

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN THE COUNCIL CHAMBER, CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 14 DECEMBER 2005 AT 10.00AM

Present:-

Councillor A E Davies - Chairperson

Councillors

Councillors

D T Anderson
G Davies
R M Granville
M Mathias

W May
M L Simmonds
J C Spanswick
W H C Teesdale

Officers:

Mr G Lloyd - KPMG

Mrs V. de-Zouche - KPMG

Mr L M James - Deputy Chief Executive - Executive Director Resources

Mrs J Smith - Head of Accountancy

Mr G Doak - Internal Audit

Mr M Galvin - Senior Cabinet/Committee Officer

62 MINUTES OF THE PREVIOUS MEETING

RESOLVED: That the minutes of the Audit Committee dated 3 November 2005, be approved as a true and accurate record.

63 APOLOGIES FOR ABSENCE

Apologies were received from the following Members:-

Councillor P A Evans

Councillor D A D Brett - Doctor's appointment.

Councillor J H Tildesley

64 NON-ATTENDANCE DUE TO OTHER COUNCIL BUSINESS

Councillor J H Tildesley who was attending a meeting in Maesteg.

65 DECLARATIONS OF INTEREST

None.

66 KPMG - ANNUAL AUDIT LETTER 2004/05

The Deputy Chief Executive and Executive Director - Resources reported upon the Annual Audit Letter 2004/05, a copy of which was attached to his report at Appendix 1.

He advised that he had hoped to bring a Presentation to Members (by Gill Lewis, KPMG) on the Relationship Manager's Annual Letter, this however, was still in draft form awaiting Officers final comments. He added that there was a requirement to finalise this document by 31 December 2005.

He suggested therefore that it may be necessary to call a Special meeting of the Audit Committee in early January to consider this matter.

Mr Gilbert then proceeded to speak on the Annual Audit Letter and accompanying Statement of Accounts. He firstly advised that this would be incorporated in the Relationship Manager's Annual Letter. The purpose of the Annual Audit Letter, was to summarise key areas and findings following the examination of certain areas of the Authority by the Audit Commission.

He added that the Letter primarily set out major responsibilities, and also focussed on operational and financial risks the Authority are confronted with.

He highlighted a number of important areas highlighted within the document, namely:-

- Corporate Improvement Plan (making good progress)
- Information concerning budgetary issues
- Pension scheme deficits
- Leisure portfolio areas
- Works required to schools
- Maintenance of highways
- The Materials Recycling Centre
- Implementation of Human Resources Flagship Project
- Social Services - Inspector's report

He added that some of the above areas were deemed to be high risk, and had financial implications, which would impinge further upon Council budgetary pressures. With the combination of all the above, he stressed the importance of the role of the Business and Efficiency Unit in endeavouring to highlight, where possible, avenues where savings could be explored and ultimately made.

He then went on to page five of the Annual Audit Letter, regarding financial statements and in particular the statement of accounts for the year ending 31 March 2005 which were ready to be signed off by External Audit.

With regard to financial reporting, he highlighted bullet point one, which reflected improvement to previous years in the efficiency and effectiveness of the audit fieldwork in relation to the audit of Financial Statements. An Action Plan he added had been created to ensure improvements made to date are continued in the future.

He also referred to financial reporting - adjustments to draft accounts and, in particular, to an improved method of addressing interest charges and premiums in relation to loans.

The Executive Summary which gave a résumé of the key areas of the Annual Audit Letter 2005, concluded that although good progress was being made by the Authority in a number of areas, there were still pressing issues needing on-going attention, for example, Children's Services and a number of issues on the change agenda. It was felt that the next six months would be crucial in the Authority successfully progressing its improvement agenda.

Following conclusion of the Presentation, Officers responded to a number of questions raised by Members, following which, it was

- RESOLVED: (1) To note the contents of both the Annual Audit Letter 2004/05 and the accompanying Statements of Account.
- (2) To also note with pleasure, those areas of the documents reflecting areas where improvement has been made.

67 WALES AUDIT OFFICE: RELATIONSHIP MANAGER'S ANNUAL LETTER (RMAL) 2004/05

The Deputy Chief Executive and Executive Director - Resources submitted a report, which advised Members of the possibility of an addendum report following on the subject of the Relationships Manager's Annual Letter for 2004/05.

As was explained in the above item, this document is still in draft form awaiting Officers' final comment. In light of this, it was

RESOLVED: That a special meeting of the Audit Committee be convened in January 2006, for the purpose of considering the Wales Audit Office - Relationship Manager's Annual Letter 2004/05.

68 PRESENTATION - THE STATEMENT ON INTERNAL CONTROL IN LOCAL GOVERNMENT

Mrs Janet Smith, Head of Accountancy made a Presentation on the subject of Statement on Internal Control in Local Government (SIC).

The powerpoint Presentation covered the following areas:-

Overview of Session

- Legislative Update
- Corporate Ownership
- SIC Process
- Providing Assurance
- Sources of Assurance
- Role of Audit Committee (or other relevant Committee)

Legislative Update

- Accounts and Audit (Wales) Regulations 2005

Requirement: "for the local government body" under audit to be explicitly responsible, as part of its corporate responsibility, for internal control including the financial management and risk management systems of the body.

- Review effectiveness of its internal control systems at least once a year (confirming process of bringing issues together)
- Include a SIC with the financial statements for 2005/06 - replaces the SIFC - still reviewed by external audit (date of financial statement)
- Financial Year 2005/06:
 - Approval by 31 July 2006
 - Publication by 31 October 2006

(Note: Brought forward to concentrate more on front part of year)

Corporate Ownership

- Corporate Document
- About Corporate Controls - not just financial issues
- Embedded in the authority's activities
- Reliable supporting evidence needed (for assurance and accountability purposes)
- Most senior Officer (CE) and most senior Member (Leader) to sign the SIC

SIC Process

- To provide a continuous review of the effectiveness of:
 - *Internal control
 - * Risk management systems
- Identify weaknesses and address them
- Add value to corporate governance and internal control framework
- Not an "add on" end-of-year activity (continuously ongoing)

Reviewing and Gathering Assurance

- Establish key obligations and key objectives
- Identify strategic and operational risks
- Evaluate key controls and get assurance on effectiveness
- Evaluate assurances and identify gaps on control
- Action plan to address weaknesses and ensure continuous improvement
- To develop then a SIC

Source of Assurance

- Management of organisation
- Chief Finance Officer and Monitoring Officer
- Internal Audit
- External Audit
- Other Review Agencies and Inspectorates (e.g. Estyn, Social Services and Benefit Fraud)

SIC - Suggested Pro Forma (not bound by legislation)

- Scope and Responsibility
- Purpose of the system of Internal Control
- The Internal Control Environment (how are we doing it?)
- Review of Effectiveness
- Significant Internal Control Issues
- Statement of Internal Control - Signed by the CE and Leader of the Authority

Role of Audit Committees (or other relevant Committee i.e. Scrutiny)

- Review of SIC
- Give an opinion on quality of SIC - not involved in its construction
- Review adequacy and reliability of evidence to bring together the assurance for the Authority as a whole.

Following conclusion of the Presentation, Members made a number of points, more notably:-

- The importance of the Risk Management Group (and consideration for increased Member representation on this body) to support SIC;
- To look at the scope of Scrutiny as a means of possible assistance and support to SIC, and
- The need for possible consideration to be given to the formulation of a Working Group and creation of a Work Programme to progress SIC.

The Chairperson thanked the Officer for her submission and requested that the Committee receives regular updates on how the SIC progresses at future meetings.

Officers' agreed and added that the document will firstly be submitted in the form of a draft, in order for Members to comment upon it. When approved it would then be incorporated in the Statement of Accounts as an approved version at the end of the year.

RESOLVED: That the Presentation be noted.

The meeting closed at 11.20am.