

LOCAL GOVERNMENT BOUNDARY COMMISSION FOR WALES

AUDIT COMMITTEE MEETING HELD ON THURSDAY 11th FEBRUARY 2009 AT CARADOG HOUSE, 1-6 ST ANDREWS PLACE, CARDIFF CF10 3BE

Commission

Rev H Davies (Chair)
Mr P Wood
Mr J Bader

Secretariat

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

Grant Thornton

Mr J Golding

Welsh Assembly Government Internal Audit Services

Mr R Thomas
Ms G Jones

Apologies for absence were received from Claire Thomas of Grant Thornton and Ann-Marie Harkin of the Wales Audit Office.

1. Minutes of Audit Committee meeting held on 26th November 2008.

1.1 These were agreed and adopted.

2. Matters arising.

2.1 The Secretary reported that a further meeting with the Chief Executives of AGSBs had been held prior to a meeting with the Permanent Secretary of the Welsh Assembly Government (WAG). **It was agreed** that the Secretary would look into the possibility of arranging a meeting of the Chairs of AGSBs.

2.2 Inquiries had been made with the facilitators of the Permanent Secretary's recent Stocktake meetings regarding the possibility of a meeting being arranged between themselves and Commissioners. The reply had been that since the Stocktake meetings had now been completed such a meeting would not be possible.

2.3 It was reported that the Commission's Finance Manager had recently had his Merlin user profile removed from the WAG IT system and was currently unable to log on. This had occurred as a result of a WAG exercise to remove all Merlin users who no longer worked for the Welsh Assembly. This ran contrary to the original agreement between the Commission and WAG in 2003 that staff directly employed by the Commission would have the same access to the system as WAG secondees. WAG HR Division had informed the Secretary that in order for the Finance Manager to be reinstated as a user of the Merlin system it would be necessary for a security check to be completed and it was not known how long it

would take for this issue to be resolved. The Commission considered that this issue was critical and posed a very significant risk to the Finance Manager being able to undertake his duties to prepare for the year-end accounts. **It was agreed** that the Commission would wait to see whether the issue would be resolved in two weeks and if this were not the case then the issue should be escalated with WAG. **It was agreed** that the Secretary would alert the head of WAG HR Division to the situation and inform him of the serious impact on the Commission's work.

- 2.4 **It was agreed** that the Secretariat would investigate the possibilities of having shared IT facilities with other AGSBs or other alternative IT arrangements.
- 2.5 It was reported that the Risk Register had been checked for business continuity issues and had been found to include them.
- 2.6 It was reported that the Secretary had written to the Permanent Secretary of WAG to raise the issue of the Commission's outstanding amended Management Statement and Financial Memorandum. No reply had been received to date.

3. Report on the Conversion to IFRS of 1 April 2008 Balance Sheet.

- 3.1 Mr Golding explained that the report detailed to Commission's current situation in respect of the forthcoming conversion from UK GAAP to IFRS. To date the 2007-08 Balance Sheet had been restated to conform with IFRS accounting requirements which involved treating unpaid leave as an accrual. An assessment had also been made of the impact of IFRS on leases and contracts and an issue had arisen over the status of the Commission's arrangements with the Welsh Assembly for provision of Merlin IT services. It was not certain whether this arrangement should be classed as a lease and it had been decided that it would be helpful to wait to see what approach the Wales Audit Office adopted towards all bodies using which were part of the Merlin system.
- 3.2 The next stage of the conversion process would be compiling full IFRS shadow accounts for 2008-09 which was due by the summer of 2009. The report also recommended that the Commission ascertain the amount of IFRS training that had been undertaken by their accountants.

4. External Audit Draft Audit Strategy.

- 4.1 Mr Golding explained that the Draft Audit Strategy outlined the focus for the audit of the 2008-09 annual accounts. It set out the responsibilities of both the Accounting Officer and Auditor General for Wales and outlined the main audit risks together with the proposed responses. The key issues identified were:
 - Preparation for the conversion of the 2008-09 accounts into IFRS;
 - Checking year end payments for Merlin IT services;
 - Reviewing the ongoing use of Sage accounting software;
 - Reviewing year end closedown procedures and documentation;

- Reviewing documentation outlining the respective roles of the Secretariat and contract accountants; and
- Reviewing documentation outlining year end creditors, accruals and debtors accounting.

These audit risks included recommendations made from the previous year's audit which would be checked as part of the 2008-09 audit work.

- 4.2 The Additional Assurance Work for the audit of the 2008-09 accounts would include checking for compliance with the Commission's Management Statement and Financial Memorandum as usual and would also include a themed review directed by the Welsh Assembly Government. For 2008-09 the themed review would cover IT governance and security arrangements.
- 4.3 Details of the audit fee for the 2008-09 audit were also contained within the report and it was explained that these had risen on 2007-08 costs by 4.8% in line with inflation, however, there had also been an abatement of 1.5% to reflect WAO efficiency savings and therefore there had only been an increase of 3.3% applied to the 2008-09 costs. A one off cost had also been charged in respect of work undertaken to assist the Commission with preparation for the IFRS conversion of the 2008-09 accounts.

5. Internal Audit Terms of Reference.

- 5.1 Mr Thomas explained that the Terms of Reference covered the final year of the Commission's five year audit strategy. It was intended that the audit would commence during February and follow the same format as previous years and would cover high level controls which would support the Statement of Internal Control and follow up on the previous year's recommendations. Part of the audit would focus on progress on arrangements for the electoral review procedures although the Commission had only recently received the review directions from the Welsh Assembly. The Committee noted the Terms of Reference.
- 5.2 As this was the final year of the five year strategy under the service level agreement drawn up between the Commission and the Welsh Assembly Internal Audit Services the Commission would need to give consideration to tendering for its internal audit service for the next five years. To assist the Commission with this the Welsh Assembly Internal Audit Services had drafted an audit strategy to cover the next five years. **It was agreed** that the Commission would commence a procurement exercise for internal audit for the next five years.

6. Complaints (standing item).

- 6.1 No complaints had been received.

7. Any Other Business

- 7.1 There was no other business.