

AUDIT COMMITTEE

MINUTES of a meeting held on 14th September, 2006.

Present: Councillor N.P. Hodges (Chairman); Councillors J. Clifford, G. John and Mrs. M. Kelly Owen.

Also present: Mr. R. Harries and Ms. G. Lewis, Wales Audit Office.

309 APOLOGIES FOR ABSENCE -

These were received from Councillors A.D. Dobbinson, N. Moore and C.L. Osborne.

310 WELCOME -

Ms. Gill Lewis, the newly appointed Auditor to the Council, was welcomed to her first meeting of this Committee.

311 MINUTES -

RECOMMENDED - T H A T the minutes of the meeting held on 2nd May, 2006 be approved as a correct record.

312 DECLARATIONS OF INTEREST -

No declarations were received.

313 AUDIT OF THE FINANCIAL STATEMENTS - REPORTING TO THOSE CHARGED WITH GOVERNANCE (DFICTP) -

The Statement of Accounts had been approved by the Council in June 2006 (Minute No. 136). The report of the Wales Audit Office (WAO) to those charged with governance following the audit of the Council's Financial Statements for 2005/06 (undertaken in accordance with the International Standard on Auditing - ISA 260) was appended to the report - as was the amended version of the 2005/06 Statement of Accounts following the audit. A further amended copy of the Statement of Accounts was circulated at the meeting. The findings of the WAO on the audit of the Financial Statements were

- there were no concerns with the qualitative aspects of the Council's accounting practices and financial reporting
- there were no uncorrected misstatements
- there were no expected modifications to the standard auditor's report

- the audit did not identify any material weaknesses in internal control
- there were no other matters which needed to be reported as required by other ISAs, and there were no other audit matters of governance interest to report.

Having made the necessary revisions following the audit, a number of provisions had now been reclassified as reserves. That had had the effect of reducing the reported provisions and increasing the stated reserves as set out in the draft Statement of Accounts by £1.225m. Other adjustments, mainly to reported debtor and creditor figures, totalling £1.234m. had also been reflected in the adjusted reserves figure.

RECOMMENDED -

(1) T H A T the report of the WAO on the audit of the Council's Financial Statements for the 2005/06 financial year be noted, and the current methodology for receiving and approving the financial statements endorsed.

(2) T H A T officers be congratulated on producing the Financial Statements by the end of June, some way in advance of most other local authorities in Wales.

314 AUDIT OPINION (DFICTP) -

Committee was informed of the new methodology used to assist auditors in formulating an overall audit opinion at the conclusion of every audit. Since the primary purpose of Internal Audit reporting was to communicate information to provide a reasonable assurance and an independent and objective audit opinion to management on the control environment and to stimulate improvement, it was imperative that systems were in place to ensure that auditors obtained and recorded sufficient evidence to support their conclusions and professional judgements. A copy of the spreadsheet used for calculating the audit opinion was appended to the report. It was considered that the adoption of this new methodology for the calculation of the audit opinions would ensure a standard and consistent approach by all when formulating the audit opinion. It would assist the auditor when dealing with "border line" opinion and, further, explanation and reasoning would be clearly set out in the audit file for ease of reference, creating a clearly identifiable audit trail.

RECOMMENDED - T H A T the adoption of the new methodology for calculating the overall audit opinion be endorsed.

315 INTERNAL AUDIT PLAN: QUARTER 1 - ACTUAL OUTTURN V. PLANNED OUTTURN 2006/07 (DFICTP) -

The actual position for the first quarter of the current financial year compared against the Plan was detailed in the appendix to the report. It was noted that the Plan was based on an establishment of 20 full time employees which

provided a total of 5,200 days. However, as reported to this Committee in May, during year 1 and 3 of the four-year strategic plan, there was a deficit of days available to achieve the desired outcome of 5,512 and 5,414 days respectively. Whilst additional resources had been secured to ensure the Plan was achieved, there had been some delay in the first quarter with filling vacant posts within the Section, and those staff who had been appointed to permanent positions required a high level of supervision, mentoring and training. Attached at Appendix D to the report was the activity report produced from the Audit Management System (APACE). That Appendix provided the details of the reviews that commenced and not completed during the period as well as those reviews completed within the period. Overall the reviews undertaken during the first quarter had not identified any significant weakness in the system of internal financial control (with the exception of the Council's Leisure Centres - as this Committee had already been made aware). Progress against improvements needed at the Leisure Centres was continuing to be monitored and there had been some improvements made across all the Centres. It was reported that Senior Management responsible for the leisure function were now demonstrating a strong commitment to implementing the fully documented procedure manual and had given assurances that all appropriate staff would be fully trained in its practical application. All staff would be expected to adhere to the procedures and regular monitoring would be undertaken by Senior Officers. It was noted that a report on the current position would be submitted at the next meeting.

RECOMMENDED - T H A T the report on actual audit performance for the first quarter April - June 2006 be noted.

316 AUDIT OF HOUSING AND COUNCIL TAX BENEFIT SUBSIDY CLAIM (DFICTP) -

The Wales Audit Office undertook an audit of the housing and council tax benefit subsidy claim each year working to instructions set by the Department for Works and Pensions (DWP). The audit report as appended to the report summarised the issues raised during the audit and made recommendations to address the issues in order to improve the accuracy of future subsidy claims. Those recommendations were covered in an action plan and had been reflected in the Benefits Team Plan. The claim had been qualified in two respects, namely incorrect calculation of extended payments and misclassification of overpayments by officers when processing claims. On receipt of the audit report, the DWP had decided to recover £2,003 in overpaid subsidy in relation to the misclassification of overpayments. It was accepted that most of the issues raised could be covered by training and checking. All staff continued to receive training and it was noted that the total impact of amendments made by the auditor amounted to a decrease in subsidy entitlement of 0.01%.

RECOMMENDED - T H A T the contents of the Audit Report be noted.

317 RISK MANAGEMENT STRATEGY (DFICTP) -

The terms of reference of this Committee had been amended at the Annual Meeting in May 2006 to include the requirement “to monitor the effective development and operation of risk management and corporate governance in this Council”. As a consequence, it had been necessary to amend the existing Risk Management Strategy and Policy Statement along with other changes to the membership of the Corporate Risk Management Group. The amended Strategy was appended to the report. The Strategy set out a Risk Management Policy Statement which described the aims of the Strategy and the culture the Council should achieve through its implementation, describing how that culture would be achieved through the identification and management of strategic risks (long term) service risks (day to day) and project management risks (temporary change objectives). It identified key objectives for the Strategy, roles and responsibilities for risk management, and the benefits of successful risk management. Reports would be made to future meetings.

RECOMMENDED - T H A T the amendments to the Risk Management Strategy and Policy Statement be endorsed and referred to Cabinet for approval.

318 REPORT BY THE WELSH ASSEMBLY GOVERNMENT: PROVIDER AUDIT AND GOVERNANCE SERVICE (PAGS) ON THE INTERNAL AUDITOR'S WORK IN RELATION TO SIXTH FORM SCHOOLS (DFICTP) -

The outcome of the review undertaken by PAGS (formerly ELWa) focussing on the work programme undertaken by Internal Audit in relation to sixth form schools and community learning was appended to the report. At the time of the review, the Local Authority audit guidance was in draft stage and, as a result, no overall opinion could be given as to whether Internal Audit had complied with that guidance. However, as the guidance was subsequently finalised in March 2006, the Operational Manager - Accountancy and Audit specifically requested that an overall opinion be incorporated within the final report. It was noted that the overall outcome of the review was extremely pleasing with a positive overall opinion, with Internal Audit complying with the Local Authority audit guidance in all material aspects. PAGS was particularly pleased to note that the systems and controls at each sixth form school were reviewed on the basis of risk.

RECOMMENDED - T H A T the report issued by the Provider Audit and Governance Service (PAGS) be noted.

319 ANTI-FRAUD AND CORRUPTION STRATEGY (DFICTP) -

The consultation process in respect of the draft Anti-Fraud and Corruption Strategy (presented to this Committee in February 2006) had now been completed and an amended version of the Strategy was submitted for Committee endorsement. The Strategy was designed to encourage

prevention, promote detection and identify a clear pathway for any appropriate investigations to take place in regard to fraud or corruption, and had been updated to reflect the key role that this Committee played in the prevention and detection of fraud and corruption. Small amendments had been made to the draft Strategy as a consequence of comments emanating from Human Resources and Equalities, and from the Human Resources Policy Review Group. The Strategy had been presented to the Trade Unions but no comments had been received by the requested deadline.

RECOMMENDED - T H A T the amended Anti-Fraud and Corruption Strategy as appended to the report be endorsed.