
AUDIT COMMITTEE, 20.02.14

Present:- Councillor Trevor Edwards (Chairman)
Councillor John Pughe Roberts (Vice-chairman)

Councillors:- Anwen Davies, Edward Dogan, John B. Hughes, Dafydd Meurig, Michael Sol Owen, Angela Russell, R. J. Wright and Peredur Jenkins (Cabinet Member for Resources).

Lay Member:- Mr John Pollard

Also Present: Dilwyn Williams (Corporate Director), Dafydd Edwards (Head of Finance Department), William E. Jones (Senior Finance Manager), Dewi Morgan (Senior Audit and Risk Manager), Caroline Lesley Roberts (Investment Manager), Alan Hughes (Team Leader – Financial Audit, Wales Audit Office) and Eirian Roberts (Member Support and Scrutiny Officer).

Apologies:- Councillors Tom Ellis, Aled Evans, Charles W. Jones and Dilwyn Morgan.

A member noted that as a result of the suspension of Councillor Aeron M. Jones until 21 April, the Llais Gwynedd Group had appointed a temporary member to the empty seat on the committee, but that the member in question could not be present at this meeting.

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 previous committee meeting held on 3 December, 2013 as a true record.

3. 2014/15 BUDGET AND 2014/15 – 2017/18 FINACIAL STRATEGY

Submitted –

- (a) the report of the Cabinet Member for Resources, submitting the budget that the Cabinet intended to recommend to the Council and requesting the Audit Committee to scrutinise the information in terms of its financial propriety.
- (b) the draft decision notice of the Cabinet meeting held on 18 February on the Financial Strategy.

The Cabinet Member for Resources set out the background and context of the report. He underlined the financial challenge facing the Council and noted that, historically, and in accordance with best practice, this Council had established its annual budget within the context of the medium term financial strategy in order to ensure that the budget was prepared for the situation ahead rather than meeting the requirements of one year only at a time. This had proven to be of benefit to us as it was possible to plan any required savings in a rational way, with full input from all members, without having to take rushed decisions, which often led to the wrong decisions in terms of the benefits to our citizens.

The Corporate Director highlighted the main financial risks within the 2014/15 budget and noted that he considered those risks to be reasonable.

Members were given an opportunity to ask questions and offer their observations. During the discussion the following main points were highlighted:-

- In reference to bid GCTH1 – Purchase of new Community Care Management System – a follow-up to RAISE (Appendix 1 in the report), the need for the three installation support officers was questioned. In response, the Corporate Director explained that the Management Team had challenged the bids carefully. These were only temporary posts and there was a substantial risk in terms of care of the elderly, etc., in not making these appointments. The current system would disappear next year and it was required to employ people to ensure that the new system was installed properly. In terms of the risks, the Head of Finance Department added that the implementation of other savings within the Social Services field depended on having the new system in place and working properly.
- It was noted that the Council was facing difficult decisions, in particular in the fields of education and social services, and that this needed to be monitored closely.
- It was expressed that the use of the £382,000 to meet one-off requirements was appropriate in the current circumstances.
- Assurance was sought that implementing the recommendation to increase the pay of Council staff who received the lowest salaries would not lead to job losses in the Council. In response, the Corporate Director noted that the increase would be funded by means of the Council Tax and that nobody would lose their job because of this policy.

Councillor Anwen Davies asked officers to convey her personal thanks to the Council staff who had been clearing the roads and dealing with the recent flooding in Pen Llŷn.

The officers were thanked for their work in preparing the Financial Strategy.

RESOLVED

- (a) **To accept that the Financial Strategy addresses the relevant risks and that due consideration is given to the risks faced over the four year period to come.**
- (b) **To forward a message to the full Council that this committee is of the opinion that the use made of £382,000 to meet one-off requirements is appropriate in the current circumstances.**

4. TREASURY MANAGEMENT – TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION STRATEGY AND ANNUAL INVESTMENT STRATEGY FOR 2014/15

Submitted – the report of the Head of Finance Department requesting the committee to recommend to the Council on 6 March to adopt the Treasury Management Strategy Statement and Annual Investment Strategy for 2014/15, the Prudential Indicators, the Minimum Revenue Provision Strategy and the merger arrangements with the Pension Fund in terms of investing daily cash flow.

The Head of Finance Department established the context and the Investment Manager elaborated on the content of the report.

It was noted with thanks that members of the Committee had been given an opportunity to question the officers and a specialist advisor from Arlingclose at an informal meeting on 30th January, 2014.

RESOLVED to recommend to the Full Council on 6 March 2014 to adopt the Treasury Management Strategy Statement and Annual Investment Strategy for 2014/15 (Appendix A), the Prudential Indicators (Appendix C), the Minimum Revenue Provision Statement (Appendix D) and the merger arrangements with the Pension Fund for the investment of daily cash flow.

5. REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP

Submitted - the report of the Chairman of the Audit Committee on a meeting of the abovementioned working group held on 22 January 2014 to consider revenue expenditure in the Waste field, the consultation document of the Auditor General on the Audit Code of Practice and Practice Statement and four audits that had received opinion category C during the period between 1 September and 31 October 2013, namely:-

- a) Corporate Complaints Procedure
- b) Ports
- c) Direct Payments
- ch) Subsidised Travel Tickets – Payments to bus companies

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

In terms of the need to control expenditure in the field of waste, it was suggested that there were many things that the members themselves could do to assist the departments, e.g. by spreading the message in their areas regarding the importance of recycling.

RESOLVED to accept the report.

6. REVENUE BUDGET 2013/14 - THIRD QUARTER REVIEW (DECEMBER 2013)

Submitted –

- (a) The Head of Finance Department's monitoring report on the latest financial situation.
- (b) The draft decision notice of the Cabinet on 18 February on the third quarter review of the revenue budget.

The Cabinet Member for Resources set out the background and context of the report. He referred to an overspend in the Social Services, Housing and Leisure Department and Highways and Municipal Department and noted that there were specific reasons for this. He added that the Cabinet was satisfied that the departments in question had put measures in place to cope with the situation and that they had agreed to transfer the amounts in the report to reduce the deficit.

The Head of Finance Department noted that it had been asked at the Cabinet why an additional budget was being allocated to some departments, and not to others, and he explained that the two departments were overspending substantially because they faced difficult events that were beyond their control. Furthermore, both departments had taken general steps to seek to manage their budgets since the position for quarter two of 2013/14 had been reported. In the case of other departments, it was noted that the level of overspend was lower and it would be possible to manage it by using departmental funds etc.

Members were given an opportunity to ask questions and offer their observations. During the discussion the following main points were highlighted:-

- It was noted that the two departments in question tended to overspend on an annual basis and that this either suggested a lack of financial control within those departments or that the money being earmarked for them was insufficient. In response, the Head of Finance Department noted that the 2014/15 budget addressed some of these requirements and referred to some examples of this. Then, the Senior Finance Manager explained that the Highways and Municipal Department had been struck hard by the floods in November 2012 and had had to use the money identified for the problem in the waste field towards the cost of responding to further inclement weather at the beginning of this year. Also, although the Social Services, Housing and Leisure field appeared problematic on a departmental level, there were movements within the different headings from year to year.
- It was noted by a member that the work of opening rivers and ditches had made a major difference and had averted further costs to the Highways and Municipal Department in the longer term.
- A discussion ensued on the impact of the recent inclement weather and the damage caused to the coastal paths of the county and reference was made to the types of financial assistance that could be available to the Council towards the costs of undertaking the remedial works. It was noted that the Westminster Government was contributing £100m to help with the situation in England but that the Welsh Government's contribution to the Welsh Councils was nowhere near this.

RESOLVED to accept the information and risks deriving from the expenditure and income projections against the budget and accept the Cabinet's draft decision in the context of managing the budgets of the Council and its departments.

7. CAPITAL PROGRAMME 2013/14 – END OF THIRD QUARTER REVIEW (31 DECEMBER 2013)

Submitted –

- (a) the Head of Finance Department's monitoring report on expenditure and funding the capital programme.
- (b) the draft decision notice of the Cabinet meeting on 18 February on the third quarter review of the capital programme.

The Cabinet Member for Resources set out the background and context to the report and he thanked all staff that were involved with the Council's budgets for their thorough and hard work.

A member enquired about the plans for the former Seiont II Museum in Caernarfon and the Head of Finance Department agreed to ask the Economy and Community Department and inform the member about what was happening there.

RESOLVED to accept the information and the risks involved with the capital programme and accept the Cabinet's draft decision.

8. OUTPUT OF THE INTERNAL AUDIT SECTION

The work of the Internal Audit Section for the period up to 31 January 2014

Submitted – the report of the Senior Manager - Audit and Risk outlining the Internal Audit Section's work in the period between 1 November 2013 and 31 January 2014. In relation to the information on the work completed during the period, the officer referred to -

- 16 reports on audits of the operational plan with the relevant opinion category shown
- one other report (memoranda etc.)
- 4 grant reviews
- 3 follow-up audits

The Senior Audit and Risk Manager noted that there were five reports in opinion category C this time compared to four last time and three before then, and although it was too early to say that a pattern was emerging, this needed to be monitored. On the other hand, he also noted that there were more reports in opinion category A than were seen in the past.

Consideration was given to all the reports individually:

In reference to the audit of Area Regeneration Officers (Appendix 8 of the report), a member noted that it had been mentioned that the post in Dwyfor was coming to an end and the member asked whether or not that was true. In response, the Senior Audit and Risk Manager noted that the department's strategy was not included within the audit's scope, but he agreed to make enquiries on behalf of the member.

RESOLVED

- (a) **Resolved to accept the report on the Internal Audit Section's work for the period between 1 November 2013 and 31 January 2014 and to support the recommendations already submitted to the managers of the relevant services for implementation.**
- (b) **That the following members serve on the working group to consider the audits that received opinion category 'C':-**

The Chair and Vice-chair of the committee and Councillors John Brynmor Hughes, Dafydd Meurig and Angela Russell.

9. INTERNAL AUDIT PLAN 2013/14

Submitted – the report of the Senior Manager - Audit and Risk 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 31 January 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:-

| Audit Status | Number |
|---------------------|---------------|
| Planned | 16 |
| Field work started | 20 |
| Awaiting Review | 6 |
| Draft Report | 2 |
| Final Report | 60 |
| Closed | 1 |
| Total | 105 |
| Cancelled | 7 |

Further to the contents of the report, the Senior Audit and Risk Manager added that more reports had been released since the end of January and that the nature of those audits meant that they could be worked through quicker.

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

10. DRAFT INTERNAL AUDIT PLAN 2014/15

Submitted – the report of the Senior Audit and Risk Manager providing details of the draft plan of the Internal Audit Section’s work for the 2014/15 financial year in order for members to voice their opinions on it and approve it, subject to further discussions with officers.

The Senior Audit and Risk Manager added that he would submit the final plan before the committee in May.

RESOLVED to approve the draft Audit Plan for the period 1 April 2014 to 31 March 2015, subject to amendments deriving from further discussions with officers.

11. SELF ASSESSMENT OF GOVERNANCE ARRANGEMENTS

Submitted – the report of the Senior Audit and Risk Manager on the outcome of the Governance Workshop held on 29 January and presenting the work programme for the next three months.

RESOLVED to instruct the Governance Arrangements Assessment Group to draw up a programme which gathers evidence to support the findings of the main governance matters of the authority, and to report back to the Audit Committee after they have been prioritised.

12. REVIEWING THE COUNCIL’S CONSTITUTION

Submitted – the report of the Chair of the Council’s Constitution Working Group on the work of the working group.

RESOLVED

- (a) To accept the report and note the work of the Working Group.**
- (b) To authorise the Working Group to submit its report on its amended Constitution to the Council on 1 May.**

The meeting commenced at 10.30am and concluded at 12.10pm.