members provided observations regarding Recommendation 6 in terms of income generation, namely:

- Care had to be taken not to tread on the toes of the private sector;
- The situation regarding Council staff car parks should be considered;
- Some type of payment from caravan parks should be examined to generate income.

A member noted that the external audit reports, considering the current critical financial situation, should assist Local Authorities in terms of providing opportunities to reduce expenditure and generate income.

In response to an observation by a member regarding Recommendation 9 regarding equipping members with training to deliver the best for Gwynedd residents, the Head of Finance Department referred to the financial seminars that had been held during February 2015, before noting that should members want to receive specific training on anything else, then, they were requested to contact the Finance Department.

**RESOLVED to accept the report.**

The meeting commenced at 10.30am and concluded at 12.10pm

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**CHAIRMAN**