

# LOCAL GOVERNMENT BOUNDARY COMMISSION FOR WALES

## AUDIT COMMITTEE MEETING HELD ON THURSDAY 7<sup>th</sup> FEBRUARY 2008 AT CARADOG HOUSE, 1-6 ST ANDREWS PLACE, CARDIFF CF10 3BE

### Commission

Mr D H Roberts (Chair)  
Mrs S Smith  
Rev H Davies

### Secretariat

Mr E H Lewis (Secretary)  
Mr S Halsall  
Mr D Carr

### Grant Thornton

John Golding

### Welsh Assembly Government Internal Audit Services

Richard Thomas  
Gemma Jones

### Wales Audit Office (WAO)

Ann-Marie Harkin

Apologies for absence were received from Claire Thomas of Grant Thornton.

### **1. Minutes of Audit Committee meeting held on 15<sup>th</sup> November 2007.**

1.1 These were agreed and adopted.

### **2. Matters arising.**

2.1 The Secretary reported that the Welsh Assembly Government (WAG) Corporate Governance Unit were in the process of adapting the Management Statements and Financial Memorandums of all Assembly Government Sponsored Bodies (AGSB) to reflect the Government of Wales Act 2006. Mr Thomas said that WAG Corporate Governance Unit was due to issue guidance imminently and that they would notify all AGSBs of the changes in due course. It was expected that the Commission's amended Management Statements and Financial Memorandum would be agreed by the Minister but may include changes to reflect the Government of Wales Act 2006 in addition to the amendments agreed by Members.

2.2 The Secretary reported that the Boundary Commission for Wales' Memorandum of Agreement with the Ministry of Justice would be presented at the next meeting, which would be held later in the year.

- 2.3 The Secretary reported that he had contacted the Welsh Arts Council regarding the possibility of shared finance and accounting arrangements and had received a positive response. It was intended that a meeting with the Council's Finance Director would be arranged soon.
- 2.4 The Secretary reported that the Deputy Secretary had met with the head of Merlin IT Services together with the sponsor division to explain the Commission's requirements for transformation before the commencement of the electoral reviews. Although the Commission would not be one of the divisions, which would be transformed first as part of the pilot stage of the process it was hoped that the experience gained from this stage, would assist in the speed and efficiency in transforming the Commission's system.

### **3. Internal Audit Review 2007-08: Terms of Reference.**

- 3.1 Mr Thomas explained that the Terms of Reference covered the fourth year of the Commission's five year audit strategy. It was intended that the audit would commence during the third week of February and follow the same format as previous years and would cover high level controls and follow up on the previous year's recommendations. In addition a substantial part of the audit would focus on electoral review procedures in preparation for the Commission's forthcoming all Wales electoral review. The Committee noted the Terms of Reference.

### **4. Summary Audit Strategy 2007-08.**

- 4.1 Mr Golding said that Grant Thornton would undertake the audit on behalf of the Auditor General for Wales with Ann-Marie Harkin of the Wales Audit Office acting as liaison officer. He had met with the Commission's Secretary and Finance Manager to identify the key risks, which were:

- ... the restatement of the 2007-08 accounts to conform to International Financial Reporting Standards. It was expected that the Commission's 2007-08 accounts would need to be restated by October 2008 at the latest and that the deadline for auditing the restated accounts would be December 2008. However, Mr Golding said that due to the small size of the Commission it was not expected that the restatement of the accounts would be difficult compared with other public bodies and therefore it was hoped that the process could be completed by mid or late summer. A timetable for the restatement exercise would be drawn up after the issue of the ISA 260;
- ... the use of Sage accounting software throughout the year to reduce errors in the cash book;
- ... the problems encountered in previous years in receiving Welsh Assembly Government charges for the Merlin IT system;
- ... the use of Sage accounting software in the close down at the year end of 2007-08.

- 4.2 As part of the Annual Review and Additional Assurance Work for 2007-08 the audit would include a themed review at the request of the Welsh Assembly Government. The 2007-08 review would focus on the use of agency staff and contractors across Assembly Government Sponsored Bodies. This would be in addition to the work undertaken in respect of compliance with the Management Statement and Financial Memorandum. The arrangements for reporting the audit remained unchanged under ISA 260. There had been a slight increase in the audit fee in line with inflation; however, Mr Golding suggested that it might be more appropriate to discuss the fee after the issue of the Management Letter.
- 4.3 The Committee considered that there might be a case for considering proportionality when looking at the audit fee particularly as the themed review was not relevant to the Commission and the outcome would be of no interest. It was pointed out that the increase in fees for the Additional Assurance work was 3.7%. Mr Golding said that the increase should only have been 2.7% and therefore the increase given in the strategy document was an error and would be changed to reflect the true increase of 2.7%. Ann-Marie Harkin pointed out that the majority of the Additional Assurance work involved compliance with the Management Statement and Financial Memorandum rather than the themed review and was of importance to the Accounting Officer. The Committee pointed out that the audit fee was proportionately more than that of some larger public bodies and asked whether it would be possible to identify the costs involved. Mr Golding said that there was no real linear relationship between the size of body and audit fee and that it would be necessary to see whether there were any problematic areas during the audit before cost could be attributed. **It was agreed** that the Commission would write to the Auditor General for Wales to raise the issue of proportionality and audit fees.

## **5. Complaints (standing item)**

- 5.1 There were no complaints received since the last meeting.

## **6. Any Other Business**

- 6.1 There was no other business.