

# AUDIT COMMITTEE

## Minutes of the extraordinary meeting held on 10 April, 2014

- PRESENT:** Councillor Robert Llewelyn Jones (Chair)
- Councillors John Griffith, Trefor Lloyd Hughes
- Lay Members: Mrs Sharon Warnes and Mr Richard Barker
- IN ATTENDANCE:** Chief Executive  
Deputy Chief Executive (for item 4)  
Internal Audit Manager (JF)  
Head of Housing Services (SW) (for item 3)  
Risk and Insurance Manager (JJ) (for item 8)  
Interim Head of Procurement (GD) (for item 5)  
Committee Officer (ATH)
- APOLOGIES:** Councillors Jim Evans, Vaughan Hughes, Richard Owain Jones, Dafydd Rhys Thomas, H.Eifion Jones (Portfolio Member for Finance)
- ALSO PRESENT:** Councillor Ieuan Williams (Leader), Councillor Kenneth Hughes (Portfolio Member for Housing and Social Services) (for item 3), Mr Andy Bruce (WAO) Mr Patrick Green (Baker Tilly), Mr Joe Hargreaves (Financial Audit Manager (PwC))
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### 1 DECLARATION OF INTEREST

No declaration on interest was received.

### 2 MINUTES

The minutes of the previous meeting of the Audit Committee held on 2<sup>nd</sup> February were submitted and confirmed as correct.

### 3 HOUSING SERVICES BUSINESS MAINTENANCE UNIT

A report by the Head of Housing Services setting out the steps taken to date to review the Housing Services' Business Maintenance Unit was presented for the Committee's consideration.

The Head of Housing Services reported as follows –

- A second workshop with staff has been held and individual meetings with staff including Finance and Performance Management Officers have taken place with input from human resources. A comprehensive options appraisal of the future of the Housing Service's repairs service has been undertaken and was completed in February, 2014. A summary of the options appraisal is included in the report.
- The results from the appraisal exercise have concluded that a recommended option of retaining the service in-house, but merging the client and contractor teams into one repair service whilst modernising and transforming the service would achieve the highest possible benefits for the service at a reasonable cost.
- The draft report has been disseminated to the SLT and Executive Members and will be presented to the Corporate Scrutiny Committee on 17<sup>th</sup> April and thereafter to the Executive.
- In recommending this option, the Head of Housing Services has specified a number of requirements that must be met in order to give assurance to the Council and its stakeholders that future excellent service levels will be achieved and within a reasonable timeframe. These

were set out in section 3 of the report and were elaborated upon in the meeting by the Head of Housing Services.

- In the period, since the report was drafted and the Audit Committee's meeting, further work has been undertaken to develop a Business Plan and Business case showing how the service will achieve excellence status.
- The key features underpinning the recommended option are documented in section 2 of the report.

Members considered the information presented and they raised the following issues on the report

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- The means by which the target minimum of £250k annual savings would be achieved, whether those savings would be permanent and under which headings would they be realised.
- Whether seeking to achieve excellence status is necessary when providing a good service is an acceptable objective and whether it will have cost implications.
- The proportion of the total repair and maintenance budget which £250k represents.
- The approach taken by other authorities to maintaining the social housing stock and whether there are opportunities for learning therefrom.
- The need to conduct regular inspections of the housing stock where investments have been made to ensure that the stock is being maintained and that tenants are not allowing properties to fall into disrepair. It was suggested that tenants be informed of the costs incurred by the Council when properties are not properly maintained.

The Head of Housing Services explained in response that it is projected that the sum of £250k will be saved annually for the duration of the 3 year Business Plan and that this will be achieved partly through the engagement of multi-skilling operatives capable of delivering a high level of right first time repairs and partly by savings generated via the procurement process. The service's staff and managers are keen to provide an excellent service that will place it within the highest quartile and notwithstanding an assessment fee, this ambition will not incur costs for the Council. The Officer said that she wanted to show that the service has moved forwards. The annual Housing Repair and Maintenance budget is approximately £5m. It is also the intention to establish links with authorities in both Wales and England where there is evidence of good practice in the maintenance of social housing. In terms of ensuring that properties are maintained by tenants, the Business Plan provides for the engagement of an Anti-Social Behaviour Officer. Officers also undertake an annual inspection of council houses. It is further intended to present a Rechargeable Repairs Policy through the democratic process in due course which will allow the costs of repairs to be recovered from tenants where appropriate.

**It was resolved to accept the report and to note the process followed to review the Housing Service's Building Maintenance Unit.**

**ACTION ARISING: Head of Housing Services to include in the Tenants' Newsletter/Bulletin information regarding the costs incurred by the Council in having to repair council houses that have not been properly maintained.**

#### **4 CORPORATE ASSESSMENT**

The Deputy Chief Executive provided the Committee with a visual presentation in relation to the Corporate Assessment of the Isle of Anglesey County Council to be undertaken in February 2015 as part of the Welsh Audit Office's 4 year cyclical programme of local authority corporate assessments.

The Deputy Chief Executive highlighted the following considerations –

- The factors that make delivering a good Corporate Assessment important.
- The purpose of the Corporate Assessment in providing a position statement of the Council's capacity and capability to deliver continuous improvement and what it involves in terms of examining the Authority's track record of performance and outcomes and the key arrangements necessary to support improvements in services and functions.
- The output as regards providing assurance that the arrangements currently in place within the Authority are reasonable and sound.
- The key questions that will be asked regarding the Authority's capability in delivering on its priorities and on improved outcomes for the Island's citizens; progress on achieving planned

improvements; vision and strategic direction; governance and accountability arrangements; management of resources and the effectiveness of its collaboration and partnership arrangements.

- Meetings are to be held with all Service Heads and their management teams to discuss the key questions with a view to obtaining an understanding of where the Authority's services are currently at with regard to the areas on which the Corporate Assessment will be focussing and where and how performance needs to be driven upwards.
- Emerging priorities.
- The Governance structure and arrangements including project sponsor and responsible officer.
- Communication arrangements with staff, partners and Elected Members and the timeline leading up to the Corporate Assessment.

Members of the Committee considered the information and reassurance was sought that a framework is in place to ensure that what needs to be done in terms of the preparatory work is being done as planned, and on time. The Deputy Chief Executive said that there are three fundamental areas of work around defining and refining the self-assessment model to ensure it is robust; project management as regards assigning who does what and when and preparation in relation to communication so that everyone knows what are the objectives. As responsible Officer she would be working to ensure that this work is undertaken; that momentum is established and maintained and that progress is being made as projected.

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

**ACTION ARISING: Deputy Chief Executive to keep the Chair and Vice-chair of the Audit Committee briefed on progress on project managing the preparations for the Corporate Assessment.**

## **5 PROCUREMENT FITNESS CHECK**

A summary report on the KPMG fitness review of procurement arrangements at the Isle of Anglesey County Council was presented for the Committee's information.

The Interim Head of Procurement informed the Committee that KPMG was commissioned to undertake Fitness reports on procurement arrangements at all local authorities in Wales subsequent to a review commissioned by the WG's Minister for Finance into maximising the impact of Welsh Procurement Policy. The review recommended the re-introduction of capability assessments which the Minister then confirmed would be re-introduced. The objective of the work by KPMG was to determine whether organisational procurement capability is adequate and also to enable organisations to identify their strengths and areas for improvement. The Officer explained the methodology adopted in undertaking the review and confirmed that the actions for improvement recommended for the Authority recognise the activities that are already on-going and planned and are intended to support those activities and provide practical advice to support those improvements.

Members of the Audit Committee commented to the effect that they would have liked to have seen more of the detail of the KPMG report in terms of the aspects examined and the findings thereon, given that procurement is an area of interest for the Committee and is one that has been identified as in need of strengthening.

The Interim Head of Procurement elaborated on the main conclusions of the KPMG report under each of the dimensions reviewed and the recommended actions along with explanatory comments made as to the current status and context. The Officer said that weaknesses had been highlighted in a number of areas and that overall the report concludes that the benefits of implementing the recommendations of the review along with those of the December 2012 Internal Audit report is that the Authority will have a consistent and compliant approach to procurement for the organisation which will act as a building block from which future improvements and cost savings can be achieved. The Interim Head of Procurement emphasised that he had discussed the issue of procurement with all Service Heads and that they have been proactive in seeking solutions to address the shortcomings. He confirmed that Heads of Service are fully supportive of the actions to be taken. Moreover a procurement strategy has been drafted to be presented to the Executive

and revised contract procedure rules are being looked at by the Legal Section which collectively will add to the benefits.

The Internal Audit Manager said that the review provides an opportunity to put in place a procurement system that meets the Authority's needs and will generate savings.

Members were agreed that a further meeting of the Committee was necessary to enable them to consider in greater detail the recommendations of the KPMG review and the planned actions to implement them and it was decided to reconvene for that purpose before the end of April with an invitation to attend to the Chief Executive, Deputy Chief Executive and Leader of the Council.

**It was resolved –**

- **To note the information presented.**
- **That the Committee reconvenes before the end of April to consider further the recommendations of the KPMG review of procurement arrangements and the response to them.**

**ACTIONS ARISING:**

- **Committee Officer to confirm arrangements for a further meeting in consultation with the Chair.**
- **Interim Head of Procurement to prepare a presentation for the meeting setting out the issues highlighted by the KPMG review and the actions proposed/required to address them.**

## **6 ICT SERVICES REVIEW**

Matter deferred.

## **7 CIVICA LEDGER SYSTEM**

Matter deferred.

## **8 RISK MANAGEMENT AND INSURANCE**

A report by the Head of Function (Resources) summarising the latest position with regard to risk management and insurance claims was presented for the Committee's information. The report listed the Authority's four top risks as well as three newly identified risks which are considered to be medium level. The insurance position reflects a significant increase in the number of property claims during 2013/14 which are attributable to the 2013/14 winter storms.

Members of the Audit Committee highlighted the following issues on the report –

- That risk YM40 designated as a failing to comply with internal CPRs and procurement legislation is a savings as well as compliance matter in so far as a failure in this regard means that resources are not being used efficiently thus impacting ultimately on whether other services can or cannot be provided.
- There was concern that the top risks remain unchanged thus indicating that remedial actions are not having the desired effect of de-escalating those risks. Particular reference was made to compliance with Data Protection legislation.
- That it would be helpful to Members if the reporting style contained more narrative/contextual information particularly in relation to risk movements.

The Chief Executive confirmed that the Authority has invested in training in the requirements of Data Protection and that it has put in place a comprehensive Data Protection Work Programme but that these actions have cost implications. One of the top risks remains a failure to plan for a significant reduction in funding from 2015/16 and in this context, the Authority has to prioritise its resources both financial and staff and focus on its top level risks. Some of the identified risks are common to other local authorities. The challenge in addressing risks in certain areas is great and will not be resolved overnight. However, the Authority must monitor and ensure that it is keeping to targets.

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

**ACTION ARISING: Insurance and Risk Manager to include within the report supporting/ explanatory information where there has been risk movement.**

## **9 ANNUAL REVIEW OF AUDIT COMMITTEE EFFECTIVENESS AND COUNTER FRAUD ARRANGEMENTS**

A report by the Audit Manager which described the output from the annual workshop of the Audit Committee's Members held on 28<sup>th</sup> January to review the Committee's effectiveness and counter fraud arrangements for 2013/14 was presented for the Committee's consideration and information. The detailed results of the Workshop's self-assessment of Audit Good Practice in the form of the completed CIPFA Self-Assessment of Good Practice checklist were contained in Appendix A to the report.

The Audit Manager reported that overall, the Audit Committee's self-assessment of its performance against best practice was positive with only 3 out of 20 of the specified best practices considered as not being fulfilled by the Committee and a further 8 out of 20 where it was felt that improvements could be made. The main identified areas of weaknesses are set out in section 2.2 of the report. The Audit Manager also completed the checklist to identify areas in which in his opinion the Committee was strong and those areas which could be improved upon. The checklist as completed by the Audit Manager was included at Appendix B to the report and the areas identified by the Officer as ones where the Committee may consider improvements listed in section 2.5 of the report. Additionally, the workshop considered the main findings of the Internal Auditor's Counter Fraud Report 1906.13/14 which review was based on the Audit Commission's Protecting the Public Purse Appendix 2 checklist. The report identified a number of areas where the counter fraud arrangements are currently weak as set out in the Executive summary of the IA report included at Appendix C.

Members raised the matter of the length of Audit Committee agendas and whether the current schedule of meetings is adequate to cover matters that need attention. The Audit Manager said that he would include the issue within the proposed Action Plan as a basis for future discussion.

**It was resolved to endorse –**

- **The development of an Effectiveness Action Plan setting out areas of improvements for the Audit Committee and how these are to be addressed in 2014/15.**
- **The development of a Counter Fraud Arrangement Action Plan setting out the weaknesses identified in counter-fraud arrangements and how these are to be addressed in 2014/15.**

**NO FURTHER ACTION ARISING**

## **10 ANNUAL REPORT OF THE AUDIT COMMITTEE**

The Chair presented the draft Annual Report of the Audit Committee for the 2013/14 municipal year for the Members' consideration.

**It was resolved to endorse the Annual Report for presentation to the County Council in May.**

## **11 INTERNAL AUDIT ANNUAL REPORT**

The Annual Report of the Internal Audit Service for 2013/15 was presented for the Committee's information. The report documented the outputs generated by the Internal Audit Service during the year in the form of 51 reviews; performance against internal targets for the year; the overall conclusion of the areas audited and what that reflects in risk terms to the Authority as well as areas identified where there are significant weaknesses in control.

**It was resolved to accept the Internal Audit Annual Report 2013/14 and to note its contents.**

## **12 INTERNAL AUDIT STRATEGIC PLAN AND PERIODIC PLAN**

A report by the Audit Manager incorporating the Internal Audit Strategic Plan 2012/15 and Periodic Plan 2014/15 was presented for the Committee's consideration. The report outlined the audit needs assessment process on which the audit approach is based along with resource issues and related considerations.

Members of the Committee sought assurance whether the Internal Audit Team is adequately staffed to be able to fulfil the programme it has set for the service given considerations around sickness absence. The Audit Manager confirmed that he believed that with a full complement of staff the Internal Audit Service will be able to achieve the Operational Audit Plan for the year. Given a sickness absence consideration and dependent on how quickly a full complement of staff can be restored, the service might have to review areas of activity.

In response to a suggestion made regarding the possibility of making a case for additional support for the Internal Audit Service, Mr Patrick Green advised that as the Internal Audit Manager reports to the Committee on a regular basis on progress against the Operational Plan, the Committee can at any point in the year and depending on the circumstances, consider making a recommendation with regard to additional support based on what the Internal Audit Manager reports about what the down resource means to the service in practice.

**It was resolved –**

- **To accept the Internal Audit Operational Plan for 2014/15 as reflecting the areas which the Committee believe should be covered.**
- **To accept the level of audit resources as appropriate for the level of assurance required subject to receiving regular updates from the Internal Audit Manager regarding the adequacy of Internal Audit staff resources.**

**ACTION ARISING: Internal Audit Manager to keep the Committee informed of any impact which the down resource is having on the Internal Audit Service's ability to fulfil the Operational Plan.**

## **13 EXTERNAL AUDIT**

13.1 The External Audit's Annual Financial Audit Outline setting out the approach to the 2013/14 financial audit and the expected outputs was presented for the Committee's consideration.

Mr Joe Hargreaves, PwC Financial Audit Manager summarised the main considerations from the report and he made particular reference to the following aspects –

- The significant risks around the control environment along with elevated risks around the financial statements as set out in exhibit 3 and the proposed responses.
- Additional identified risks around the accounts preparation process and the implementation of a new general ledger system.
- That owing to the requirements of the Public Audit (Wales) Act 2013, the approach to fee-setting has had to be revised in the way and for the reasons set out in the report. Information on the new Wales Audit Office fee sales and fee setting will be provided once finalised.

Members sought clarification of certain points in relation to the threshold for judging misstatements to be material and they also sought assurance that the pensions liability issue as regards the adequacy and accuracy of the employee information and data provided to the Gwynedd Council pension scheme would not recur this year. The Chief Executive confirmed that the Finance Service's Officers are working to provide the Gwynedd Council pension scheme with up to date information in line with the mandatory timescale.

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

### **NO FURTHER ACTION ARISING**

13.2 The External Audit communication regarding fraud, independence and quality was presented and noted by the Committee.

Mr Joe Hargreaves, PwC said that the External Auditor is obligated to issue the statement and that he would be happy to accept Members' views on fraud verbally at the meeting or subsequently by e-mail.

### **NO FURTHER ACTION ARISING**

13.3 Mr Andy Bruce, WAO updated the Committee on the status of the Performance Work Programme. The information was noted by the Committee.

**NO FURTHER ACTION ARISING**

**14 INDEPENDENT REMUNERATION PANEL FOR WALES**

The Audit Manager reported that Independent Remuneration Panel for Wales has reviewed the implementation of the system of Co-opted/Lay Members and has effected changes to the remuneration arrangements in order to reflect the time spent by Lay and Co-opted Members on preparing for meetings and travelling thereto in addition to their actual attendance at meetings. The Panel has asked that an appropriate officer within the Authority should make a determination regarding what that should be for the Audit Committee. The fee is currently set at a daily maximum of £198 and £99 for a half day (up to 4 hours). It has been agreed that for all those committees on which Lay/Co-opted Members serve including the Audit Committee, time spent on preparation, travelling and attendance over 4 hours will be subject to a full day's claim in line with the guidance of the Independent Remuneration Panel of Wales and effective from 1 January, 2014.

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

**NO FURTHER ACTION ARISING**

**15 EXCLUSION OF PRESS AND PUBLIC**

Matter not considered.

**16 INTERNAL AUDIT SERVICE MANAGEMENT CONTRACT**

Matter deferred.

**17 MEETINGS 2014/15**

Dates for the Audit Committee's meetings for the 2014/15 municipal year were presented and noted.

**Councillor R.Llewelyn Jones  
Chair**