

AUDIT COMMITTEE

Minutes of the extraordinary meeting held on 7 November, 2014

- PRESENT:** Councillor Trefor Lloyd Hughes (Chair)
Councillor John Griffith (Vice-Chair)
- Councillors Jeff Evans, Jim Evans, R. Llewelyn Jones, Alun Mummery.
- IN ATTENDANCE:** Internal Audit Manager (JF)
Capital & Treasury Management Accountant (GR)
Grants Co-ordinator (JW)
Committee Officer (ATH)
- APOLOGIES:** Councillors Richard Owain Jones, Dafydd Rhys Thomas, Mr Richard Barker,
Mrs Sharon Warnes (Lay Members)
- ALSO PRESENT:** Mr Joe Hargreaves, Engagement Manager (PwC)
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The Chair welcomed all those present to the meeting and extended a particular welcome to Councillor Alun Mummery as a new member of the Audit Committee.

1 DECLARATION OF INTEREST

No declaration of interest was made.

2 MINUTES 23 SEPTEMBER, 2014 MEETING

The minutes of the previous meeting of the Audit Committee held on 23 September, 2014 were presented and confirmed as correct.

3 GWYNEDD PENSION FUND ANNUAL REPORT 2013/14

The Annual Report of the Gwynedd Pension Fund for 2013/14 was presented for the Committee's consideration and information.

The Internal Audit Manager advised that in the absence of the Interim Head of Resources and Section 151 Officer, the Committee could either forward any questions it may have on the contents of the Annual Report to the Officer or request a Pension Fund Official to attend the Committee's next meeting in December to report on any issues arising from the Annual Report.

The majority of the Committee's Members present indicated that their preference was for an invitation to be issued to an Official/Administrator from the Gwynedd Pension Fund to attend the Committee's next meeting to provide Members with an overview of the key points particularly as there were some concerns regarding the Fund's performance when previously reported on to the Audit Committee in September, 2013 by the Officer responsible for strategic investment of the Pension Funds.

It was resolved to defer consideration of the Gwynedd Pension Fund Annual Report 2013/14 to the Committee's December meeting.

ACTION ARISING: Internal Audit Manager to issue an invitation to an Official from the Gwynedd Pension Fund to attend the Audit Committee's next meeting in December.

4 CERTIFICATION OF GRANTS AND RETURNS 2012/13

The report of the Interim Head of Function (Resources) and Section 151 Officer in response to issues raised by the External Auditors as part of their work in relation to the certification of grant claims and returns for 2012/13 was presented for the Committee's consideration.

The Internal Audit Manager said that the report sets out the response in terms of actions taken and/or planned in relation to the findings of the External Auditors following their audit of the Authority's grant claims for 2012/13 (of which 61 % were qualified), including greater detail on matters that were of concern, how they occurred, the financial implications and where within the Authority they occurred. The recommendations issued by the External Auditors have been accepted and an Action Plan formulated to improve arrangements and practices around the organisation and production of grant claims.

The following matters were raised in the subsequent discussion –

- With regard to grant Claim No 7 in Appendix 1 (School Effectiveness Grant/Pupil Deprivation Grant 2012/13), the Grants Co-ordinator confirmed that processes have been introduced within the Finance Service to ensure tighter control over the monitoring of schools' expenditure so that significant qualification points raised previously should not reoccur.
- Communities First items of funding. The Grants Co-ordinator said that the 2012/13 programme under which the grants were certified ended at the end of March, 2013 meaning that the various community partnerships in effect at that time have been disbanded. The Communities First grant is now channelled via a single delivery organisation under the name Mòn Communities First the performance of which is scrutinised by the Partnerships and Regeneration Scrutiny Committee. The organisation is required to make its annual accounts available to the Audit Committee.
- Housing Benefit and Council Tax Subsidy 2011/12 and 2012/13 (No.25) regarding which certain accuracy issues remained ongoing. Mr Joe Hargreaves, PwC said that this grant is recognised as one of the most complex and technical of the grants and that it is not uncommon for issues to be identified with regard to its administration. He said that he was not aware of any significant issues arising to date with the certification work in relation to the grant. At the end of the process any findings will be reported to the Audit Committee through the annual grants audit report and certification letters will be issued when the individual claim itself is certified.
- SEG 2011/12 (No 22). Clarification was sought regarding items totalling £121,658k the eligibility of which it was difficult to determine because of a lack of information about the nature of the expenditure. The Grants Co-ordinator said that the aforementioned sum was retained by the Authority and that there were no financial implications. The grant was allocated to address matters around literacy, numeracy and poverty but issues arose when it was not possible to apportion expenditure to each of the individual headings because much of it was combined. The service was delivered under the themes even though the exact expenditure under each theme could not be evidenced in line with certification instructions.
- Strategic Infrastructure Sites and Premises 2011/12 (No 24). The Grants Co-ordinator confirmed that the work for which an advance payment of £74,379 was made has been completed. Negotiations took longer than expected and an upfront payment was required which is normal in the circumstances.

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

ACTIONS ARISING:

- **Grants Co-ordinator to liaise with Mòn Communities First to obtain a copy of its 2013/14 annual accounts for presentation to the Audit Committee.**
- **Grants Co-ordinator/External Auditor to provide an update on progress with regard to resolving any ongoing issues in relation to the certification of the Housing Benefit and Council Tax Subsidy claims 2011/12 and 2012/13.**

5 TREASURY MANAGEMENT MID-YEAR REVIEW

The report of the Interim Head of Service (Resources) and Section 151 Officer regarding the mid-year Treasury Management position was presented for the Committee's consideration.

The Capital and Treasury Management Accountant said that the report sets out the situation at mid-year, leading on to the projected year end position and any issues arising with regard to the prudential and treasury indicators. He confirmed that there has been no significant activity to bring to the Committee's attention at this point. The report will be presented to the Executive and the

Council thereafter. He highlighted an amendment to the first bullet point under paragraph 9.1 of the report which should read “to use the available general supported borrowing allocation of £2.189m.”

The Officer referred to the key points as being in relation to the economic update including advice from the Treasury advisors that interest rates are likely to rise over the course of the next six quarters and in relation to the Prudential Indicator for capital expenditure - the estimates for capital expenditure having been revised downwards for the reasons set out in paragraph 4.4.1 of the report. In relation to the external debt situation, that is with the PWLB on a fixed rate and is expected to be £89.583m at year end.

Questions were asked about the possibility, and any advantages to be derived from debt rescheduling and information was sought regarding the average interest rates which Welsh authorities are paying. The Officer confirmed that the situation is kept under review but that rescheduling is not a feasible option at this point in time.

It was resolved to accept the report with the amendment to paragraph 9.1 and to forward it to the Executive without further comment.

ACTION ARISING: Capital and Treasury Management Accountant to provide the Committee with information regarding average interest rates across Welsh authorities.

6 RECOMMENDATION TRACKING

The report of the Internal Audit Manager in respect of recommendation tracking was presented for the Committee's consideration. The report set out the current implementation rates for internal audit recommendations in relation to all recommendations made and in relation to High and Medium status recommendations and referred to recent development which will facilitate the recommendation tracking process.

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

NO FURTHER ACTION ARISING

7 COUNTER FRAUD ARRANGEMENTS

The Internal Audit Manager reported verbally that the in house Benefit Fraud Investigation Team has as from 1 November, 2014 transferred to the single Fraud Investigation Service within the DWP. Following discussions, the Interim Section 151 Officer, Revenues and Benefits Manager and Internal Audit Manager deemed it important that the Authority retain some of the expertise of the investigative team and the post of Counter Fraud Officer has been established within the Internal Audit Department and an appointment made. The post will be partly funded over the next three years by resources put back into local authorities by the DWP to cover residual elements of fraud related work. The Internal Audit Manager confirmed that the appointment was made in accordance with procedures for circumstances where posts are at risk of redeployment or redundancy.

The Officer referred to the main responsibilities of the new post which include taking the lead on promoting a culture of fraud awareness within the Authority along with preventative measures. He said that he would report more fully on the role to the Committee's December meeting as part of the process of reporting annually on the Authority's counter fraud arrangements.

In the subsequent discussion, the following issues were raised:

- The failure by housing benefit claimants to pass on their benefit money to their landlords and the effect this practice is having. The Chair suggested that the matter be raised with the Head of Service and Portfolio Member for Finance in the first instance.
- Lack of clarity around a situation whereby the Authority is making claims against a number of households in the Caergeiliog area for arrears for certain charges related to the RAF Valley base. The Internal Audit Manager said that the issue of environmental and sewerage charges in relation to properties that have transferred from the MoD has emerged as part of the work in relation to the debtors' review. As it was too large a matter to be incorporated within the sundry debtors review, Internal Audit is conducting a piece of work on this area and will endeavour to report back on it to the Committee's December meeting.

It was resolved to note the information.

ACTION ARISING: Internal Audit Manager to report back on the progress of the review of the historical situation and issues arising regarding the payment of charges relating to former MoD properties.

**Councillor Trefor Lloyd Hughes
Chair**

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