

## AUDIT

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### MINUTES OF THE AUDIT MEETING HELD ON 30 SEPTEMBER 2010 AT COMMITTEE ROOM III, COUNTY HALL, TROWBRIDGE.

#### Present:

Cllr Richard Britton, Cllr Nigel Carter, Cllr Chris Caswill, Cllr Peter Doyle, Cllr George Jeans, Cllr David Jenkins, Cllr Julian Johnson, Cllr Alan Macrae, Cllr Helen Osborn, Cllr Sheila Parker (Vice Chairman), Cllr Bridget Wayman and Cllr Roy While (Chairman)

#### Also Present:

Cllr Fleur de Rhe-Philippe

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#### 83. Apologies

Apologies for absence were received from Councillor Jane Scott OBE and Cllr Jemima Milton.

#### 84. Chairman's Announcements

The Chairman drew the Members' attention to two items of note.

##### **SAP Post Implementation Review**

Members will recollect from our June meeting two actions relating to the financial management system - SAP. The post-programme implementation review (or PIR) and the request for a paper on the cultural issues associated with SAP implementation.

I would like to inform the committee that KPMG have commenced an independent piece of work addressing both actions. This will be completed during October and reported to our next Audit Committee in December.

##### **Risk Management and Internal Audit Seminar**

We will be holding a seminar on Risk and Internal Audit for members on 18 November, here in Committee Room III, further details will be provided later in the meeting from Eden Speller, Head of Business Arrangements and Steve Memmott, Chief Internal Auditor. Times and content will be available via the ELECTED WIRE.

A further seminar on SAP will follow later on in the New Year.

85. **Minutes of the Previous Meeting**

The minutes of the last meeting held on the 30 June 2010 were presented. Members asked for an update on Minute 80 part b,

to review the papers received by the Audit Committee and address timings and length of meeting to facilitate improved functionality,

the Chairman stated he would address this under the Forward Work Plan agenda item.

**Resolved**

**To approve as a correct record and sign the minutes of the meeting held 30 June 2010.**

86. **Members' Interests**

There were none.

87. **Urgent Items**

There were no items of urgent business.

88. **Public Participation**

The Chairman explained that he would be happy to allow the public to speak at the start of each item should they wish to do so. There were no questions from members of the public and no speakers at the meeting.

There was no public participation.

89. **Report to those Charged with Governance**

The Senior Manager from KPMG, the Councils, external auditors, led the Members of the Committee through the key points of the report.

**Critical Accounting Matters**

- Year End Closedown - the findings indicate that overall the closedown procedures were well managed and there was much improvement from last year.
- PFI – The accounting treatment of the PFI schemes, information and explanation supports the treatment applied.

- Valuation of Investments – Assets of £8.342 million relating to Salisbury City Council were officially transferred on 27 May 2010, after the balance sheet date. A note was presented in the original accounts explaining this as a post balance sheet event. During the audit it was agreed to remove these assets from the accounts to better reflect the use of the assets. This adjustment amends the figures for profit/loss on fixed asset by £8.342 million, but there is no impact on the general fund balance.

### **Audit Differences**

- The audit identified six audit adjustments amounting to £37.2 million, however these had no impact on the general fund account.

### **Completion**

- KPMG anticipate issuing an unqualified audit opinion, and will prepare the Annual Audit Letter and close the audit.

### **Use of Resources**

- There has been significant improvement in the annual financial statements process. However there are improvement opportunities, but these do not undermine an unqualified Value for Money (VfM) conclusion.

The Committee discussed the report and took the opportunity to seek clarification on matters.

The Committee noted that significant work by KPMG had been undertaken when testing key financial controls for assurance. Members asked that the additional costs for this be brought to the next Audit meeting in December.

The Committee raised concerns over the lack of a Debt Management Policy, Cllr de Rhe-Philipe, Cabinet Member for Finance, Performance and Risk, assured the Members that the Policy had been drafted and that would be in place in the next 14 days. The Interim Chief Finance Officer commented that although an over reaching policy was not in place, but was drafted, it did not mean that robust measures and procedures were not in place.

Committee Members re-iterated their concerns over the close down of accounts and the problems that existing legacy systems had caused. They sort clarification that there would not be any further issues surrounding legacy systems. The Chief Interim Finance Officer confirmed that there would be not further legacy systems issues.

The Chairman advised the Committee that a seminar on SAP in the New Year would provide a forum for more detailed SAP understanding.

The Chairman thanked the Auditors for their work.

**Resolved**

**To note the report.**

90. **Annual Statement of Accounts**

The Chairman drew the Member's attention to the Annual Statement of Accounts, stating that there had been minimal, changes since the draft Statement of Accounts which had been presented at the June meeting.

The Interim Chief Finance Officer informed the Committee that this was the first set of accounts for Wiltshire Council produced directly from the SAP system. The accounts had received in depth testing from the external auditors, KPMG. KPMG reported a significant improvement in the quality of the accounts and supporting working papers.

The main difference in the accounts was the Assets of £8.342 million relating to Salisbury City Council which were officially transferred on 27 May 2010, after the balance sheet date. During the audit it was agreed to remove these assets from the accounts to better reflect the use of the assets. This adjustment amends the figures for profit/loss on fixed asset by £8.342 million, but there is no impact on the general fund balance.

Cllr Jenkins stated that he found the scales of higher salaries being paid to Officers within the Council as incredible, earning more than Government Ministers and Prime Minister, and that his comment should be noted.

Cllr de Rhe-Philippe, Cabinet Member for Finance, Performance and Risk thanked the Interim Finance Officer for a comprehensive set of accounts and his teams' hard work in preparing them. The Chairman also offered his thanks.

**Resolved**

**To note the report.**

91. **Risk Management Update**

The Head of Business Arrangements updated the Committee on the main issues surrounding the Council's Risk Management which had been simplified to provide a quick overview of the council's risks and to easily show which risks are rated as high.

He explained that for each risk on the register there is now a risk action plan, which provides more detailed information relating to the risk and how it is being managed, these are available to Committee members via SharePoint.

He announced that during the forthcoming Risk and Audit seminar several risks will be looked at in a more detailed manner with analysis from the relevant risk manager.

Councillors required further clarification on,

- the risk associated with carbon reduction and climate change. It was agreed that the relevant officer would update the Committee.
- **Risk Ref. CR04 024:** Ability to maintain effective service delivery and performance levels during ICT transformation. The Committee requested that this risk should be widened to reflect the whole ICT system of Wiltshire Council.
- NHS – Health Care – the Committee agreed that proposed changes would have a huge reputational risk to the Council and that this should be on the register for consideration.
- Members requested more information regarding The Commissioning Strategy developed within **Risk Ref. CR003:** Managing the Volatile Nature of Care Placement Requirements within the Resources Available.

The Chief Executive informed the Committee that the Risk Register would change significantly in the coming months with the likelihood of new legislation relating to localism and local health.

**Resolved**

**To note the report.**

The Head of Internal Audit introduced the latest Internal Audit Report for 2010/11 highlighting the main considerations for the Committee,

- The outcomes of the report completed, and other work being undertaken.
- The actual productive audit days closely matched the target, and if maintained would result in delivering the agreed Audit Plan.
- Follow-up work carried out during the last quarter indicated that management continues to respond properly to audit reports and is taking appropriate mitigating action to the risks identified.

Members requested that a follow up on the CRB Records and Children' Centres be brought to the December meeting.

The Chairman thanked the Head of Internal Audit for his teams work.

### **Resolved**

**To note the report.**

### 93. **Internal Audit Bench Marking Report**

The Head of Internal Audit led the Committee through the Bench Marking Report that demonstrated the position of Wiltshire's Internal Audit function in relation to other English Unitary Councils, and to a smaller group of unitaries comprising councils in the South West region.

Of note are the:

- That in both 2009-10 and 2010-11 the cost of Internal Audit in Wiltshire is significantly below average.
- That chargeable audit days are below average in relation to revenue spending, whilst in terms of days per auditor they are at or slightly above the national average.

The Director of Resources commented on the excellent data contained within the Report.

### **Resolved**

**To note the Report.**

94. **Annual Governance Statement**

The Monitoring Officer presented the Annual Governance Statement (AGS) for 2009-10 for the Committee's approval.

**Resolved**

**To approve the AGS for publication with the Annual Statement of Accounts for 2009-10.**

95. **Forward Work Programme**

The Chairman updated the Committee on the work being undertaken to look at the structure and frequency of the Committee meetings and the number of papers being addressed.

Several meetings have taken place to review the reports coming to the Committee which has resulted in a re-working of the Forward Work Plan.

Post Audit meetings are now in place to ensure Officer actions are noted and reports requested by the Committee can be taken forward within a appropriate time frame.

Seminars on Audit and Risk Management and SAP will take place in the future.

**Resolved**

**To note the Forward Work Plan.**

96. **Date of next meeting**

The next regular meeting of the Audit Committee will be held on 15 December 2010 at 10.30 am.

(Duration of meeting: 2.05 - 4.10 pm)

The Officer who has produced these minutes is Anna Thurman, of Democratic Services, direct line (01225) 718379, e-mail [anna.thurman@wiltshire.gov.uk](mailto:anna.thurman@wiltshire.gov.uk)

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