

## AUDIT

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### **MINUTES OF THE AUDIT MEETING HELD ON 20 MARCH 2013 AT COUNCIL CHAMBER - COUNCIL OFFICES, MONKTON PARK, CHIPPENHAM, SN15 1ER.**

#### **Present:**

Cllr Richard Britton, Cllr Nigel Carter, Cllr Mark Griffiths, Cllr David Jenkins, Cllr Julian Johnson, Cllr Helen Osborn, Cllr Mark Packard, Cllr Sheila Parker (Vice Chairman), Cllr Pip Ridout and Cllr Roy While (Chairman)

#### **Also Present:**

Cllr John Brady and Cllr Jane Scott OBE

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#### **23 Apologies and Membership Changes**

Apologies were received from Councillors Peggy Dow, Peter Doyle and George Jeans.

Councillor Alan MacRae was replaced by Councillor Peggy Dow as a permanent member on the Committee.

#### **24 Chairman's Announcements**

The Chairman welcomed Tara Westcott, Public Sector Audit Manager, KPMG who was replacing Darren Gilbert, as the KPMG representative on the Committee.

#### **25 Minutes of the Previous Meeting**

The minutes of the meeting held on 19 December 2012 were presented and it was,

#### **Resolved:**

**To approve the minutes as a true and correct record.**

#### **26 Members' Interests**

There were no declarations of interest.

#### **27 Public Participation and Committee Members' Questions**

The Committee noted the rules on public participation. There were no submitted questions or statements.

## 28 **Certification of Grants and Returns - 2011/12**

The Committee considered the report of Tara Westcott, KPMG, which summarised the results of work on the certification of the Councils 2011/12 grant claims and returns.

The report highlighted that two grants were certified with a total value of £133M and three returns with a total value of £156m. Tara Westcott explained that KPMG were generally happy that the Council complied in all significant respects with the terms and conditions of the schemes that they reviewed and prepared claims were fairly stated. However, KPMG identified issues to report to Central Government on the Housing & Council Tax Benefit grant claim and these were reported on at the meeting.

The initial estimated fee for certifying grants and returns was £52775, the actual fee charged was £53428, this was due to the additional work on the Housing & Council Tax Benefit grant claim. Even though the final figure was slightly higher than estimated, the total fee was 11% lower than the previous year.

### **Resolved**

To note the report.

## 29 **Internal Audit - Quarterly Update**

The Committee considered the report of Michael Hudson, Service Director of Finance, and Internal Audit on the most recent quarterly update for 2012/13.

The report summarised (i) the outcomes of audits completed during the period, (ii) the results and outcomes of follow-up reviews carried out during the period, and (iii) an update on the delivery of the 2012/13 Internal Audit Plan.

Dave Hill, Group Audit Manager, South West Audit Partnership, led the Committee through the main points of the report. The Service had started 118 audits – 87 had been completed or were in final report stage, 14 were in draft and 18 were in progress. 17 audits related to audits carried forward from 2011/12 of which 15 were complete and 2 deferred. He also explained that based on the work completed to date in the current financial year, that risks were generally well managed and the systems on internal control were working effectively. Management responded positively to Internal Audit suggestions for improvements and corrective action was often taken quickly wherever it was possible or practical.

Dave Hill explained that by removing the schools audit work from the performance figures there had been significant improvements in the number of

final reports being issued within 10 working days of a discussion of the draft report, up from 24% to 70%. However, it was clear that there was still work to be done to improve the figure further.

Members in considering the report in detail raised the following points:

- the audit of Adoption and Fostering Services being deferred. It was noted that this Service had been subject to (i) a recent Ofsted Inspection, the results of which were still awaited, (ii) was being overseen by an Improvement Board; and (iii) a Safeguarding Scrutiny Task Group was in place. The Leader of the Council, Councillor Jane Scott expressed a concern that this Service had recently and was currently being subjected to many reviews and to have a further review, an Audit of the service, was slightly excessive, especially as the Service was due a follow up adoption diagnostic by an external agency around July 2013. Dave Hill explained that for these very reasons the audit was deferred, particularly as any improvement plan would need to be implemented prior to any scoping for an audit of the service.
- The audit for Continuing Health Care being deferred for reasons explained in the report and rescheduled for inclusion within the Audit Plan for 2013/14.
- The audit for Helped to Live at Home being deferred for reasons detailed in the report and rescheduled for inclusion in the Audit Plan for 2013/14.
- The Service Director, Finance explained that the outcome for the Audit for Procurement and Contract Management produced advice rather than a report for this service.
- The audit for two core cross-cutting audits for (i) Financial Procedure Rules and Contract Standing Orders and (ii) Partnerships received a partial opinion. It was explained that these two reviews would be followed up in 6 to 9 months to ascertain whether the final report recommendations had been implemented.
- It was noted that when the final report had been issued to a Service, that this was not the end of the issue. Dave Hill explained that there was a follow up procedure. Recommendations that received a priority 4 and 5 would be followed up by Internal Audit to make sure that action was being taken to implement the report recommendations and those recommendations that received a priority 1, 2 and 3 would be for internal managers to follow up and implement report recommendations.

The Chairman thanked the Service Director of Finance and Internal Audit for the information provided to Members which allowed for a full debate and targeted questions to be asked.

**Resolved:**

- a) That the findings from the Internal Audit's audits to date be noted
- b) That the changes to the audit plan, set out in paragraph 6 of the report relating to the deferral of certain audits be confirmed.

30 **SWAP Internal Audit Governance Update**

The Committee considered the report of the Service Director, Finance and Section 151 Officer Michael Hudson which requested the Council to become a member of the South West Audit Partnership Ltd. (SWAP Ltd.) and to dissolve the current South West Audit Partnership Joint Committee (SWAP).

The Cabinet Member for Finance, Performance and Risk, Councillor Brady spoke about how SWAP had developed over the years to include 12 partners, with Wiltshire Council entering the partnership in November 2011. Councillor Brady explained that the SWAP Partnership Board had been exploring a number of ways in which the current model might be adapted to meet the current and future needs of the partnership. He referred to a number of issues and areas that needed addressing and reminded the Committee of a workshop for partners to express their views on the type of governance arrangements that should be employed by the new company. Details of how the new company would operate from 1 April 2013 along with an agreement for the provision of audit services were included in the report.

Gerry Cox, Head of Internal Audit explained that all the Council's responsibilities would transfer to the new company, and was pleased to announce that there would be no increase in the fee structure, and in fact fees would be held at the current level for the next five years.

Members were reassured that any contract or freelance staff employed to cover staff shortages or maternity leave would be subject to the standard HR policies in place for permanent employees.

There was a concern that a Partnership Board of 17 may be too large and unwieldy, however it was noted that this number would have been much larger had a compromise not been reached at the workshop, referred to above, on 10 October 2012.

**Resolved:**

That the Cabinet Member with responsibility for Finance and Performance, in consultation with the Audit Committee:

1. Approves the formation of a company limited by guarantee, to replace the existing SWAP Joint Committee.

2. Elects to be a Member<sup>1</sup> of SWAP Ltd. from 1<sup>st</sup> April, 2013, on the terms and basis set out in the articles of association, deed and service agreement.
3. Agrees to the dissolving of the SWAP Joint Committee at a date to be determined, but not later than 30<sup>th</sup> June, 2013.
4. Note the separation of responsibilities and the membership profiles of the Members' Board and the Board of Directors, and recommend that the Cabinet Member with responsibility for Finance and Performance (with the Chair of Audit Committee as Deputy), and Section 151 Officer represent the Council on the proposed Members Board and Board of Directors respectively as discussed at paragraphs 3.6 to 3.8 of this report.
5. Notes that the fees for the provision of internal audit services by SWAP Ltd., for the financial year 2013/14, will not increase on the fees paid to SWAP by the council for 2012/13.

<sup>1</sup> In the context of a company, a 'Member' is a local authority. Therefore to avoid confusion, for the purposes of this report, the use of the word 'Member' (with a capital 'M') will refer to a council, whereas a council member will be referred to as 'Councillor'.

## 31 **Internal Audit Plan 2013/14**

The Committee considered the report from Dave Hill, Group Audit Manager, South West Audit Partnership on the Internal Audit Plan for 2013/14.

The report explained that at the start of each audit an initial meeting was held to agree the terms of reference for the audit which included the objective and scope for the review. The Plan would remain flexible as new and emerging risks were identified, with any changes agreed with the Service Director of Finance.

Dave Hill explained that the Plan had been widely consulted upon both internally and within the SWAP Management Board. A summary of the audit categories were detailed in the report.

Members in considering the report in detail raised the following points:

- The positive impact on the quality of performance, budgets and staff of bringing IT back 'in-house'. It was noted that there had been a shift in the service and this was reflected in a reduction in the audit recommendations. Councillor Carter explained that he was the
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Chairman of the ICT Scrutiny Group and he was extremely satisfied with the outcome on bring IT back under Council control.

- The Service Director, Finance described the processes in place if a case of fraud was suspected.

The Chairman thanked the SWAP Internal Audit team for their work.

**Resolved:**

To approve the Internal Audit Plan 2013/14

32 **External Audit Plan 2012/13**

The Committee considered the report of Tara Westcott, Manager, KPMG which described how KPMG delivered their financial statements audit work for the Council, which supplemented the Audit Fee letter presented to the Committee in December 2012. It also set out the approach to value for money work for 2012/13.

There were 2 key risk areas identified and that would be focused on during the audit of the 2012/13 financial statements. These were (i) savings plans and (ii) rents system changes.

It was noted and welcomed that there would be a 40% reduction in the audit fee for 2012/13 compared to the audit fee for 2011/12.

The Chairman thanked Tara Westcott for their report.

**Resolved:**

To note the report.

33 **Risk Management Update**

The Committee considered a report by Eden Speller, Head of Risk and Assurance updating Members on the current position of the operational and strategic risks facing the Council.

The report highlighted a number of risks that had been referred to the Corporate Leadership Team for further consideration and action, following a review of the strategic risks currently facing the Council and a further assessment by the Corporate Risk Management Group. It was noted that risk 1006 – Concern over the appropriate levels of security and safety of confidential/sensitive data/information, had been reduced from high risk to medium risk due to measures being identified and put in place to mitigate the risk.

Members welcomed the outcome of a recent audit of the Risk Management Arrangements which gave two out of three stars – Reasonable Assurance. It was noted that work was underway on the required actions from the audit

report. The Chairman reported that he had seen the report and was very pleased with the outcome. A copy of the report was available upon request.

**Resolved:**

- a) That the latest position regarding the Council' Strategic Risks as detailed in Appendix A to the report confirming the status of the high level risks being reported from service areas be noted
- b) That the outcome of the recent Internal Audit report on Risk Management be noted

34 **Date of next meeting**

The next meeting will take place on 18 June 2013 at City Hall, Salisbury starting at 3:00pm, this would be preceded by a training session for the Committee.

35 **Urgent Items**

There were no urgent items.

(Duration of meeting: 2.00 - 3.10 pm)

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