

# AUDIT COMMITTEE

## Minutes of the meeting held on 23 September 2014

- PRESENT:** Councillor Trefor Lloyd Hughes (Chair)  
Councillor John Griffith (Vice-Chair)
- Councillors Jeff Evans, Jim Evans, Richard Owain Jones, R.Llewelyn Jones, Dafydd Rhys Thomas
- Lay Members: Mr Richard Barker and Mrs Sharon Warnes
- IN ATTENDANCE:** Deputy Chief Executive  
Interim Head of Function (Resources) & Section 151 Officer  
Director of Sustainability (for item 9)  
Head of Function (Council Business) (for items 10 &11)  
Internal Audit Manager (JF)  
Corporate Transformation & Governance Business Manager (ET)  
Revenue & Benefits Manager (GJ)  
Acting Accountancy Services Manager (BO)  
Interim Accountant (RGJ) (for item 3)  
Corporate Health & Safety Team Leader (SN) (for item 9)  
Committee Officer (ATH)
- APOLOGIES:** Councillor Vaughan Hughes
- ALSO PRESENT:** Councillor H.Eifion Jones (Portfolio Member for Finance), Mr Andy Bruce (WAO), Mrs Lynn Pamment (PwC), Mr Joe Hargreaves (PwC)

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The Chair welcomed all those present to this meeting of the Audit Committee and he extended a particular welcome to Councillor Dafydd Rhys Thomas who was present following a period of ill health.

### 1 DECLARATION OF INTEREST

No declaration of interest was received.

### 2 MINUTES 22 JULY, 2014 MEETING

The minutes of the previous meeting of the Audit Committee held on 22 July, 2014 were presented and confirmed as correct.

### 3 STATEMENT OF ACCOUNTS 2013/14 AND ISA 260 REPORT

3.1 The report of the Interim Head of Function (Resources) and Section 151 Officer incorporating the final accounts for the 2013/14 financial year was presented for the Committee's consideration.

The Head of Function (Resources) & Section 151 Officer confirmed that the detailed audit of the accounts is now substantially complete and the Auditor's report has been issued. A number of amendments to the draft accounts for 2013/14 which were presented to the Committee's July meeting have been incorporated into the final version. The Officer said that issues arising from the audit have been, and will be implemented, and that it is considered good practice for the Audit Committee to be assured that any subsequent adjustments to practice and procedure are taken forwards successfully. As such he would report back to the Committee's December meeting outlining any improvements made to processes and systems to ensure that the closure of accounts process for 2014/15 proceeds even more fluently.

3.2 The report of the External Auditor on the outcome of the audit of the Financial Statements (Report under International Standard on Auditing 260) was presented for the Committee's consideration.

Mrs Lynn Pamment, Financial Audit Engagement Lead confirmed that it is the Appointed Auditor's intention to issue an unqualified audit report (as per Appendix 2) in the financial statements on receipt of the Letter of representation (based on that set out in Appendix 1) and that in the Auditor's opinion, the accounting statements and related notes give a fair and true view of the financial position of the Isle of Anglesey County Council as at 31 March, 2014 and of its income and expenditure for the year than ended. She proceeded to expand on the main considerations arising from the audit as set out in paragraphs 10 to 41 of the report and drew the Committee's attention to the following issues:

- Whilst there were no concerns about the qualitative aspects of the Authority's accounting practices and financial reporting, the Auditor does draw attention to the continued reliance on temporary staff for a number of key positions within the Council's Finance Service thus producing pressure on the finance team to produce a CIPFA Code compliant final draft of the Statement of Accounts in time for the Audit Committee. It is essential that arrangements are put in place as soon as possible to ensure that the finance team has adequate and appropriately skilled resources going forwards.
- Certain material weaknesses in internal controls were identified in the year in relation to the implementation of the Civica Ledger system and in relation to payments where external audit fieldwork noted that a fraudulent request to change bank details for one of the Council's suppliers was received and actioned during the year.

The Committee raised the following matters on the information presented –

- The volume and complexity of the material presented in respect of the Statement of Accounts. Given the importance of the Committee's being assured regarding the accuracy and robustness of the financial statements, it was suggested that a prior briefing session be arranged to enable Members to familiarise themselves with the details behind the Statement, and to focus on any areas of concern. The Interim Section 151 Officer said that the closure of accounts process is lengthy but that Officers could endeavour to incorporate a familiarisation session for Members within that process.

- The arrangements for reporting back to the Committee on the performance of the Gwynedd Pension Fund which it was noted in a previous meeting would occur on an annual basis. The Committee deemed it an area of sufficient significance for Members to be monitoring. The Portfolio Member for Finance informed the Committee that the Gwynedd Pension Fund Annual Meeting had been held the previous month and the 2013/14 Annual Report had been published.
- Reference was made to the issue highlighted by the External Auditor as significant to the oversight of the financial reporting process in relation to the reliance on temporary staff and the risk this poses to the accounts preparation and closure process as a key area of activity. It was suggested that a more collaborative approach to filling key positions within the Finance Service might be more productive in terms of identifying and attracting suitably skilled staff and that the discussion should be extended beyond Anglesey to institutions and bodies regionally who may also be experiencing similar problems. The Interim Section 151 Officer acknowledged the point and said that a process is in place to develop the skills of permanent staff so that they undertake more of the accounts preparation work in respect of the 2014/15 accounts. There will still be a need for temporary staff during that process but increasingly in an advisory capacity. It is envisaged that for 2015/16, the accounts preparation process should be undertaken without input by temporary staff. Additionally a process has been put in place to develop accountancy professionals within the Council's own Finance Service and an advertisement placed for trainee accountants. The response locally to that advertisement has been very positive.
- Concern was expressed regarding the failure of internal controls in relation to the attempted fraud on the Council described in paragraph 42 of the Auditor's report which was identified by a source outside the Council. The Committee noted that no monies had been lost to the fraud but sought assurance that remedial action had been taken and measures implemented to prevent a reoccurrence. The Interim Section 151 Officer said that the situation had been reviewed and controls tightened accordingly. He said that he was as satisfied as he could be that such an incident would not be repeated. The Authority however was not targeted in isolation and the attempted deception was part of a wider fraud aimed at a number of local authorities some of which did lose monies to the scam which is now the subject of a police investigation.

**It was resolved –**

- **To recommend to the County Council that it accepts and approves the 2013/14 Statement of Accounts.**
- **To accept the Audit of Financial Statement Report and to note its contents.**

**ACTIONS ARISING:**

- **Interim Head of Function (Resources) and Section 151 Officer to report back to the Committee's December meeting on any improvements made to practice and process as a result of the audit of the Statement of Accounts 2013/14.**
- **Interim Head of Function (Resources) and Section 151 Officer to look at the feasibility of incorporating within the accounts preparation and completion**

**schedule, a familiarisation session for the Committee's Members to assist them in identifying key issues arising from the Statement of Accounts.**

- **Interim Head of Function (Resources) and Section 151 Officer to arrange for the Gwynedd Pension Fund Annual Report 2013/14 to be made available to the Audit Committee's members.**

- **Internal Audit Manager to report back to the Audit Committee on the conclusion of the internal audit investigation into the incident of attempted fraud on the Council and its implications in terms of the control environment.**

#### **4 ANNUAL GOVERNANCE STATEMENT 2013/14**

The updated draft of the 2013/14 Annual Governance Statement incorporating amendments made during the consultation process was presented for the Committee's consideration and approval. It was noted that the detailed action plan is being prepared in consultation with the officer corporate assessment group and will be brought back to the Audit Committee at its next meeting.

**It was resolved to approve the Annual Governance Statement for 2013/14 and to refer the Statement to the Leader of the Council and the Chief Executive for signature.**

#### **NO FURTHER ACTION ARISING**

#### **5 EXTERNAL AUDIT - CERTIFICATION OF GRANTS AND RETURNS 2012/13**

The report of External Audit summarising the results of work undertaken on the certification of the Authority's 2012/13 grant claims and returns was presented for the Committee's consideration. The report showed where audit amendments were made as a result of the certification work or where the audit certificate had to be qualified, and detailed the key issues behind each of the adjustments and/or qualifications that were made with regard to the relevant grant claims and related recommendations.

The Committee considered the report and highlighted the following issues –

- Given that the Authority's performance is below that of the Welsh average with only 11 out of 39 grants and returns unqualified with no amendments, what action is being taken to improve the situation. The Interim Section 151 Officer said that the Authority will be implementing the recommendations/actions for improvement as set out by the Auditors' report and will report back on progress to the Audit Committee at its December meeting.

- Now that the preliminary certification work had commenced for 2013/14 grant claims, whether the Auditors are seeing any indication of an improving situation. Mrs Lynn Pamment said that insufficient certification work had been undertaken hitherto to be able to assess whether or not the grants management situation for that year's claims is improving, but the Auditors could give the Committee an informal indication of progress at its next meeting.

- Assurance was sought that where discrepancies and anomalies have been identified e.g where payments have been made for services not delivered (Strategic Infrastructure on Anglesey Sites and Premises grant claim 11/12) or where the Council is not able to provide evidence to validate expenditure (School

Effectiveness Grant 2012/13) these are being addressed and will be resolved. It was emphasised that the Committee needs to be satisfied that grants are being spent to plan and are delivering to the purpose for which they have been given. The Committee noted that there were two key issues arising - the effectiveness of the financial systems to track and account for expenditure and oversight of the use of grants. The Interim Section 151 Officer said that he would clarify the situation with regard to the Strategic Infrastructure on Anglesey Sites and Premises Grant with the Committee's Members by letter. He confirmed that financial management processes are being reviewed for the future and that he would bring an itemised report to the Committee's next meeting detailing the response to each grant claim where the Auditors have identified issues.

- That there is insufficient Elected Member involvement in the grants management and tendering process. Members need to be better informed about the award of grants, the sourcing body and qualifying criteria along with the process of delivery. It was noted that whilst improvements have been made as regards the Authority's processes for managing grants, there needs to be a step change so that the Authority is assessed as one of the highest performing Welsh authorities in this respect.

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

#### **ACTIONS ARISING:**

- **Interim Head of Function (Resources) and Section 151 Officer to provide the Committee at its next meeting with an itemised report setting out progress on action in response to each grant claim where the Auditors have identified issues.**
- **Interim Head of Function to provide the Committee's Members with clarification of the situation with regard to the Strategic Infrastructure on Anglesey Sites and Premises 11/12 grant claim.**
- **External Audit to provide the Committee at its next meeting with a broad indication of progress in relation to the 2013/14 certification of grant claims.**

#### **6 EXTERNAL AUDIT PERFORMANCE WORK PROGRAMME UPDATE**

Mr Andy Bruce, WAO updated the Committee on the status and timing of current External Audit items of performance work in terms of both national and local reviews. He confirmed that the study in respect of Whistleblowing has been completed and might be incorporated as part of the Improvement Study in relation to Safeguarding.

**It was resolved to note the information.**

#### **NO FURTHER ACTION ARISING**

#### **7 PROGRESS ON THE COLLECTION OF DEBTS**

The report of the Interim Head of Function (Resources) and Section 151 Officer on progress on the collection of debts was presented for the Committee's consideration. The report set out the key areas wherein efforts have been focussed on reducing the debtor balance and outcomes to date, the additional resources

deployed where that was deemed necessary and proposed future action. Appendices A,B, and C to the report set out the overall collection rate per year for each debt type targeted.

In response to a request for clarification, the Interim Head of Function (Resources) and Section 151 Officer said that £11k had been spent on additional resources recouping £1m hitherto.

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

**NO FURTHER ACTION ARISING**

## **8 COUNCIL RESERVES AND BALANCES**

The report of the Interim Head of Function (Resources) and Section 151 Officer regarding the current position on both Revenue Reserves and Capital Reserves was presented for the Committee's consideration.

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

**NO FURTHER ACTION ARISING**

## **9 CORPORATE HEALTH AND SAFETY ANNUAL REPORT 2013/14**

The Corporate Health and Safety Annual Report for 2013/14 was presented for the Committee's consideration. The report provided an analysis of accidents and incidents reported during the year along with a Corporate Health and Safety Strategy and Corporate Health and Safety Responsibilities Document as at Appendix 1 of the report.

The Corporate Health and Safety Team Leader highlighted the following key points:

- The focus on delivering on the transformation agenda and on Job Evaluation over the past twelve months may mean that some day to day issues and progress with improving health and safety standards have fallen.
- Due to restructuring, Heads of Service have inherited hazards which are new to them which might result in insufficient controls and management systems being in place.
- Health and safety considerations need to be incorporated within Service Business Plans. Pre-planning would mean that adequate resources are in place allowing for the work to be more efficient.
- The importance of Health and Safety training as a major control. The establishment of a central register of health and safety qualified personnel and their level of competence would be useful.
- The need to clarify the service delivery expectations of the Corporate Health and Safety Team and whether its role is seen in terms of implementation or oversight only.

The Committee considered the report and raised the following matters on the information presented :

- The need to have in place an adequately resourced Health and Safety Team as a key area of activity within the Council.
- The need for a more detailed analysis of the basic data in order to be clear about the occurrence of incidents of actual physical assault on Council staff.
- The need to ensure that there is in place a robust accident and incident reporting system and a process for recording near misses as part of a preventative/pre-emptive approach to managing corporate health and safety. The need to develop a strong reporting culture throughout the Authority at all levels was emphasised.
- The need to reinstate the register of potentially dangerous individuals as a matter of priority as an essential control in relation to mitigating the risk of violence and aggression in the workplace and for lone workers.
- The need to ensure that all Heads of Service are fully informed of their Health and Safety responsibilities and what those entail.

**It was resolved –**

- **To accept the report and to note its contents.**
- **That the register of potentially dangerous individuals be reinstated as a control for mitigating the risk of violence and aggression in the workplace and for lone workers.**

**ACTION ARISING: Director of Sustainability to take steps to reinstate the register of potentially dangerous individuals.**

#### **10 PUBLIC SERVICE OMBUDSMAN FOR WALES SUMMARY OF PERFORMANCE 2013/14**

The report of the Head of Council Business/Monitoring Officer in respect of the conclusions of the work undertaken by the Office of the Public Services Ombudsman for Wales (PSOW) during 2013/14 was presented for the Committee's consideration. The PSOW's summary report of performance was presented under Appendix 1 to the report.

The Head of Council Business said that the PSOW's report shows that the Isle of Anglesey County Council is improving against its own historical performance and against the Welsh average.

**It was resolved to accept the report and supporting documentation without further comment.**

**NO FURTHER ACTION ARISING**

#### **11 DATA PROTECTION AND INFORMATION GOVERNANCE**

The report of the Head of Council Business on the latest position with regard to addressing data protection and information governance issues was presented for the Committee's consideration.

The Head of Council Business informed the Committee that the work of the Information Governance Project Board established to deliver the Action Plan formulated in response to the recommendations made by the Information

Commissioner following his Office's audit of the Council in 2013 ended on 4th September, 2014. The attached Highlight Report details all the activities achieved during the project's lifetime. A new group – the Information Governance Board will now take over responsibility for any loose ends remaining from the Project Board and will ensure that the Council continues to monitor and improve the standard of its information governance.

The Committee noted the progress made and accepted the update without further comment.

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

**NO FURTHER ACTION ARISING**

**12 CORPORATE ASSESSMENT**

The Deputy Chief Executive informed the Committee that the main field work in relation to the Corporate Assessment of the Council will be undertaken in February 2015. The Authority is being supported in its preparations in targeted areas by the WLGA specifically in undertaking briefing sessions. Four sessions have been arranged for this week one of which is with the Scrutiny Committees to consider value added scrutiny. A briefing session for the Audit Committee specifically is planned with regard to the corporate assessment. Work has also been commissioned on risk management and a session is to be arranged with the Audit Committee and Scrutiny Committees jointly to clarify responsibilities with regard to risk management.

**It was resolved to note the information.**

**ACTION ARISING: Deputy Chief Executive to provide a further update on preparations for the Corporate Assessment to the Committee's next meeting.**

**13 AREAS OF OUTSTANDING INTERNAL AUDIT CONCERNS**

The report of the Deputy Chief Executive outlining the management actions taken and progress made with regard to each area of outstanding Internal Audit concern as documented in the Internal Audit progress report to the Committee's previous meeting was presented for the Committee's consideration.

The Committee took assurance from the actions implemented and progress made hitherto. The Committee noted that whilst further work remains to be undertaken in certain areas, a timescale for completion has been specified for each area which it welcomed.

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

**NO FURTHER ACTION ARISING**



**14 INTERNAL AUDIT PROGRESS REPORT**

The report of the Internal Audit Manager on the work of the Internal Audit Section during the period from April to the end of August, 2014 was presented for the Committee's consideration.

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

**NO FURTHER ACTION ARISING**

**Councillor Trefor Lloyd Hughes  
Chair**