



## AUDIT COMMITTEE

### MINUTES OF THE MEETING HELD AT PENALLTA HOUSE YSTRAD MYNACH ON WEDNESDAY, 19TH SEPTEMBER 2012 AT 2.00 P M.

---

PRESENT:

Councillors:

Mrs. E.M. Aldworth, D.G. Carter, Mrs. D. Ellis, J.E. Fussell, D. Havard, Mrs. G. D. Oliver,  
J.A. Pritchard

By Invitation Cabinet Member - K.V. Reynolds and Lay Member Mr. N. Yates

Together with:

N. Scammell (Head of Corporate Finance), D. Perkins (Head of Legal Services), C. Jones (Head of Head of Performance and Property), R.M. Harris (Manager Internal Audit), A. Southcombe (Group Accountant - Financial Control and Development), H. Morgan (Senior Committee Services Officer)

Also present:

Lynn Hine and Natalie Tarr (PricewaterhouseCoopers)

#### 1. APPOINTMENT OF CHAIRMAN

RESOLVED that Councillor J.E. Fussell be appointed as Chairman for the ensuing year.

#### 2. APPOINTMENT OF VICE CHAIRMAN

RESOLVED that Councillor D. Havard be appointed as Vice Chairman for the ensuing year.

#### 3. WELCOME

Members welcomed lay member Mr. Nigel Yates to his first meeting of the Audit Committee.

#### 4. APOLOGIES

Apologies for absence were received from Councillors Mrs. K.R. Baker, N. Dix, Mrs. P. Griffiths, Ms. J.G. Jones, R. Saralis and Ian Davies (PricewaterhouseCoopers).

**5. DECLARATIONS OF INTEREST**

There were no declarations of interest made at the beginning or during the course of the meeting.

**6. MINUTES - 7TH MARCH 2012**

RESOLVED that the minutes of the meeting of the Audit Committee held on 7th March 2012 (minute nos. 1 - 7 on page nos. 1 - 4) be approved as a correct record and signed by the Chairman.

**REPORTS OF OFFICERS**

Consideration was given to the following reports.

**7. ANNUAL FINANCIAL AUDIT OUTLINE 2011/12**

The Financial Audit Outline had been prepared to meet the requirements of auditing standards and proper audit practices. It provides the Council with an outline of the financial audit work required for the 2011-2012 financial statements.

Lynn Hine, PriceWaterhouseCoopers, highlighted the key issues within the report and its appendices, which set out details of the roles and responsibilities, the audit approach, reporting requirements, the audit fee, key elements of the audit engagement, details of the Financial Audit Team and perspectives on fraud.

Members were advised that the Appointed Auditor is required by the Public Audit (Wales) Act 2004 to examine and certify the accounts of the Council, satisfying himself that the accounts "give a true and fair view of the Council's financial position; comply with all relevant legislative requirements and have been prepared in accordance with accounting proper practices". The Appointed Auditor is also required to "satisfy himself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and certify that the audit has been completed in accordance with the Public Audit (Wales) Act 2004".

Reference was made to the audit risks and proposed action as outlined within the document and Ms. Hine explained what to expect from the audit process and how it will be undertaken. A report on the findings would be dealt with later in the meeting. A query was raised as to whether it was protocol to raise a matter directly with PWC and Mrs. Scammell advised that if any Members had any questions or required any explanations in the first instance they should contact her Accountancy staff. In the event that the response does not satisfy the enquiry they should then take up the matter with PWC.

The Committee noted the Audit 2011/ 2012 - Financial Audit Outline.

**8. WALES AUDIT OFFICE - HOUSING AND COUNCIL TAX BENEFIT IMPROVEMENT ASSESSMENT - NOVEMBER 2011**

Consideration was given to the report which advised of the contents of the report from Wales Audit Office on Housing and Council Tax Benefit Improvement Assessment for the Authority. Members were advised that the assessment, based on the audit year 2011, was generally positive. It was undertaken primarily to establish any areas that required follow up in more detail and whereas no detailed assessments were considered necessary there are some areas where further work will be undertaken.

The report considered a range of information and provided an assessment of the risk of service failure and/or poor outcomes for service users in four areas of performance (claims administration, security, customer focus and resource management). Members noted the detail in respect of claims administration, security, customer focus and resource management.

During the course of the debate a request was made for information on the current appeal process for housing council tax benefit and it was agreed that details would be forwarded to the Members of the Committee.

Members noted the content of the report.

## **8. PROGRESS UPDATE OF THE ANNUAL IMPROVEMENT REPORT ACTION PLAN**

Consideration was given to the report which provided an update on progress against the Council action plan that was set up in response to the recommendations made by the Wales Audit Office in their Annual Improvement Report (AIR) January 2012.

Members were advised that as the Council met its statutory requirements for 2011/2012, the regulators made no statutory recommendations for improvement but included some recommendations where they thought improvement could be made. The report provided details of progress made against the action plan.

Mr. Jones explained that when the recommendations for improvement were received, some of those recommendations were very general making it difficult to identify what specifically was required to improve. As such, and in order to finalise an action plan for improvement, discussions were held with the regulators to clarify those recommendation. The action plan, as appended to the report, has been updated following the responses received. Most of the actions focus on what should be published and the Councils October Performance Report will address some of the suggestions.

During the course of the debate specific reference was made to the Wales Audit Office proposal that there should be an evaluation and report on the impact of reduced budgets. It was noted that this is being addressed through the medium term financial plan with regular reports being presented to the respective scrutiny committee to enable Members to monitor and challenge the process and that this would continue to be the case.

Members noted the content of the report and the progress made against the attached action plan.

## **10. INTERNAL AUDIT SERVICES - ANNUAL OUTTURN REPORT 2011/2012**

Richard Harris, Manager Internal Audit, presented the report, which summarised the work undertaken by Internal Audit Services during 2011/2012.

The report had been prepared as a review of Internal Audit activity during 2011/2012. It not only highlighted the actual outturn compared to plan but also the performance measures, the extent of the work and its diversity.

The report concluded that no fundamental issues had come to light as a result of audits carried out on both the major financial systems and other financial and administrative systems and procedures. Where issues had been identified and brought to the management's attention an action planning process was in place to drive through the necessary improvements. Overall it was considered that the Council is continuing to operate within a controlled environment, which should minimise the risk of loss to the Authority.

The Committee noted the content of the annual review of the operation of Internal Audit Services.

## **11. DRAFT STATEMENT OF ACCOUNTS**

Mrs. Scammell gave a presentation on the draft statement of accounts and firstly outlined the legal and statutory requirements for its production. She referred to the provisional outturn report that had been presented to Council on 7th August 2012 and advised that the information is still provisional at this stage as it is still subject to the annual audit by the PWC.

It was explained what the statement of accounts (which shows the financial position/performance for the year of all activities undertaken by the authority) is used for and Members noted that the Authority must comply with all of the statutory and regulatory requirements. The document takes over six months to conclude and the draft must be available for External Audit by 30th June 2012.

Mrs. Scammell pointed out that in view of its detailed format (130 pages) the presentation of figures (including notional figures) can be misleading and if Members have any questions or required any explanations when considering the information it would be beneficial if they contact her Accountancy staff. It was explained that the legislative deadline for approval of the Financial Accounts is the 30th September 2012 and the final document will be placed on the Internet after that date.

Reference was made to the links to Treasury Management in respect of borrowing and investment and it was noted that the regular reports to scrutiny committees provide this information on a more simplified basis. Details in relation to reserves and provisions and 'cash' backed and 'non cash' backed reserves/provisions were also explained and for ease of reference examples of both were provided.

It was noted that the Authority can determine whether it wants to adjust Accounts for items not classed as material and the presentation advised of those not made for 2011/12. Reference was made as to how assets are valued in the accounts and it was noted whilst there are some minor adjustments to be made to allow for fixed asset transfer this will not affect the cash flow position or general fund balance. With regards to the annual governance statement it was intended that a presentation be given at the next meeting of the Audit Committee

Mrs. Scammell then responded to a number of questions raised over and above those which were considered during the course of the presentation and pointed out that whilst the Auditors still had to agree the Authority's adjustments made to assets, these were not cash backed adjustments and there would be no effect on General Fund balances. However, the Council cannot realistically change anything in the Financial Accounts, as any changes need Audit approval and therefore the document is basically for information only.

Members thanked Mrs. Scammell for her informative presentation

## **12. AUDIT OF FINANCIAL STATEMENTS**

Ms. L. Hine (PricewaterhouseCoopers) introduced the report and advised that the audit of the financial statement is largely completed and, from the findings to date, it was the intention (subject to the satisfactory resolution of matters identified in the document) to recommend to the Appointed Auditor that an unqualified Auditor's Report be issued on the Authority's accounts.

The Council was responsible for the preparation of accounting statements and related notes that presented fairly its financial position as at 31st March and its income and expenditure for the year then ended. The Appointed Auditor was required to give his opinion as to whether

the accounting statements give a true and fair view. Now that the audit of the accounting statement was substantially complete, the report detailed the issues which should be considered prior to the approval of the accounts.

It was noted that it was not necessary to seek to obtain absolute assurance that the accounting statements and related notes are true and fair, but adopt a concept of materiality. In planning and conducting the audit, the Auditors sought to identify material misstatements in the accounting statements and related notes, that is those which might result in a reader of the accounts being misled.

Ms. Hine made reference to paragraphs 7 - 24 of the summary which detailed the areas which had been drawn to attention during the course of the review (valuation of fixed assets, equal pay provision, international financial reporting standards, Icelandic banks - impairment level, capital and asset accounts) and it was noted that there are some misstatements that have been corrected but others that have not. It was explained that if it is decided not to correct these misstatements the reasons for non-correction must be provided. Attention was also drawn to appendix 1 of the report, which detailed the overall representations, appendix 2, which detailed the proposed audit report and appendix 3, which gave a summary of misstatements which should be drawn to the attention of those charged with governance.

Specific reference was made to paragraph 9 of the report which had identified that a number of assets had not been valued and referred to ongoing discussion to enable this to be addressed. In viewing the fixed assets register it had been noted that some of the assets were duplicated on the register and as such adjustment, which will not affect the general fund, have been made. The report concluded that there should be better liaison between the Finance and Valuation Teams and Mrs. Scammell advised that this is being addressed.

Members noted the content of the report.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 12th December 2012 they were signed by the Chairman.

The meeting closed at 3.55 p.m.

---

CHAIRMAN