

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE**  
**HELD IN MEETING ROOM 1, GUILDHALL ON**  
**THURSDAY, 27 JULY 2017**

**MEMBERS**

Independent Lay Member Jerry O'Keeffe, Chair  
Councillor Dana Davies, Vice-Chair

Councillor	Andrew Atkinson	Councillor	John McCusker
"	Trevor Bates	"	Paul Roberts
"	* Sonia Benbow-Jones	"	* Rondo Roberts
"	D J Griffiths	"	Robert Walsh
"	Marc Jones	"	Nigel Williams
"	Paul Jones		

\*Absent

Also Present – Councillors Adrienne Jeorrett

**18 APOLOGIES FOR ABSENCE**

Apologies for absence were submitted on behalf of Councillors Sonia Benbow-Jones and Rondo Roberts.

**19 DECLARATIONS OF PERSONAL INTERESTS, IF ANY**

There were no declarations of interest.

**20 WELCOME**

The Chair welcomed Derwyn Owen, Matthew Edwards, Sharon Jeffries and Jessica Hamilton, Wales Audit Office, to the meeting.

**21 CONFIRMATION OF MINUTES**

The Minutes of the meeting held on 15 June 2017 were submitted.

**Matters Arising:**

With reference to the Topic Request Form referred to in Minute No. 6, the Service Manager – Audit and Technical commented that a report on Environment Enforcement Services in Wrexham would be submitted to the December 2017 meeting of the Home and Environment Scrutiny Committee.

With reference to the Internal Audit Interim Report February - March 2017, the Service Manager – Audit and Technical confirmed that the majority of Red and Red/Amber audits were completed at the first Follow-up stage. He agreed to provide Members of the Committee with more detailed information in relation to the figures following the meeting.

**RESOLVED – That the Minutes of the meeting held on 15 June 2017 be signed as a correct record.**

**22 AUDIT COMMITTEE WORK PROGRAMME**

The Head of Finance commented that following consultation with the Chair and Vice-Chair, the Audit Committee meeting arranged for Thursday 28 June 2018 has been brought forward to Thursday 31 May 2018 to facilitate the preparation of the Authority's Statement of Accounts for the 2017/18 financial year by the end of July 2018.

**RESOLVED – That the Work Programme be noted.**

**23 STATEMENT OF ACCOUNTS 2016/17**

The Head of Finance submitted a report (HF/67/17) to approve the Authority's Statement of Accounts for the financial year 2016/17. A copy of the Statement of Accounts was attached at Appendix 4 the report.

The Service Manager - Accountancy introduced the report and reminded Members that the Audit Committee had considered the Statement of Accounts for the 2016/17 financial year at its meeting held on 15 June 2017. As a consequence of more accurate information being made available to officers and issues raised at audit, a number of adjustments had been made to the accounts, which had been agreed by the External Auditor and these were set out in Appendix 1 to the report. The Council's response to the Wales Audit Office's letter of representations regarding the 2016/17 Financial Statement of Accounts was submitted at Appendix 2. A copy of the Wales Audit Office Audit of the Financial Statements Report was submitted at Appendix 3 to the report. The Service Manager then highlighted and explained the adjustments and amendments made to the accounts, as agreed by the External Auditor.

Matthew Edwards, Financial Audit Manager, Wales Audit Office (WAO), reported that the WAO's key issues were summarised in the 'Audit of Financial Statements Report' submitted at Appendix 3 and it was the Audit General's intention to issue an unqualified audit report on the financial statements. He thanked the Head of Finance and his team for preparing the draft financial statement to a high standard and for their assistance in enabling a smooth process and completion of the audit.

Members then raised the following matters in respect of the Statement of Accounts:

Narrative Report,

- 2. Financial Performance - Revenue Outturn for 2016/17: Paragraph 2.11: Further information was sought on the Schools' overspend of £938k during 2016/17. The Service Manager – Accountancy reminded Members that a detailed breakdown of individual school balances had been included in the Revenue Outturn and Carry Proposals Information Report circulated to Members previously. It was the responsibility of individual School Governing Bodies to

manage their delegated budgets and a number of schools had been granted 'Licenced Deficits', mainly in the secondary sector.

- 6. Revaluation and Disposal of Non Current Assets: Paragraph 6.4: The Council had disposed of the two parcels of land in question for a nil return as part of its overall objective to enable the building of more affordable housing within the County.

#### Notes to the Accounts

- Note 3.- Assumptions made about the future and other sources of estimation uncertainty: In response to a Member's concerns on the effect a 1% increase in the Retail Price Index would have on the cost to the Council of the PFI Waste Management Contract over the next 21 years, the Head of Finance acknowledged that this was a significant area of expenditure and the assumption used in making the accounting estimate was reasonable. The note indicated the potential risk to the Council if future increases in the Retail Price Index differed from the assumption. He reminded Members that the PFI scheme had been very successful in meeting recycling targets and this had prevented the Council from being fined.
- Note 13 - Agency Income and Expenditure North & Mid Wales Trunk Road Agency (NMWTRA): Clarification was sought for the increase in Winter Maintenance costs from £7k in 2015/16 to £72k in 2016/17. The Head of Finance commented that the NMWTRA had changed their reporting system which had enabled the Council to collate evidence to better record the type of activity undertaken on their behalf. He would provide further detailed information to Members of the Committee following the meeting.
- Note 18 – Related Parties, Controlled Companies – Wrexham Commercial Services Limited: In response to a question, the Service Manager – Accountancy reported that the increase in the liability figures was partially due to payroll / invoice payments at the time of the finalisation process for the financial statement. The Head of Finance further reported that the company had made a financial loss during 2016/17 and this had resulted in an increase in its debt to the Council. He agreed to provide further detailed information to Members of the Committee following the meeting.
- Note 19 – Material Items of Income and Expense: In response to a query, the Service Manager - Accountancy confirmed that the repayment period of the PWLB loan to finance the Council's exit from the Housing Subsidy system was 30 years. The loan had been taken to enable the Council to meet the Welsh Government's Welsh Housing Quality Standard by 2020.
- Note 31 - Long Term Debtors: Members requested further information on the amount and length of time of the repayment period for the three approved loans to voluntary bodies.

#### Notes to HRA Statements

- Note 2 - Rent Arrears: It was noted that there had been a reduction of £10k in the total amount of rent arrears at 31 March 2017 compared to 31 March 2016.

The Committee thanked the Head of Finance and his team and the Welsh Audit

Office for completing their respective roles in a timely manner and enabling the Council to bring forward the timetable for preparing and publishing the accounts.

**RESOLVED –**

- (i) That the Statement of Accounts for the 2016/17 financial year attached at Appendix 4 to report HF/67/17, be approved.**
- (ii) That the contents of the management representations letter, as set out in Appendix 2 to report HF/67/17, be approved.**

**24 COUNCIL'S CODE OF GOVERNANCE**

The Head of Finance submitted a report (HF/70/17) which informed the Audit Committee of the proposed replacement of the Council's Code of Corporate Governance.

In introducing the report the Audit Lead (David Stewart) commented that the replacement code, which was based on guidance provided to all UK Local Authorities, would enable the Council to continue to have in place a defined commitment to good corporate governance. He also added that the Code allows the importance to good corporate governance of all related policies and processes to be viewed, and that compliance with the Code is accounted for by the Annual Governance Statement which is reported to the Audit Committee. A copy of the proposed replacement Code was attached to the report.

**RESOLVED – To recommend to the Executive Board that the proposed Wrexham County Borough Council: Corporate Governance Code as set out in Appendix 1 of report HF/70/17 be approved.**

**25 AUDIT COMMITTEE ANNUAL REPORT**

The Head of Finance submitted a report (HF/69/17) which enabled consideration to be given to the Chair of the Audit Committee's Annual Report 2016-17.

The Chair of the Audit Committee presented the report and gave an overview of the work undertaken by the Committee during the 2016/17 Municipal Year. The Committee's activities continued to provide assurance as to the effectiveness of the Council's controls and made a positive contribution towards improving governance arrangements. Therefore, he recommended that Members approve the Annual Report for submission to Council.

During consideration of the report Members raised the following matters in particular:

- Concern was expressed on the low number of responses from Councillors, including those who were Members of the Audit Committee, to the 2017 Audit Committee Effectiveness Survey. It was acknowledged that the Survey was an important method of demonstrating the effectiveness of the Audit Committee and also highlighted areas for improvement and training for Members. It was agreed that in future, there would be an expectation that all Members of the Audit Committee would complete the survey as this would assist them in the discharge

of their function as a Member of the Audit Committee as set out in the Council's constitution. The Service Manager – Audit and Technical would investigate whether this could possibly be included in the "Member of an Audit Committee Role Description" as set out in the Constitution.

- The low response rate and relatively high number of 'Don't Know' responses indicated that there was still a need to raise awareness of the work undertaken by the Audit Committee in ensuring effective corporate governance.
- Whether the names of those Councillors who did not respond to the survey could be published in the Audit Committee Annual Report. There was a difference of opinion as to whether this would be effective.
- With reference to Audit Committee training and development it was agreed that the number of Councillors attending each training session or workshop should be recorded in future Audit Committee Annual Reports.

**RESOLVED – To recommend to Council that the Audit Committee Annual Report 2016/17, as attached to report HF/69/17, be approved.**

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### **INTERNAL AUDIT - ANNUAL COUNTER FRAUD REPORT 2016/17**

The Head of Finance submitted a report which enabled consideration to be given to the Annual Counter Fraud Report 2016-17, a copy of which was attached at Appendix 1 to the report.

The Audit Lead (David Stewart) introduced the report and gave an overview of the counter fraud arrangements in place to mitigate the risk of fraud within the Council. The report included information on national fraud trends, assessed the effectiveness of the Council's counter fraud arrangements and provided further information on the outcome of those frauds reported to the Audit Committee during 2016/17. The risk of fraud was significant for all local authorities, but the Council's counter fraud procedures were generally in line with good practice and were currently considered to be proportionate to the risk. Their effectiveness is, however, subject to regular review against the risk.

During consideration of the report Members raised the following points in particular:

- With reference to the table attached at Appendix 3 to the report 'Reported Frauds at WCBC 2016 17 : Referrals to Internal Audit', a Member queried whether, in the three instances that had resulted in the outcome of disciplinary action being a 'Final Written warning', a consistent approach had been taken by HR officers /managers as two of the cases involved proven fraud, and the other referred to non-compliance with procedures. Members acknowledged that the details of each case could vary and this may not be apparent from the final outcome as reported.
- The Service Manager – Audit and Technical commented that the Audit Committee required assurance that the Council had robust disciplinary policies and procedures in place. Mitigating circumstances would influence the final decision and disciplinary action to be taken in individual cases. Assurance had been previously provided by the Human Resources and Organisation Development Service Manager that checks were carried out on all cases where

disciplinary action was taken to ensure consistency.

- The Audit Lead reminded Members that a training session on Counter Fraud had been scheduled for 22 February 2018 and that a representative from the Council's Human Resources Department could be invited to attend to comment on the approach they undertook to ensure that a consistent approach was maintained.
- With reference to paragraph 3.1 of the report, it was noted that the 'Counter Fraud and Corruption Tracker used to estimate the National Picture of the cost of frauds to the public purse related to England only and requested that similar information be made available for Wales. Derwyn Owen, Wales Audit Office, agreed to further investigate the matter.

#### **RESOLVED –**

- (i) That the report be noted and the Committee accepts the assurance evidence produced.**
- (ii) That a representative from the Council's Human Resources Department be invited to attend the training session on Counter Fraud scheduled for 22 February 2018 to provide information on the measures in place to ensure that a consistent approach was undertaken when conducting disciplinary hearings.**

Independent Lay Member Jerry O'Keeffe  
Chair