

## AUDIT COMMITTEE

16 SEPTEMBER 2015

Present: Independent Members: Ian Arundale (Chair),  
Councillors Howells, Murphy, Weaver,  
Professor Maurice Pendlebury, Hugh Thomas and Dianne Rees

### 13 : APOLOGIES FOR ABSENCE

Apologies were received from Sir Jon Shortridge and Councillors McGarry and Mitchell. Had he been able to attend this would have been Sir Jon's last meeting.

RESOLVED – That a letter be sent to Sir Jon Shortridge to express thanks for his expertise, hard work and commitment both to the Audit Committee and to the Audit Panel before that.

### 14 : DECLARATIONS OF INTEREST

The Deputy Chairperson reminded Members of their responsibility under Part III of the Members' Code of Conduct to declare any interest in general terms and to complete personal interest forms at the start of the meeting and then, prior to the commencement of the discussion of the item in question, specify whether it is a personal or prejudicial interest. If the interest is prejudicial Members would be asked to leave the meeting and if the interest is personal, Members would be invited to stay, speak and vote. No declarations were made.

### 15 : MINUTES

The absence of the procurement sub group item on the agenda was raised. The Corporate Director (Resources) explained that this item has been rescheduled for the next Committee meeting.

RESOLVED – That the minutes of the meeting of the Audit Committee of 22 June 2015 be agreed as a correct record of the meeting and signed by Professor Maurice Pendlebury who was Chairperson at that meeting.

### 16 : FINANCE

#### Financial Update

The Committee was given an update by the Section 151 Officer and was advised that the projection is that there will be a balanced budget position for 2015/16, although the projection indicates a net overspend of £2.1 million at directorate level. Overall, the position appears better than at the same period last year although there are still some significant issues at directorate level in relation to achieving the budgeted savings. The contingency budget of £4 million partly offsets the projected directorate overspends. There has been some slippage in the capital programme mainly in respect of the 21st Century Schools Programme and the development of Central Square.

RESOLVED – That the report be noted.

Draft Statement of Accounts 2014-15, including Wales Audit Office Financial Statement Report (ISA260)

The Chairperson welcomed Ann-Marie Harkin, WAO Engagement Director, Non Jenkins, WAO Local Government Manager (South East) Wales region, Chris Pugh, WAO Auditor and Grants Specialist, Janet McNicholas, Audit Manager (WAO) and Alan Morris (WAO).

The Committee was advised that the total earmarked reserves stand at £34.1 million, the Housing Revenue Account balance is £8.438 million and the Cardiff & Vale of Glamorgan Pension fund is valued at £1.680 billion as at 31 March 2015.

An amended copy of the Wales Audit Office (WAO) Audit of Financial Statements Report – (Draft ISA260) was distributed to the Committee. WAO officers informed the Committee that there were no unadjusted misstatements in the accounts. The audit is now complete and the Auditor General is prepared to issue an unqualified audit opinion. There were a number of corrected mis-statements. One issue that arose was around the incorrect capitalisation of some expenditure on council house dwellings extrapolated to be £5.1 million. As this is below the materiality level WAO is not requesting an amendment to the Statement of Accounts in relation to it. WAO received the local authority accounts within the deadline and all required information was received. No material weaknesses in internal controls have been identified.

Anil Hirani, Operational Manager (Capital & Treasury) advised the Committee that WAO's concerns were around some of the narratives that have been used when officers have raised jobs for the completion of work on dwellings. There is a need for firmer processes around narratives and for more education of officers within the service area dealing with Housing works. WAO agreed with officers that it was an issue of coding/categorisation and that WAO had ascertained that it was not a material issue this year and that the figure quoted was an assumed worse-case scenario although improvements were needed going forward.

The Chair felt that officers should be congratulated on completing a very comprehensive and complex piece of work within the required timescale.

The Committee asked for paragraphs 78 and 79 of the Annual Governance Statement to be rephrased to clarify the supporting role of the Audit Committee to Internal Audit, and to explain how managers have been helped to make informed and transparent decisions. The Section 151 Officer briefed the Committee on the Cardiff Manager Programme, which is aimed at officers at grades 8, 9 and 10 across the Council. Finance led one day of the event and the aim was to bring everyone to the same position regarding financial awareness. It was agreed that the Annual Governance Statement would be amended to clarify these matters.

WAO officers advised the Committee that the audit of the Cardiff and Vale of Glamorgan Pension Fund has been completed and this has resulted in an unqualified audit report. WAO had been awaiting some assurances from fund managers but this has now been received.

RESOLVED –

- 1) That the AGS be amended to clarify the above matters.

- 2) That the Draft Statement of Accounts 2014-15 and the Wales Audit Office Financial Statement Report (ISA260) be commended to the Council.

## 17 : GOVERNANCE & RISK MANAGEMENT

### Organisational Development Programme Update

This report informed the Committee of the progress of projects within the Council's Organisation Development Programme (ODP).

The Committee noted that this is an important programme of work for the Council on its improvement journey.

RESOLVED – That the report be noted.

## 18 : WALES AUDIT OFFICE

### Corporate Assessment Update (WAO Project Brief)

WAO officers advised the Committee that the report sets out what WAO will be doing in the Corporate Assessment Follow-on. The ODP will be central to the report. WAO will be looking at issues that were identified during the Corporate Assessment. WAO has started to carry out document reviews and tracer work. It is expected that WAO will be able to produce some draft output in December 2015.

The Committee raised the matter of Member Surveys which were sent to both elected and independent members as part of the follow-on Corporate Assessment. WAO agreed to consider the relative representation of independent and elected Member survey responses.

RESOLVED –

- 1) That the report be noted.
- 2) That the Committee consider this again at its meeting on 1 February 2016
- 3) That WAO consider the relative representation of independent and elected Member survey responses.

### WAO Annual Improvement Report

The Committee was advised that this year the Annual Improvement Report will be fairly light. Due to the forthcoming Corporate Assessment the Committee will have seen most of the content already. WAO needs to see the outcome of the follow-on assessment and the Estyn monitoring outcomes. WAO will also be working closely with the Care and Social Services Inspectorate Wales.

RESOLVED – That the report be noted.

### WAO Annual Progress Report Update and Value for Money Studies

- i) Financial Resilience of Councils in Wales

The Committee was advised that WAO has produced a financial resilience report and will be doing this at regular intervals. There is some work to be done on knitting together the financial elements with policy and strategy, something which is always difficult to do but even more so in a period of austerity. WAO will be reporting on how councils are responding to the financial challenges that they now face when providing public services. It is expected that a report will be published in February 2016. WAO will be looking at how financial plans are linked to strategic plans. The implications of the Well-being of Future Generations (Wales) Act 2015 add another dimension to this. Aware that Welsh Government (WG) is not providing local authorities with any additional funding for the implementation of the Act, WAO will also be looking at the decision of WG and ministers. WAO has to be careful not to be seen as influencing policy but at the same time has to look at how decisions are made and the implementation of them.

## ii) Certificate of Compliance

The purpose of this item was to inform the Committee about the Certificates of Compliance issued to the Council as part of the Local Government (Wales) Measure 2009 (the Measure).

RESOLVED – That the report be noted.

## 19 : TREASURY MANAGEMENT

### Performance Report

Appendix 1 and Appendix 3 to the report for agenda item 7.1 (Treasury Management – Performance Report) contained exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972. It was agreed that the public be excluded for the duration of the discussion of this item of business on the grounds that if members of public were present during the discussions, due to the nature of the business to be transacted there would be disclosure to them of exempt information of the description in Paragraphs 14 and 21 of Schedule 12A of the Local Government Act, 1972. No members of the public and press were present.

The Operational Manager, Capital & Treasury, presented this report, the purpose of which was to provide the Committee with performance information and a position statement on Treasury Management as at 31 August 2015 and highlight key changes from the previous report received as at 31 May 2015.

The Committee was advised that as at 31 August 2015 investments totalled £48.9 million. Currently a slight underspend is forecast in terms of external borrowing. The forecast for internal borrowing at 31 March 2016 is £45 million.

The Committee enquired whether the Council is exposed to any risk in relation to Lender Option, Borrower Option loans (LOBOs) and asked how much notice the local authority would receive if they were called in. The Committee was advised that notice is given and it is not expected that any LOBOs will be 'called in' this year. The Council has plain LOBOs rather than complicated ones and could manage early repayment if that were necessary. The Council has also considered asking providers whether they would like to restructure the loans. LOBOs form only a small percentage of the Council's overall debt.

RESOLVED – That the report be noted.

#### Treasury Management Annual Report

Annexes B and C to Appendix 1 to the report for agenda item 7.2 (Treasury Management Annual Report) contained exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972. It was agreed that the public be excluded for the duration of the discussion of this item of business on the grounds that if members of public were present during the discussions, due to the nature of the business to be transacted there would be disclosure to them of exempt information of the description in Paragraphs 14 and 21 of Schedule 12A of the Local Government Act, 1972. No members of the public and press were present.

The purpose of this report was to provide the Committee with the Treasury Management Annual Report before submission to Council in September in accordance with the Council's Treasury Management Policy.

RESOLVED – That the report be noted.

#### 20 : INTERNAL AUDIT

No items were presented.

#### 21 : OUTSTANDING ACTIONS - ACTION LOG

The purpose of this item was to update the Committee on outstanding actions from the Audit Committee's Action Plan.

RESOLVED – That the report be noted.

#### 22 : WORK PROGRAMME 2015 - 16

The purpose of this report was to update Members on the Committee's Work Programme for 2015/16

A Member requested that Financial Resilience be included as a standard separate agenda item, rather than as part of the budget/financial report. It was agreed by the Corporate Director Resources that the topic of financial resilience would be made more explicit under finance.

It was also requested that the reports from the WAO should be added at the requisite times to the work programme.

RESOLVED –

- 1) That Financial Resilience be added as a separate agenda item at appropriate times.
- 2) That the WAO reports expected for 2015-16 be added to the work programme.
- 3) That the report be noted.

#### 23 : DATE OF FUTURE MEETINGS

The next meeting will be held on 30 November 2015 at 2.00pm

The meeting closed at 3.25pm

The meeting terminated at 3.25 pm