

# Minutes



## Audit Committee

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Date: 8 December 2015

Time: 5.00 pm

Present: Mr J Baker (Chair), Cllrs J Guy, R White, D Davies and M Spencer

In Attendance: A Wathan (Chief Internal Auditor) M Rushworth (Head of Finance), O James (Assistant Head of Finance (Accountancy), M Dickie (Business Service Development Manager) H Brayford (Project Manager), T Lewis (WAO) and J Ellams (Scrutiny Support and Research Officer).

Apologies: Councillors E Townsend

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### 1 Minutes from 24 September 2015 meeting

The Minutes of the meetings held on 24 September 2015 were submitted.

Re Minute 5, Statement of Accounts, the salary figures for some senior employees were incorrect and this was identified and corrected during the Audit Committee meeting. The Chairman reminded Audit Committee that he had met with the Chief Executive and expressed his concern re the “absence of matter” which was a basic accountancy/audit issue.

#### **Agreed**

That subject to the above, the Minutes of the meeting held on 24 September 2015 be confirmed.

### 2 Regulatory Reports and Update following Audit Committee recommendation re Guidance to Staff re Risk Assessments

Members considered a report detailing all of the regulatory reports that had been received by the authority from our main regulators, Wales Audit Office, Care and Social Services Inspectorate Wales (CSSIW) and Estyn.

New information contained in this report included:

- CSSIW Annual Review and Evaluation of Performance which highlighted areas for development and improvement alongside areas of good practice within social services and identified five areas for follow up by CSSIW in the next year.
- A Certificate of Compliance issued by the WAO after an audit of the Improvement Plan15/16 considered by Cabinet in May 2015.
- Upcoming WAO reviews included Financial Resilience, Waste and an Estyn Inspection March 2016.

The Business Service Development Officer reported that since the report had been completed, another Data Quality Review had been received which was very positive.

The monitoring of the proposals for improvement made by WAO were reported to Cabinet, whereas the monitoring arrangements for CSSIW and Estyn reports were through Scrutiny. Progress monitoring reports for the WAO proposals for improvement were reported to Cabinet on a quarterly basis. These quarterly reports to Cabinet included updates of the open proposals for improvement and the recommendations arising from the Corporate Assessment. The latest update on the proposals for improvement were included in appendix 2. The risk assessment table was incomplete because the column headed "Who is responsible for dealing with the risk?" had not been completed.

Members questioned the value the authority received from WAO reports? Members were advised that some of these reports compared the 22 authorities across Wales and sometimes Newport was selected as a study site. This gave a complete picture of services across Wales which would not otherwise be available. WAO had recently distributed a survey for completion by all authorities stating what councils had done with national reviews and the results would be fed back to Committee when available. Members discussed various issues such as the "all Wales" reports not being specific enough, vague recommendations following national studies and an expectation that if professional fees were paid then there should be detailed recommendations. T Lewis, WAO explained that these reviews were undertaken on behalf of the National Assembly so they were not covered by the fees paid to WAO. They helped to define good practice and examples included the Financial Resilience Study which had a national and local element and could be powerful and focussed.

M Dickie, Business Service Development Manager, reported that at the last meeting, Audit Committee had raised similar issues to those raised by WAO during their recent study regarding the identification of risk in decision-making reports. An Action Plan had been prepared to address WAO Recommendations (and the concerns raised by Audit Committee) and this had been circulated to all report authors within the authority.

### **Agreed**

1. That the contents of the report be noted.
2. That a further update be submitted in March 2016.
3. That the detail of the Action Plan and progress made be noted.

### **3 Lessons Learned - 2014/15 Accounts Close down and Financial Statements Preparation**

Members considered a report presenting the findings of an initial lessons learned review carried out by finance officers following the 2014/15 accounts closedown. It gave an assessment on the findings of this review and the plans in place to implement for 2015/16 and key risks to the closedown process for 2015/16.

The completion of the accounts closedown and preparation of the Financial Statements was a challenging one in 2014/15 with a significant number of key staff having left the authority in the preceding financial year. This meant that responsibility fell on a number of new staff members that had not been involved in the process before.

Despite these challenges both the draft accounts and final accounts were prepared and presented within the statutory deadlines.

Key themes had been identified by staff and following discussions with WAO. A timetable had been drafted with a strong emphasis on communication which was due to be finalised at the end of January followed by further talks with WAO. In addition to this all working papers were being reviewed. Agreements were being sought on methodology, judgements and

estimates so that certain processes could be completed earlier and all was on target. More detail would be submitted to the next meeting. Discussions had taken place with Newport Transport regarding the timetable and the risk that they might not be able to provide timely information.

Owen James, Assistant Head of Finance, explained the proposed treatment of companies that the authority had an interest in, subject to further discussion with Wales Audit Office on smaller bodies. Newport Transport would be consolidated in Group Accounts. Other bodies were very small and would require a lot more work and were immaterial so it was proposed that they would not be consolidated. He explained that he had sent an email to A Barrett, WAO, asking if this issue could be looked at across Wales and was still waiting for a response.

T Lewis confirmed that this was being looked at and he would take on board the comments made regarding the amount of work required for smaller bodies which were immaterial.

The Chair stated that it would be helpful for clarification from WAO well before year end and both sides would benefit from this.

Members raised a number of issues:

- Quality Assurance appeared to be one of the problems in the past and the timetable should take this into account.
- Had the concerns raised with WAO been confirmed in writing? They had been confirmed in writing and there were regular discussions and quarterly meetings regarding progress.
- Improvements had already been made to the timetable and this progress was positive. It was a concern that when staff left, it was not always possible to use working files and even though improvements had been made, there were still problems. There should be instructions linked to the working papers so it was clear how officers arrived at a certain figure. Senior officers should step in and help out on these occasions. The timetable should be tiered and reviewed regularly by the Head of Finance. M Rushworth, Head of Finance explained that there were weekly meetings when they talked through issues and what work was outstanding. In terms of staffing, there was not a great deal of resilience which made the process more challenging.

#### **Agreed**

1. That the lessons learned process that has been carried out to date and the proposed plan for 2015/16 closedown be noted.
2. That the proposed treatment of companies that we have an interest in, subject to further discussion with Wales Audit Office, be noted.

#### **4 Treasury Management Report**

Members considered a report on treasury activities undertaken during the period to 30 September 2015. Treasury management was defined as "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions.

Members discussed training on Treasury Management as agreed at a previous meeting and decided to defer the training to the January meeting when it would be delivered with the Treasury Management Strategy.

In April 2015 the Council undertook a re-scheduling of a number of debts relating to PWLB. A much improved lower average interest rate was taken out and even though a premium was payable on redemption, this allowed the authority to make significant annual savings on the interest payable on the loans.

Additional long-term borrowing was undertaken associated with the city centre redevelopment and apart from these, no further long term loans had been taken out.

Members raised a number of issues:

- Members asked how the figure for the Queensbury Real Estate Debt was calculated and what would happen after year end.
- Members discussed low interest rates, the benefits of paying off more debt and the level of debt that was reasonable for the Council.
- Operational boundaries were discussed and the powers of Cabinet, Council and Audit Committee when setting the levels.

### **Agreed**

That the report on treasury management activities for the period to 30 September 2015 be noted.

## **5 Internal Audit Plan 2015/16 - Progress Quarter 2**

Members considered a report on the Internal Audit Section's progress against the 2015/16 agreed audit plan for the first six months of the year and information on audit opinions given to date and progress against key performance targets.

The team currently operated with an establishment of 10 audit staff. At the start of the year there were 8 audit staff with two vacancies in the team. A Senior Auditor also left during the quarter who hasn't yet been replaced. One Auditor left the team and a new Auditor started with the team during quarter 2. The relationship with Monmouthshire County Council (for sharing of the Chief Internal Auditor) continued.

The section had already been involved with 8 special investigations which could have an impact on this year's achievement of the audit plan; so far there had been no unplanned reviews,

The performance for Qtr 2 2015/16 was compared to the same period of the previous year.

- 32% (31%) of the audit plan had been achieved so far which was just above last year's performance but in line with the profiled target of 30%;
- The promptness of issue of draft report (comparing timescale between finalising all fieldwork and issuing the draft report to management) averaged at 10 days (7 days) which was in line with the target time of 10 days;
- The promptness of report finalisation (comparing timescale from meeting with client to discuss issues raised in the draft report to issue of finalised report to management) averaged at 3 days (2 days) which was within the target time of 5 days.
- Coverage of the plan at this stage of the year was above expectations; the target being 30%.

- 51 (34) days had been spent finalising 15 (20) 2014/15 audit reviews; 11 of which had been finalised. 88 days had already been spent on 8 special investigations.
- A vacancy / secondment provision was taken into account in the planning stage which related to the Chief Internal Auditor's work with Monmouthshire and the senior auditor vacancy.
- Generally, there had been positive feedback from service managers via the evaluation questionnaires and these would continue to be collated throughout the year and fed into the annual audit report for 2015/16.
- 10 jobs completed to at least draft report stage by 30 June 2015 warranted an audit opinion: 3 x Good, 6 x Reasonable and 1 Unsatisfactory but no Unsounds. Of the 5 community centre accounts undertaken, 2 were Qualified. Other reports have been completed which did not warrant an audit opinion or related to audit certification work. Other work completed related to the Annual Governance Statement, the Council's performance indicators, grant claims, provision of financial advice and external clients.

A Wathan, Chief Internal Auditor explained the background to revised Audit Opinions 2015/16 and the new report format due to be delivered during 2015/16.

Members requested more information regarding the unsatisfactory opinion given to the Looked After Children Team (16). A Wathan explained the nature of the issues raised and agreed to email further information to Members.

The recruitment process was discussed including the use of agency staff. Members were advised that officers were working with Grant Thornton towards a possible secondment in the 4th quarter. There were a number of reasons for staff leaving including Total Reward and better opportunities elsewhere.

### **Agreed**

That the Internal Audit Section's progress against the 2015/16 agreed audit plan for the second three months of the year, be noted.

## **6 Internal Audit Charter**

Members considered a report on the revised and updated Internal Audit Charter. The purpose of the Charter was to define what Internal Audit was and to explain its purpose, authority and responsibility. The Charter would be maintained as a working document to be refreshed and updated and approved by Audit Committee and Senior Management Team biannually.

### **Agreed**

That the Internal Audit Committee Charter be approved.

## **7 Audit Committee Self Evaluation Exercise**

Members considered a summary of the self evaluation exercise and questionnaire responses from June 2015 with a view to agreeing an action plan to improve the way Audit Committee operated. Only four responses were received and there was generally positive feedback. Members agreed that they would look at the Action Sheet at the March 2016 meeting to consider each point in more detail and agree a training programme.

### **Agreed**

That the Action Plan be considered at the March 2016 meeting together with a programme for training.

**8 SO24/Waiving of Contract Standing Orders: Quarter 1 and 2, April to September**

Members considered a report on the use of Standing Order 24 and the Waiving of Contract Standing Orders in recent decisions taken by Cabinet and Cabinet Members. Members were asked to consider whether the reasons for the urgency/waiving of contract standing orders were properly reflected in the documentation supporting each decision.

The Cabinet Member for Adult and Community Services took an urgent decision on 15 June 2015 which meant the decision was not subject to the "call in" process. The decision, (Housing (Wales) Act 2015 – Test of Intentionality (Homelessness)) was taken previously with full member consultation per the report; the subsequent decision taken was the same one on a more recent date post the legislation date providing the respective power.

**Agreed**

The report contained sufficient justification for the urgent decision.

**9 Work Programme**

Members agreed that:

- the Action Plan resulting from the Audit Committee Self Evaluation Process would be considered at the March 2016 meeting.
- Training on Treasury Management would be given at the January 2016 meeting.

**Agreed**

That subject to the above, the Work Programme be noted.

**10 Referrals to Audit Committee**

None

**11 Date of Next Meeting - 28 January 2016**