

Minutes



Audit Committee

Date: 26 June 2017

Time: 5.00 pm

Present: Mr J Baker (Chair), Councillors J Guy, J Jordan, L Lacey, W Routley, H Thomas, K Thomas, H Townsend and R White

In Attendance: Meirion Rushworth (Head of Finance), Owen James (Assistant Head of Finance - Technical and Development), Laura Campbell (Senior Finance Business Partner), Andrew Wathan (Chief Internal Auditor), Robert Squance (Audit Manager), Beverly Owen (Strategic Director - Place), Paul Jones (Head of Streetscene and City Services) and Michele Chesterman (Democratic Services Officer)

Apologies: Councillor D Davies

1 **Declarations of Interest**

None.

2 **Minutes of the Meeting held on 30 May 2017**

The minutes of the meeting held on 30 May were submitted.

It was queried whether the following had been circulated to Audit Committee Members:

- A copy of a departmental risk register for Members' information.
- Information on Disaster Recovery for Service Areas
- Examples of additional work around high level risks

Agreed

1. To follow up circulating the information above.
2. To confirm the minutes of the meeting held on 30 May 2017.

3 **Call In of Head of Service following Unfavourable Internal Audit Opinions**

Members were reminded that following the presentation of the Internal Audit six monthly update on unfavourable audit opinions in March 2017, the Audit Committee had agreed to call in the Strategic Director - Place and the Head of Streetscene & City Services to provide assurance that action would be taken to make the necessary improvements and how the implementation of actions would be followed up. This was in relation to two recent audits undertaken in the service area:

- Highways Overtime & On Call Payments – Highways (Unsatisfactory)
- Agency/Overtime – Refuse Service (incl. Follow-up) (Unsound)

The Head of Streetscene explained to Committee that he was new in post and he was implementing management controls. He agreed with all the recommendations raised by Internal Audit and was planning to action them all. Moving forwards he wished to address issues before they became a problem and hoped to discuss specific issues in greater detail once more embedded in the role.

Discussions included the following:

- What approach is being taken to managing the department? - Members were informed that as Head of Service and Senior Managers it was important to take responsibility and to plug any gaps through Scrutiny and the relevant Cabinet member. It was necessary to be clever with what is done with the resources to hand. It may mean doing less but control was needed.
- How are cultural issues in the department to be addressed without causing staff morale problems? – Members were informed that Task and Finish was not acceptable if overtime was claimed in addition. It was essential to liaise with Human Resources and ensure correct disciplinary processes were in place. Staff morale was not good and it was noted that there had been a big rotation of 7 Heads of Service in 5 years. There needed to be stability and a clearer direction with a clear lead and better accountability. High staff morale was needed but accountability was crucial.
- Has there been involvement of Trade Unions? – Members were advised that consultations with Trade Unions would take place, but it was essential to point out that it was about making people accountable and not about job losses.
- What is the solution around the overtime issue? – Members were informed that the use of overtime is not necessarily negative as it provides flexibility but it was essential not to pay twice for it and to ensure maximum value from staff.

Agreed

To review in 12 months following further on-going work between Internal Audit and the Head of Streetscene and City Services.

4 Draft Financial Accounts 2016/17

The Head of Finance introduced the report on the draft financial accounts for the period 1 April 2016 to 31 March 2017 to Members of the Committee. The report outlined the key statements within the accounts, and issues of interest to provide members with an understanding of the information presented.

The draft accounts along with supporting working papers had already been provided to the Wales Audit Office w/c 19 June 2017, to facilitate early engagement where possible. The Section 151 Officer would be signing the Council's Draft Accounts by the statutory deadline of 30 June 2017. Any information and comments from Committee Members could, where appropriate, be incorporated into the final signed draft version. Quality reviews had been undertaken by the Head and Assistant Head of Finance but if Members noticed any errors they were asked to bring them to their attention.

The accounts were subject to audit and would be re-presented to the Committee in September for formal approval and signing following completion of this work.

Members were informed of the four key statements together with supporting notes detailing the financial performance as follows:

- **The Comprehensive Income and Expenditure Statement (CIES):** showing the accounting cost in year of providing services in accordance with generally accepted accounting practices.
- **The Movement in Reserves Statement:** summarising the Authority's income and expenditure activity and showing how this was adjusted to arrive at the Authority's funding, or council tax position, and how surpluses/deficits had been distributed to reserves.
- **The Balance Sheet:** showing the value as at 31 March 2017 of the assets and liabilities held and recognised by the Authority.
- **The Cash Flow Statement:** showing the movements in cash and cash equivalents of the Authority during the reporting period.

The CIES showed a financial position which looks different to the underspend reported to Cabinet. This was because the Financial Statements were required to make a number of adjustments under the Code. Note 28 provided a reconciliation back to the surplus reported to Cabinet. The Head of Finance's foreword to the account explained this point and the key adjustments/differences.

Discussions included the following issues:

- With regards the £10m Friars Walk Reserve, as this was sold on 9 June would the reserve now become a useable reserve? – Members were informed that a Part 1 Report submitted to Cabinet in July would include details of the Friars Walk deal and implications of the issues.
- With regards the £107m reserves how much is generally usable reserves? – Members were advised that there was no reserve not earmarked for a specific purpose. £11m Invest to Save and £7m Capital Projects could potentially be used but there were implications of doing that.
- With regards Contingent Liabilities, is there a percentage involved? – Members were informed that rather than a probability of it happening, to protect the Authority risk-wise, the Head of Finance has to make a judgement.
- Page 133 refers to the Authority paying 7 elected members £1677 could the word "each" be inserted and then confirmed by payroll? – Members were informed that this would be noted and updated in the accounts.
- Page 134 – Head of Children and Family Services (staff secondment from Barnardo's) – Why does it appear and is it relevant? – Members were advised that the Auditors had asked for it to be included but the Officers would check to see if it was still relevant.
- Page 134 – "*The employer pension contributions in 2016/17 reflect a contribution rate of 12.4% as the additional amount paid to the fund of the difference to 19.2% that was paid as a lump sum payment, therefore it is not reflected as an employer contribution for the individual*" – 19.2% to be amended to figures.
- Page 135 - Why has there been an increase in the Returning Officer's fees and could there be a note to explain it? – Members were informed this was due to the fact there had been an increase in elections during the period and an explanation would be added to the accounts.
- A number of corrections were identified in the Draft Accounts and Officers requested that if Members identified any other typographical or formatting errors, they email them to Officers.
- There was discussion regarding the recommendation last September that a log be kept of any changes and for Members to be shown a copy of those changes. The copy of the papers in September had been different to those submitted. Members were advised that the copy for Audit in September 2017 should be the final version.
- Members stated that they did not understand underspend of cash – The Head of Finance suggested that Members should contact him or the Assistant Head of

Finance outside the meeting to clarify any issues and also reminded Members of the Treasury Management training session in September 2017.

Agreed

To note the draft accounts subject to the comments above.

5 **Work Programme**

Members' attention was drawn to the current work programme for items to be considered at the next two meetings in September and November 2017.

Agreed

To note the Work Programme

The meeting terminated at 6.40 pm