

# AUDIT COMMITTEE

## Minutes of the extraordinary meeting held on 9 February, 2015

- PRESENT:** Councillor Trefor Lloyd Hughes (Chair)  
Councillor John Griffith (Vice-Chair)
- Councillors Richard Owain Jones, R. Llewelyn Jones, Alun Mummery,  
Dafydd Rhys Thomas
- Lay Members: Mr Richard Barker, Mrs Sharon Warnes
- IN ATTENDANCE:** Internal Audit Manager (JF)  
Interim Accountancy Services Manager (BHO) (for item 2)  
Senior Accountant (Strategic Planning) (BD) (for item 2)  
Capital & Treasury Management Accountant (GR) (for item 2)  
Corporate Counter Fraud Officer (HE)  
Committee Officer (ATH)
- APOLOGIES:** Councillor Jim Evans
- ALSO PRESENT:** Councillor H. Eifion Jones (Portfolio Member for Finance) (for item 2)
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### 1 DECLARATION OF INTEREST

No declaration of interest was received.

### 2 TREASURY MANAGEMENT STRATEGY STATEMENT 2015/16

The report of the Interim Head of Resources a Section 151 Officer incorporating the Treasury Management Strategy Statement for 2015/16 was presented for the Committee's consideration and scrutiny in accordance with the CIPFA Code of Practice for Treasury Management.

The Senior Accountant (Strategic Planning) drew attention to the following principal considerations:

- That it is intended in 2015/16 to address the absence within the Authority of documented Treasury Management Practices (TMPs) with the objective that a full complement of TMPs will be presented for democratic approval through the appropriate committee channels at the earliest opportunity in line with the proposed Treasury Management Scheme of Delegation.
- That only one update to the 2014/15 Statement is proposed for the 2015/16 Treasury Management Statement viz.
- The quarter one and quarter three Treasury Management reports will no longer be produced and will be reflected within the Authority's Standing Orders as set out in Appendix 9 to the report.

It is intended that the potential categories of investment to be used together with the credit rating criteria and investment limits will be subject to review during the year with any amendments subject to prior approval in accordance with the Treasury Management Scheme of Delegation.

- The planned exit of the Housing Revenue Account subsidy system on 2 April 2015 has been taken into account in the prudential indicators (detailed in Appendix 11) on the basis set out in Appendix 12.

- That the heading on the second column of indicator 19 on Appendix 11 should read 2015/16 for the upper and lower limits (and not 2014/15).

The Committee considered the information presented and sought clarification of certain points in relation to the relatively high cost of the Authority's short term borrowing arrangements and the designation of an underlying need to borrow and what that entailed. Whilst the Committee noted and accepted that the Treasury Management Strategy is based predominantly on a cautious and prudential approach to investment and borrowing, it sought assurance that the Strategy is kept under review and is responsive to market and other changes and that this element of flexibility is highlighted within the Strategy.

The Senior Accountant (Strategic Planning) confirmed that treasury management is a live process and that market and/or economic fluctuations and variations as well as guidance by the Council's treasury advisors are taken into account and do inform the investment situation and practice.

**It was resolved –**

- **To note the contents of the covering report to the Treasury Management Strategy Statement.**
- **To endorse the Treasury Management Strategy Statement for 2015/16 (including the Prudential and Treasury Management Indicators) as at Annex A to the report, and**
- **To forward the Treasury Management Statement to the Executive without further comment.**

**NO FURTHER ACTION ARISING**

**3 AUDIT COMMITTEE – REVIEW OF EFFECTIVENESS**

The report of the Internal Audit Manager on the outcome of the Audit Committee's annual review of the effectiveness workshop held on 19<sup>th</sup> January, 2015 was presented for the Committee's consideration and comment.

The Internal Audit Manager said that the report at Appendix A sets out the results of the workshop's evaluation of Audit Committee Good Practice in the form of the completed CIPFA Self-Assessment of Good Practice checklist. Overall, the Audit Committee's self-assessment of its performance against CIPFA's best practice guidelines was positive, with only 1 out of 20 of the specified best practice being considered not to be undertaken by the Committee and a further 4 out of 20 where it was deemed improvements could be made relating to purpose and governance; fulfilling the functions of the committee and membership and support. The Audit Manager also completed a copy of the CIPFA checklist to identify those areas which in his professional opinion, the Committee had strengths and areas which could be improved upon as documented in section 2.5 of the report. A proposed Action Plan outlining how, by whom and when during 2015/16 the weaknesses identified will be addressed was attached at Appendix C.

The Committee considered the report and overall was disappointed by what it deemed to be an element of negativity within the evaluation. The view was put that the Audit Committee has during the course of the year raised a number of issues around weaknesses and omissions in a number of practice and policy areas notably risk management which are not reflected in the performance evaluation as at paragraph 2.5. It was emphasised that the challenge which the Audit Committee offers is only effective if the Establishment/Management acts upon it and that it appears that the Committee is being judged because of inaction at a corporate level be that due to resource issues or otherwise.

The Internal Audit Manager said that the workshop findings will also be used to inform the Chair's annual report on the activities of the Audit Committee which is the appropriate channel for properly reflecting on the positive aspects of the Committee's work during the year. The Internal Audit Manager's performance report should be viewed as an exception report. The Audit Committee has been consistent in its efforts to bring about change but can only be regarded as being effective if that change is implemented, and hitherto the support and impetus which the Committee has been providing has not been effective in producing the desired result specifically with regard to Risk Management.

The Committee noted that a progress report with regard to Risk Management is scheduled for its April meeting and that Senior Management will be asked to account for any lack of progress at that time.

**It was resolved to accept the report, to note its contents and to endorse the development of the Action Plan at Appendix C in 2015/16 to address weaknesses identified.**

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

#### **4 CONSULTATION ON THE PROPOSED REVISION OF THE AUDIT COMMITTEE'S TERMS OF REFERENCE**

The report of the Internal Audit Manager incorporating revised draft terms of reference for the Audit Committee was presented for the Committee's consideration and comment. The updated terms of reference reflect changes in the regulatory framework and an increasing emphasis on developing the role of the Audit Committee in relation to all aspects of assurance and not only the Authority's financial reporting process and arrangements.

The Internal Audit Manager said that the terms of reference have been formulated having regard of CIPFA guidance and the terms of reference of audit committees within other authorities. The objective in revising the terms of reference is to extend the Committee's oversight responsibilities beyond the financial statements to cover general governance and the risk environment. The revised terms of reference will be presented for approval to the Executive in April and thereafter to the County Council in May.

The Committee considered the Terms of Reference and made the following points –

- That it was the intention from the effectiveness workshop for the Committee on their approval to scrutinise the terms of reference to establish how it is going to action them which could be passed on the Monitoring Officer as a clear indication of this Committee's intent. This could also link in with comments about Scrutiny and the need to clarify the respective roles of scrutiny and audit.
- That the Committee needs to become more involved in promoting and developing arrangements within the Authority for ensuring value for money.
- That the Committee needs to reflect on whether it has a sufficiently high profile within the Authority to be able to exert real influence and to contribute to the effectiveness of the Council as a corporate body. It was suggested that the Committee could be more proactive in setting an agenda that is relevant in a whole Council context.
- Whilst accepting the terms of reference as presented as providing a good framework within which the Audit Committee can operate in future, it was emphasised that the Committee needs to ensure that the key issues are being driven forwards. It was also emphasised that in order to fulfil its mandates as set out by the terms of reference, the Committee needs to be assured that issues to which it draws attention will be acted upon by Management. To this end, and in the interests of accountability, it was proposed and agreed that a member of the Senior Leadership Team in addition to the Section 151 Officer be requested to attend each Audit Committee meeting.
- That the Committee needs to be clear regarding its expectations of what is due to the Audit Committee in terms of support and resources.

**It was resolved to endorse the revised terms of reference as presented.**

**ACTION ARISING: Internal Audit Manager to liaise with the Senior Leadership Team in relation to attendance at Audit Committee meetings.**

#### **5 ROLE OF THE COUNTER FRAUD OFFICER**

A report by the Corporate Counter Fraud Officer setting out the responsibilities of the post was presented for the Committee's information.

The Corporate Counter Fraud Officer explained the background to the establishment of the post and what it entailed particularly as regards being more proactive in preventing fraud occurring and in promoting a better counter fraud culture within the Authority.

The Committee questioned the Corporate Fraud Officer on the details of his work and were provided with examples of activities undertaken. The Officer referred to work that was underway to ascertain what fraud risk assessments have been carried out within services and what policies have been put in place to counter any perceived risks and how these are brought to the attention of staff. Initial indications are that further work needs to be done in this respect .The Committee noted this as a further “housekeeping“ issue which required attention.

The Internal Audit Manager confirmed that the Corporate Fraud Officer is undertaking a comprehensive fraud risk assessment of the Authority in its entirety with a view to reporting to the Audit Committee in April which will provide a position statement of where the Authority is at with regard to all areas of fraud risk, what is being done to address them and the recommendations to Heads of Service for strengthening the controls within their services.

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

**NO FURTHER ACTION ARISING**

**Councillor Trefor Lloyd Hughes  
Chair**

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