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## AUDIT COMMITTEE 26/09/13

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**Present:** Councillor John Pughe Roberts (Vice-chairman)

**Councillors:** Anwen Davies, Eddie Dogan, Charles W. Jones, Dafydd Meurig, Dilwyn Morgan, Angela Russell, Gethin G. Williams, R. J. Wright and Peredur Jenkins (Cabinet Member – Resources).

**Lay Member:** Mr John Pollard

**Also Present:** Dafydd Edwards (Head of Finance Department), Dewi Morgan (Senior Audit and Risk Manager), William E. Jones (Senior Finance Manager), Ffion M. Evans (Finance Manager – Resources and Corporate), Caroline Roberts (Investment Manager), Helen L. Williams (Chief Accountant, Capital and Management), Amanda Hughes (Local Manager, Wales Audit Office), Derwyn Owen (Engagement Leader, Wales Audit Office), Dilys Phillips (Head of Democracy and Legal Department – for item 5) and Bethan Adams (Member Support and Scrutiny Officer).

**Apologies:** Councillors Trefor Edwards, Tom Ellis, Aled Ll. Evans, John B. Hughes and Michael Sol Owen.

Condolences were expressed to the Chairman of the Audit Committee, Councillor Trefor Edwards as his mother-in-law had passed away recently. It was noted that he was absent as he had a hospital appointment and he was wished well.

### 1. DECLARATION OF PERSONAL INTEREST

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

### 2. MINUTES

The Chairman signed the minutes of the meeting of this committee held on 18 July 2013, as a true record.

### 3. REVIEWING THE COUNCIL'S CONSTITUTION

The Head of Democracy and Legal Department was welcomed to the meeting.

The Head of Democracy and Legal Department noted that it was required for the Audit Committee to establish a working group as it was the responsibility of this committee to keep an overview of the Council's governance arrangements, including the constitution in its entirety.

It was noted that there was a shift towards creating a standard constitution for all Welsh councils in order to obtain consistency. The purpose of the working group would be to assist with the work of reviewing the constitution and provide guidance on specific questions.

The working group would consult with the other committees such as the Democratic Services Committee, the Standards Committee and the Cabinet, before reporting back to the Annual Meeting of the Full Council in May 2014.

Attention was drawn to the fact that this was a matter for the entire Council and that the Full Council would need to adopt it; therefore, the Council's political balance should possibly be considered when selecting the working group members.

**RESOLVED to establish a Working Group and that the following members serve on the working group -  
The Chairman and Vice-chairman of the Committee along with Councillors Gethin Glyn Williams, Dafydd Meurig, Michael Sol Owen, Dilwyn Morgan and Bob Wright.**

#### **4. FINAL ACCOUNTS 2012/13**

##### **i) Statement of the Accounts**

The Head of Finance Department submitted the revised statutory financial statements for the committee's approval. He noted that the reports of the Wales Audit Office that followed noted the main changes to the accounts.

Details were given of the main post-audit findings. It was noted first of all that the regulations required the annual accounts of joint-committees to be reported upon separately. The Council had now reported appropriately for 2012/13, including the comparative figures for the previous year. To ensure consistent reporting on the accounts of the Councils of North and Mid Wales, it was agreed that the lead authority would reflect the full gross and net position in their accounts, with other contributing authorities reflecting the net position only.

Secondly, reference was made to the concern of the Wales Audit Office regarding the data provided to the actuary in terms of membership data that provided the basis to pension liability figures for the pension fund. It was noted, as a result of the historical restriction within computer systems, that there were some instances of workers with more than one job within the Council where the additional jobs had not been identified separately as part of the process of reporting annually on the pension liability in accordance with accounting standards. It was reported that work continued to solve these inconsistencies so that annual pension contribution reports in future coincided between the payroll and pension systems.

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

###### **a) Council 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 Engagement Leader – Wales Audit Office was present to submit the information.

It was reported that the Council was responsible for preparing financial statements to present the financial situation as it stood on 31 March 2013 along with the income and expenditure in the year which ended at that time.

The Wales Audit Office was responsible for undertaking an audit and for reporting whether it was of the opinion that the reports presented the financial position of the Council accurately and fairly at the end of every year. He notified the Committee that the Appointed Auditor intended to issue an unqualified audit opinion on the Council's accounts for 2012/13.

The Engagement Leader – Wales Audit Office reiterated the above observations made by the Head of Finance Department and he thanked the Council for its cooperation during the audit.

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

As above, the Local Manager – 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 2013.

The Wales Audit Office was responsible for undertaking an audit and for reporting whether it was of the opinion that the reports presented accurately and fairly the financial position of the Pension Fund at the end of a year. She notified the Committee that the Appointed Auditor intended to issue an unqualified audit opinion on the Gwynedd Pension Fund for 2012/13.

The Local Manager – Wales Audit Office noted that when the accounts had been audited, the Council's attention had been drawn to the fact that the Council had not accrued for costs of £710,000 for members of the Pension Fund who had retired on 31 March 2013 and that the Council had adjusted the accounts to reflect this.

She reiterated the observations made in relation to pension liabilities data in the accounts and the need to work with employers who were members of the Pension Fund to ensure that their records were up-to-date, was emphasised.

It was noted that a matter raised in the past in relation to calculating the change in market value had been resolved and that appropriate arrangements were in place to verify this record in the financial statements.

In response to the above, the Head of Finance Department informed the committee that he welcomed the content of the Wales Audit Office's report and he thanked them for their cooperation.

### iii) Letters of Representation

Following the discussions on the 2012/13 final accounts, the Head of Finance Department submitted letters addressed to the Appointed Auditor from the Audit Committee. The "letters of representation" included statements regarding the Council's financial statements and the Pension Fund's financial statements for 2012/13. He explained that he had drafted the comments on behalf of "those charged with governance" in Gwynedd Council, namely the Audit Committee.

All 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 2012/13

Submitted - the report of the Head of Finance Department on the Council's actual treasury management activity during 2012/13, compared with the strategy that had been established for that financial year in February 2012. The report provided details of the economic background, the borrowing requirements and debt management, investment activity and compliance with prudential indicators.

Attention was drawn to the fact that there had been a presumption when the accounts had been closed for the 2012/13 financial year that the Council would reclaim 88p/£ of the investments made in Heritable Bank. It was noted that the Council had now received a pre-final payment of 94p/£ and it was expected to receive a further payment from the amount that the administrator had kept in reserve.

In response to an enquiry, the Head of Finance Department noted that the total interest received was less than what had been noted in the budget because the interest projections at the beginning of the year had been better than the actual interest received and that the negative trend continued. He added that the Council had a prudential investment strategy that sought to minimise risk by investing in a range of various banks, rather than investing a more substantial amount in a single bank.

**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 abovementioned working group held on 3 September 2013 to consider two audits that had received a category C opinion during the period between 1 April and 30 June 2013, namely -

- a) Siopau Gwynedd
- b) Banking Arrangements in the Leisure Centres

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

The Senior Audit and Risk Manager acknowledged that the meeting had been very beneficial and was a means of providing an opportunity to discuss the audits and discuss the steps put in place to strengthen the controls. This was reiterated by the working group members present.

**RESOLVED to accept the report.**

## **7. OUTPUT OF THE INTERNAL AUDIT SECTION**

### **The work of the Internal Audit Section for the period up to 31 August 2013**

Submitted – the report of the Senior Audit and Risk Manager outlining the Internal Audit Section's work in the period between 1 July and 31 August 2013. In submitting the information on the work completed during the period, the officer referred to -

- 10 reports on audits of the operational plan with the relevant opinion category shown
- one other report (memoranda etc.)
- two grant reviews

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

#### **Health and Safety Risk Assessments (Corporate)**

A member expressed concern in relation to health and safety risk assessments in schools when pupils were at school at 8am for a breakfast club before the school day began and at break and lunch times where there was no supervision.

In response, the Senior Audit and Risk Manager noted that the duty of reviewing arrangements to assess health and safety risks had been divided into two audits, namely the Council's corporate arrangements and Schools' arrangements. The audit of arrangements in schools would be undertaken over the coming months; the matter could be discussed at the Controls Improvement Working Group and school accident figures would be addressed at that time.

### **Officers' Interests Policy**

The Senior Audit and Risk Manager noted that the main reason why the audit had received opinion category 'C' was because there was a need to update the policy to reflect legislative changes that had come into force over 3 years ago and that the audit could be discussed at the working group.

### **Members' Gifts and Hospitality**

The committee members' attention was drawn to the fact that the audit had identified good practice. However, the Senior Manager warned that the Audit Committee, when undertaking its statutory duties, had to be aware that the auditor could only consider what members had declared and that the steps that could be taken to ensure propriety was to make sure that members were aware of the requirements to present the information and that they were aware of the policy.

### **Software Licences (Corporate)**

It was noted that a specific request had been received to address software licences across the Council because of an incident where one company alleged that the Council had breached the licence condition and additional licence costs had been paid, following negotiations. The purpose of the audit was to attempt to minimise the risk of other companies doing the same.

### **Software Licences (Schools)**

It was noted that this review had been undertaken by corresponding with officers from the Education Department and Cynnal, along with collecting information from the schools in questionnaire format. The number of responses received from schools was disappointing. It was noted that it was important for schools to take software licences into consideration because substantial penalties could be imposed if the schools did not hold suitable business licences.

**RESOLVED to accept the reports on the Internal Audit Section's work for the period between 1 July and 31 August 2013 and to support the recommendations already submitted to the managers of the relevant services for implementation.**

**RESOLVED that the following members serve on the working group to consider the audits that received opinion category 'C' -  
The Chairman and Vice-chairman of the Committee, along with Councillors Angela Russell, Bob Wright and Mr John Pollard.**

## **8. INTERNAL AUDIT PLAN 2013/14**

Submitted – the report of the Senior Audit and Risk Manager providing an update on the current situation in terms of completing the 2013/14 internal audit plan.

He provided details of the situation as at 30 August 2013 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	56
Working Papers Created	4
Field work started	20

Awaiting Review	2
Draft Report	2
Final Report	23
<b>Total</b>	<b>107</b>

It was noted that the actual attainment of Internal Audit up until the end of August was lower than the target and that 15 audits would not have been released, in order to meet the quarterly target of completing 38 out of 107, namely 35%. It was noted that there were many vacant posts in the unit at present and that arrangements were in place to consider the options in terms of filling those posts and that all of the service's staff were committed to complete the target for the year.

**RESOLVED to note the contents of the report as an update on progress against the 2013/14 audit plan.**

The meeting commenced at 10.30am and concluded at 11.30am.