

WEST MIDLANDS REGIONAL ASSEMBLY Full Assembly

Report of the Finance & Audit Committee to the Board June 2007

1.0 Notes of the FAC Meeting 27 June 2007

Purpose

- 1.1 To share the notes of the Finance & Audit Committee meeting with the Board and **make recommendations to the Board for approval before the AGM on 18th July 2007.**

Recommendation

- 1.2 That the Board **notes** the content of this report and the notes of the meeting held on 27 June 2007.

2.0 Audited Accounts 2006-07

Purpose

- 2.1 To recommend the Financial Statements for the West Midlands Regional Assembly for the financial year ended 31st March 2007 as audited by Clement Keys.

Background

- 2.2 Clement Keys were appointed as external auditors for 2006-07 for and they presented the Financial Statements to the Finance & Audit Committee (FAC) at a meeting on 27 June 2007.

Recommendations

- 2.3 FAC are recommending the Financial Statements 2006-07 for the approval of the Board and the re-appointment of Clement Keys as auditors for 2007-08;
- (i) The Board **approves** the Financial Statements for 2006-07 and **submits** them to the Assembly at the AGM on 18th July and that the Chairman is advised to sign the Letter of Representation.
 - (ii) The Board **approves** the re-appointment of Clement Keys for 2007-08.
 - (iii) That the Board **approves** a recommendation that newly nominated directors may not attend Board meetings until the registration documents are completed.
 - (iv) That the Board **approves** the recommendation to include Declarations of Interests on the Assembly website.

2.4 Annual Audit Report

Clement Keys presented the audited financial statements for 2006-07 and confirmed that the outturn report reflected an accurate position of the Assembly's funds at the year end. There were no expected modifications, adjustments, nor comments on qualitative aspects of accounting practices.

- 2.5 The overall report indicated sound financial management, effective processes and confirmed a small increase in general reserves as a result of bank interest for the year.
- 2.6 The auditor identified three areas of material weakness, two were process related and have already been addressed by the Head of Finance. However the third commented upon the fact that forms in respect of appointments, resignations and declarations of interest were not always submitted in a timely manner by Assembly members.
- 2.7 **Statutory Books – Appointments & Resignations**
As the proper keeping of statutory books is a requirement of the Companies Act the Committee is putting a recommendation to the Board that; 'a newly appointed director cannot attend and participate in Board meetings until the Companies House registration form 288b and a Declaration of Interests form has been completed and lodged with the Assembly secretariat'. These forms will be issued to newly appointed members promptly and should be returned in advance of the first Board meeting for a new Director.' This protects both parties from breaching the Companies Act.
- 2.8 **Declarations of Interest**
At a meeting of the Board in March, Directors were asked to complete a Declaration of Interests form for the year and return it to the Secretariat by 30 April. At audit only a small number of forms had been received and the secretariat has subsequently been chased returns. Directors should be reminded that this is a **personal responsibility** and as such are now asked to ensure any **outstanding forms are submitted before the end of July 2007**.
- 2.9 As the register of interest is a matter of public record, the Committee recommends that in future, 'Declarations of Interests are listed on the Assembly website'. This will enable members/directors to regularly review the information recorded against them; any required changes should be notified to the Assembly in writing. This will avoid the need for annual returns and provide audit assurance in respect of declarations of interests and related statements within the accounts.
- 2.10 **Key Points of the Financial Statements**
- [Page 4] Directors' Report – Review of the Year on the principal activities is extracted from the Year End Report provided to Government Office.
 - [Page 9] Income & Expenditure Account - the surplus on ordinary activities after taxation is attributable to bank interest.
 - [Page 10] Balance Sheet – whilst there were fixed asset additions of £3,355 for computer equipment on the year, depreciation has reduced the fixed asset value. The strong cash at bank position is funds held pending settlement of existing contracts which will conclude after the year end. Capital and

reserves of £103,604 include a cash reserve of £67,029 built up from bank interest retained year on year.

- The audited financial statements are produced in line with Financial Reporting Standards for Smaller Entities and include conversion of cost to tangible fixed assets and accrual and prepayment principles. A schedule of reconciliation between the outturn and the Financial Statements is shown below;

Per Outturn	37,556
Computer equipment capitalised	3,355
Depreciation charge	(9,865)
Depreciation on expensed contribution	2,000
General contingency carried forward	(2,531)
Legal contingency carried forward	<u>(18,705)</u>
Per financial statements	<u>11,810</u>

- [Page 13] £288,484 of additional partner contribution in 2006-07 was managed via the Assembly as 'special project monies'.
- [Page 17] As the accountable body for the English Regions Network its Revenue Account is included within the financial statements of WMRA Limited as a separate report.

3.0 2007-08 Internal Audit Plan

3.1 Purpose

To recommend the 2007-08 Internal Audit Plan.

3.2 Background

The Finance & Audit Committee received a report from the Chairman of the WMLGA Resources Panel on the 2006-07 Internal Audit. It also sought the Assembly's view on the Internal Audit Plan for 2007-08.

3.3 Recommendations

FAC are recommending that;

- (i) The Board **notes** the Internal Audit Report for 2006-07.
- (ii) The Board **approves** the 2007-08 Internal Audit Plan and the recommendation to include Risk Management and Insurances under the Assembly's 'establishment rotational' element.

3.4 **Internal Audit Report 2006-07**

Internal Audit reviewed the key systems of Debtors and Creditors in 2006-07 and the detailed report is available for viewing on the Assembly website. The findings for this first audit were of;

Significant Assurance that there is a generally sound system of control designed to meet the organisation's objectives.

3.5 The report demonstrated that there were robust systems in place and most of the recommendations related fine tuning existing good practice or to 'segregation of duties' and the difficulties faced by the organisation in trying to address this issue within a small team. The report specifically commended the work of the finance team currently being undertaken to develop a comprehensive Financial Regulations Handbook, which should be completed later this year.

3.6 The Committee was pleased to note that the responses to recommendation from the Head of Finance included consideration of risk and benefit in relation to the size and nature of organisation, and that follow up actions had been agreed and were already being implemented. There were no high priority recommendations.

3.7 **Internal Audit Plan 2007-08**

The Committee is endorsing the proposed Internal Audit Plan for 2007-08 which includes a review of;

- Debtors and Creditors
- Management Information and Budgetary Control
- Nominal Ledger and Central Accounting
- Payroll
- Treasury Management
- Corporate Governance
- Performance Management

3.8 The priorities for review are established via an internal audit needs risk assessment (table A) which was carried out at the beginning of the internal audit process. Some systems and processes will be done annually, 2 yearly, 4 yearly etc.

3.9 These are then fed into a 5 year plan (table B) which seeks to review the high priority areas first. Within this plan there is also an 'establishment rotational' element which enables the organisation to identify some other area they may wish audit to review.

3.10 The Assembly's budget for internal audit will meet 50% of the cost of the Audit Plan but it also includes provision for 5 days for an establishment rotational review. The Committee is recommending that this optional resource is used to review 'Risk Management and Insurances' in 2007-08. This is an area that is increasingly of concern for the Board, particularly as this Assembly is ahead of other regions in respect of RSS.

3.11 The Committee has agreed that in future the Internal Audit Reports will be presented to a joint meeting of the WMLGA Resources Panel and Assembly FAC as this is a shared resource/function.

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Chair, Finance and Audit Committee

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