

AUDIT COMMITTEE

Minutes of the meeting held on 12 December 2012

- PRESENT:** Councillor Thomas Jones (Chair)
Councillor Eric Roberts (Vice-Chair)
- Councillors Jim Evans, E.G.Davies, Keith Evans, Cliff Everett, G.O.Jones
- Lay Members: Mr Richard Barker, Mrs Sharon Warnes
- IN ATTENDANCE:** Interim Head of Function (Resources) & Section 151 Officer
Head of Service (Finance)
Audit Manager (JF)
Committee Officer (ATH)
- APOLOGIES:** Councillors Vaughan Hughes, Ieuan Williams
- ALSO PRESENT:** Mr Patrick Green (RSM Tenon), Mrs Lynn Pamment, Joe Hargreaves (PwC)
Andy Bruce (WAO)
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1 DECLARATION OF INTEREST

No declaration of interest was received.

2 MINUTES

The minutes of the previous meeting of the Audit Committee held on 25th September, 2012 were presented and confirmed as correct.

3 CORPORATE RISK REGISTER

The Interim Head of Function (Resources) and Section 151 Officer updated the Committee verbally on developments with regard to the Corporate Risk Register.

The Interim Head of Function (Resources) and Section 151 Officer informed Members that significant work in terms of developing a Transformation Plan for Anglesey is currently being undertaken and various other issues regarding the way forward are also under consideration by the Senior Leadership Team. Accompanying this work is an overall review of what are the main corporate risks. The Senior Leadership Team is in the process of reviewing the Corporate Risk Register with the aim of streamlining it down to the ten primary corporate risks that need to be managed. A thorough review of how the Corporate Risk Register is managed is therefore in process with the aim of ensuring that the focus is on the main risks, meaning that certain items are being taken out whilst others are being accommodated as sub-headings. That in turn is feeding into the work carried out in relation to developing an operating model, and subsequently into the Transformation Plan that is being developed to carry matters forward in the next six months. The Risk Register, Strategy and accompanying guidance have been approved and a project group to manage the risk strategy has been established and an initial meeting arranged. Given that there is a great deal of work currently around the Corporate Risk register and the register is in a state of flux it was deemed of little benefit to present it to this meeting of the Audit Committee as it would have been the same version as submitted to the last meeting. It is anticipated that the renewed Register will be presented to the February, 2013 meeting of the Audit Committee.

4 EXTERNAL AUDIT

4.1 The Annual Audit Letter for 2011/12 was presented for the Committee's consideration.

Mrs Lynn Pamment, PwC highlighted the key messages from the Annual Letter as follows –

- An unqualified audit opinion on the accounting statements was issued on 28 September, 2012 confirming that they present a true and fair view of the Council's financial position and transactions.
- The Council has made a significant amount of progress in addressing issues with producing the statement of accounts and meeting the accounts publication deadline of 30th September.
- The External Auditor emphasises the importance of ensuring these improvements are sustained and that sufficient and appropriate resources are dedicated to the production of the statutory accounts going forward in accordance with required timescales.
- The External Auditor overall is satisfied that the Council has in place appropriate arrangements to secure economy, efficiency and effectiveness. Areas where the effectiveness of these arrangements have yet to be demonstrated or where improvements could be made are noted in the Letter and will be highlighted in the Auditor General's Annual Improvement Report.
- A certificate of completion on the accounting statements is yet to be issued pending resolution of an objection to the accounts from a local elector.

Members acknowledged the improvements and efforts made by the Finance Service in delivering the statement of accounts on time in line with the statutory timetable. In the subsequent discussion on the Audit Letter they raised the following matters –

- The staff position and the progress being made to fill key senior accountancy posts on a permanent basis which they regarded as a risk area in view of the need to consolidate the position in readiness for the 2012/13 accounts preparation and production process. The Interim Head of Function (Resources) explained the restructuring steps being taken to address the issue including filling knowledge and skills gaps within the context of other developments including the introduction of a new Financial Ledger System and its implications for how the Council conducts its business.
- The progress being made in developing business continuity and disaster recovery plans the absence of which has been highlighted in external audit reports for a number of years.

It was resolved to accept the Annual Audit Letter for 2011/12 and to note its contents.

4.2 The External Audit Work Plan and Timetable for the period from February 2012 to March, 2013 was presented for the Committee's information.

Mr Andy Bruce, WAO Performance Audit Lead updated Members on the status of current regulatory activity both on an all Wales and Anglesey specific bases along with the process and timescale for reporting back to the Council in respect of each piece of work as relevant. Clarification of the following issues was sought –

- Whether External Audit feedback on the Annual Governance Statement for 2011/12 will be available in time to inform good practice as regards the preparation of the 2012/13 Statement. Mr Andy Bruce confirmed that whilst he would be happy to provide local feedback in respect of Anglesey's AGS he could not give assurance that feedback from the overall evaluation of the 22 Welsh authorities' AGS would be available.
- The way in which the activity of the Estyn Education Recovery Board and the accompanying Post Inspection Action Plan fits in with the mainstream Regulatory Programme as presented. It was noted that it was expected that the Audit Committee would be kept informed and up to date regarding the Estyn Post Inspection Action Plan as part of its general oversight role of regulatory activity across the Council.

It was resolved to accept the update on the Regulatory Plan as information.

ACTION ARISING: WAO to clarify how the Estyn Post Inspection Action Plan and Education Recovery Board dovetail with the Regulatory Work Plan.

4.3 The Financial Audit Progress report was presented for the Committee's information. The report outlined the position in respect of progress against the key milestones set out in the 2011/12 Financial Audit outline and grant certification work.

Mrs Lynn Pamment, PwC updated the Committee on progress in relation to grant certification work for 2011/12 grants and also for 2010/11 grants all of which claims for that year had now been certified excepting the Housing Benefit and Council Tax Subsidy which was in the process of being reviewed prior to certification.

It was resolved to accept the report and to note the information.

5 INTERNAL AUDIT

A progress report on the work of Internal Audit for the period from 1 April to 16 November, 2012 was presented for the Committee's consideration.

The Audit Manager drew attention to the primary points of the report as follows –

- There were two reviews in the period which resulted in a "Red Assurance" opinion – Data Security and Modern Records Management the executive summaries of which were provided as appendices B and C to the report. The recommendation from several reviews of Information Governance/Management and Data Security conducted by Internal Audit, PwC and WAO over the course of the past year have been collated into a single Action Plan which is being addressed by an Information Management Group led by the Interim Head of Function (Resources).
- The number of advisory/investigative reports undertaken during the period (17). Referral work has diverted resources from Planned Internal Audit work meaning that only 46% of audit reviews have been completed to draft stage which is below the 90% target.
- The performance in implementing internal audit recommendations in the period is below target with 67% of High and Medium recommendations having been recorded as implemented.

In the ensuing discussion, Members raised the following matters –

- Concern regarding the income position of Oriel Ynys Môn given that the net running costs for the Oriel for 2011/12 (expenditure less income – including £250k income from the Isle of Anglesey Charitable Trust) were £33k over budget for the year. Members were of the view that the issue of the income history of the Oriel merited further investigation. It was agreed that the matter should be raised in the first instance at the next meeting of the Isle of Anglesey Charitable Trust.
- The potential and opportunities for linking internal audit review work with the savings agenda and specifically the value for money aspect of those areas reviewed. Mr Patrick Green RSM Tenon acknowledged the point made and said that the scoping of audit reviews to accommodate that dimension would be discussed with Officers next year should that be the direction of travel favoured by the Committee.
- Clarification around the follow up action to the audit review of Building Maintenance Unit Procurement arrangements. The Officers explained what had been the prompt for the initial review instigated with the WAO in order to obtain an overall view of the BMU in terms of operation and value for money and what had taken place as follow up developments. The matter is being considered by the SLT.
- Follow up review of school recommendations and the unsatisfactory progress deemed to have been made by those schools covered by the review in terms of implementing previous internal audit recommendations in relation to governance issues. The Officers outlined the measures being taken to develop a system to facilitate and ensure compliance by schools with governance and control requirements.

It was resolved to accept the report and to note its contents.

ACTION ARISING: The Interim Head of Function (Resources) to arrange for a report from the Information Management Group to be made available to the next meeting of the Audit Committee.

6 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY: MID YEAR REVIEW 2012/13

A report by the Head of Service (Finance) incorporating a mid-year review statement in relation to the Treasury Management Strategy and Investment Strategy was presented for the Committee's consideration and comment.

The Head of Service (Finance) referred to the following matters –

- The economic background, short term outlook (as expanded upon in Appendix 1 to the report) and forecasts.
- The Council's capital position as documented in section 4 of the report
- The Council's Investment portfolio for 2012/13 and performance thereof along with the investment counterparty criteria.
- Borrowing arrangements and activity
- Initial plans for 2013/14

The Head of Service (Finance) also drew Members' attention to an impending change in relation to treasury management and borrowing in the form of the expectation that the arrangement for the Housing Revenue Account will come to an end for the eleven remaining authorities in Wales which have retained their stock. This will be done by buying out debt or by transferring debt, and she outlined what was being done to prepare for the change pending receipt of definitive information from the Welsh Government. The Officer said that the Audit Committee would be provided with information on this matter as soon as that can be made available.

It was resolved to accept the Treasury Management Strategy and Investment Strategy mid-year report and to refer it to the County Council.

**Councillor T.H.Jones
Chair**