
AUDIT COMMITTEE 30-09-08

Present: Councillor Gwilym Williams (Chairman);
Councillor Ioan Thomas (Vice-chairman)

Councillors: E.T. Dogan, Huw Edwards, Margaret Griffith, Dafydd Ll. Hughes, R.L. Jones, Eryl Jones-Williams, John P. Roberts and Gethin Williams.

Also present: Dewi Morgan (Senior Audit and Risk Manager), Dafydd Edwards (Head of Finance), William E. Jones, (Senior Finance Manager), Caroline Roberts (Acting Resources and Corporate Finance Manager), Kevin Thomas (Engagement Partner, Wales Audit Office), Amanda Hughes (Local Manager, Wales Audit Office), Gwyn Parry Williams (Committee Officer).

Apologies: Councillors Tom Ellis, Selwyn Griffiths, Aeron Jones, Brian Jones, Charles W. Jones

Welcome

The Chairman referred to the fact that Councillor Dafydd Ll. Hughes was replacing Councillor Christopher Hughes as a member of this committee and he was welcomed to his first meeting of this committee.

1. **DECLARATION OF PERSONAL INTEREST**

The following members declared a personal interest for the reasons noted -

- Councillor Eryl Jones-Williams in item 5(b) on the agenda, the work of the Internal Audit Section for the period between 1 June and 31 August 2008, Appendix 9 – Ysgol Arduwy as he was one of the school's governors.
- Councillor Dafydd Ll. Hughes in item 5(b) on the agenda, the work of the Internal Audit Section for the period between 1 June and 31 August 2008, Appendix 21 – Bryn Blodau Residential Home, Llan Ffestiniog as his wife worked at the home.

In relation to the first declaration, the member was of the opinion that it was not a prejudicial interest, he did not withdraw from the meeting and he participated fully in the discussion on the item. However, in relation to the second declaration, the member was advised to withdraw from the meeting should a discussion be held on the matter.

2. **MINUTES**

The Chairman signed the minutes of a meeting of this committee held on 26 June 2008, as a true record.

3. OUTPUT OF THE INTERNAL AUDIT SECTION

a) A report to be considered at the request of the Chairman and Vice-chairman

Mental Health – Supported Accommodation

The Head of Finance reported that the Head of Social Services had been invited to attend the meeting to answer any questions arising from the audit “**Mental Health – Supported Accommodation**”. As a result of other commitments, it was not possible for the Head of Social Services to be present and in light of that the Head of Finance suggested that this matter be deferred until the next meeting or that the matter be discussed at the same time as the remainder of the reports in item (b) below.

Discontent was expressed as another officer from Social Services could not be present at the meeting instead of the Head of Service.

RESOLVED to defer the consideration of this matter until the next meeting.

b) The work of the Internal Audit Section for the period between 1 June and 31 August 2008

Submitted – the report of the Senior Audit and Risk Manager, outlining the work of the Internal Audit Section for the period between 1 June and 31 August 2008. When presenting information about the work completed during the period, the officer referred to -

- 22 formal reports on planned audits from the annual audit plan, with the relevant opinion category being shown.
- 1 audit when memoranda had been produced, rather than a full report.
- 6 follow-up audits.

It was reported on further work that was in progress by the Audit Section. This included 13 draft reports that had been released and 26 audits that were in progress.

Consideration was given to the individual reports that had been noted as opinion category C and reference was made to the following matters during the discussion –

Processing Travelling Claims – Environment Directorate

A member asked whether there was a difference in the method of processing the travelling costs of the different directorates and why specific attention had been given to the Environment Directorate.

In response, the Head of Finance provided an overview of the steps to follow when travelling costs were processed.

In response, the Audit and Risk Manager informed the committee that it was the arrangements of the Environment Directorate that were being addressed

at this time, however, the arrangements of other parts of the Council would appear in the audit plan, on the basis of a risk assessment. He reported that important points relating to controls, which had arisen from this audit, would be disseminated to all Council managers in new guidance on processing travelling costs. This would be distributed within the next few days.

Wales Assembly Government Community-Focussed Schools Grant 2007/08 – Development Directorate

The Audit and Risk Manager referred to the scope of the audit, namely that the grant money was being used for the purpose noted in the Assembly's circular. The audit concluded that the shortcomings in the internal controls as noted in previous years continued in relation to the administration of the Community-Focussed Schools grant money. The matter had been discussed with the Schools Service in an attempt to tighten the arrangements for the administration of the 2008/09 grant.

Extended Services “*Rho Alwad*”, *Cyswllt* and Leisure Activities – Care Directorate

The Audit and Risk Manager referred to the scope of the report, namely auditing the arrangements for establishing the service, the quality of service provided, the procedure of claiming overtime and the procedure for reviewing salary costs. The audit concluded that the controls in place could not be relied upon. It was reported that this particular service had now ended, however, the audit was completed at the request of Social Services managers in order to identify fields for improvement when alternative services would be established.

RESOLVED to accept the report on the work of the Internal Audit Section for the period between 1 June and 31 August 2008 and to support the recommendations already submitted to the relevant service managers for implementation.

4. FINAL ACCOUNTS 2007/08

i) “ISA 260” formal report

In accordance with the “ISA 260” annual audit procedure, namely the report of the Appointed Auditor to those charged with governance, the report of the Wales Audit Office (WAO) was submitted. A representative of the WAO Appointed Auditor for Gwynedd Council was present to submit the information.

It was reported that the Council was responsible for preparing financial statements in order to present the financial position as it was on 31 March 2008, along with the income and expenditure during the year ending at that time.

The Wales Audit Office was responsible for undertaking an audit and reporting whether it was of the opinion that the reports presented the financial position at the end of the year in a fair way. He informed the committee that it was intended to issue an unqualified audit opinion on the accounts.

In the report of the Wales Audit Office, reference was made to some concerns and the Local Manager referred to these individually and noted possible improvements. In relation to the clause “uncorrected misstatement”, she drew attention to some obvious uncorrected misstatements other than those of a clearly trivial nature. On the basis of the standard methodology, the financial limit for what was considered as trivial was £100,000. The ISA 260 report referred to such misstatement, namely, the debt of North Wales Fire Authority. Nevertheless, the Local Manager, Wales Audit Office reported that further information had been received which highlighted that the amount of debt was substantially less than the figure suggested in the ISA 260 report. Furthermore, the debt did not exceed the “trivial” limit therefore it was not an “uncorrected misstatement” that needed to be reported. Consequently, the Engagement Partner, Wales Audit Office offered to change the report so as to reflect this, to publish an amended report and to make arrangements for a copy to be sent to members.

The Local Manager, Wales Audit Office also referred to the fact that it was not possible to complete the audit formally and issue an audit certificate until enquiries raising from a matter raised by a member of the public would be formally completed.

In thanking the Appointed Auditors, the Head of Finance informed the committee that he was generally satisfied with the content of the report and he emphasised that the most important message was in paragraph 6 on page 5 where the Appointed Auditor noted that he would issue an unqualified audit opinion on the accounts.

In relation to the Cilgwyn site, the Senior Finance Manager drew attention to the fact that the Council had earmarked £1.6m within the current capital programme for 2008/09 and beyond in order to pay the costs associated with the closure of the site and the initial capping work following the site’s closure in December 2008.

RESOLVED to ask the Wales Audit Office to amend the ISA 260 report and to publish the version without a reference to the alleged misstatement.

ii) Statement of Accounts

The Head of Finance submitted the amended statutory financial statements for approval by the committee.

Following the guidance received by the Appointed Auditors on the accounts, members were satisfied with the statement of accounts.

RESOLVED to accept the report and to thank the relevant members of staff in the Finance Service on their hard work whilst producing the accounts.

iii) Representation Letter

Following the discussions on the Final Accounts, the Head of Finance submitted a draft letter to the Appointed Auditor from the Audit Committee who was charged with governance in Gwynedd Council. This “representation letter” included representations about the 2007/08 financial statements and

dealt with various matters including assets, commitments and internal controls. The Head of Finance explained that he had drafted the observations on behalf of “those charged with governance”, namely the Audit Committee.

The Head of Finance reported that the letter noted that the Council, in closing the accounts, had complied with various conditions, that there were no misstatements of a material nature in the statutory financial statements and that any such matters had not been omitted.

RESOLVED that the Audit Committee, which has been delegated powers by the Council to act as “those charged with governance” in the context of approving the statutory financial statement and the relevant audit, authorises the Head of Finance and the Chairman of the Committee to sign the letter and present it to the Appointed Auditor, Wales Audit Office.

5. INTERNAL AUDIT PLAN 2007/08

Submitted – the report of the Senior Audit and Risk Manager, providing an update of the current position with regard to the completion of the 2008/09 internal audit plan.

He provided details of the position as it was on 31 August 2008, along with the time spent on each audit thus far. Attention was drawn to the following table which disclosed the current status of the work in the operational plan -

Audit Status	Number
Planning	55
Working Papers Created	9
Field Work Started	25
Manager Review	2
Draft Report Issued	8
Final Report Issued	13
Total	112

He informed the committee that the 2008/09 performance target was 95% and at present, it seemed that this target was achievable.

RESOLVED to note the content of the report as an update of the progress against the 2008/09 audit plan.

The meeting commenced at 10.30am and concluded at 11.40am