

AUDIT

DRAFT MINUTES OF THE AUDIT MEETING HELD ON 15 DECEMBER 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 Jemima Milton, Cllr Helen Osborn, Cllr Sheila Parker (Vice Chairman), Cllr Fleur de Rhe-Phillipe, Cllr Jane Scott OBE, Cllr Bridget Wayman and Cllr Roy While (Chairman)

Also Present:

Cllr Fleur de Rhe-Phillipe, Cllr Jane Scott OBE

97. **Apologies**

Apologies were received from Dr Carlton Brand and Matthew Tiller.

98. **Chairman's Announcements**

The Chairman announced that CIPFA has just published its Statement on 'The Role of the Head of Internal Audit in Public Service Organisations'. Members will recall that a consultation draft of this document was circulated to the Audit Committee several months ago, and was discussed at the June meeting of this Committee.

The Statement sets out what CIPFA considers to be best practice for Heads of Internal Audit. CIPFA recommends that organisations should use the Statement to assess their existing arrangements, and that they should report publically on compliance to demonstrate their commitment to good practice. Where their arrangements do not conform to the compliance framework in the Statement, CIPFA proposes that organisations should report the reasons for this publically, and how they achieve the same impact.

The Head of Internal Audit is now proposing to review our own arrangements against the Statement, and to bring a full report to the March meeting of the Committee with regard to our level of compliance.

99. **Minutes of the Previous Meeting**

The minutes of the last meeting held on the 29 September 2010 were presented.

Resolved

To approve as a correct record and sign the minutes of the meeting held 29 September 2010.

Members requested visibility of the Audit Committee Action Plan which details actions on Officers from the meeting. The action plan will be circulated with the agenda.

100. **Members' Interests**

There were none.

101. **Public Participation**

There was none.

102. **Annual Audit Letter**

Prior to receiving the Annual Audit Letter members expressed concern that the covering report particularly paragraph 8 which detailed the Chief Executive's response to the Letter (page 11 in the agenda) was complacent and that there appeared to be no evidence to support the statements made within the paragraph.

Councillor de Rhe-Philippe assured members that nobody was complacent. She stressed that Wiltshire Council was better placed than most and was already making savings.

Chris Wilson, Partner, KPMG, explained to the Audit Committee that the Annual Audit Letter summarises the key issues that have arisen from the work that has been undertaken during 2009/10 audit of Wiltshire Council highlighting good performance and recommendations to improve performance.

- **Use of Resources (Value for Money)** - An unqualified value for money conclusion has been made for 2009-10.

KPMG were satisfied that appropriate arrangements were in place for securing economy, efficiency and effectiveness in the council's use of resources. Adequate procedures were in place for managing its finances. KPMG recognised that improvements had been made in a number of areas. Areas for improvement included cost and performance benchmarking, defining corporate fees and charges strategies and the approach to debt monitoring.

- **Financial Statements (annual accounts)** – An unqualified opinion on the annual accounts has been made for 2009-10.

KPMG were satisfied that the accounts gave a true and fair reflection of the council's financial position.

The difficulties of introducing a new financial system (SAP) were acknowledged. It was noted that a number of control and operational issues needed to be addressed and that this was ongoing. There was much improvement from earlier in the year and significant progress has been made.

Members expressed concern over the timescales of receiving funds back from the Icelandic Banks which collapsed in 2008. It is anticipated that funds from Heritable would adhere to prescribed timescales however it is likely that Landsbanki would take longer due to a High Court Case. It is expected that all money will be returned except for £2.4M.

Resolved

To note the Letter.

103. **Audit Progress Report**

Darren Gilbert, Senior Partner KPMG, updated the Committee on the progress of the audits for 2009/10 and 2010/11.

- **Completion of 2009/10 Audit Plan**

The majority of the plan was completed by the end of September 2010, a small number of areas remained ongoing. A report on Benefits Realisation will be brought to the March 2011 meeting, and Certification work on a range of grants and return was completed at the end of November 2010. A report summarising the outcome of the certification work for each claim and return will be provided.

- **Update to the 2010/11 Audit Plan**

The high level audit plan for 2010/11 was agreed at the June 2010 meeting. However since then there have been dramatic changes; CSR and the announcement of the restructuring of the NHS in 2013. The pace of this change is unlikely to reduce in the forthcoming months making it difficult to identify which specific topics may require more detailed analysis through an audit project. In addition to this the Audit Commission is revising its approach to audit work in support of the VFM conclusion. The new approach will be more risk based, with the Audit Commission developing a series of tools to assist in these audits.

A result of the above factors it has been agreed that the following will not proceed.

- The Council's arrangements for setting fees and charges
- How effectively the Council manages its relationships with external partners, with a particular emphasis on the Primary Care Trust as a key partner,

KPMG will undertake the core VFM audit work and discuss with the Council areas which are identified as a result of this work that merits a more detailed examination.

Members requested sight of the 'suite of tools' being developed for VFM auditing.

Cllr Scott explained that the Council were waiting for a number of white papers which would provide further direction and would identify who the Council's partners would be in the future. She urged the Committee to wait for details became clearer before commissioning a report on Key Partners.

Resolved

To note the amendment to the original audit plan and to receive further information on the areas of focus as the audit year progresses.

104. **SAP Post Implementation Review**

Following instruction from the Audit Committee at its meeting in June 2010, KPMG undertook an independent post implementation review of SAP. The report was taken to the Organisation and Select Committee in November 2010. The Chairman welcomed the Chairman of the Organisation and Select Committee to summarise their findings to the Audit Committee as detailed in the Agenda pages 78-80.

Stuart Payne, KPMG, delivered the key points from the report.

- Wiltshire Council successfully went 'live' with SAP on 1 April 2009 – the system delivered finance, procurement, HR (encompassing 5,500 staff) and payroll. At the same time the Council introduced a Shared Services Team with a view to providing a single focal point for transactional, finance and HR across the Council eliminating duplication. LGR meant that SAP operational structures were not known until a short time before the go-live date which left limited time for configuration of the systems processes and controls.

- LGR faced resistance in some areas, knowledge of existing processes and data were not clear to staff until after the go-live date.
- There was insufficient time to do robust acceptance testing, glitches were highlighted whilst operational not in testing.
- In some cases appropriate staffs were not available.
- The original BMP project plan allowed for 15 month SAP procurement and a further 15 month implementing it, this was refined to 12 months. The LGR caused a number of internal delays; procurement took 18 months leaving a shorter time frame for implementation.

However Wiltshire Council successfully implemented SAP in a short period of time, during a period of significant organisational change.

Councillor Scott reiterated that the bidding process for SAP for the County Council was almost half way through when LGR came in. The scope of the project dramatically changed and was dealt with. Implementation of another system would have to face these challenges.

A number of Councillors expressed concern over a lack of a Council wide SAP development plan and that this would lead to the creation of fragmented systems being developed. This issue was noted and would be discussed within the SAP seminar.

Councillors highlighted issues surrounding Carefirst and SAP. Councillor Scott explained to the Committee that the issues with Carefirst were not specific to Wiltshire and that this was a nationally recognised problem. She admitted that it had taken longer to 'fix' than was anticipated but it was being addressed.

Members asked that an update, on the 13 point action plan which summarises issues from the main body of the report, be brought to the next Committee and thereafter on a periodic basis.

The Chairman informed that Committee members that a SAP seminar for all members was being organised for the New Year.

Resolved

To note the report.

105. Internal Audit Progress Report 2010-11

Steve Memmott, Head of Internal Audit delivered the Internal Audit Progress Report.

In addition to the formal meeting of the Audit Committee a risk management seminar was held in November. This covered:

- Current corporate risks, and how they are being managed
- Internal Audit's approach to identifying, assessing and reporting risks

The overall progress against the Audit Plan 2010-11 was broadly on target, there had been some minor slippage. However looking forward to the rest of the year to 31 March 2011 there is an increased risk that proposals to reduce staff resources will result in a shortfall in productive days against target for the year as whole. Following the consultation period in December, a revised Audit Plan will be brought to the Committee in March 2011.

12 audits have been completed continuing the trend of improving assurance. Of particular note are;

- **Financial Assessment and Benefits Team**

The majority of Financial assessments are in hard copy and are not uploaded to Care First. If lost or misplaced the assessment has to be re done and delays may impact on the quality of the service. The knowledge base of key individuals had not been shared or documented.

- **Remote Offices – Cash and Bank Accounts**

Inadequate security arrangements would place on-site staff at risk. The absence of management checks means that error, losses and omissions in Imprest systems may go undetected for long periods of time. The pre-signing of cheques increases the risk of loss or theft of monies held in bank accounts.

Several members asked if progress could be measured by Audits completed rather than by audit days undertaken. This would give members a clearer indication of whether the programme of Audits was running to the Audit plan.

A number of members expressed their concern regarding the appropriate level of resourcing within Internal Audit. The Chairman would raise the Committees concerns with the 151 Officer to start an early discussion.

Members also requested that due to the magnitude and pace of change that the Council was currently undergoing that an Audit of Workplace Transformation would be beneficial.

Resolved

To note the Internal Audit Progress Report 2010/11

106. **Forward Work Programme**

Resolved

To note the Forward Work Programme.

107. **Date of next meeting**

The next Audit Committee meeting will take place at 10.30am on 23 March 2011.

108. **Urgent Items**

There were none.

(Duration of meeting: 10.30 am - 12.20 pm)

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