

# AUDIT AND GOVERNANCE COMMITTEE

## Minutes of the meeting held on 23 June, 2015

<b>PRESENT:</b>	Councillor R.Llewelyn Jones (Chair) Councillor John Griffith (Vice-Chair)  Councillors Jim Evans, Alun Mummery, Peter Rogers  Lay Members: Mr Richard Barker and Mrs Sharon Warnes
<b>IN ATTENDANCE:</b>	Interim Head of Resources and Section 151 Officer Accountancy Services Manager & Deputy Section 151 Officer (BHO) Interim Accountant (AK) Programme and Business Planning Manager (GM) Committee Officer (ATH)
<b>APOLOGIES:</b>	Councillors Richard Owain Jones, Dafydd Rhys Thomas
<b>ALSO PRESENT:</b>	Mr Huw Lloyd Jones (Wales Audit Office), Mr Martin George (PwC)

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The Chair welcomed all those present to the first Audit and Governance Committee meeting of the 2015/16 municipal year and he extended a particular welcome to Councillor Peter Rogers as a new member of the Committee. The Chair also thanked all the Committee's Members and the Officers who support the Audit and Governance Committee, for their contributions during the previous year.

### 1. DECLARATION OF INTEREST

With regard to the reference within the Statement of Accounts under item 3 to the Local Government Pension Scheme, Mrs Sharon Warnes noted that she had been appointed to serve on the Gwynedd Pension Fund Committee but had been advised that that did not constitute an interest in terms of precluding her from participating in the discussion thereon.

### 2. MINUTES 27 APRIL, 2015 MEETING

The minutes of the previous meetings of the Audit Committee held on 27 April, 2015 and 14 May, 2015 were presented and confirmed as correct.

Arising on the minutes of the 27 April, 2015 meeting –

The Committee sought an update on the progress of discussions with Conwy County Borough Council with regard to Conwy managing this Authority's Internal Audit Service. The Interim Head of Resources and Section 151 Officer said that negotiations are ongoing and that he was hopeful an agreement would be reached shortly. The aim had been to report on a definitive proposal for the management of the Internal Audit Service to the Committee's July meeting ahead of the arrangement becoming effective in August. That implementation timeline is still possible and the intention remains to report to the Committee's July meeting.

Arising on the minutes of the 14 May, 2015 meeting –

Mr Richard Barker, Lay Member clarified that both he and his fellow Lay Member, Mrs Sharon Warnes had absented themselves from the process of electing the Chair and Vice-Chair of the Audit and Governance Committee because once again during their tenure as Lay Members, they had felt marginalised and uninvolved in the process and discussions relating thereto despite being full voting members of the Committee. Mr Barker and Mrs Warnes said that they did not believe there was any

forum or medium by which they as Lay Members, could express their views as to who would best serve as Chair and Vice-Chair of the Committee, and as such they did not feel they could participate in the election process in an open and transparent way. They wished to highlight the matter so as to give the Authority the opportunity to rectify the situation and amend the process for the benefit of Lay Member appointees that would succeed them.

The Interim Head of Resources and Section 151 Officer said that he had been unaware of the issue but would with the approval of the Committee, refer the matter to the Chief Executive and the Monitoring Officer to ensure that it is addressed and would report back to the Committee at its next meeting on how the process whereby this Committee's Chair and Vice-Chair are elected can be adjusted so that it provides for input by the Committee's Lay Members. The Committee indicated that it was happy for the Officer to proceed on the lines suggested.

**ACTION ARISING: Interim Head of Resources and Section 151 Officer to raise the matter of adapting the process for electing the Committee's Chair/Vice-Chair so that it provides for input by its Lay Members, and to report back thereon to the next meeting.**

### **3. DRAFT STATEMENT OF ACCOUNTS 2014/15 AND THE ANNUAL GOVERNANCE STATEMENT 2014/15**

The draft Statement of Accounts for 2014/15 incorporating the Annual Governance Statement for 2014/15 was presented for the Committee's consideration.

The Accountancy Services Manager and Deputy Section 151 Officer reported that the draft accounts for 2014/15 were closed some time ahead of the statutory 30 June deadline and, in accordance with good practice, they are being presented to the Audit Committee for its comments prior to the commencement of the formal audit. Unlike in previous years when the accounts production process was largely undertaken by a team of external staff, the 2014/15 accounts have been produced by internal Finance Service staff. The Officer referred to the Statement as being a complex and lengthy document and drew the Committee's attention to the Statement of Reserves; the Income and Expenditure account and the Balance Sheet and accompanying notes as key areas of interest for the Committee. She confirmed that the Finance Service is comfortable with the Authority's level of reserves and is satisfied with the contents of the financial statements. She referred to additional documentation which was tabled at the meeting, and explained that this reflected certain adjustments made to the draft after the publication of this meeting's agenda which do not fundamentally alter the Council's financial position as set out in the draft Statement.

The Committee considered the draft Statement and noted the following points –

- With regard to revenue expenditure, the Committee noted that the savings and efficiencies target of £6.3m for 2014/15 was successfully implemented in order to set the budget within the available resources. The Committee noted also that the financial challenges in 2015/16 and beyond will be even more acute as budgets continue to reduce and a further tranche of savings will have to be found; the Committee sought reassurance that the Authority is in a position to manage those challenges and the risks inherent in delivering further significant savings. The Interim Head of Resources and Section 151 Officer said that every saving built into the 2015/16 budget has been costed more effectively than in previous years; there are budget plans around the delivery of each savings item; all the savings have been project planned and subjected to an equalities impact assessment so the savings delivery process for 2015/16 should be more straightforward than for 2014/15 when there was some uncertainty around how the savings programme would be delivered.
- The Committee noted that the certification of the accounts by external audit has in some previous years been delayed pending resolution of objections raised by member(s) of the public and it sought assurance that Officers do not foresee such a situation arising in relation to the 2014/15 accounts. The Interim Head of Resources and Section 151 Officer said that the availability of the draft accounts has been advertised and members of the public are entitled to inspect the accounts and to ask questions thereon. He said that he was not aware of any issue arising from outside the Council at this point in time, and in the event that an issue does arise, whether it leads to a delay in certifying the accounts or not depends on the validity of the question and the objection being posed. The Officer confirmed that he did not believe there was any aspect of the

draft Statement that caused him concern to the extent it would force him to recommend that the audit process be slowed down, or would delay the eventual approval of the accounts. Mr Martin George, PwC confirmed from an external audit perspective that there are no matters being investigated currently that would cause a delay in the audit process.

- The Committee sought clarification of the Council's reserves position in terms of their adequacy and the yardstick by which that is measured. The Committee also questioned whether the reserves carried by schools are an issue. The Accountancy Services Manager said that the Finance Service is satisfied with the Authority's general balances which stand at just under 7%. Whilst the reserves held by schools are not a particular issue per se, schools holding high levels of reserves are required to have spending plans and those in deficit, a plan to address the deficit position. The Interim Head of Resources confirmed that the general expectation is that local authorities maintain a reserves balance of around 5% but that is subject to the individual views of Section 151 Officers. Whether a level of 5% is required by every authority depends on their circumstances; the financial challenges they are facing, historical performance and the quality of their financial management all of which factors would inform a decision regarding the adequacy of reserves. He said that it was his professional view that a reserves balance of 6% to 6.5% is reasonable for this Authority.

**It was resolved to note the draft Statement of Accounts for 2014/15 prior to external audit.**

#### **4. EXTERNAL AUDIT**

4.1 The External Audit Plan 2015 was presented for the Committee's consideration.

Mr Martin George, PwC reported on the matters relating to the financial audit as follows –

- The phased approach to be taken in carrying out the formal financial statements audit as per Exhibit 1 of the report.
- The significant audit risks and the proposed audit response to mitigate those risks as per Exhibit 2.
- The risk of fraud and the responsibilities of the Auditors; Management and those charged with governance in relation thereto.
- Certification of grant claims and returns and the more significant and/or recurring issues identified in undertaking grant certification work for 2013/14 as per Exhibit 3.

Mr Huw Lloyd Jones, WAO reported with regard to the performance audit as follows –

- The components of the performance audit work as per Exhibit 4
- The contents of the 2015/16 performance audit work programme split into improvement audit and assessment work and local government studies and the specific projects pertaining thereto.

The Committee considered the report and clarification was sought by Mr Richard Barker, Lay Member who noted a personal interest as a trustee of a third sector organisation which delivers social services to adults, of how the performance element of the proposed North Wales study of benchmarking Social Services costs against performance is to be identified and defined.

Mr Huw Lloyd Jones said that the WAO has unravelled the revenue out-turn statements for councils in Wales and the various lines within them and has attributed those lines to certain national performance indicators for Children and Adults' social services; it will then compare performance across authorities. Some authorities are high performers at low cost whilst others are high performers at high cost. The purpose of the study is to explore why things appear to be as they are.

4.2 A Certificate of Compliance following the audit of the Council's 2015/16 Improvement Plan was presented and noted by the Committee. The Certificate confirms that the Council has discharged its duties to prepare and publish an Improvement Plan in accordance with statutory requirements as set out in section 15 of the Local Government (Wales) Measure 2008 and statutory guidance.

4.3 An update on the status of WAO's ongoing and planned improvement and assessment projects was presented for the Committee's information, and was noted.

Mr Huw Lloyd Jones informed the Committee that the Corporate Assessment report on the Isle of Anglesey County Council when issued will contain an appendix of all the recommendations from last year's published national reports, and from now on every council will be expected to decide which of those recommendations are most relevant to them, and form an Action Plan around them. He referred to a discussion point from the Committee's previous meeting about ways in which the Committee might be apprised of national reports and studies which could be of interest to its members but which may not be brought directly to their attention because they are not Anglesey specific, and he said that he would encourage the Council to reflect on how it deals with external reports that are not particular to Anglesey but which may convey messages that are relevant to it.

4.4 The report on the conclusions of the WAO's review of the Anglesey and Gwynedd Local Service Board was presented for the Committee's information.

Mr Huw Lloyd Jones reported that the review found that after a slow start the Anglesey and Gwynedd Local Service Board has clarified its focus and is improving its governance but that the pace of recent progress needs to be maintained. He advised that progress in implementing the proposals for improvement needs to be monitored and perhaps either the Audit and Governance Committee or the Partnerships Scrutiny Committee might wish to keep track of that aspect to ensure that the momentum of improvement is sustained.

The Committee considered the report and raised the following points thereon –

- The Committee sought clarification of the governance arrangements for setting and managing the Board's agenda items (given the diverse interests represented on it) and their congruity with the business of the Council. Mr Huw Lloyd Jones said that the business to be considered by LSB meetings is determined by the Board itself within the Officer framework. What is encouraging is that there is now a better alignment between the aims of the LSB and those of the Council; the Board's agenda will need to address those wider objectives.
- The Committee sought clarification of whether the aims and objectives of the Local Service Board involve eliminating duplication and ensuring value for money and efficiency in the way resources are used. Mr Huw Lloyd Jones said that the LSB is now more clearly focused in terms of what it does and that a key part of that is ensuring that the "public pound" wherever it is spent, is well spent.
- The Committee questioned whether it was appropriate and/or timely for it to be asking the LSB for a report on any savings it has found hitherto. Mr Huw Lloyd Jones said that it is premature to be talking about the LSB in terms of the delivery of savings at this point in time. He confirmed that there are arrangements for joint scrutiny of the LSB which when finalised and in place will, it is expected, interrogate the Board's use of resources more closely. The Committee noted the point and emphasised that there needs to be greater and more transparent reporting on the Board in general.
- The Committee noted the need, if the Authority is to be more efficient in the use of resources, for it to consider encouraging and extending collaborative working.
- That in light of the extension of this Committee's governance responsibilities and specifically its oversight role with regard to the governance arrangements of the significant partnerships to which the Council is party, it was suggested that consideration needs to be given, and a conversation held as to what are the Committee's objectives in that role and what its focus needs to be. The Interim Head of Resources and Section 151 Officer said that further work remains to be done within the Council in relation to how it engages with partners. A logical area of interest for the Audit and Governance Committee is the reporting on the financial performance of partnerships especially as Gwynedd Council is the host for most of the partnerships to which the Council is party, meaning that Anglesey has no involvement in the production of the financial accounts for them. He suggested, and it was agreed by the

Committee, that it would be informative and useful in terms of improving engagement, for the Committee to have sight of partnerships' financial information.

The Programme and Business Planning Manager said that one of the areas to emerge from the work undertaken in relation to the corporate self-assessment as in need of improvement was the Council's arrangements for dealing with partnerships and their governance, and in particular the need to review historical partnerships to establish whether they continue to provide value and whether they still serve the best interests of the residents of Anglesey. That piece of work has been identified and following on from that, policies, protocols and expectations will be created and applied to all new partnerships arrangements entered into. He suggested that there is a role for the Audit and Governance Committee in scrutinising the governance documentation as it is created. The Committee noted the point and highlighted also that it has on previous occasions flagged up shortcomings with regard to partnerships governance.

Mrs Sharon Warnes suggested that to ensure it does not lose sight of what it is should be doing and when, it would be useful for the Committee to be provided for quick reference with a summary sheet of the key issues and areas which it has been tasked with, or has committed to monitor to ensure that it is aware of when they are due for review and is clear as to the expectations. Mr Huw Lloyd Jones said that some authorities make available to their audit committees as a matter of course, information about external reports and the issues they cover, the recommendations therein and their relevance to the individual authority.

**It was resolved to note the WAO report on the review of the Anglesey and Gwynedd Local Service Board.**

**ACTIONS ARISING: Interim Head of Resources and Section 151 Officer to provide the Committee with –**

- **Financial information in relation to the key partnerships in which the Council is involved**
- **A summary reference sheet of the key areas and issues for review by the Committee, and by when.**

## **5. MATTER FOR INFORMATION – MARITIME DIESEL**

In accordance with the request made by the Committee at its previous meeting, the balance sheet for the Maritime Diesel Service for the previous five years was presented for the Committee's information.

Having considered the data presented, the Committee requested the following supplementary information for the next meeting in clarification and amplification of the position of the maritime diesel service -

- Information regarding income and expenditure for the maritime diesel service so that the Committee can be clear as to the profit or loss position.
- Information regarding any bad debt write offs.
- The Committee also asked that the Principal Development Officer (Tourism and Maritime) attend the next meeting to respond to any questions that might arise from the submission of the additional information.

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

**ACTION ARISING: Interim Head of Resources and Section 151 Officer in conjunction with the Head of Economic and Community Regeneration to collate the additional information for submission to the next meeting as per the Committee's request.**

## **6. EXCLUSION OF THE PRESS AND PUBLIC**

It was resolved under Section 100 (A) (4) of the Local Government Act 1972, to exclude the press and the public from meeting during the discussion on the following item on the grounds that it involved the

disclosure of exempt information as defined in Schedule 12 of the said Act and in the Public Interest Test presented.

#### **7. ATTEMPTED FRAUD AGAINST THE COUNCIL**

Correspondence between the Interim Head of Resources and Section 151 Officer and North Wales Police with regard to an attempt to defraud the Council was presented for the Committee's information.

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

**NO FURTHER ACTION ARISING**

**Councillor R.Llewelyn Jones  
Chair**

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