

CITY AND COUNTY OF SWANSEA

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE

**HELD AT THE CIVIC CENTRE, SWANSEA ON THURSDAY 12 DECEMBER
2013 AT 5.00 P.M.**

PRESENT: Councillor J W Jones (Vice-Chair) presided

Councillor(s):	Councillor(s):	Councillor(s):
R A Clay P R Hood-Williams	G Owens L James	J A Raynor L V Walton

Officers:

P Beynon	-	Chief Auditor
B Smith	-	Chief Accountant
D Smith	-	Directorate Lawyer
J Parkhouse	-	Democratic Services Officer

ALSO PRESENT:

Kevin Williams - PricewaterhouseCoopers

51. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from A Thomas (Independent Chair), Councillors P Downing, P M Meara and R V Smith.

52. **DISCLOSURES OF PERSONAL AND PREJUDICIAL INTERESTS**

In accordance with the Code of Conduct adopted by the City and County of Swansea, no interests were declared.

53. **MINUTES**

RESOLVED that the Minutes of the meeting of the Audit Committee held on 7 November 2013 be agreed as a correct record.

The Committee were updated on the following:

Portmead Primary School

The Chief Auditor reported that a follow-up visit to Portmead Primary School was due to take place this quarter. However, information required prior to the follow-up visit had not been received. Therefore, the return visit would be made during the first week of January 2014.

54. **INTERNAL CONTROLS REPORT 2012-13**

Kevin Williams, PricewaterhouseCoopers presented the Wales Audit Office Internal Controls Report for the City and County of Swansea for the Audit Year 2012-13. It was reported that the appointed auditor is required to obtain an understanding of the internal controls relevant to the auditor when identifying and assessing the risks of material misstatement. The City and County of Swansea's internal controls were considered in order to design audit procedures, to provide sufficient assurance to allow the appointed auditor to express an opinion on the truth and fairness of the financial statements. They were not considered for the purposes of expressing an opinion on the effectiveness of internal control.

It was added that the audit of the Authority had been completed and included an interim audit, the purpose of which was to update the understanding of the Authority and to undertake planning work to inform the audit of the statement of accounts and the final audit of the statement of accounts. The purpose of the report is to summarise the work performed on the core financial systems and to provide management recommendations to improve the design and operation of those controls. It does not contain any follow-up findings in respect of the cash management arrangements between the pension fund and Council.

It was added that 10 weaknesses in the Authority's internal controls had been identified. The auditors had concluded that all of these weaknesses were in respect of low and medium risks. Therefore, the auditors had not identified any significant weaknesses to report and these issues had already been discussed with the Head of Financial Services. The auditors had also followed up the recommendations raised in the prior year's controls report issued in April 2013. It was found that 18 of the 27 recommendations raised in the prior year had been implemented. None of the outstanding recommendations are deemed to be of high risk. The weaknesses identified were set out within the report.

The external auditors met with Internal Audit during the course of the interim audit and had conducted a review of the core financial systems internal audit reports to inform the risk assessment and understanding of the systems. The external auditors also met with internal audit on a regular basis in order to discuss developments at the Authority, including the work on the National Fraud Initiative and other special investigations. A number of new recommendations were raised as a result of the interim and final audit work. These recommendations were detailed at Appendix 1 of the report.

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The external auditor also reported that the Authority had made reasonable progress with implementing prior year recommendations in the higher risk areas. Of the 27 recommendations made, 18 had not been re-raised. The 9 outstanding recommendations related to IT controls, fixed assets, provisions and management declarations. Of these recommendations, 4 were deemed to be medium risk and 5 low risk. Further detail on the prior year recommendations were provided at Appendix 2 of the report.

The Committee asked a number of questions of the appointed auditor, who responded accordingly.

Key issues arising from discussions included:

- Ranking of low, medium and high risks.
- Northgate Council Tax Application - administrative access.
- Recertification of users' accounts.
- Internal charges.
- Utilisation of grant money received.
- Provision for debtors in dispute.
- Guildhall valuation.
- No disaster recovery policy in place for the computer systems applications Northgate, NNDR, Radius, Paris and Axise.
- Equal Pay: Review of Data.
- Non-identifiable assets.
- IT general controls - business continuity.
- Calculation of the capital financing requirement.

RESOLVED that:

- (1) the contents of the report be noted;
- (2) further information be provided with regard to IT general controls - business continuity and calculation of the capital financing requirement;

- (3) the Committee receives further details on how grant money is spent within the Authority.

55. **WALES AUDIT OFFICE - ANNUAL AUDIT LETTER**

Kevin Williams, PricewaterhouseCoopers presented the Wales Audit Office Annual Audit Letter which summarised the key messages arising from the appointed auditor's statutory responsibilities under the Public Audit (Wales) Act 2004 and his reporting responsibilities under the Code of Audit Practice.

It was stated that the Council had complied with its responsibilities relating to financial reporting and use of resources. On 25 September 2013, the appointed auditor issued an unqualified audit opinion on the accounting statements confirming that they presented a true and fair view of the Council's, the group's and the pension fund's financial position and transactions. His report is contained within the statement of accounts. The key matters arising from the accounts audit were reported to Members of the Cabinet in the Audit of Financial Statements report on 17 September 2013.

The appointed auditor's consideration of the Council's arrangements to secure economy, efficiency and effectiveness had been based on the audit work undertaken on the accounts, as well as placing reliance on the work completed as part of the improvement assessment under the Local Government (Wales) Measure 2009. Overall, following the introduction of revised internal banking and cash management arrangements between the Council and the pension fund during the year, the appointed auditor was satisfied that the Council had appropriate arrangements in place. The Auditor General will highlight areas where the effectiveness of these arrangements had yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

It was added that the appointed auditor had not been able to certify completion of the 2012/13 as they are currently considering a number of questions from local electors relating to taxi licensing arrangements and the extension of a lease.

The financial audit fee for 2012/13 will be higher than that set in the Annual Audit Outline because of the additional amount of time spent responding to questions from members of the public and reviewing the extension of a lease. The fee will be finalised with officers once those matters are resolved.

RESOLVED that the contents of the Annual Audit Letter be noted.

56. **AUDIT COMMITTEE WORK PLAN 2013/14**

The Audit Committee Work Plan 2013/14 was provided for information.

Members were reminded that their performance questionnaires should be returned to the Chief Auditor in order to be included in discussions at the next scheduled meeting on 9 January 2014.

RESOLVED that the contents of the report be noted.

The meeting ended at 6.05 p.m.

CHAIR