

# Minutes



## Audit Committee

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Date: 26 March 2015

Time: 5.00 pm

Present: John Baker (Chair) Councillors D Davies, M Spencer, H Thomas, E Townsend and R White

In Attendance: A Wathan (Chief Internal Auditor) M Rushworth (Head of Finance), R Jones (Assistant Head of Finance (Accountancy)), M Dickie (Business Service Development Manager) H Brayford (Project Manager) T Lewis and A Barrett (Wales Audit Office) and J Eales (Scrutiny Support and Research Officer).

Apologies: Councillors R Mogford

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### 1 Apologies for Absence

Cllr Mogford

### 2 Declarations of Interest

None

### 3 Minutes of previous meeting 22 January 2014

That the Minutes of the meeting held on 22 January 2015 be confirmed.

### 4 Chair update following meeting with Chief Executive

The Chairman updated the Committee following his recent meeting with the Chief Executive. He explained that Members had raised the issue of the lack of a direct link to the Chief Executive at a training session in September 2014. This was raised with the Chief Executive and he agreed to attend meetings where significant issues were being discussed eg June and January meetings and also that he would meet the Chair every six months to discuss developments.

Members queried the process if the Chief Executive failed to take action on any issue raised by Audit Committee. The Chair explained that there were a number of options such as referring the issue to the auditors, discussing it with the Leader or seeking legal advice. Wales Audit Office also had mechanisms in place or it could be picked up as part of their work on the Corporate Assessment. The Audit Committee agenda also included an item, "Referrals to Audit Committee" to deal with such issues.

Members also referred to the new Whistle Blowing Policy and suggested that it be circulated to Audit Committee Members for information.

## **Agreed**

1. That the update be noted.
2. That the Whistle Blowing Policy be circulated to Audit Committee members for information.

## **5 Regulatory Reports**

Members considered a report detailing all of the regulatory reports that have been received by the authority from our main regulators, Wales Audit Office, Care and Social Services Inspectorate Wales, Estyn and more recently Her Majesty's Inspectorate of Probation (HMIP). The report contained recommendations or proposals on areas of service delivery where the authority could make improvements and included progress in each area up to the end of December 2014.

The report referred to new information received since the report was last presented to Audit Committee in March 2014:

- CSSIW Annual Review and Evaluation of Performance
- Certificate of Compliance issued by the WAO after an audit of the Improvement Plan 14/15
- Upcoming reviews including Information Governance, Adult Services and an Estyn review of Regional School Improvement Services.

Members raised a number of issues:

- What progress had been made with the Corporate Assessment report? Members were advised that a draft had been sent to the Chief Executive recently.
- Members were concerned that parts of the document had not been updated, that some of the actions did not address the recommendations and that some of the actions were not valid, rigorous and did not underpin the Corporate Strategy.
- Members asked if there was anything in the report they should be aware of such as recommendations not actioned. The Project Manager explained that she was not aware of anything and that the Corporate Assessment would provide up to date information for the next report.

## **Agreed**

1. To note the contents of the report
2. To receive a further update in September 2015.

## **6 Consultation on White Paper - Reforming Local Government: Power to Local People**

The Welsh Government recently published a Local Government white paper which set out wide reaching proposals for reform in a number of fields including local democracy, the roles and remuneration of elected members and senior officers, community governance and community councils, community rights, corporate improvement, service performance, scrutiny, audit, inspection and regulation and local government finance. Welsh Government were consulting with Local Authorities on the proposals described in the White Paper and the views of Audit Committee were requested to inform the consultation.

Members of Audit Committee made the following comments regarding the White Paper:

- The role of Audit Committee should be “to ensure” the Chief Executive discharged his statutory improvement functions and not “to assist”.
- The Remuneration Panel should look at pay for all senior officers in addition to Elected Members.

The following points were raised regarding the specific role of Audit Committee:

- If Elected Members failed to do their job properly ie read reports and prepare for meetings then more independent members would be preferable. The Chair needed to be competent and it made no difference if he/she was an independent or not.
- It would be useful to have at least one independent member with experience to improve quality across the board and help raise standards generally. The skills that Elected Members brought should be recognised. Members who frequently failed to attend meetings should be replaced.
- Generally politics were “left at the door” but if this was an issue, more independent members could reduce that risk.

### **Agreed**

That the above comments be forwarded to Welsh Government in response to the proposals described in the White Paper.

## **7 Council Pay Reserve**

Members considered a report on Pay Reserve, which set out the funding and use of the Council’s Pay Reserve since its inception in March 2012.

Following the completion of the 2013/14 accounts and progress on the Council’s Total Rewards/Equal Pay projects, the Audit Committee requested background information on the Council’s Pay reserve, specifically costs related to these projects and the use of the reserve to date. A verbal update was provided to the Committee previously on the above but given the volume and complexity of the issue, a written report was requested.

The Council established the pay reserve in March 2012 for the purpose of funding Equal Pay settlement costs and the team involved with delivering this project. The position regarding the actual level of funding required had not been known with absolute certainty or even the funding sources to fund these costs and therefore the planning of the reserve had been affected by this unavoidable uncertainty. As the project and costs and funding sources had become more certain, the reserve had been adjusted as appropriate to current levels. It was envisaged that the final costs relating to Equal Pay would be paid out in 15/16 and the reserve would also fund one off costs related to Total Rewards, over the financial years 15/16 and 16/17 mainly. Members were advised that the Pay Reserve Balance as at 31 March 2014 was £5.946m.

Members asked if a commitment had been made to use the capital receipts? The Head of Finance explained that Cabinet had recently considered the use of 2014/15 capital receipts and agreed to look at the process in a flexible way.

An error was identified in the risk table of the report, the asterisk should be in the next column, “Probability of risk occurring”.

### **Agreed**

That Audit Committee note the report and information requested.

## 8 **Update on Accounts Close Down and Financial Statements Preparation Timetable**

Members received an update on the timetable for the accounts close down and financial statements preparation. The Assistant Head of Finance reported the additions to the original timetable including the working paper control sheets, the critical path guidance, the traffic light system and the key dates.

Officers were more or less on schedule at the moment and from now on there would be open communication and weekly meetings with WAO.

There were two meetings in the diary for September, officers would aim for the earlier date but the second date would be used if required.

### **Agreed**

Members noted the update.

## 9 **Draft Annual Governance Statement**

Members considered a report allowing them an early opportunity to contribute to the Council's Annual Governance Statement, which would form part of the Annual Statement of Accounts for 2014/15.

In order to meet the requirements of the Accounts and Audit (Wales) Regulations 2005, Newport City Council prepared and presented an Annual Governance Statement with its Annual Statement of Accounts. This Statement was based on how well the Council met its own Code of Corporate Governance. A review of Governance was also a requirement of the Local Government Measure.

Members raised a number of points to be taken into account when preparing the final Annual Governance Statement:

- There were a number of spelling errors and points that required clarification.
- The update regarding the link between Audit Committee and the Chief Executive, the link to the Whistle Blowing Policy and the self- evaluation exercise should also be included.
- Point 6.16 relating to Equality Impact Assessments and point 6.18 relating to complaints/compliments could be written in a clearer way.
- Should there be more information regarding the way partnerships work to avoid shortcomings in the business plan and savings not being made as expected?
- Members asked for the latest position regarding Prosiect Gwyrdd and for information on the IAA Agreement. The Chief Internal Auditor agreed to submit this information to the next meeting.

### **Agreed**

That the comments be noted.

## 10 **Work Programme**

The Head of Customer Services and Digital Innovation to attend the next meeting to give a progress report on the issues.

### **Agreed**

That subject to the above, the report be noted.

## **11 Member Development Self Evaluation Exercise**

The Chief Internal Auditor explained that he was about to undertake a self-evaluation exercise for all Audit Committee members. A CIPFA questionnaire would be emailed to Members covering nine different areas asking for their views on how effective Audit Committee was. Members would be asked to complete and return the questionnaire in time to report the results to Audit Committee in May. It was suggested that the questionnaire should also be emailed to senior officers.

### **Agreed**

That the self- evaluation exercise be conducted as above and that senior officers be included in the exercise.

## **12 Financial Memorandum on the 2013-14 Financial Audit**

Members considered a WAO report summarising their conclusions arising from the audit of the Council's 2013-14 Financial Statements. Overall the information provided to support the Financial Statements was found to be relevant, reliable, comparable and easy to understand. Issues that required attention were set out in the report, together with the Council's responses.

The Council's 2013-14 Financial Statements were materially accurate and properly prepared. There were delays in the Council presenting its draft Financial Statements and supporting working papers for audit. However the Financial Statements were prepared by the statutory deadline and an unqualified audit opinion was issued on 30 September 2014. A joint "Lessons Learned" session was held with key Finance Officers to identify where aspects of the financial statements production and audit process could be improved for 2014-15.

The review of the Council's Information Management and Technology control environment identified some issues that should be addressed to minimise the risk of any future potential misstatements. Members raised concerns that basic issues identified within IT such as password problems and failing to take appropriate action when staff left, were still an issue. Problems were not significant enough to impact on the sign off of accounts but there did appear to be a recurring theme. Members requested that the Head of Customer Services and Digital Innovation attend the next meeting to give a progress report on these issues.

Concerns were raised regarding recommendation 8, the Council's failure to meet the deadlines set by Welsh Government for the submission of its draft Data Collection Tool. The Head of Finance explained that there were staff issues at that time. A considerable amount of work was done to meet the first deadline and then further formatting and analysis was required to complete the whole accounts. At that time there were inadequate resources to complete the return. A strongly worded communication was received from Welsh Government and concerns were raised that this could damage the reputation of the Authority.

The Head of Finance referred to recommendation 1, that from 2013-14 the Council should account for its involvement in all Joint Committees and other Jointly Controlled operations as set out in its Accounting Policy and as required by the Code. He explained that this would depend on the workload that this would generate. The Management response in the table was

inaccurate, the issue would be reviewed and actioned if resources allowed. Members discussed the issue and thought that it had already been agreed that this work would be done, it was accepted that it was not material but it would be accounted for. Members requested regular updates on this.

### **Agreed**

1. That that the Head of Customer Services and Digital Innovation attend the next meeting to give a progress report on the issues.
2. That regular updates be given on a decision as to whether or not to include involvement in all Joint Committees in the accounts.

## **13 Annual Audit Outline for the 2014/15 Financial Audit**

Members considered the 2015 Audit Plan which set out WAO proposed work, when it would be undertaken, how much it would cost and who would undertake it. A certificate and report on the financial statements would also be issued including an opinion on their "truth and fairness". WAO would also consider whether or not the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement did not comply with requirements.

Mr A Barrett, WAO, explained that the document had been prepared by the Auditor General but he had delegated responsibility to carry out the work on behalf of the Auditor General.

### **Agreed**

That the report be noted.

## **14 WAO Annual Report on Grant Works**

T Lewis (WAO) presented a report outlining work undertaken certifying individual grant claims. They certified 20 grant claims with a total value of £149.8 million, a decrease in claim numbers compared to 2012-13, mainly due to revised arrangements for Communities First projects. The total cost of the grant claims audit in 2013-14 was £83,000 compared to the 2012-13 fee of £106,200. This equated to a 22% decrease, partly due to the reduced number of claims and also as a result of more efficient working.

Members requested more information regarding the two (of 13) significant amendments. The adjustment of £351,004 related to a reporting issue rather than an error. The second adjustment for £18,121 related to an incorrect claim and an isolated discrepancy made after year end. He explained that there were no financial implications from the amendments.

### **Agreed**

That the report be noted.

## **15 Date of Next Meeting - Thursday 28 May 2015**

