

# WELSH PURCHASING CONSORTIUM

## MANAGEMENT BOARD

24th September 2014

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### REPORT OF THE TREASURER - ANNUAL ACCOUNTS 2013/14

#### Reason for this Report

1. The International Standard on Auditing (ISA) 260 requires the Appointed Auditor to report to those charged with governance, on the key matters arising from the audit examination of the Statement of Accounts for the year ending 31 March 2014.

#### Background

2. The Welsh Purchasing Consortium's Statement of Accounts for the financial year 2013/14 was presented and approved at the Management Board on 25th June 2014.
3. Following production of the accounts, there has been a full audit undertaken by the Wales Audit Office. In addition the accounts have been available for public inspection as required by sections 30 and 31 of the Public Audit (Wales) Act 2004 and Regulation 13, of the Accounts and Audit (Wales) Regulations, 2005 (as amended).

#### Issues

4. Attached is the auditor's report "Audit of Financial Statements Report", which is presented to the Management Board in order to fulfil the requirement of the International Auditing Standard (ISA) 260 and in discharge of the External Auditor's duty (Appendix A).
5. Appendix 3 of the Wales Audit Office Report lists corrections that the Auditor has requested should be drawn to the attention of the Joint Committee. The audit fee had not been charged directly to WPC accounts prior to 2013/14. Finance highlighted the issue of the accruals variances at the commencement of the Audit as actual invoices had since been received.

6. All of the relevant amendments have been made within the financial statements. The net effect of the adjustments reduced the surplus position reported to the Management Board in June 2014 by £6,705. The general reserve has subsequently been reduced by this total and the balance carried forward is now £379,463 and is available to support expenditure on the Welsh Purchasing Consortium in future years.
  
7. The Appointed Auditor reported the draft accounts contained three mis-stated figures that could have been identified and corrected prior to audit. The issues referred to were in the table detailing contributions from associate members where the 2012/13 column had not been updated fully for 2 members.
  
8. The audit does not seek to obtain absolute assurance that the financial statements present fairly the financial position, or assurance that they are accurate in every regard, but instead a concept of materiality is adopted. The report highlights that there were
  - No significant areas of concern about the qualitative aspects of the accounting practices and financial reporting
  - no significant matters discussed and corresponded upon with management which need to be reported
  - no other matters significant to the oversight of the financial reporting process which need to be reported
  - no material weaknesses in internal control identified
  
9. The Letter of Representation contained within the Auditor's Report forms part of the formal completion of the audit and is to be signed by the Treasurer and Chair of the WPC Management Board.

## RECOMMENDATIONS

The Management Board is requested to note:

1. The report of the Wales Audit Office on the Statement of Accounts of the Welsh Purchasing Consortium for the year ending 31 March 2014.
  
2. That the Chair of the WPC Management Board and the Treasurer will formally sign the Letter of Representation at the conclusion of the meeting.

3. That the WPC Statement of Accounts for 2013/14 will be published on the Cardiff Council website on 30<sup>th</sup> September 2014.



**CHRISTINE SALTER  
CORPORATE DIRECTOR RESOURCES  
CARDIFF COUNCIL  
SEPTEMBER 2014  
DATE**

The following Appendix is attached

Appendix A – Audit of Financial Statements Report



**Welsh Purchasing Consortium**

**Income & Expenditure Account &  
Statement of Balances**

**2013/14**

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## Contents

	<b>Page</b>
Explanatory Foreword	3
Introduction to Accounting Statements	5
Statement of Accounting Policies	6
Statement of Responsibilities for the Income & Expenditure Account & Statement of Balances	7
The S151 Officer's Responsibilities and Certificate	8
Comprehensive Income and Expenditure Account	9
Balance Sheet	10
Notes to the Core Financial Statements	11
Annual Governance Statement	15
Independent Auditor's Report	20

## Explanatory Foreword

### 1. Introduction

- 1.1 The Welsh Purchasing Consortium (WPC) has been established to support the Member Authorities in delivering joint, collaborative contracts and framework agreements for the procurement of goods and services which will deliver best value for money at all times and maximise efficiency savings for Members.
- 1.2 The WPC has been in existence since 1974. Following Local Government Reorganisation in 1996 a joint committee was formed consisting of 12 member authorities. Prior to 2008/2009 the Joint Committee did not directly incur any expenditure; the costs were met by the member authorities. As a consequence no financial statements were produced. Following a successful bid to the Making the Connections Improvement Fund, administered by Welsh Government, four additional Authorities agreed to join an expanded WPC – The sixteen member authorities referred to in the report are Blaenau Gwent, Bridgend, Caerphilly, Cardiff, Carmarthenshire, Ceredigion, Merthyr Tydfil, Monmouthshire, Neath Port Talbot, Newport, Pembrokeshire, Powys, Rhondda Cynon Taf, Swansea, Torfaen, Vale of Glamorgan. During 2013-14, Flintshire, Denbighshire and Wrexham joined the consortium, increasing authority members to nineteen. All member authorities have agreed to give twelve months notice of an intention to leave the consortium and on this basis, funding was guaranteed to 31<sup>st</sup> March 2016 at the WPC Board meeting held 30<sup>th</sup> April 2014.
- 1.3 In April 2010 the Management Board resolved to admit Associate Members to the WPC. Associate Members pay an annual fee and have access to framework agreements. They may attend Category Group meetings but not the meetings of the Management Board or Officers' Group. In 2013/14 an additional associate member was accepted increasing numbers to 6.
- 1.4 The WPC is managed and administered by the WPC Joint Committee under powers conferred by the Local Government (Wales) Act 1994.
- 1.5 City of Cardiff Council hosts the WPC Central Management Team and Rhondda Cynon Taf provides the secretariat support.
- 1.6 City of Cardiff Council administers all cash transactions as the WPC does not operate its own bank account.
- 1.7 Amendments by the Welsh Government to the Accounts and Audit Regulations for the 2009/10 financial year introduced a new category of 'Minor Joint Committee' where gross income or expenditure is less than £1m in the current and each of the two preceding years. The

WPC falls within this category and the Income & Expenditure Account and Statement of Balances complies with the amended Regulations.

## 2. Summary of Financial Performance

2.1 The Comprehensive Income and Expenditure Account provides an analysis of WPC costs. Table 1 below gives a summary of the actual expenditure against controllable budgets analysed by Chartered Institute of Public Finance and Accountancy (CIPFA) groupings.

**Table 1**

	<b>Budget £</b>	<b>Actual £</b>	<b>Variance £</b>
<b>Expenditure</b>			
Employees	168,000	145,340	(22,660)
Premises	18,000	15,686	(2,314)
Transport	8,000	1,408	(6,592)
Supplies & Services	15,000	16,408	1,408
Support Services	18,000	10,840	(7,160)
<b>Total Expenditure</b>	<b>227,000</b>	<b>189,682</b>	<b>(37,318)</b>
Contributions to Reserves	0	54,443	54,443
<b>Total Expenditure &amp; Contributions to Reserves</b>	<b>227,000</b>	<b>244,125</b>	<b>17,125</b>
<b>Income</b>			
Contributions from Local Authorities	(216,000)	(230,625)	(14,625)
Contributions from Associate Members	(11,000)	(13,500)	(2,500)
<b>Total Income</b>	<b>(227,000)</b>	<b>(244,125)</b>	<b>(17,125)</b>
<b>Total Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>



## **Introduction to Accounting Statements**

### **1 Statement of Accounting Policies**

The purpose of this statement is to explain the basis of the figures in the accounts. It outlines the accounting policies adopted.

### **2 Statement of Responsibilities for the Income & Expenditure Account and Statement of Balances**

This sets out the responsibilities of the WPC and the arrangements for the preparation of the Income & Expenditure Account and Statement of Balances. The Statement is to be signed by the Chair of the Joint Committee on behalf of the Committee.

### **3 Section 151 Officer's Responsibilities and Certificate**

This sets out the responsibilities of the Section 151 Officer and certifies that the accounts are a true and fair presentation of the accounts.

### **4 Comprehensive Income and Expenditure Account**

This statement is prepared to record the day-to-day expenditure on an accruals basis, on items such as salaries and wages, running costs of the service and income received to calculate the net operating expenditure of the WPC.

### **5 Balance Sheet**

This statement shows the WPC Joint Committee's financial position as at 31<sup>st</sup> March 2014. It includes the plant, property and equipment, current assets and liabilities of all activities of the Joint Committee together with the balances and reserves at its disposal.

## Statement of Accounting Policies

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and with the statutory framework established by the Accounts and Audit (Wales) Regulations 2005 (as amended).

### 1. Debtors and Creditors

The revenue transactions of the Joint Committee are recorded on an accruals basis. All known debts due to the Joint Committee as at 31<sup>st</sup> March 2014 are taken into account, as are all known liabilities for goods received or work carried out by this date. Where there was insufficient information available to provide actual figures, estimated amounts have been included.

### 2. Value added Tax

Income and expenditure are shown net of Value Added Tax.

### 3. Income

Income is credited to the year of account for which it relates regardless of when that income was actually received.

### 4. Allocation of Central Department Support

Cardiff Council hosts the WPC Central Management Team and hence costs are recharged to the Joint Committee on the basis of the estimated time spent by staff on supporting the Welsh Purchasing Consortium. The staff time analysis is reviewed and updated annually in-line with Cardiff Council's policy for charging external bodies, including Joint Committees, for central departmental support functions.

### 5. Retirement Benefits

The Joint Committee does not have the legal power to directly employ staff. Staff involved in joint committee activities are therefore employed by a constituent authority. Each constituent authority participates in a defined benefit pension scheme. The joint committee meets the cost of the actual pension contributions and accounts for them in the income and expenditure account. Pension costs are therefore accounted for as if contributions had been made to a defined contribution pension scheme because it is not possible to determine the underlying assets and liabilities in the schemes relating to the staff involved in joint committee activities on a reasonable and consistent basis. Therefore, no liability for future payments of benefits is recognised in the Balance Sheet.

## **Statement of Responsibilities for the Income & Expenditure Account & Statement of Balances**

### **The Welsh Purchasing Consortium's Responsibilities**

The Joint Committee is required to:

- make arrangements for the proper administration of its financial affairs and to secure that an appropriate officer is appointed to undertake the administration of those affairs. For 2013-14, this officer was Christine Salter, Corporate Director, Resources and Section 151 Officer of City of Cardiff Council.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts

**Councillor P. Murphy**  
**Chair Welsh Purchasing Consortium**  
**Joint Committee**  
**Date**

## **The Section 151 Officer's Responsibilities**

The S151 Officer is responsible for the preparation of the Joint Committee's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

### **In preparing these financial statements, the Section 151 Officer has:**

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Section 151 Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **The Certificate of the Section 151 Officer**

The financial statements present fairly the financial position of the Welsh Purchasing Consortium Joint Committee at 31 March 2014 and its income and expenditure for the year then ended.

**Christine Salter**  
**Corporate Director Resources**  
**City of Cardiff Council**  
**Date**

## Comprehensive Income and Expenditure Account for the year ended 31<sup>st</sup> March 2014

2012/13 £		2013/14 £	Note
	<b>Continuing Operations</b>		
	<b>Expenditure</b>		
164,972	Employees	145,340	1.0
18,000	Premises	15,686	
2,680	Transport	1,408	
17,836	Supplies and Services	16,408	2.0
12,528	Support Services	10,840	
<b>216,016</b>		<b>189,682</b>	
	<b>Income</b>		
(238,272)	Contributions from Local Authorities	(230,625)	3.0
(11,000)	Contributions from Associate Members	(13,500)	4.0
<b>(249,272)</b>	Accumulated Absences Accrual	<b>(244,125)</b>	
<b>(33,256)</b>	<b>Net Expenditure (Income)</b>	<b>(54,443)</b>	
	<b>Appropriations to/from Reserves</b>		
0	Proactis Upgrade Reserve	25,418	8.4
(131)	Accumulated Absences Accrual	(358)	8.5
<b>(33,387)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(29,383)</b>	

**Balance Sheet as at 31<sup>st</sup> March 2014**

31/03/13		31/03/14	Note
£		£	
	<b>Plant, Property &amp; Equipment</b>		
0	Operational Assets	0	
0	Land & Buildings	0	
0	Assets Under Construction	0	
0	Vehicles, Plant, Furniture & Equipment	0	
<b>0</b>		<b>0</b>	
	<b>Current Assets</b>		
0	Inventories	0	
2,500	Short-term Debtors	11,250	6.0
355,974	Cash in Hand	402,742	
<b>358,474</b>		<b>413,992</b>	
	<b>Current Liabilities</b>		
(10,178)	Short-term Creditors	(11,254)	7.0
<b>348,296</b>	<b>Net Current Assets</b>	<b>402,738</b>	
<b>348,296</b>	<b>NET ASSETS</b>	<b>402,738</b>	
	<b>Represented By:</b>		
	<b>Revenue Reserves:</b>		
350,080	General Reserve	379,463	8.0
0	Proactis Upgrade Reserve	25,418	8.4
(1,784)	Accumulated Absences Accrual Adjustment	(2,143)	8.5
<b>348,296</b>	<b>TOTAL RESERVES</b>	<b>402,738</b>	

## Notes to the Core Financial Statements

### 1.0 Remuneration

- 1.1 The Accounts and Audit (Wales) (Amendment) Regulations 2010 requires that the number of employees, whose remuneration is over £60,000 per annum be disclosed within bands of £5,000. The following table includes all staff who fall within this category. The figures include all taxable remuneration received in the year but exclude employers pension contributions and any expenses that are not chargeable to UK income tax.

£	Number of Employees	
	2012/13	2013/14
<b>60,000 – 64,999</b>	<b>1</b>	<b>1</b>

- 1.2 Further disclosure is required in respect of the individual remuneration of senior employees whose salary is £60,000 or more but less than £150,000, identified by job title. The following post falls within the definition of senior employee:

2013/14 Post Title	Salary £	Taxable Benefits £	Employers Pension Contribution £	Total Remuneration £
<b>WPC Procurement Manager</b>	<b>64,032</b>	<b>22</b>	<b>15,304</b>	<b>79,358</b>

Comparative figures for 2012/13 are as follows:

2012/13 Post Title	Salary £	Taxable Benefits £	Employers Pension Contribution £	Total Remuneration £
<b>WPC Procurement Manager</b>	<b>64,032</b>	<b>93</b>	<b>14,663</b>	<b>78,788</b>

### 2.0 Audit Fee

In 2013/14, the Joint committee incurred external audit costs of £6,019.  
(Nil in 2012/13)

**3.0 Contributions Received from Member Authorities**

3.1 The joint agreement provides for contributions towards estimated expenditure for each year to be notified in advance to each authority, and to be made in one instalment.

3.2 Contribution rates have been agreed as equal proportions to the 16 member authorities:

3.3 The 3 new member authorities paid a pro-rata annual contribution based on date of joining in 2013/14.

<b>31/03/13 £</b>	<b>Authority</b>	<b>31/03/14 £</b>
<b>14,892</b>	<b>Blaenau Gwent CBC</b>	<b>13,500</b>
<b>14,892</b>	<b>Bridgend CBC</b>	<b>13,500</b>
<b>14,892</b>	<b>Caerphilly CBC</b>	<b>13,500</b>
<b>14,892</b>	<b>City of Cardiff Council</b>	<b>13,500</b>
<b>14,892</b>	<b>Carmarthenshire CC</b>	<b>13,500</b>
<b>14,892</b>	<b>Ceredigion CC</b>	<b>13,500</b>
<b>14,892</b>	<b>Merthyr Tydfil CBC</b>	<b>13,500</b>
<b>14,892</b>	<b>Monmouthshire CC</b>	<b>13,500</b>
<b>14,892</b>	<b>Neath Port Talbot CBC</b>	<b>13,500</b>
<b>14,892</b>	<b>Newport CC</b>	<b>13,500</b>
<b>14,892</b>	<b>Pembrokeshire CC</b>	<b>13,500</b>
<b>14,892</b>	<b>Powys CC</b>	<b>13,500</b>
<b>14,892</b>	<b>Rhondda Cynon Taf CBC</b>	<b>13,500</b>
<b>14,892</b>	<b>City &amp; County of Swansea</b>	<b>13,500</b>
<b>14,892</b>	<b>Torfaen CBC</b>	<b>13,500</b>
<b>14,892</b>	<b>Vale of Glamorgan Council</b>	<b>13,500</b>
<b>-</b>	<b>Denbighshire Council</b>	<b>5,625</b>
<b>-</b>	<b>Flintshire Council</b>	<b>5,625</b>
<b>-</b>	<b>Wrexham Council</b>	<b>3,375</b>
<b>238,272</b>		<b>230,625</b>

**4.0 Contributions from Associate Members**

4.1 Contributions were received from Associate Members as follows:

<b>31/03/13 £</b>	<b>Organisation</b>	<b>31/03/14 £</b>
<b>2,500</b>	<b>Mid &amp; West Wales Fire &amp; Rescue Service</b>	<b>2,500</b>
<b>2,500</b>	<b>South Wales Fire &amp; Rescue Service</b>	<b>2,500</b>
<b>1,000</b>	<b>National Library of Wales</b>	<b>1,000</b>
<b>2,500</b>	<b>Valleys to Coast</b>	<b>2,500</b>



<b>2,500</b>	<b>Gwalia Housing</b>	<b>2,500</b>
-	<b>Wales Probation Service</b>	<b>2,500</b>
<b>11,000</b>		<b>13,500</b>

## 5.0 Related Party Transactions

5.1 In accordance with International Accounting Standard (IAS) 24, *Related Party Disclosures*, the WPC have a duty to disclose any material transactions with a "related party". This is to ensure that financial statements contain disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.

5.2 The WPC is managed and administered by the WPC Joint Committee under powers conferred by the Local Government (Wales) Act 1994. Each of the nineteen member authorities is represented on this Joint Committee. Members of the Committee have direct control over the WPC's financial and operating policies. During 2013/14, there were no transactions with companies in which members or employees had an interest.

5.3 Cardiff Council hosts the WPC Central Management Team and Rhondda Cynon Taf provides the secretariat support.

## 6.0 Short-term Debtors

6.1 Short-term Debtors in the Balance Sheet consists of:

<b>31/03/13</b>		<b>31/03/14</b>
<b>£</b>		<b>£</b>
0	Other Local Authorities	11,250
2,500	Other Entities & Individuals	0
<b>2,500</b>		<b>11,250</b>

## 7.0 Short-term Creditors

7.1 Short-term Creditors in the Balance Sheet consists of:

<b>31/03/13</b>		<b>31/03/14</b>
<b>£</b>		<b>£</b>
350	Other Local Authorities	2,511
9,828	Other Entities & Individuals	8,743
<b>10,178</b>		<b>11,254</b>

**8.0 Revenue Reserves**

- 8.1 An amount of £29,383 after appropriations was transferred to the General Reserve. This relates to the contributions received from the 19 Authorities and 6 Associate Members signed up to the WPC which remain unspent at the 31<sup>st</sup> March 2014 and will be used to fund expenditure incurred in future years.
- 8.2 The reserve balance as at 1<sup>st</sup> April 2013 of £350,080 is wholly owned by the 16 Local Authorities on an equal share basis. The surplus of £29,383 from 2013/14 is not shared equally between the 19 members as it is apportioned on the basis of joining date.
- 8.3 The balance of the general reserve as at 31<sup>st</sup> March 2014 was £379,463 and each authority's share is detailed below.

<b>31/03/13 £</b>	<b>Authority Share of Reserve</b>	<b>31/03/14 £</b>
<b>21,880</b>	<b>Blaenau Gwent CBC</b>	<b>23,610</b>
<b>21,880</b>	<b>Bridgend CBC</b>	<b>23,610</b>
<b>21,880</b>	<b>Caerphilly CBC</b>	<b>23,610</b>
<b>21,880</b>	<b>City of Cardiff Council</b>	<b>23,608</b>
<b>21,880</b>	<b>Carmarthenshire CC</b>	<b>23,610</b>
<b>21,880</b>	<b>Ceredigion CC</b>	<b>23,610</b>
<b>21,880</b>	<b>Merthyr Tydfil CBC</b>	<b>23,610</b>
<b>21,880</b>	<b>Monmouthshire CC</b>	<b>23,610</b>
<b>21,880</b>	<b>Neath Port Talbot CBC</b>	<b>23,610</b>
<b>21,880</b>	<b>Newport CC</b>	<b>23,610</b>
<b>21,880</b>	<b>Pembrokeshire CC</b>	<b>23,610</b>
<b>21,880</b>	<b>Powys CC</b>	<b>23,610</b>
<b>21,880</b>	<b>Rhondda Cynon Taf CBC</b>	<b>23,610</b>
<b>21,880</b>	<b>City &amp; County of Swansea</b>	<b>23,610</b>
<b>21,880</b>	<b>Torfaen CBC</b>	<b>23,610</b>
<b>21,880</b>	<b>Vale of Glamorgan Council</b>	<b>23,610</b>
<b>-</b>	<b>Denbighshire Council</b>	<b>659</b>
<b>-</b>	<b>Flintshire Council</b>	<b>659</b>
<b>-</b>	<b>Wrexham Council</b>	<b>387</b>
<b>350,080</b>		<b>379,463</b>

- 8.4 The Proactis Upgrade reserve was created to fund the upgrade of the existing system for the capture and monitoring of food complaints.
- 8.5 The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Reserve from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Reserve is neutralised by transfers to and from the Account.

## **Annual Governance Statement 2013/14: Welsh Purchasing Consortium**

### **Scope of Responsibility**

The Welsh Purchasing Consortium (WPC) has been established to support the Member Authorities in delivering joint collaborative contracts and framework agreements for the procurement of goods and services which will deliver best value for money at all times and maximise efficiency savings for Members.

The WPC has been in existence since 1974 and was reformed following Local Government Reorganisation in 1996. Following a successful bid to the Making the Connections Improvement Fund Carmarthenshire, Ceredigion, Pembrokeshire and Powys agreed to join an expanded WPC which now consisted of the sixteen Authorities in South, West and Mid Wales, namely :- Blaenau Gwent, Bridgend, Caerphilly, Cardiff, Carmarthenshire, Ceredigion, Merthyr Tydfil, Monmouthshire, Neath Port Talbot, Newport, Pembrokeshire, Powys, Rhondda Cynon Taf, Swansea, Torfaen and Vale of Glamorgan. During 2013/14, Flintshire, Denbighshire and Wrexham also agreed to join, increasing member authorities to nineteen. City of Cardiff Council acts as the host Authority in terms of employing the WPC Central Management Team and managing the operational budget.

This statement is a reflection of the principles set out in the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government and also meets the requirements of regulation 4 of the Accounts and Audit (Wales) Regulations 2005 in relation to the publication of a statement on internal control by the WPC Joint Committee.

### **The Purpose of the Governance Framework**

The Governance Framework comprises the systems and processes, and culture and values by which the WPC is directed and controlled and its activities through which it accounts to and engages with the community. It enables the WPC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. The aim is, therefore, to provide reasonable, rather than absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the WPC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

## **The Governance Framework**

The WPC's key objectives are laid out in its Constitution which details how the sixteen Authorities will work together. This includes an agreement on the financial obligations of the member Authorities.

In order to effectively deliver its priorities, the following components are in place to make up the overall Internal Control Framework:

- The Facilitation of Policy and Decision Making
- Establishing and Monitoring of WPC's Objectives
- Performance Management and the Reporting of Performance Management
- Compliance with Established Policies, Procedures, Laws and Regulations
- Identifying, Assessing and Managing the Risks to WPC's objectives
- The Economical, Effective and Efficient Use of Resources and Securing Continuous Improvement in the Way Functions are Exercised
- The Financial Management of the WPC

### **The Facilitation of Policy and Decision Making**

Responsibility for decision making in relation to the functions of the WPC is set out in the Constitution which was approved by Member Authorities during 2011 and 2012.

Membership of the WPC Management Board comprises nominated Members and Officers of the Member Authorities. Voting rights can be exercised by a Member or an Officer on a one vote per Authority basis.

This framework provides an assurance that all decisions taken comply with relevant policies, procedures, laws and regulations.

### **Establishing and Monitoring of the WPC's objectives**

The WPC Procurement Manager maintains the Forward Work Plan which sets out the key aims and objectives in the short and medium term.

### **Performance Management and the Reporting of Performance Management**

The Forward Work Plan is maintained by the Central Management Team and is monitored and updated by the WPC Officers Group and subsequently reported quarterly to the WPC Management Board. This enables Member Authorities to track progress against the key aims and objectives, monitor performance against targets and support remedial action where required.

## **Compliance with Established Policies, Procedures, Laws and Regulations**

WPC is managed and administered by the WPC Management Board under powers conferred by the Local Government (Wales) Act 1994.

The Agreement is made pursuant to the powers contained in the Section 101 of the 1972 Act and the Section 20 of the 2000 Act and any Regulations made there under and all other enabling powers.

Policies and Procedures are as laid down in the WPC Constitution.

## **Identifying, Assessing and Managing the Risks to the WPC's objectives**

The Forward Work Plan includes a Register of identified risks.

## **The Economical, Effective and Efficient Use of Resources and Securing Continuous Improvement in the Way Functions are Exercised**

City of Cardiff Council, as host Authority, is responsible for ensuring that the operational budget is managed by the WPC. City of Cardiff Council also provides financial advice for decision making.

## **The Financial Management of the Welsh Purchasing Consortium**

The system of financial management is based on a framework of regular management information, Financial Procedure Rules and a system of delegation and accountability. The WPC operational budget is managed within this framework. All staff and members have a duty to abide by the highest standards of probity in dealing with financial issues.

The Financial Procedure Rules are those of City of Cardiff Council as host Authority and these can be found on the Council's intranet site. Not all the rules apply to the WPC as many are specific to the role of the Council. The key controls for financial management are to ensure that it is promoted and reviewed for compliance.

Financial reports comprising expenditure forecasting and budget monitoring are presented regularly to the WPC Management Board. Responsibility for management and financial information reporting rests with City of Cardiff Council and the WPC Procurement Manager.

The WPC's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

## **Review of the Effectiveness of the System of Internal Control**

Regulation 4 of the Accounts and Audit (Wales) Regulations 2005 requires authorities to carry out an annual review of the effectiveness of the system of internal control.

The review of the effectiveness of internal control is informed by:-

- The senior managers within the authority who have responsibility for the development and maintenance of internal control;
- The work of Internal Audit;
- Views and comments from any committee or the Management Board;
- The external auditors and other review agencies and inspectorates.

### **External Audit**

The Wales Audit Office undertakes the external audit requirements of the WPC. Reports are prepared, in relation to audit, under the relevant enabling legislation and the responsibilities detailed in the Code of Audit Practice, and in the context of the 'Statement of Responsibilities' issued by the Auditor General for Wales.

### **Internal Audit**

City of Cardiff Council operates an independent internal audit function whose role is to review internal control arrangements. This function operates under the requirements of the CIPFA Code of Practice for Internal Audit in Local Government in the UK.

### **Significant Governance Issues**

The System of Internal Control, as summarised above, operated satisfactorily in 2013/2014.

### **Monitoring**

No significant issues were identified throughout the year however, should any significant issues have arisen processes were in place to manage and monitor these.

### **Certification by the Chair of the Joint Committee and the WPC Procurement Manager**

The Treasurer to the WPC and the WPC Management Board are content that the process followed has been robust and has ensured the engagement of the WPC Procurement Manager, the Central Management Team and the Officers' Group.

The WPC Management Board will continue to review the effectiveness of the systems of internal control and the plans to provide improvements in review processes, address weaknesses to ensure continuous improvement of the system of internal control are in place.

On the basis of this process, the legal and financial advice of the statutory officers, and the WPC's constitution and working arrangements we certify that we approve the Annual Governance Statement 2013/14.

**Councillor P. Murphy**  
**Chair Welsh Purchasing Consortium**  
**Joint Committee**  
**Date**

**Robert Jones**  
**Procurement Manager Welsh Purchasing Consortium**  
**Date**

## **Independent auditor's report to the Welsh Purchasing Consortium Joint Committee**

### **Independent auditor's report to the Welsh Purchasing Consortium Joint Committee**

I have audited the accounting statements and related notes of the Welsh Purchasing Consortium Joint Committee for the year ended 31 March 2014 under the Public Audit (Wales) Act 2004. The accounting statements comprise the Income and Expenditure Statement and the Balance Sheet. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounts.

This report is made solely to the Welsh Purchasing Consortium Joint Committee in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose as set out in the Statement of the Responsibilities prepared by the Auditor General for Wales.

#### **Respective responsibilities of the responsible financial officer and the independent auditor**

The Corporate Director Resources is responsible for preparing the statement of accounts, in accordance with relevant legal and regulatory requirements and proper practices.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the accounting statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Welsh Purchasing Consortium Joint Committee's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Foreword to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.



## **Opinion on the accounting statements of the Welsh Purchasing Consortium Joint Committee**

In my opinion the accounting statements and related notes:

- presents fairly the financial position of the Welsh Purchasing Consortium Joint Committee as at 31 March 2014 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with generally accepted practices.

## **Opinion on other matters**

In my opinion, the information contained in the Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

## **Certificate of completion of audit**

I certify that I have carried out the audit of the accounts of the Welsh Purchasing Consortium Joint Committee in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales

Anthony Barrett  
Appointed Auditor  
Wales Audit Office  
24 Cathedral Road  
CARDIFF  
CF11 9LJ

Date:

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Archwilydd Cyffredinol Cymru  
Auditor General for Wales



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Audit of Financial Statements Report

## Welsh Purchasing Consortium Joint Committee

**Audit year:** 2013-14

**Issued:** September 2014

**Document reference:** 551A2014

## Status of report

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This document has been prepared for the internal use of Welsh Purchasing Consortium Joint Committee as part of work performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

No responsibility is taken by the Wales Audit Office (the Auditor General and his staff) and, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales (and, where applicable, his appointed auditor) is a relevant third party. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [infoofficer@wao.gov.uk](mailto:infoofficer@wao.gov.uk)

# Contents

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The Appointed Auditor intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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## Summary report

Introduction	4
Status of the audit	4
Proposed audit report	4
Significant issues arising from the audit	4
Independence and objectivity	5

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## Appendices

Final Letter of Representation	6
Proposed audit report of the Appointed Auditor to the Welsh Purchasing Consortium Joint Committee	9
Summary of corrections made to the draft financial statements which should be drawn to the attention of those charged with governance	11

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# Summary report

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## Introduction

1. Anthony Barrett as Appointed Auditor is responsible for providing an opinion on whether the financial statements presents fairly the financial position of the Welsh Purchasing Consortium Joint Committee at 31 March 2014 and its income and expenditure for the year then ended.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
3. The quantitative levels at which we judge such misstatements to be material for Welsh Purchasing Consortium Joint Committee is £1,830. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
5. This report sets out for consideration the matters arising from the audit of the financial statements of Welsh Purchasing Consortium Joint Committee, for 2013-14, that require reporting under ISA 260.

## Status of the audit

6. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with relevant officers.

## Proposed audit report

7. It is the Appointed Auditor's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
8. The proposed audit report is set out in [Appendix 2](#).

## Significant issues arising from the audit

### Uncorrected misstatements

9. There are no misstatements identified in the financial statements, which remain uncorrected.

## Corrected misstatements

10. There are some misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

## Other significant issues arising from the audit

11. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:
  - **There is an area of concern about the qualitative aspects of your accounting practices and financial reporting.** We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear. However, as there had been no effective management review of the financial statements and supporting working papers the draft accounts contained several misstatements that should have been identified and corrected prior to their presentation for audit.
  - **We did not encounter any significant difficulties during the audit.** We received the majority of information in a timely and helpful manner and were not restricted in our work.
  - **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
  - **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
  - **We did not identify any material weaknesses in your internal controls.**
  - **There are no other matters specifically required by auditing standards to be communicated to those charged with governance.**

## Independence and objectivity

12. As part of the finalisation process, we are required to provide you with representations concerning our independence.
13. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the Welsh Purchasing Consortium Joint Committee that we consider to bear on our objectivity and independence.

# Appendix 1

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## Final Letter of Representation

Anthony Barrett  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

[xx September 2014]

## Representations regarding the 2013-14 financial statements

This letter is provided in connection with your audit of the financial statements of the Welsh Purchasing Consortium Joint Committee for the year ended 31 March 2014.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

## Management representations

### Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements that present fairly the financial position in accordance with legislative requirements and the Code of Practice on Local Authority Accounting 2013-14.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.



- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Welsh Purchasing Consortium Joint Committee and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The agreed recommendations set out in the 2012-13 WAO financial accounts reports have been satisfactorily implemented.

The financial statements are free of material misstatements, including omissions.

## Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility that financial statements are presented fairly in accordance with the applicable financial reporting framework. The financial statements were approved by the Welsh Purchasing Consortium Joint Committee on **XX September 2014**.

Signed by:

Christine Salter

Corporate Director Resources

Date:

Signed by:

Councillor XXX

Chairman of Welsh Purchasing  
Consortium Joint Committee

Date:

## Appendix 2

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### Proposed audit report of the Appointed Auditor to the Welsh Purchasing Consortium Joint Committee

I have audited the accounting statements and related notes of the Welsh Purchasing Consortium Joint Committee for the year ended 31 March 2014 under the Public Audit (Wales) Act 2004. The accounting statements comprise the Income and Expenditure Statement and the Balance Sheet. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounts.

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### Respective responsibilities of the responsible financial officer and the independent auditor

The Corporate Director Resources is responsible for preparing the statement of accounts, in accordance with relevant legal and regulatory requirements and proper practices.

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### Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Welsh Purchasing Consortium Joint Committee's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

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## Opinion on the accounting statements of the Welsh Purchasing Consortium Joint Committee

In my opinion the accounting statements and related notes:

- presents fairly the financial position of the Welsh Purchasing Consortium Joint Committee as at 31 March 2014 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with generally accepted practices.

## Opinion on other matters

In my opinion, the information contained in the Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

## Certificate of completion of audit

I certify that I have carried out the audit of the accounts of the Welsh Purchasing Consortium Joint Committee in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales.

Anthony Barrett  
Appointed Auditor  
Wales Audit Office  
24 Cathedral Road  
CARDIFF  
CF11 9LJ

Date: xx September 2014

## Appendix 3

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### Summary of corrections made to the draft financial statements which should be drawn to the attention of those charged with governance

During our audit the following misstatements were identified. Although corrected by management, we consider that the corrections should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Value of correction	Nature of correction	Reason for correction
£6,019	Increase Supplies and Services expenditure and increase Short-term Creditors.	There was no accrual for the 2013-14 audit fee at 31 March 2014.
£1,344	Increase Premises expenditure and increase Short-term Creditors.	The accrual of £600 at 31 March 2014 for unpaid Non Domestic Rates on the Committee's rented office in Carmarthen was underestimated.
£659	Reduce Premises expenditure and reduce Short-term Creditors.	The accrual of £900 at 31 March 2014 for unpaid electricity consumption was overstated.

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## **WELSH PURCHASING CONSORTIUM**

### **MANAGEMENT BOARD**

**24th SEPTEMBER 2014**

## **REPORT OF THE TREASURER**

### **Background**

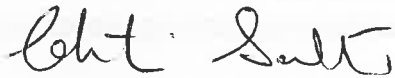
1. In 2008 the sixteen member authorities of the Welsh Purchasing Consortium agreed to provide funding over a three year period to support the setting up and operation of a central management team to be based in the City of Cardiff Council. Funding arrangements have been extended since then and are currently guaranteed until 31<sup>st</sup> March 2016. Three new authorities joined the Consortium in 2013/14 increasing members to nineteen.
2. The report presents the financial monitoring position for 2014/15 based on the first five months of the financial year, as set out in the monitoring statement attached as Appendix A.

### **Budget Monitoring 2014/15 – Month 5**

3. The total expenditure budget for 2014/15 is £224,000 and provides funding for the three posts within the central management team. Whilst all three posts are occupied, the employee budget is projected to underspend by £8,000, partly as a result of the Workforce Agreement for 2014/15 and partly due to appointment of the Procurement Support Officer at the start of the incremental grade. Transport Costs are projected to underspend by £2,000 and all other expenditure heads are projected to spend to budget at this stage. An estimated cost of £6,000 is included for the WAO audit fee.
4. The income budget for 2013/14 is £243,000 based on a contribution of £12,150 from each of nineteen member authorities and contributions totalling £12,150 from the six associate members.
5. The current projection is that an underspend of £23,000 will be transferred to the general reserve at 31<sup>st</sup> March 2014.
6. First stage payments (50%) relating to the Proactis upgrade have been made and will be funded by a drawdown from the Earmarked reserve.

## Recommendations

1. That the Consortium note the monitoring position for 2014/15 as at Month 5.



Christine Salter  
Corporate Director Resources  
September 2014



Welsh Purchasing Consortium  
Monitoring Position as at 31st August 2014

## Appendix A

Actual 2013/14		Budget 2014/15	Projected 2014/15	Variance 2014/15
£		£	£	£
	<b>Employees</b>			
85,945	Manager	87,000	84,000	-3,000
56,676	Procurement Specialist & Support Officers	81,000	76,000	-5,000
2,720	Other Employee expenses (Training, Insurance)	1,000	1,000	0
<b>145,341</b>		<b>169,000</b>	<b>161,000</b>	<b>-8,000</b>
	<b>Premises</b>			
15,000	Rents & Utilities	14,000	14,000	0
<b>15,000</b>		<b>14,000</b>	<b>14,000</b>	<b>0</b>
	<b>Transport</b>			
1,408	Car Mileage and travelling expenses	8,000	6,000	-2,000
<b>1,408</b>		<b>8,000</b>	<b>6,000</b>	<b>-2,000</b>
	<b>Supplies &amp; Services</b>			
3,271	IT Hardware & Software	5,000	5,000	0
1,870	Consultancy & Legal Advice	7,000	7,000	0
5,248	Other Supplies & Services	3,000	3,000	0
	Audit Fee	0	6,000	6,000
<b>10,389</b>		<b>15,000</b>	<b>21,000</b>	<b>6,000</b>
	<b>Support</b>			
10,840	Central Support Charge: Prof, IT, Payroll, etc	18,000	18,000	0
<b>10,840</b>		<b>18,000</b>	<b>18,000</b>	<b>0</b>
<b>182,978</b>	<b>Total Expenditure</b>	<b>224,000</b>	<b>220,000</b>	<b>-4,000</b>
	<b>Income</b>			
-230,625	Full Members	-230,850	-230,850	0
-13,500	Associate Members	-12,150	-12,150	0
<b>-244,125</b>	<b>Total Income</b>	<b>-243,000</b>	<b>-243,000</b>	<b>0</b>
-358	Transfer to Accumulated Absences account	0	0	0
<b>-61,506</b>	<b>Net Expenditure (income)</b>	<b>-19,000</b>	<b>-23,000</b>	<b>-4,000</b>

**Balance on the Reserve**

Balance Brought Forward 1st April 2014  
Projected Surplus for 2014/15

386,167  
23,000

Estimated balance on reserve at 31st March 2014

409,167

Earmarked Reserve as at 1st April 2014  
(Proactis Upgrade)

25,418

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