

AUDIT

DRAFT MINUTES OF THE AUDIT MEETING HELD ON 31 JULY 2014 AT KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

Cllr Richard Britton (Vice Chairman), Cllr Tony Deane (Chairman), Cllr Stewart Dobson, Cllr Mike Hewitt (Substitute), Cllr Stephen Oldrieve, Cllr Jeff Osborn (Substitute), Cllr Linda Packard, Cllr Sheila Parker and Cllr David Pollitt

Non-Voting Members Present:

Cllr Jane Scott OBE and Cllr Dick Tonge

29 Apologies and Membership Changes

Apologies were received from Cllr Rosemary Brown, Cllr Helen Osborn (substituted by Cllr Jeff Osborn), Cllr Julian Johnson (substituted by Cllr Mike Hewitt) and Matthew Tiller (Chief Accountant).

30 Chairman's Announcements

There were no announcements.

31 Minutes of the Previous Meeting

The minutes from the meeting on 24 June 2014 were presented to the Committee.

Decision:

The Committee approved the minutes as a correct record of the meeting on 24 June 2014.

32 Members' Interests

No interests were declared.

33 Public Participation and Committee Members' Questions

No questions were received.

34 **KPMG - Report to those charged with governance**

The KPMG report was introduced by the Associate Director of Finance, Revenues and Benefits. A background to the ISA 260 was provided and the need for disclosure and transparency was highlighted. Darren Gilbert and Tara Westcott from KPMG presented the report to the Committee. The role of 'those charged with governance' was explained to those present.

It was stated that KPMG were happy with the support from the finance team and that there had been no major changes. One recommendation was included in the report that highlighted the need for the council to be satisfied in relation to the fair value of assets.

Public health was discussed in the report and a last minute presentational change to the report was explained. This change related to a transferred service. The strength of current arrangements in relation to economy and efficiency were highlighted.

Tara Westcott discussed the estates strategy and the sale of assets. Concern over the future capital spend in regards to realising the assets was discussed. A change to accounting standards in the pension scheme was also raised. The draft accounts presented on 6 June were of a high standard; however, a few minor tweaks were made. The supporting papers and pension audit papers provided to KPMG were also of a high standard. The business rates retention scheme was discussed and a deficit was highlighted. This deficit would be 'rolled forward into future years'.

The Committee was given the opportunity to ask questions of the KPMG representatives. A question was asked in regards to the financial impact on the balance sheet in relation to financial risks. The policies around accounting for contingent liabilities were also raised. The Associate Director for Finance, Revenues and Benefits was not aware of any contingent liabilities around public health. Members discussed the sale of assets and the generation of income from existing assets. A list of those assets that were to be sold was to be circulated after the meeting. A non-domestic rate collection deficit was discussed, along with the administration of business rates.

The KPMG representative stressed the need for reports to be accessible to the public and not to be written assuming prior knowledge. The Committee heard that there were no systemic issues.

Members thanked the Associate Director of Finance, Benefits and Revenues and his team for their hard work.

Decision:

To approve the ISA 260 report from the external auditors in relation to the draft accounts for 2013/14 and to delegate the signing of the letter of the management representation to the Chairman of the Audit Committee.

35 **The Annual Governance Statement**

The Associate Director for Legal and Governance asked the Audit Committee to approve the Annual Governance Statement (AGS) for 2013 -14 for publication with the Statement of Accounts.

Decision:

To approve the Annual Governance Statement for 2013-14 for publication with the Statement of Accounts.

36 **Statement of Accounts**

The Associate Director for Finance, Revenues and Benefits and the Principal Accountant presented the Draft Statement of Accounts in respect of the 2013/2014 financial year for Wiltshire Council. The Associate Director thanked his team and KPMG for their hard work. A consultation was discussed that debated bringing the signing of accounts forward to 31 July nationally; this was a target that Wiltshire Council already met. The redesigning of the Statement of Accounts was also being considered by the same working group and Members were asked for feedback.

The Committee heard that there was a small surplus for the financial year. Depreciation and the valuation of buildings were discussed. The refurbishment and valuation of County Hall was discussed and the redesign of the hub centres was deemed value for money. There was a significant increase in Housing PFI and capital receipts.

The pension fund deficit was discussed and the Board heard that the recovery plan would return the pension fund to balance over the next twenty years. The pension fund deficit had been improved by 6%. Changes to business rates retention were also discussed and the adjustments that had been made had a knock on effect.

Members had the opportunity to ask questions, these included money owed from Icelandic banks and the VAT return subject to the 'Isle of Wight case'. The Associate Director explained that the 'Isle of Wight case' had been active for the last decade and would not conclude in the immediate future. The Local Government Associations legal services were working to recover the funds lost through the Icelandic Banks. The total recovery amount was stated at just over £11.5M.

Discussion continued to the drawdown of funds for safeguarding children which was approved by Cabinet and clarification was sought in relation to the Housing Revenue Account (HRA).

Members asked KPMG about the valuation and subsequent revaluation of Melksham Secondary School. There was a significant drop in the value of the

School after its second valuation. Members sought clarification over this change in value. An explanation was provided which stated that the valuation referred to the asset's 'value of use' as the school was constructed for this specific purpose. It was explained that with a change of purpose the 'value of use' valuation was no longer appropriate and consequently the asset's value would change.

Decision:

To approve the Draft Statement of Accounts for the 2013/14 financial year.

37 **IA First Quarter Update**

The Committee received a progress report from SWAP on the performance of the Internal Audit (IA) Section. The Associate Director for Finance, Revenues and Benefits provided an introduction to the IA First Quarter update. It was stated that performance was improving but more could have been done about ensuring reports were on time.

The Internal Audit Manager stated that internal audit had begun working on their 2014/15 workload. The Committee heard an overview of the provided report and risks were said to be well managed. The Audit Manager explained that there were no high level significant risks since the last Audit Committee meeting. Recommendations that were outstanding were highlighted and the change of the format of the IA report was discussed.

The audit of Balfour Beatty was raised by Members and it was explained that this process had just started. The Committee heard that this audit would be split into two phases. Phase two would be later in the year.

Members had the chance to ask questions of the Internal Audit Manager. Customer satisfaction questionnaires were discussed as well as the percentage of final reports issued within 10 working days of discussion of draft reports. The Associate Director for Finance, Revenues and Benefits was asked if a report on the implementation of the IA recommendations would be provided in future. In response it was stated that if any 'priority 5 risks' were not implemented on time then it would be brought to the attention of Corporate Directors and Cabinet Members to ensure it was followed up.

The housing rates update and general programme of internal audit were raised. The Committee heard that there had been a slight increase in rent arrears and further information would be circulated to Members by email. The Leader of the Council stated that this slight increase in rent arrears was not too bad considering the economic state of the country at that time.

Decision:

To note the findings from IA audit to date.

38 **Forward Work Programme**

No forward work programme was presented to the Chairman. The Chairman requested that briefing meetings were arranged in future.

39 **Date of next meeting**

The next regular meeting of the Audit Committee was to be confirmed with the Chairman's agreement.

40 **Urgent Items**

There were no urgent items.

(Duration of meeting: 10.00 - 11.55 am)

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