

# AUDIT AND GOVERNANCE COMMITTEE

## Minutes of the meeting held on 27 June, 2016

<b>PRESENT:</b>	Councillor R.Llewelyn Jones (Chair) Councillor John Griffith (Vice-Chair)
	Councillors Jim Evans, Alun Mummery, Peter Rogers, Dafydd Rhys Thomas
	Lay Members: Mr Richard Barker and Mrs Sharon Warnes
<b>IN ATTENDANCE:</b>	Head of Function (Resources) and Section 151 Officer Internal Audit Manager (SP) Committee Officer (ATH)
<b>APOLOGIES:</b>	Councillor Richard Owain Jones
<b>ALSO PRESENT:</b>	Councillor H. Eifion Jones (Portfolio Member for Finance), Councillor Llinos Medi Huws (Shadow Portfolio Member for Finance), Chief Executive, Finance Manager (CK), Ms Clare Edge (Deloitte), Mr Gwilym Bury (Wales Audit Office)

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### 1. DECLARATION OF INTEREST

No declaration of interest was received.

### 2. MINUTES OF THE 26<sup>TH</sup> MAY, 2016 MEETING

The minutes of the previous meeting of the Audit and Governance Committee held on 26 May, 2016 were presented and confirmed as correct.

### 3. STATEMENT OF ACCOUNTS 2015/16 AND ANNUAL GOVERNANCE STATEMENT 2015/16

The report of the Head of Function (Resources) and Section 151 Officer incorporating the draft pre-audit Statement of Accounts for the 2015/16 financial year along with the draft Annual Governance Statement 2015/16 was presented for the Committee's consideration.

The Head of Function (Resources) and Section 151 Officer reported that the Council has a statutory duty to approve and publish a Statement of Accounts for each financial year. Before External Audit can commence, the Section 151 Officer is required to sign the Statement of Responsibilities for the Statement of Accounts prior to the statutory deadline of 30<sup>th</sup> June each year. Under the Council's Constitution, the responsibility for reviewing and scrutinising the statement of accounts prior to its adoption by the Council, falls to the Audit and Governance Committee. The Statement is a technical document which is produced in accordance with accounting regulations and proper practices in a prescribed format and it contains the financial statements and disclosures which the Council is required to publish.

The Officer referred to the key statements within the document as follows:

- The Narrative report which sets out the narrative context to the financial statements, provides a guide to the most significant matters reported in the accounts including the Council's financial position and its performance during the year along with the issues and risks affecting the Council.

- The Movement in Reserves Statement (MIRS) shows the movement in the year of reserves held by the Council analysed between usable and unusable reserves. The statement shows the true economic cost of providing the Authority's services and how those costs are funded from the various reserves.
- The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
- The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets are matched by reserves held by the Authority.
- The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period.
- The Notes to the core Financial Statements provide more details about the Council's accounting policies and items contained within the statements. The Officer confirmed that there are no material changes to accounting treatment required for 2015/16.
- Included with the Statement of Accounts is the Annual Governance Statement for 2015/16 which sets out the governance arrangements in place for the year from April, 2015 to March, 2016 and assesses how effectively the Council has fulfilled its responsibilities in line with its vision.

The Portfolio Member for Finance said that he was satisfied with the presentation of the accounts and with the professional way in which they had been closed in keeping with the statutory timescale.

The Committee considered the report and Financial Statements and it noted the following:

- The Committee noted and was satisfied that the Statement of Accounts has been produced in accordance with financial reporting standards, practices and regulations and within the statutory deadline of 30<sup>th</sup> June.
- The Committee noted and was satisfied that the Narrative report provides a fair and balanced summary of the Council's financial position for 2015/16 including the main influences on the financial statements. The Committee commended the narrative summary as providing a clear and easy to understand overview of the context to the financial statements.
- The Committee noted that the financial statements will now be subject to external audit and that for a specified period during the audit process members of the public will be entitled to inspect the accounts and may raise an objection thereon with the external auditor.
- The Committee sought clarification of the financial prospects in light of the referendum decision to withdraw from the EU, particularly with regard to capital funding through grants and it questioned whether consideration should be given to increasing borrowing. The Committee was informed that the issue of providing ongoing funding to those areas that were in receipt of EU grants is a matter for the UK government in the first place; there is a question then how that funding might subsequently be transferred to the Welsh Government and therefrom to local government. Whilst the referendum decision will likely affect the national economy, it is premature to try to assess the extent of the impact on the funding available through Welsh Government for the local government settlement. With regard to borrowing, the Council's Treasury Advisors have been asked to undertake a piece of work to review how borrowing is timed particularly in relation to the Twenty First Century schools project as the Authority's major project in terms of borrowing and that will be discussed when the work is completed. The External Auditor confirmed that the external audit report on the accounts will make a reference to the outcome of the EU referendum as a post balance sheet event. The Authority will most likely also have to review its corporate risks following the Referendum vote and the uncertainties which it has generated.
- The Committee noted in the context of risk that the Council needs to adopt a smarter and more expedient approach to the identification and disposal of assets and that it should seek to identify assets for disposal more swiftly and subsequently ensure that for sale assets achieve maximum returns. The Committee was informed that whilst capital receipts are not key to the Statement of Accounts, the use of the Council's assets is important through the realisation of capital receipts which form part of the capital programme moving forwards. It is recognised that the best use needs to be made of the Council's assets including realising the cash value of surplus assets to fund the capital programme. However, the Council has a duty not to sell assets without achieving proper market value. There are issues of timing in relation to the management of the Council's assets. The Committee was also informed that the Authority's

Asset Management Policy has been subject to scrutiny via the Corporate Scrutiny Committee and has been approved by the Council's Executive.

- The Committee noted that the Council has strengthened its Procurement function thereby delivering around £500k in the revenue savings. The Committee sought clarification in the light of the 2014 KPMG Procurement fitness check and the presentations that were made regarding it, whether the 500k figure is a starting point or whether a savings ceiling has been reached. The Committee was informed that there is scope for further savings and that much of the £500k savings already delivered has been achieved within a short timescale through re-tendering Council contracts or through consolidating contracts into one contract. It is reasonable to expect that more savings can be achieved through improved contract management and through ensuring that contracts are delivered to specifications. A contract management training programme is being rolled out so that these requirements become in-built in future contract tender processes. A follow up health check of procurement by Value Wales is due to be carried out in the coming months.
- The Committee noted and was satisfied that the Annual Governance Statement for 2015/16 meets the requirement of Regulation 4 of the Accounts and Audit (Wales) Regulations in reviewing and reporting on internal control. The Committee was further satisfied that the Annual Governance Statement provides a fair assessment of the Council's governance arrangements in 2015/16 including the effectiveness of its arrangements for delivering its objectives and managing risks and that it reflects the substance of what has been reported to the Audit and Governance Committee during 2015/16.

**It was resolved to note the draft Statement of Accounts for 2015/6 prior to its review by External Audit including the draft Annual Governance Statement for 2015/16.**

**NO FURTHER ACTION ENSUING**

**Councillor R.Llewelyn Jones  
Chair**