

AUDIT COMMITTEE

26th SEPTEMBER 2013

DIRECTORATE OF FINANCE & CORPORATE SERVICES

REPORT OF THE DIRECTOR OF FINANCE & CORPORATE SERVICES - H JENKINS

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SECTION A – MATTERS FOR DECISION

ITEM 1

CLOSURE OF ACCOUNTS 2012/13

1. Purpose of the Report

- 1.1 This report addresses the need for Members to approve the audited Annual Statement of Accounts by 30th September 2013.

2. Background

- 2.1 The draft Statement of Accounts must be prepared and passed to the Council's External Auditors by 30th June each year. They then have a three month period to audit the accounts and at the end of this period they provide a report for Members consideration and approval before the statutory deadline of 30th September.
- 2.2 The draft Statement of Accounts was provided to the Wales Audit Office on the 19th June 2013, well in advance of the deadline of the end of June and the auditors have now completed their audit work.

3. Closure of Accounts 2012/13

- 3.1 Although there have been updates to the Statement of Accounts as part of the audit process, this has had no effect on the level of funds held by the Council. The updated final Statement of Accounts is included as Addendum 1.
- 3.2 The Wales Audit Office intends to issue an unqualified audit report on the financial statements. Their work identifies that all misstatements which were identified have been corrected in the Council's Final Statement of Accounts.
- 3.3 The adjustments incorporated in the accounts are drawn to the attention of the Audit Committee with full details included in Appendix 3 of the Audit of the Financial Statements Report prepared by the Wales Audit Office. This can be found in Addendum 2.
- 3.4 The WAO report also outlines other significant issues arising from the audit and includes an acknowledgement of the continued progress made to improve the accounts preparation process. It also highlights that there is still scope to improve, particularly in relation to the Capital closure processes and the information provided by the Environment Directorate.

4. Recommendations

4.1 It is recommended that:

- Members approve the Letter of Representation;
- The final 2012/13 Statement of Accounts as included in the Addendum, including the restatement of the 2011/12 accounts, is approved by Members;
- The Chair of the Audit Committee be authorised to sign the Letter of Representation and the Statement of Accounts;
- Officers are tasked with continuing to make improvements to the accounts preparation process, building on lessons learnt from this year's process to ensure continued improvements are achieved.

Background Papers

Closing working papers 2012/13

Wards Affected

All

Officer Contact

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Appendix

Addendum 1 – Statement of Accounts 2012/13

Addendum 2 – Audit of the Financial Statements Report-Wales Audit Office

SECTION B – MATTERS FOR INFORMATION

ITEM 2

INTERNAL AUDIT SERVICE – PROGRESS REPORT TO 31st AUGUST 2013

1. Purpose of the Report

- 1.1. To provide details of the work undertaken for the period from the 1st June 2013 to the 31st August 2013, and an update on progress against the 2013/14 Internal Audit Plan.

2. Background

- 2.1. One of the terms of reference of this Committee is to ‘monitor internal (and external) audit performance’. In order to comply with this requirement to monitor the in-house service, a progress report is given below outlining internal audit work undertaken in the last quarter. This work is then set against the original Internal Audit Plan to show what progress has been achieved against that plan.
- 2.2. In addition, information is provided for members on the current position regarding staff vacancies and other staffing issues within the section.

3. Audit Assignments Completed

- 3.1. A total of 23 formal audit reports have been issued since the 1st June 2013 in line with normal distribution guidelines.
- 3.2. The following is a summary list of the reports that have been issued:
 - Two Special Investigations
 - Ten National Strategic Indicators Performance Indicators
 - Three Primary Schools
 - One Comprehensive School
 - Property Bat Wales
 - Cemeteries
 - Time Recording Systems
 - Sundry Debtors
 - Main Accounting
 - Officers’ Interests
 - Members’ Interests
 - Orangery & Charlotte’s Pantry

- 3.3. Attached as Appendix 1 to this report is a full list of the reports along with a brief summary of their findings.
- 3.4. In addition to the above, Internal Audit continues to carry out post audit reviews (follow ups) on all the planned audits carried out.
- 3.5. There are no issues in terms of the post audit reviews that need to be brought to Members' attention.

4. Progress against the Audit Plan

- 4.1. Appendix 2 gives details of the work carried out to date against the 2013/14 audit plan.
- 4.2. There are currently 3 special investigations in progress.

5. Staffing

- 5.1. Currently there are three members of staff studying for their professional accountancy qualifications. Two are studying CIPFA and one ACCA; they are currently at different stages of their various courses.

6. National Fraud Initiative (NFI)

- 6.1. The current (2013/14) exercise is underway, with the reports on data matches having been received from NFI in early February.
- 6.2. The data matching exercise has produced a total of 58 reports, covering 15 service areas. In total 10,223 matches have been provided in these reports, 3,532 of which are recommended by NFI for review.
- 6.3. Updates on progress will be provided in forthcoming Audit Committee meetings.

Appendices

Appendix 1 – Published Reports

Appendix 2 – Audit Plan Monitoring 2013/14

Background Papers

Audit Files

Wards Affected

Not Applicable

Officer Contact

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Published Reports

Report Ref	Report Subject	Report Conclusion	Category
2013-14 R15	NSPIs 2012/13 - PSR/004	The reported figure was found to be accurately calculated and was verified to supporting documents. A recommendation was made to enhance data collection for future submissions.	1
2013-14 R16	YGGD Cwmgors	The school has good controls in place in most areas and the report makes recommendations to enhance the controls in place in some other areas. The school is working on the implementation of the recommendations that were made.	2
2013-14 R17	St Therese's Primary	Generally good controls were in place in all areas tested. Some recommendations were made including in respect of staff checks.	2
2013-14 R18	Property Bay Wales	A number of recommendations were made which senior management need to address.	3
2013-14 R19	Special Investigation – Environment Employees	Following the audit investigation no wrongdoing was found. Recommendations were made to enhance controls in place in relation to flexi time recording and use of pool cars.	2
2013-14 R20	Cemeteries	Systems in place were found to be robust; recommendations were made in relation to memorial (headstone) safety.	2
2013-14 R21	NSPIs 2012/13 - EDU/015	As a result of the audit examination 2 amendments had to be made to the figures submitted.	1
2013-14 R22	NSPIs 2012/13 - HHA/013	The reported figure was found to be accurately calculated and was verified to supporting documentation, a recommendation was made to enhance future data collection routines.	1

Published Reports

Report Ref	Report Subject	Report Conclusion	Category
2013-14 R23	NSPIs 2012/13 - SCC/004	The reported figure was found to be accurately calculated and was verified to supporting documentation, a recommendation was made to enhance future data collection routines,	1
2013-14 R24	Alderman Davies CiW Primary School	Generally good controls were in place in most areas tested. Recommendations were made and their implementation will be monitored by Internal Audit.	2
2013-14 R25	Time Recording Systems	Time recording systems are in operation across the Authority that operate in line with the Authorities Flexi Time Scheme, although the exact methods of recording may vary depending on such things as location or section.	2
2013-14 R26	NSPIs 2012/13 - SCC/004	The reported figure was found to be accurately calculated and verified to supporting documentation. Recommendations were made to enhance controls in relation to future data collection routines.	1
2013-14 R27	Sundry Debtors 2012/13	Weaknesses were identified in system reconciliation, monitoring of aged debts and write offs. Recommendations were made to enhance the controls in these areas.	2
2013-14 R28	Cymer Afan Comprehensive School	The school has good controls in place in most areas and the report makes recommendations to enhance the controls in place in some other areas. The school is working on the implementation of the recommendations that were made.	2
2013-14 R29	Special Investigation – Employee Finance & Corporate Services	Following the audit investigation, disciplinary action was recommended and is currently under way.	N/A
2013-14 R30	NSPIs 2012/13 - SCC/037	Following the audit examination the reported figure was required to be re-submitted. Recommendations were made to enhance data collection routines	1

Published Reports

Report Ref	Report Subject	Report Conclusion	Category
		to prevent inaccurate figures being reported.	
2013-14 R31	Members' Interests	Excellent record keeping was found to be in place. Of the 64 Members listed on the 28th June 2013, 100 per cent had completed and returned a Declaration of Interest form.	1
2013-14 R32	NSPIs 2012/13 - EDU/006ii	The reported figure was found to be correct and could be verified to supporting documentation.	1
2013-14 R33	NSPIs 2012/13 - SCC/011b	Limited assurance could be given that the reported figure was correct. Recommendations have been made to enhance data collection routines for future years.	2
2013-14 R34	NSPIs 2012/13 - EDU/011	The reported figure was found to be accurately calculated and could be verified to supporting documentation.	1
2013-14 R35	Officers' Interests	Improvements were found in the submission and retention of declarations. Recommendations were made to further enhance systems in place.	2
2013-14 R36	NSPIs 2012/13 - EDU017	The reported figure was found to be accurately calculated and could be verified to supporting documentation.	1
2013-14 R37	Margam Park Orangery & Charlottes Pantry	Good controls are in place at the Orangery and Charlottes Pantry and only a small number of recommendations have been made.	1

Key:

Category 1 – Service risk assessed as low.

Category 2 – Service risk will be assessed as low when the recommendations are implemented.

Category 3 – There are significant risks that Audit Committee needs to be aware of.

Category 4 – Immediate action is required to reduce the level of risk

Audit Plan Monitoring 2013/14

<u>Monitoring Date</u>	<u>30th August 2013</u>				
<u>Audit Plan Item</u>	<u>Risk Factor</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
<u>Education, Leisure and Lifelong Learning</u>					
School Based Audits					
Twenty Primary Schools	M	3 reports issued	3 reports issued		
Three Secondary Schools	H	One Comprehensive complete	Remaining Schools to be booked in this quarter		
Other Education					
Delegated School Reserves	M	Report completed by ELLL			
Leisure, Culture and Lifelong Learning					
Margam Park	M	Orangery and Charlottes Pantry Complete	Main Park to start in September		
<u>Finance and Corporate Services</u>					
Revenue Collection					
Council Tax	H	Monthly checks being undertaken	Monthly checks being undertaken		
NNDR	M	Monthly checks being undertaken	Monthly checks being undertaken		
Debtors	H	Monthly checks being undertaken	Monthly checks being undertaken		
Cash Collection	H	Random unannounced checks being undertaken	Random unannounced checks being undertaken		

Audit Plan Monitoring 2013/14

<u>Audit Plan Item</u>	<u>Risk Factor</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
Benefits Administration					
Benefits	M	Monthly checks being undertaken	Monthly checks being undertaken		
Prosecution Panel	N/A	On-going	On-going		
Exchequer					
Payroll	M	Monthly checks being undertaken	Monthly checks being undertaken		
Creditors	H	Monthly checks being undertaken	Monthly checks being undertaken		
Travel Expenses	M	Monthly checks being undertaken	Monthly checks being undertaken		
Accountancy					
Treasury Management	H				
Bank Reconciliation	M		Due to start in November		
Insurance	M		Audit started		
Legal Services					
None					
<u>Chief Executive's</u>					
Members' Declarations of Interest	M	Report Issued			
Urgency Action Procedures	L		Draft report issued		

<u>Audit Plan Item</u>	<u>Risk</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
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Audit Plan Monitoring 2013/14

<u>Factor</u>			
<u>Social Services, Health and Housing</u>			
Housing General Fund:			
Housing Renewal Area	M		
Social Services			
Monitoring of External Care Providers	H		
Hillside Secure unit	M		
Direct/Indirect Payments	M		
Children’s’ Services	H		Discussions being held regarding work to be carried out
<u>Environment</u>			
Building Maintenance	M	In progress	In progress
Stores/Equipment	M		
Planning/Building Regulations	M		
Fuel Usage of Vehicles	M		
<u>Cross Directorate</u>			
Special Investigations	N/A	2 in progress	2 complete, 3 in progress
Advice and Guidance	N/A	On-going	On-going
I.T. Audit	N/A		In progress
Contract Audit	N/A	On-going	On-going
Corporate Governance	N/A		In progress
Bribery Act	N/A		
Officer Declarations	M	On-going	Report issued
FOI Act	M		
Petty Cash	M	Monthly checks being undertaken	Monthly checks being undertaken

Audit Plan Monitoring 2013/14

<u>Audit Plan Item</u>	<u>Risk Factor</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
CRB Checks	M	Monthly checks being undertaken	Monthly checks being undertaken		
VFM Work	N/A				
Annual Governance Statement	N/A				
Banking System Administrator	N/A	On-going	On-going		
<u>Other Commitments</u>					
Working Parties	N/A	On-going	On-going		
Audit Committee	N/A	On-going	On-going		
FOI Requests	N/A	None received to date	2 received and replied to		
Accounting Instructions	N/A				
Contingencies	N/A	One grant claim audited. Audit of Cognation Project on-going at the request of the Manager.	Cemeteries - report issued. Cefn Coed Colliery Museum - report issued. Request from Head Financial Services re advertising income.		
WGBWA	N/A		Due to start in September		
WPI's	L	In progress	Work complete and 10 reports issued		
SWTRA	N/A				

ITEM 3

INTERNAL AUDIT SERVICE – ANNUAL REPORT FOR THE YEAR ENDED 31st MARCH 2013

1. Purpose of the Report

To provide details of the work undertaken for the financial year 2012/13 compared with that included in the Internal Audit Plan, to detail performance against targets set for the section at the start of the year and to highlight issues relevant to the performance of the section.

2. Background

One of the terms of reference of this Committee is to ‘monitor internal (and external) audit performance’. In order to comply with this requirement to monitor the in-house service, an annual report is given below outlining Internal Audit work undertaken during the last year.

In addition, information is provided for Members on the current position regarding staff vacancies within the Section and the actions being taken to address it.

3. Audit Performance

A comparison of the work completed during the financial year with the work planned was provided to the last Audit Committee held in June (attached as appendix1). Attached as Appendix 2 are the performance figures for the section for 2012/13, with comments provided (below).

The position with regard to vacant posts in the section has been reported to Audit Committee on a regular basis throughout the year. At the present time there is 1 vacant audit assistant post within the section. This post has been vacant since 1st July 2013 and it is hoped to fill this vacancy soon.

In terms of the overall plan, 89% of the plan was completed, and due to a higher than anticipated level of special investigations during the year, 103% of the planned high risk audits were completed (the reason that this is higher than 100% is because more High Risk Special Investigations have been carried out compared to the original plan).

- When compared to 11/12 performance has improved in 12/13 in 64% of the indicators. However when compared with the past 5 years, the 12/13 performance has improved in 86% of the indicators.

4. Assurance Statement

As part of the annual reporting procedures, Internal Audit has to provide a statement of assurance on the systems of internal control operating within the Authority. This statement is based on the work carried out by the section during the year.

It is necessary to highlight to this Committee, any problems in connection with non implementation of significant recommendations contained within agreed Internal Audit Reports. Non implementation could point to continuing weak internal controls operating or non compliance with existing satisfactory controls which then present risks to the Authority. ***The issue of implementation of recommendations in respect of both the debtors and creditors systems is currently being addressed by the Head of Financial Services in collaboration with Internal Audit.***

The remaining aspect that needs to be highlighted concerns, in general terms, the various Internal Control Systems operating within the Council. This Committee in line with one of its Terms of Reference (and importantly in compliance with the Council's Code of Corporate Governance), i.e. ***“to examine and keep under review the adequacy and effectiveness of internal controls/compliance”*** requires a regular appraisal of the work undertaken by the Internal Audit Service, throughout the year in connection with this important area of its duties and responsibilities. It must be stressed that assurance – on the existence of robust internal controls – can never be absolute – the most the Internal Audit Service can provide to this Committee is a reasonable assurance that there are no major weaknesses in the internal control systems examined during any year.

In terms of giving an assurance on the robustness of internal controls / compliance within the Authority based upon the assignments and sample testing completed this financial year including the majority of fundamental financial systems and the subsequent response to implementation of recommendations, the conclusion is that:

Reasonable assurance can be given that there have been no major weaknesses noted in relation to the various internal control systems operating within the Authority.

In addition to the assurance statement above, the work carried out by Internal Audit is essential in enabling the Director of Finance and Corporate Services to review the effectiveness of the system of internal financial control and to produce the 'Annual Governance Statement' that is included in the annual Statement of Accounts.

5. Issues Affecting Audit Performance

Other than the staffing issue raised above, there have been no issues affecting audit performance throughout the year.

List of Background Papers

Internal Audit Files

Appendices

Appendix 1 – Performance Indicators 2012/13

Wards Affected

All

Officer Contact

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Performance Indicators 2012/13

No.	IAS Ref	Performance Indicator	All Wales or Local	2011/12 Actual	2012/13 Actual	2007/08 - 11/12 Ave
L(IA) 1		Progress against original Audit Plan % of planned assignments completed:				
		‘High Risk’ areas	Local	107.00%	103.00%	93.40%
	1	‘Medium Risk’ areas	Local	60.00%	79.00%	59.20%
	1	All' Areas	All	87.00%	89.00%	79.80%
	1	No of Audits	Wales	79	86	52
L(IA) 2	5	Percentage of directly rechargeable time in relation to total available	All Wales	55.10%	64.90%	58.66%
	8	Percentage of directly rechargeable time actual vs planned	All Wales	59.30%	100%	71.82%
New	11	Staff costs per 1,000 population	All Wales	£1,987.85	£2,149.42	£2,423
	11	Population	All Wales	137392	137392	137270
New	12	Staffing costs per £m gross revenue expenditure & H.R.A.	All Wales	£677.16	£727.88	£875.83
	12	GRE and HRA	All Wales	403.325	405.718	390
L(IA) 3	9	Average cost (salaries and employers contributions only) for directly rechargeable day	All Wales	£327.65	£214.70	£257.01
	9	No. Audit of staff	All Wales	8	10	10
		Number of audit posts		9	9	11

Performance Indicators 2012/13

No.	IAS Ref	Performance Indicator	All Wales or Local	2011/12 Actual	2012/13 Actual	2007/08 - 11/12 Ave
	10	Number of staff leaving during financial year % no. of staff leaving during financial year	New All Wales	0 0.00%	1 10.00%	2 12.69%
L(IA) 4		Average all-inclusive cost (direct and support costs) for directly rechargeable day	Local	£330.88	£218.17	£265.52
L(IA) 5	2	Quality Assessment – audit assignments completed – clients satisfied with service (based on return of comprehensive survey forms – issued on production of final audit reports)	All Wales	100.00%	99.34%	99.74%
	2	Percentage of CSS's returned	All Wales	60.53%	51.52%	48.58%
L(IA) 6		Efficiency and effectiveness assessment of the Internal Audit Service by the Council's External Auditors (in line with their statutory responsibility) - Benchmark – “Code of Practice for Internal Audit in Local Government in the United Kingdom”. Total actual time taken for each assignment measured against planned time (excluding special investigations and other ad-hoc work):-	Local	N/A	N/A	N/A
L(IA) 7	4	Within planned time	All Wales	24.05%	63.89%	60.16%
		Within 2 days of planned time	Local	68.42%	81.94%	65.56%
		Within 3 to 5 days of planned time	Local	2.63%	11.11%	7.41%
		Over 5 days of planned time	Local	28.95%	6.94%	13.84%
		Average number of days spent per audit	New	8.5	7.9	13.3

Performance Indicators 2012/13

No.	IAS Ref	Performance Indicator	All Wales or Local	2011/12 Actual	2012/13 Actual	2007/08 - 11/12 Ave
L(IA) 8	7	Period between end of 'fieldwork' and issue of draft audit report for discussion with client (within 10 working days) Average no. of days from end of 'field work' and issue of draft report	All Wales All Wales	82.05% 6.0	87.14% 6.2	82.55% 6.9
L(IA) 9		Period between issue of draft report for discussion with client and agreement of draft report with client (within 10 working days) Average number. of days	All Wales Com	74.36% 12	87.50% 4	72.43% 14
L(IA) 10	6	Issue of final report after agreement of draft (within 2 working days). This higher target level was set in 2003/04. Average number of days	Local All Wales	84.62% 1.0	83.33% 1.7	80.08% 2.6
L(IA) 11	3	Percentage of recommendations contained in audit reports – agreed – versus implemented within normal post audit review periods Percentage of recommendations Agreed	Local New	97.20% 98.20%	91.24% 99.13%	92.03% 97.48%
New		Number of Special Investigations completed No of Audits Number of Audits less Special Investigations	New All Wales New	16 79 63	14 86 72	10 52 42