

Minutes



Audit Committee

Date: 23 June 2016

Time: 5.00 pm

Present: Mr J Baker (Chair), Councillors E Garland, R Mogford, M Spencer, H Thomas and R White

In Attendance: Rhys Cornwall (Head of People and Business Change), Hannah Brayford (Project Manager), Meirion Rushworth (Head of Finance), Owen James (Assistant Head of Finance - Technical and Development), Dona Palmer (Audit Manager), Robert Squance (Audit Manager) and Meryl Lawrence (Overview and Scrutiny Officer)

Apologies: Councillors D Davies and J Guy

1 **Declarations of Interest**

Councillor H Thomas declared an interest in the report upon the Draft Financial Accounts 2015-16, as the Chair of Newport Transport.

2 **Minutes of the meeting held on 26 May 2016**

The Minutes of the meeting held on 26 May 2016 were submitted.

Agreed

To confirm the minutes of the meeting held on 26 May 2016.

3 **Corporate Risk Register Update**

Members considered an updated version of the Corporate Risk Register which identified seven risks, including one high risk and six medium risks. Since the last update, six risks remained unchanged and one risk, number 6 – Investment in Friars Walk Development had increased.

The Committee's role to review and assess risk management, internal control and corporate governance arrangements of the authority, but not to set and change any risks included in the register, was clarified.

There was discussion around whether risks should reduce if mitigations are in place, as some risks had not changed for a while although there had been mitigation in place and this could give an impression not enough is being done to mitigate risk. It was requested that the next report in September considers a fresh look at the risks, taking account of mitigation and that these comments be fed back to the Corporate Leadership Team.

Agreed

To note the Corporate Risk Register and to request the next report in September considers a fresh look at the risks taking account of mitigation.

4 Draft Financial Accounts 2015/16

The Head of Finance introduced the report upon the draft financial accounts for the period 1 April 2015 to 31 March 2016 to Members of the Committee for comment and information. He clarified that although Newport Transport accounts were not yet included, the intention was to have the information and publish by 30 June.

The Assistant Head of Finance gave a presentation on an overview of the draft comments for Members' information. He explained that the draft accounts were being presented to the Committee 3 weeks earlier than the previous year and that the draft accounts would be finalised and published by the statutory deadline of 30 June, including the Group Accounts. The accounts would go on display to the public from 11 July to 21 August and accounts and working papers were already with Wales Audit Office for review prior to signing final accounts in September.

Discussions included the following issues:

- It was clarified that the accounts are for the financial year ending 31 March 2016 and that Debtors and Creditors are shown as lines in the Balance Sheet.
- Having regard to ring fenced and allocated capital schemes, out of the £101m useable reserves approximately £22m can potentially be spent by the Council, but this is subject to review of each reserve, which are earmarked for specific purposes.
- It was clarified that Insurance provision includes a list of claims with percentage likely pay out and legal costs, but not vandalism which is covered by revenue budget.
- There was discussion regarding Fund Future Capital Projects and which reserves could be spent on Capital Projects. - It was clarified that there are annual contributions to Invest to Save and previously transfers into PFI reserve, but this has stopped and these reserves will begin to be utilised.
- While savings had been required to be made for that year's budget setting, there had been an underspend of £944k in draft revenue outturn which was moved to earmarked reserves. It was clarified that service areas were a small part of the underspend, e.g. temporary vacancies now filled, but larger savings were made on interest payable reducing and an increase in the council tax collected.
- There was discussion regarding the Provision for Landfill Fines, challenging energy bills, landfill capping and maintenance for 30 years after the site life ends, and the potential for offsetting against gas and electricity.
- It was questioned whether there is a need for Contingent liabilities for Friars Walk, as there is a reserve to manage that risk. - It was clarified that this was brought in last year on advice of the auditors.
- The publishing of Newport Transport accounts was queried, due to the commercially sensitive information they contain. - It was explained that the Council is required to produce consolidated accounts by 30 June including Newport Transport, as it is wholly owned by Newport City Council.
- A number of corrections were identified in the draft accounts and Officers requested that if Members had identified any other typographical or formatting errors, they email them to Officers.
- **Members requested that the foreword could explain better:**
 - **Why there is an underspend and why it has been transferred to reserves for future spending;**
 - **When there is Capital spending inevitably there are revenue costs.****It was clarified that this can be taken on board and looked at for the September meeting.**

Agreed

To note the draft accounts subject to the above comments made.

5 **Internal Audit Unsatisfactory Audit Opinions**

Members considered a report upon the current status of audit reviews previously given an unsatisfactory or unsound audit opinion and bringing their attention to any areas which had not demonstrated improvements within the financial control environment.

Since first bringing this report to the Audit Committee there had been 13 reviews which had been given two consecutive unsatisfactory or unsound audit opinions and these had previously been brought to the attention of the Audit Committee by the Chief Internal Auditor. Improvements had been made in all 13 areas and these reviews would now be picked up and audited as part of the audit planning cyclical review.

Follow up audit work for the five 2014/15 unsatisfactory reviews had been planned for 2015/16 by the audit team and was recorded in the plan; one had received a reasonable audit opinion and three had not been followed up but their follow up reviews would take place during 2016/17. However, CCTV / Security (Telford Depot) had received a second unsatisfactory audit opinion in the follow up review (draft report 31/03/16) and the Committee was asked to consider calling in the Operational Manager and Head of Service to the next meeting on 22 September 2016, to respond to the two consecutive Unsatisfactory Audit opinions.

Agreed

1. To note and endorse the report.
2. To call in the Operational Manager responsible for the CCTV / Security (Telford Depot) along with the Head of Street Scene & City Services to respond to two consecutive Unsatisfactory Audit Opinions at the meeting scheduled for 22 September 2016.

6 **Work Programme**

Following consideration of the Internal Audit - Unsatisfactory Audit Opinions report above, it was agreed that the CCTV / Security (Telford Depot) be added to the Work Programme for the meeting scheduled for 22 September 2016, to call in the Operational Manager and Head of Service to respond to the two consecutive Unsatisfactory Audit Opinions.

Agreed

To note the Work Programme, subject to the inclusion of the above item.