

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM 2/3,
CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 26 SEPTEMBER 2013 AT
2.00PM

Present:

Councillor E Dodd - Chairperson

Councillors

G Davies
C A Green
R C Jones

Councillors

J E Lewis
J R McCarthy
E Venables

Councillors

C Westwood
H M Williams
R E Young

Officers:

J Smith - Head of Finance and Performance
H Smith - Chief Internal Auditor
M Williams - Chief Accountant
D Gilbert - Audit Director - KPMG
M Arthur - Manager - KPMG
R Ronan - Democratic Services Officer - Committees

73 APOLOGIES FOR ABSENCE

Apologies for absence were received from the following Members for the reasons so stated:-

Councillor M Reeves	Work Commitments
Councillor G W Davies MBE	Holiday
J Williams - Lay Member	Other Commitments

74 MINUTES OF PREVIOUS MEETINGS

RESOLVED: That the minutes of the meetings of the Audit Committee held on the 23 May and 20 June 2013 were approved as a true and accurate record.

75 DECLARATIONS OF INTEREST

None.

76 FINAL STATEMENT OF ACCOUNTS 2012-13

The Head of Finance and Performance presented a report to the Committee the purpose of which was to present the Council's final Statement of Accounts for 2012-13 which is now due to be signed off by external auditors KPMG and associated Letter of Representation of the Authority.

She explained that the unaudited Statement of Accounts for 2012-13 was presented to the Audit Committee on the 20 June 2013 and was then signed by the responsible financial officer before the 30 June 2013 in accordance with the Accounts and Audit (Wales) (Amendments) Regulations 2010.

The Head of Finance and Performance informed the Committee that during the intervening period, the external audit had taken place resulting in a small number of amendments being made to the financial statements. None of these amendments changed the Council Fund balance from the pre-audited figure of £7.320m as at 31 March 2013. The Final Statement of Accounts is attached to the report as Appendix A.

To complete the audit process, a Letter of Representation needs to be signed by the Section 151 Officer and the Chairperson of the Audit Committee. The Letter of Representation covers matters material to the financial statements and possible non-compliance with laws and regulations. This is attached to the report as Appendix B.

The Head of Finance and Performance invited KPMG to update Members on their main findings and summarise the audit work carried out in respect of the financial year 2012-13 and present their Audit of Financial Statements Report which is attached as Appendix C.

The Manager - KPMG explained to the Committee that it is the intention of Anthony Barrett the Appointed Auditor to issue an unqualified opinion on the financial statements for 2012-13. The first draft of the Statement of Accounts was found to be of a good standard and the information provided was relevant, reliable and easy to understand. Accounting policies and estimates were appropriate and financial statement disclosures unbiased, fair and clear. He advised Members that the Council acquired a new fixed asset accounting module this year which addressed a number of difficulties experienced previously in the preparation and control of the accounting records in this area, and assisted KPMG's ability to audit this area in a timely manner.

There were no significant matters discussed and corresponded upon with management which need to be reported to the Committee. Findings relating to key financial statement audit risks as identified in the audit strategy and presented to the Audit Committee on 21 March 2013 are shown in the table on pages 5 - 7 of the summary report. A summary of corrections made to the draft financial statements is shown in Appendix 3 of the summary report. Appendix 4 shows the follow-up on prior year recommendations, and the Manager – KPMG confirmed that these have now been followed up and resolved satisfactorily.

A Member questioned why in relation to the follow-up recommendation – IT Findings - the suggestion regarding logging onto the iWorld Council Tax system had been included despite this not being a technically feasible option. The Manager - KPMG responded that it had not been known that this was not technically feasible at the time the recommendation was made.

The Committee noted that they were pleased that the Council is currently making plans to address future budget gaps. The considered this to be a sensible approach and accepted that this is an issue we need to focus on to obtain the significant amount of savins required.

A Member asked if in relation to Capital Accounting and the asset impairment that arose due to user error procedures been put in place to prevent this type of user error reoccurring. The Chief Accountant confirmed that this arose from a template discrepancy and this had now been rectified.

- RESOLVED:**
- (1) That Members approved the audited Statement of Accounts 2012-13 (Appendix A).
 - (2) Agreed the Final Letter of Representation to the Wales Audit Office (Appendix B).
 - (3) Noted the Appointed Auditor's Audit of Financial Statements Report (Appendix C).

77 ANNUAL TREASURY MANAGEMENT REPORT 2012-13

The Head of Finance and Performance presented a report to the Committee the purpose of which was to update the Committee on the outturn position for Treasury Management activities, Treasury Management and Prudential Indicators for 2012-13 and to highlight the compliance with the Council's policies and practices before they are reported to Council.

She explained that the Audit Committee was responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies as stated in the Treasury Management Policy Statement (approved by Council 22 February 2012) and outlined in paragraph 3.6 of the report. The Committee and the Cabinet Member - Resources received training in March 2013 to assist them in their function of scrutinising treasury management. In addition to the regular reports to Cabinet and Council a report was presented to this Committee in November 2012, which included the Half Year Treasury Management report for 2012-13.

The Head of Finance and Performance advised that as outlined in paragraph 4.3 the Treasury Management function was reviewed by the External Auditors during the 2012-13 audit. Also, internal audit conducted an audit in the year and the audit opinion was one of 'substantial assurance' and no recommendations were made to improve the existing controls.

A detailed summary of the Treasury Management Activities for 2012-13 is shown in Appendix A with a summary of the treasury position for 2012-13 shown in table 1. The key points to note are:-

- The total debt outstanding at 31 March 2013 was £118.20m;
- There was no long or short term borrowing taken in 2012-13 and no debt rescheduling done as there were no significant savings to be made;
- During the year the total long term borrowing reduced from £97.91m to £96.90m as a £1m market bond matured resulting in the average rate reducing from 4.73% to 4.69%. The £96.90 long term borrowing at 31 March 2013 was made up of:
 - £77.65m relating to Public Works Loan Board at fixed rates;
 - £19.25m with a maturity date of 2054 relating to Lenders Option Borrower's Option loans which may be re-scheduled in advance of the maturity date.
- The £21.30m other long term liabilities figure at 31 March 2013 included £20.22m for the Authority's Public Finance initiative (PFI) arrangement for the provision of a secondary school in Maesteg. The £1.32m short term liabilities figure includes £1m invested on behalf of Bridgend Football Club to provide alternative facilities which is held in an Escrow account.
- Favourable cash-flows provided surplus funds so the balance on investments at 31 March 2013 was £15.07 (average rate of 0.51%) reducing from £29.40m at the start of the financial year (average rate of 0.65%) partly due to the payment of outstanding equal pay claims in 2012-13. The 15.70m is made up of:
 - £9m in UK Banks in instant access accounts;
 - £6.20m in other UK Local Authorities – maturing within 1 month;
 - £0.50m with UK Debt Management Office (Executive Agency of UK Government) maturing in second week of April.

The Head of Finance explained that in 2012-13, the Authority operated within the treasury limits and Treasury Management and Prudential indicators as set out in the agreed Treasury

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Management Policy Statement 2012-13 and details of these are shown in paragraph 10 in Appendix A. She advised that the Authority also complied with its Treasury Management Practices.

RESOLVED: That Members noted the Annual Treasury Management Activities for 2012-13.

78 INFORMATION AND ACTION REQUESTS BY COMMITTEE

The Chief Internal Auditor presented a report to the Committee the purpose of which is to summarise for Members the actions and information requests made by the Audit Committee.

A summary of actions and information provided is contained in the table shown at paragraph 4.1 and the Chief Internal Auditor confirmed that there were no outstanding requests.

RESOLVED: That the Audit Committee noted the report.

79 COMPLETED AUDITS

The Chief Internal Auditor presented a report to the Committee the purpose of which is to summarise for Members the findings of audits recently completed by the Internal Audit Division.

A recent audit carried out on the administration of petty cash to various services across the Authority concluded that this was a very well managed service, with good training and comprehensive guidance notes. A substantial audit opinion was issued.

Registrars was similarly found to be a very well-run unit with comprehensive records of income, again a substantial audit opinion was issued.

An audit of Student Support found that a good segregation of duties was evident in the processing of grants and loans and they are processed in a timely manner.

Home to School Transport was a follow up audit and the majority of recommendations from the previous audit report had been implemented. Further work remains in relation to the development of SLA with client departments which in turn would assist in the monitoring arrangements.

In relation to the audit carried out on Whistle Blowing the Chief Internal Auditor explained that the main issue was that there was no formal corporate record kept on the number of allegations made and there was no overall control. All recommendations have now been agreed and are in the process of being actioned.

The Adoption Service was issued with a limited audit opinion however it should be noted that staff members were extremely knowledgeable and experienced, this knowledge and experience was just not adequately documented. There were no procedural documents that directed and governed the adoption allowance process, including areas such as discretionary awards, appeals and reviews. Financial Assessments were well controlled but there was an issue of a second quality check taking place to ensure probity.

The Chief Internal Auditor explained that applicants were also only notified of their award via telephone and not in writing and not notified at all if they were unsuccessful.

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She assured Members that management have already agreed and were acting the recommendations made and a second visit will be made to check on progress, this will be subsequently reported back to the Audit Committee.

A Member enquired if there was an electronic trail of assessments etc. The Chief Internal Auditor confirmed that there was and reiterated that the processes were clear and well carried out and documented, the issue was with there being no random sampling or subsequent quality check.

The Committee asked if in relation to Student Support the issue of desk top instructions has now been resolved. The Chief Internal Auditor confirmed that this recommendation was being implemented and a follow up visit will be made in due course.

RESOLVED: That Members gave due consideration to the completed audits report to ensure that all aspects of their core functions are being adequately reported.

80 AUDIT COMMITTEE - RECOMMENDATIONS MADE

The Chief Internal Auditor presented a report to the Committee the purpose of which is to update Members on the recommendation made since 1 April 2013, in accordance with the Audit Committee's Forward Work Programme.

The Committee noted that there were nine significant recommendations which had not yet been implemented and asked if they would be kept updated on progress. The Chief Internal Auditor explained that the target date for implementation is the end of September and these recommendations will be closely monitored and confirmation sought from the relevant managers that action is/has been taken.

RESOLVED: That Members gave due consideration to the implementation of recommendations report to ensure that this aspect of the core functions is being adequately reported.

81 INTERNAL AUDIT - OUTTURN REPORT - APRIL TO AUGUST 2013

The Chief Internal Auditor presented a report to the Committee the purpose of which is to inform the Audit Committee of actual internal audit performance against the first five months of the audit plan year April 2013 to August 2013.

She explained the planned number of productive days for this period were 572 and 475 actual days have been achieved. This shortfall is because resources have been utilised to undertake an investigation into a matter that has arising in the Vale of Glamorgan. The Chief Internal Auditor advised that she was not concerned at present that this would cause a problem for the year target as this shortfall will be mitigated over the next few months. The staff base was also more stable and working well and productively.

The Chief Internal Auditor informed Members that at the end of the period 19 reviews/jobs have been completed and closed, 15 of which have provided management with an overall audit opinion on the internal control environment for each of the systems examined so far to date, significant weaknesses in the system of internal control have been identified in one review and this is scheduled for follow up by Internal Audit towards the end of October.

The Committee asked how many staff vacancies were there currently. The Chief Internal Auditor advised that there was currently one vacancy which will be advertised shortly and hoping to receive applications from suitable candidates to fill the position quickly.

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A Member asked how long it was anticipated that the issue in the Vale of Glamorgan would be ongoing. The Head of Internal Audit explained that it was hoped this would be concluded before the end of December.

RESOLVED: That Members gave due consideration to the Internal Audit Outturn Report covering the period April 2013 to August 2013 to ensure that all aspects of their core functions are being adequately reported.

82 **AUDIT COMMITTEE - FORWARD WORK PROGRAMME 2013 -14**

The Chief Internal Auditor presented a report the purpose of which is to update Members on the 2013-14 Forward Work Programme for the Audit Committee. She confirmed that all was on schedule.

RESOLVED: That Members gave due consideration to the updated 2013-14 Forward Work Programme to ensure that all aspects of their core functions were being adequately reported.

The meeting closed at 2.45pm.