

AUDIT COMMITTEE 29/9/16

Present: Councillor Trevor Edwards (Chair)
Councillor Angela Russell (Vice-chair)

Councillors: Anwen J. Davies, Tom Ellis, Aled Ll. Evans, Gareth Wyn Griffith, E. Selwyn Griffiths, Charles Wyn Jones, Michael Sol Owen, John Pughe Roberts, Gethin Glyn Williams, John Wyn Williams and Peredur Jenkins (Cabinet Member for Resources).

Lay Member: John Pollard

Also in Attendance: Dafydd Edwards (Head of Finance Department), Ffion Madog Evans (Senior Finance Manager - for Item 5 on the agenda), Luned Fôn Jones (Audit Manager), Caroline Lesley Roberts (Investment Manager – for Items 5 and 6 on the agenda), Ian Howse (Financial Audit Engagement Manager, Deloitte - for Item 5 on the agenda) and Bethan Adams (Member Support Officer).

Apologies: Councillors John B. Hughes, Aeron M. Jones, Dilwyn Morgan and W. Tudor Owen.

1. CHAIR'S ANNOUNCEMENTS

A new member of the Committee, Councillor Gareth Wyn Griffith, who was attending his first meeting, was welcomed.

Ffion Madog Evans was congratulated on her appointment as Senior Finance Manager.

Ian Howse from Deloitte was welcomed to 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 14 July 2016, as a true record.

4. 2015/16 STATEMENT OF ACCOUNTS

i) Statement of the Accounts

The Head of Finance Department submitted the revised statutory financial statements for approval by the committee. He noted that the reports from Deloitte on behalf of the Wales Audit Office noted the main changes to the accounts since the pre-audit version had been submitted to the Committee meeting of 14 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 by Deloitte on behalf of the Auditor General for Wales was submitted by Ian Howse, Financial Audit Engagement Leader, Deloitte.

It was reported that the audit work had been completed and that the Auditor General intended to issue an unqualified audit report on Gwynedd Council's accounts for 2015/16.

The following main observations were noted:

- That one uncorrected misstatement in relation to misclassification of cash received had been found but, as it was a matter of timing which did not change the financial position, the auditors had been willing for it not to be corrected;
- That there was one misstatement that had been corrected to their satisfaction;
- There were no matters which required attention highlighted by the audit team in relation to the significant risks tested;
- That the accounts were exceptional and he conveyed his thanks to the accounts team for their work and the quality of the accounts which facilitated their work of auditing them.

In response to an enquiry by a member regarding the corrected misstatement in relation to the misclassification of equal pay provision, the Head of Finance Department noted that it was a technical accounting matter which was corrected to reflect the use of the money.

b) Gwynedd Pension Fund Accounts

The Financial Audit Engagement Leader, Deloitte noted that the Auditor General intended to issue an unqualified audit opinion on the accounts of the Gwynedd Pension Fund for 2015/16.

The following main observations were noted:

- In relation to uncorrected misstatements, in relation to investment valuations - property, that it was a matter of opinion, therefore, they were willing for it not to be corrected as it was not a material consideration;
- That one uncorrected misstatement in relation to misclassification of cash received had been found but, as it was a matter of timing which did not change the financial position, the auditors had been willing for it not to be corrected;
- There were no matters which required attention highlighted by the audit team in relation to the significant risks tested;
- That the Pension Fund accounts were very complex and that they were excellent accounts.

Members expressed their appreciation of the work of officers in preparing the accounts.

The Head of the Finance Department expressed his appreciation of the auditors' co-operation.

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 Deloitte on behalf of the Auditor General for Wales, and authorises the Head of Finance Department and Chairman of the Committee to sign the "letters of representation" and to submit them to the Auditor General for Wales.

5. 2016/17 TREASURY MANAGEMENT – MID YEAR REVIEW

The background and context of the report on the current year's treasury management activity was set out by the Investment Manager. It was noted that, owing to the financial position following the United Kingdom's decision to leave the European Union and the

decision of the Bank of England to reduce the base interest rate to 0.25%, it was anticipated that rates would fall which would have an impact on the interest received as a total against the budget. Consequently, it could not be reported at the time that the target set in the strategy would be reached at the end of the financial year; however, a report would be provided once the situation was clearer. It was noted that the performance was in line with that expected in the period to 31 August 2016.

A copy of the information for the table on page 139 of the agenda was distributed.

In response to a question by a member, the Head of Finance Department confirmed that the Council was not investing abroad. He added that the situation was a little different in terms of the Pension Fund with cross-border investments.

The Head of Finance Department explained that the long-term strategy was to reduce the amount borrowed and reduce the amount invested. It was noted that if interest rates were to rise, the strategy would be revisited and the matter would be reported to the Committee. It was enquired whether members would be interested in having a session with Arlingclose, the Council's treasury advisers, to discuss Treasury Management. Members were eager for a session to be held.

In response to an enquiry by a member regarding how much the Council self-borrowed, the Head of Finance Department noted that the Council self-borrowed approximately £40million. He explained that it was not possible for the Council to self-borrow more than the minimum cash-flow at the time as the Council would pay a considerable amount in overdraft charges. It was noted that it was not stated as a saving in the savings schedule but that it was a significant cost-avoidance. Consideration would be given to including the amount in the annual report to reflect how much the Council would have paid in interest if it had borrowed.

In response to a question by a member, it was noted that the Council had recovered 98% of its investments in Heritable Bank and it was anticipated that further distributions would be received. It was noted that, in line with what had been reported since 2008, the full amount should be recovered but the timing had not been confirmed as it was dependent on the settlement of the ongoing court case.

RESOLVED:

- (i) to accept the report for information;**
- (ii) to hold a session with Arlingclose, the Council's treasury advisers, to discuss Treasury Management.**

6. OUTPUT OF THE INTERNAL AUDIT SECTION 1/7/16 - 16/9/16

The report of the Audit Manager was submitted, outlining the Internal Audit's work for the period. It was noted that 8 reports on audits from the operational plan had been completed and 3 follow-up audits.

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

Information Management

In response to a member's observation regarding training, the Audit Manager noted that the Council provided on-line training and documents in the policy centre in relation to information management. It was noted that it was hoped that Managers and Senior Managers would encourage officers to complete the training but that it was also the individuals' responsibility to complete the training.

In response to a follow-up observation by the member in terms of using shredders rather than data destroying sacks, the Audit Manager noted that the Council was moving away from using the sacks and was using shredders more and more. It was added that there were moves to invest in shredders which would ultimately be cheaper than administrating the procedure of using the data destroying sacks.

Annual Leave of Carers

In response to a question by a member, the Audit Manager explained that requests had been received from the three Area Managers to look at Community Carers' leave entitlement as the workers had felt that the additional leave that they had received possibly did not reflect their actual entitlements. It was noted that it was a complex field and that much work had been completed to analyse and check this as part of the audit and the conclusion was reached that the Community Carers' leave entitlement had been calculated accurately.

A member enquired why an opinion category had not been given on this audit. In response, the Audit Manager noted that this was because the audit was undertaken at the request of the managers and observations were given for the Department's consideration.

Plas Gwilym Residential Home, Penygroes

In response to a member's observations regarding her concerns that themes arise regularly in audits of the Council's residential homes, the Audit Manager noted that the Adults, Health and Well-being Department was committed to training in the care and medication management fields. It was noted that workers in care homes did not have access to e-learning modules at present but moves were afoot to allow them to access the modules. It was emphasised that it was the Area Managers' responsibility to ensure that the appropriate arrangements were in place and it was hoped that the matters raised in the audits would be considered at all the Council's residential homes.

RESOLVED to accept the report on the work of Internal Audit for the period 1 July 2016 to 16 September 2016 and to support the recommendations that had already been submitted to the managers of the relevant services for implementation.

7. INTERNAL AUDIT PLAN FOR 2016/17

The report of the Audit Manager was submitted, providing an update on the current situation in terms of completing the 2016/17 internal audit plan.

It was reported that the Internal Audit Service up to 16 September 2016 had completed 26.5% of the plan, with 22 of the 83 audits in the 2016/17 plan released in a finalised version.

RESOLVED to accept and note the contents of the report as an update of progress against the 2016/17 audit plan.

The meeting commenced at 10.30am and concluded at 11.35am.

CHAIRMAN