

CORPORATE GOVERNANCE COMMITTEE

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1A, County Hall, Ruthin on Monday, 29 September 2014 at 9.30 am.

PRESENT

Councillors Martyn Holland, Gwyneth Kensler (Vice-Chair), Jason McLellan (Chair) and Mr P. Whitham (Lay Member).

Councillors B.A. Smith and M.LI. Davies attended as observers.

ALSO PRESENT

Head of Internal Audit (IB), Head of Finance and Assets (PM), Chief Accountant (RW), Capital Finance Manager (VH), Technical Accountant (SJ), Wales Audit Office Representatives (AV and NR) and Committee Administrator (CIW).

1 APOLOGIES

Apologies for absence were received from Councillors Joan Butterfield and Julian Thompson-Hill and the Head of Legal and Democratic Services.

2 DECLARATIONS OF INTEREST

No Members declared any personal or prejudicial interests in any business identified to be considered at the meeting.

3 URGENT MATTERS

No items were raised which in the opinion of the Chair, should be considered at the meeting as a matter of urgency pursuant to Section 100B(4) of the Local Government Act, 1972.

4 APPROVAL OF ANNUAL STATEMENT OF ACCOUNTS 2013/14

A copy of a report by Chief Accountant (CA) had been circulated with the papers for the meeting, together with, the Statement of Accounts 2013/14 (SA) and the Audit of Financial Statements Report (AFSR), produced by the Welsh Audit Office (WAO).

The Head of Finance and Assets (HFA) introduced the report which presented the SA for formal approval. He highlighted the importance and complex nature of the document and explained that the timescales for the production of the SA would decrease in the future. The Council had a statutory duty to produce a SA which complied with approved accounting standards, and the audited accounts were required to be formally approved by Elected Members on behalf of the Council.

The Financial Statements for 2013/14 had been approved, subject to audit, by the Chief Finance Officer on the 30th June, 2014. The draft SA had been presented to

the Committee on the 2nd July, 2014, when the CA had provided an overview of the draft SA and the process underpinning it. The Accounts and Audit Regulations required Council to formally approve the audited Accounts, containing the external Auditor's opinion, by the end of September.

The SA had been produced in compliance with the International Financial Reporting Standards (IFRS), details had been included in the report. The Chartered Institute of Public Finance and Accountancy (CIPFA) produced the IFRS based Code of Practice on Local Authority Accounting and the Council had produced the 2013/14 SA in compliance with the Code. The SA included an unqualified audit opinion and audit certificate, and had been made available for audit and open to public inspection and no representations had been received. The Accounts had been audited by the WAO who would present an overview of their findings and an assessment of the process in a report. The audit process had resulted in some technical adjustments, other corrections and amendments which had been included in the Auditor's report.

The publication of the SA underpinned the financial stewardship and governance of the Council and therefore supported all Council services and priorities. The WOA had worked closely with the Finance Team to ensure the timely and successful finalisation of the audit.

The SA had again received an unqualified audit opinion, which had been a significant achievement given the scale and complexity of the Accounts. Internal procedures would be reviewed annually to ensure that the Council continued to deliver high quality financial statements.

The Chief Accountant (CA) delivered a presentation on the Statement of Accounts which provided:–

- an overview of the accounts and main financial statements.
- an outline of the processes involved including legislative requirements and timescales together with Members' role within the process
- illustrated how figures reported in the Revenue Account had been reflected within the financial statements.
- highlighted key areas for attention including Movement in Reserves; Income and Expenditure Statement; Balance Sheet and Cash Flow Statement.
- the statutory requirement to approve the SA by the 30th September, 2014.

The CA advised that no significant issues had emerged from the WAO audit which provided assurances in terms of process and compliance.

The WAO representative (AV) provided a detailed summary of the Audit of Financial Statements Report and referred to the WAO's role within the overall process and their responsibility to report on the financial statements. He presented

an overview of the report findings and particular reference was made to the following:—

- the Appointed Auditor intended to issue an unqualified audit report once the Letter of Representation had been provided.
- a summary of the corrections made to the draft financial statement, Number 10, Page 16 of Appendix 3. These had not been significant and had not affected the conclusions within the report.
- reference was made to the quality of the supporting papers provided, and appreciation conveyed to the Finance Team for their support and assistance.
- there had been no other significant issues arising from the audit.
- financial reporting and draft financial statements had been prepared to a high standard and no material weaknesses had been identified in internal controls.
- closure of the audit could not be certified until the WAO formally responded to correspondence received from the public in relation to the draft accounts.
- confirmation provided of the independence and objectivity of the work undertaken.

In response to concerns raised regarding issues pertaining to the valuation process of assets by Property Services, the HFA provided details of the process and assured Members that work to address this matter was in progress. The WAO confirmed that there were no issues in respect of the quality of the information provided. Confirmation was also provided that following sample checks 'exit packages' had been compliant.

The following responses were provided to questions from Members:-

- The CA outlined the process, and work being undertaken, in respect of pension fund information relating to the IAS 19 requirement for employee bodies to disclose in their accounts details pertaining to assets, liabilities and transactions. The importance of ensuring the provision of a correct evaluation of the deficit was highlighted by the WAO representative.
- The WAO representative explained that the key driver for the change in timescales for the closure process for the SA had related to the whole of the Governments accounts initiative, which had ultimately been a Treasury initiative. Confirmation was provided that WG would also have to abide by the new timescales. The HFA expressed the view that the reduction in timescales would not improve the accuracy or quality of the figures produced.
- Reference to the construction figures in respect of Foryd Harbour had arisen as a result of the misclassification of costs attributable to the project.
- The adjustment required to the fixed asset register to reflect the correct valuation of the Rhyl Recycling Centre had arisen following the provision of the re-evaluation figure.

- Details of the reserves held by the Authority and the consequences of utilising them, both earmarked and general, were provided by the HFA.

The Committee expressed its satisfaction that a high level of assurance had been provided in terms of the financial accounting process and compliance. The Chair and Members of the Committee requested that the HFA convey their appreciation to the staff in the Finance Team for the excellent work undertaken.

RESOLVED – *that the Corporate Governance Committee:-*

*(a) approve the Statement of Accounts 2013/14, Appendix 1 to the report, and
(b) requests that the Chair and Chief Finance Officer sign the Accounts and the Letter of Representation.*

[JMc & PM to action]

5 GOVERNANCE IMPROVEMENT PLAN

A report by the Head of Internal Audit (HIA), which provided an update on the Council's Governance Improvement Plan (GIP) arising from the Council's 2013/14 'annual governance statement' - 'Delivering good governance and continuous improvement', had been circulated previously.

The HIA introduced the report which detailed the progress being made with the implementation of the various actions included in the GIP, to ensure that the Council had robust and effective governance arrangements in place.

The Council's latest Annual Governance Statement, 'Delivering good governance and continuous improvement', provided a transparent and balanced self-assessment of the Council's governance arrangements, highlighting any significant governance weaknesses and other areas for improvement.

Improvement areas had been included in the GIP, Appendix 1, which provided proposed actions to address weaknesses, the officers responsible for the actions and timescales. The Plan was not fully complete as not all progress updates had been provided. Where responses had been received, actions were either complete or in progress. The Committee had received separate update reports which included Strategic HR, Arms-length Organisations, and Strategic Procurement.

Although the 'Annual Governance Statement' self-assessment did not directly contribute to Corporate Priorities, it provided an assessment and assurance on the delivery of the Corporate Plan, the Council's operational and financial performance, governance arrangements, community engagement etc. that were all directed towards delivering the Corporate Priorities.

If the GIP was not implemented, weaknesses would remain in the Council's governance arrangements, which could lead to:-

- adverse regulatory reports;
- poor use of public money;
- failure to improve key corporate and service areas;
- loss of stakeholder confidence; and

- an adverse impact on the Council's reputation.

In response to a request by Mr P. Whitham, that the issue pertaining to a lack of a Procurement Strategy be addressed by the end of November, 2014, the Committee agreed that a verbal progress report could be provided at the November meeting of the Committee prior to the receipt of a written report in December, 2014. Members also requested that written progress reports be provided by the HIA, at the November meeting, in respect of those areas which hadn't provided responses within the given timescales. Councillor B.A. Smith agreed to discuss the concerns raised by the Committee with the Head of Business, Improvement and Modernisation.

RESOLVED – *that Corporate Governance Committee:-*

- (a) receives the report, and*
- (b) requests that a verbal progress update be presented at the November, 2014 meeting of the Committee in respect of the Procurement Strategy, and*
- (c) requests that the Head of Internal Audit submits written reports to the November meeting, in respect of those areas which hadn't provided responses within the given timescales.*

(IB to Action)

Meeting ended at 11.00 a.m.