

## AUDIT COMMITTEE

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MINUTES of a MEETING of the AUDIT COMMITTEE held at COUNTY HALL, TROWBRIDGE on WEDNESDAY 9 DECEMBER 2009.

### PRESENT:

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

### ALSO PRESENT:

Cllr Fleur de Rhé-Philippe

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### **32. Apologies and Substitutions**

Apologies for absence were received from Councillors Christopher Cochrane and Alan MacRae.

### **33. Minutes of the Previous Meeting**

The Committee sought reassurance that the Chairman of the Committee had been made aware that the Full Corporate Risk Register would not be presented at the meeting when it had been listed in the work programme.

### **Resolved:**

**The minutes of the meeting held on 30 September 2009 were confirmed as a correct record and signed by the Chairman subject to the following amendment:**

**Minute No.26(a) to read**

**“The Chief Finance Officer introduced the Statements of Account for Kennet District Council, North Wiltshire District Council, Salisbury District Council, West Wiltshire District Council and Wiltshire County Council and reminded Councillors that the first draft had been presented to the Audit Committee at its 30 June 2009 meeting and the Wiltshire County Council’s Statements of Account had been subsequently audited by KPMG (External Auditors). ”**

**“The Chief Finance Officer explained that the Statements of Account for Kennet District Council, Salisbury District Council and West Wiltshire District Council were ready to be signed off. The Chief Finance officer sought delegation from the Audit Committee to sign off the Statements of Accounts for all 5 Councils once the Wiltshire County Council’s Statements of Account had been agreed with KPMG.”**

**34. Declarations of Interests**

There were no Declarations of Interests.

**35. Chairman’s Announcements**

- The Chairman gave a brief summary of the two meetings he had attended following recommendations made by the Committee at its 30 September meeting.

The Chairman and the Vice-Chairman of the Audit Committee and Cllr Richard Britton met with the Director of Legal and Democratic Services, the Head of Internal Audit and the Scrutiny Team Manager. A draft chart detailing governance and reporting arrangements has been devised and will be circulated to members of the Committee.

The Chairmen and Vice-Chairmen of the Audit Committee and of the Overview & Scrutiny Management & Resources Select Committee met with the Head of Internal Audit and the Scrutiny Team Manager. It was accepted that Scrutiny would take the lead on SAP issues whilst Audit would focus on control issues. All involved agreed to maintain a close working relationship.

- The Chairman explained that a Seminar on risk management was being set up and should take place in January or February 2010. This seminar should provide members of the Audit Committee with an overview of how risk is managed within the Council, including the work of the Corporate Risk Management Group.
- The Chairman had attended a meeting of the National Forward Initiative where Mr Dixon, from the Audit Commission, presented a Strategic Project Review.
- The Chairman invited the committee’s representative on the Assurance Group to update the committee. Cllr Sheila Parker gave a brief summary of the 2 meetings of the Assurance Group she had attended and explained that the aim was to ensure the effectiveness of the Council’s governance arrangements. New forms and guidance notes were to be circulated shortly to directors. The Assurance Group was establishing its work programme for the following year.

**36. Public Participation**

There were no requests from members of the public to speak.

**37. Representative on the Focus Group on the Review of the Constitution**

Nominations were sought for a member of the Audit Committee to serve on the Focus Group. Cllr Peter Doyle was elected as representative of the Audit Committee on the Focus Group on the Review of the Constitution.

Councillors sought clarification on the process followed by the Focus Group and were reassured by the Director of Legal and Democratic Services that the process was set by the Standards Committee and that using a Focus Group reporting through the Standards Committee to Full Council would ensure that every elected member had an opportunity to make a contribution.

Councillors also recommended that Cllr Laura Mayes be invited to comment on the Councillor Officer Relations Protocol in her role as portfolio lead for culture change.

**Resolved:**

**To nominate Councillor Peter Doyle to serve on the Focus Group**

**38. Internal Audit Progress Report**

The Head of Internal Audit presented the report and in doing so highlighted the fact that Internal Audit should still achieve its target productive days.

Councillors asked many questions around the Car Parking audit, including day to day banking, performance and profit. Councillors suggested that it may be useful for the Audit Committee to receive the reports on Car Parking harmonisation being considered by the Environment Select Committee at its 12 January 2010 meeting or for the outcome of these reports to be included in the next Internal Audit Progress Report.

Councillors also stated that the progress report highlighted in paragraph 8 amongst others the need for councillors to be aware of all the existing systems and to ensure that adequate controls are in place. Councillors would benefit from an overall schematic of all existing systems (showing overlaps, links and control measures). The Head of Internal Audit reassured the Committee that the variations had been greatly reduced and the issue was being addressed but would take some time.

Councillors thanked the officers for the report and asked if the following requests could be considered and if possible integrated in the next progress report or when applicable:

- **Joint Area Review:** for bullying to be added as a concern. The Chief Executive explained that critical issues would be examined during unannounced visits. Councillors sought reassurance that Wiltshire Council's responsibility was being satisfied on the 6 key areas listed; the Head of Internal Audit felt that these would have been addressed in the Action Plan but wanted the opportunity to check then would confirm to councillors. He reassured councillors that Children's Services Select Committee had previously taken an interest in safeguarding issues.
- **Car Parking:** councillors asked to be emailed the action plan agreed by management to address the issues identified during the audit.
- **Highways Network Maintenance:** councillors asked for the ward councillors' concerns and local knowledge to be taken into consideration when reported defects were prioritised, progressed and remedial action taken. They also asked if it could be possible, from the information already gathered for the audit, to determine the length of time between a defect being reported and completion of the maintenance or repair.  
The Director of Resources stated that as part of the LEAN review performance in highways maintenance had already improved dramatically. Councillors felt that this very positive outcome should be emphasised and that perhaps a report on the improvement already achieved could be included with the Action Plan.
- **Financial Management Standards in Schools:** The reasons why the Standard was not met by 5 schools to be given and should any of the 47 schools still to be audited not meet the Standard could the reasons for this also be detailed
- **Waste:** Cabinet would be making a decision on waste disposal in May and councillors sought reassurance that the work carried out by Internal Audit would be completed in time.

### **Resolved:**

**To note the Progress Report for 2009-10, specifically:**

- **That at 31 October 2009, there was a shortfall of 79 productive days against target, due to sickness absence early in the year, and recruitment delays as a result of the reorganisation. Current staff resources should enable Internal Audit to achieve their target productive days over the remaining months of the year, albeit with the help of a temporary member of staff for a period of three to four months.**
- **The summaries of the outcomes of audits completed during the period, together with details of current work in progress.**

### **39. Annual Audit Letter**

Darren Gilbert, of External Auditors KPMG, introduced the Annual Audit Letter which summarised the key issues arising from KPMG's 2008-09 audit at Wiltshire County Council.

The key areas identified were:

- The use of resources assessments
- Financial statements; KPMG have worked with the finance team to resolve the issues and gave a positive unqualified opinion on 20 November 2009.
- Risk based project work; the third phase was about to begin.

Mr Gilbert explained that the Annual Audit Letter was a public facing summary of the work undertaken by KPMG but that all the conclusions and reports had already been presented to the Audit Committee (or its predecessor the Final Accounts and Audit Committee) throughout the year.

It was agreed that the issues surrounding the Final Statement of Account for Wiltshire County Council had been clearly identified at the last meeting of the Audit Committee and that the committee should now focus on ensuring that the measures being put in place were adequate.

Darren Gilbert and Chris Wilson, both of external auditor KPMG, answered questions from councillors including some regarding the additional fees, of which there were two identified elements; firstly a significant additional amount of work required for the audit of Wiltshire County Council's Final Accounts, and secondly unplanned ad-hoc investigations and reviews (two of these being items on this meeting's agenda), covered by a fixed and pre-agreed rate, which were mostly commissioned by Wiltshire County Council and its Chief Executive, although some were prompted by electors.

Councillors were reassured that the Audit Committee should not be required to be more involved with the budget allocation as the Chairman and Vice Chairman of the Audit Committee would ensure that this was covered by regular meetings with the Chairman and Vice-Chairman of the Overview and Scrutiny Management and Resources Select Committee. The Budget would also be questioned at the Overview and Scrutiny yearly Budget Meeting in February as well as being monitored by the Budget and Performance Scrutiny Task Group.

#### **Resolved:**

**To include the following in the Audit Committee's work programme:**

- **Monitoring benefits realisation**
- **Regional Financial Management Improvement**
- **Appropriate close down procedures are in place for the preparation of the 2009-10 financial statements**

- **Monitoring the implementation of the SAP system, including ensuring that sufficient assurance over the completeness and accuracy of the opening balances and other key data transferred into the new system are received.**
- **To ensure that Wiltshire Council is reviewing, and updating if necessary, its financial systems and other arrangements to enable its financial statements to be prepared under the International Financial Reporting Standards (IFRS) as will be required of local government bodies from 2010-11.**

**40. Charged with Governance 2008-09: Progress Report**

The Chief Finance Officer presented the progress report and reassured the committee that progress was closely monitored.

He informed the committee that the Finance Department was proactive and ensuring its efficiency in many ways including;

- Professional accountants meetings to address issues of expertise and knowledge
- A professional development scheme supported by the Chief Finance Officer
- An IFRS Working Group, chaired by the Chief Finance Officer, to ensure that the preparation of Statements of Accounts for 2009-10 is properly co-ordinated.
- The commissioning of an independent external assessment in conjunction with internal audit. The external assessor has specialist expertise in SAP. A report on the outcome of the assessment should be presented in the near future to the Audit committee.

Volunteers were sought to join the small group undertaking the review of Financial Regulations and Procedures but none came forward.

**Resolved:**

**(a) To note the Progress Report**

**(b) To receive an update on the implications of IFRS following the full review taking place and the publication of the code.**

**41. National Indicator 179 (NI): Measuring and Reporting Value for Money Gains**

The Chief Finance Officer was pleased to introduce the report which presented the target for NI179 for the three financial years between 2008 and 2010 and showed that Wiltshire Council was striving to surpass targets and that major efforts were being made at a time when efficiency was a priority.

Councillors welcomed the good news in the report and asked many questions including where the savings were being made, the costs of these savings and the possibility of having performance indicators

showing financial effectiveness which relates to community interest (e.g. planning applications). They were reassured that most of the saving were coming from the move to one Council and that advice had been sought from both internal and external auditors to ensure that adequate processes were in place to enable these savings and that the figures were concrete. Assurance was also offered that no costs were involved in the realisation of these savings as they were budget savings.

The Service Director Performance explained that very few Performance Indicators were published nationally but that her team were currently looking into ways to publish this information.

### **Resolved:**

**To note Wiltshire Council's identified efficiency savings for the 2009-10 financial year.**

## **42. Comprehensive Area Assessment (CAA) Results**

The Service Director Performance introduced the report and explained that as the results had been published on the day of the meeting, and the Audit Commission website had been unable to cope with the high demands, the pre-publication version of the results was discussed at the meeting, in the knowledge that changes were unlikely.

The CAA looked at how well public services operate in an area. She was pleased to announce that Wiltshire had been awarded a green flag for "involving people in decisions that affect their local community" and no red flag. She informed the committee that 152 areas were covered by the CAA and that 74 green and 62 red flags had been awarded.

The Audit Commission had identified 7 areas of 'focus' for 2010. These were either because they were areas of some concerns or that further information was required:

- Climate change
- Road safety
- Housing (strategic housing plans, private sector housing, council housing)
- Basic skills and qualifications
- Progress on achieving educational attainment gaps
- Ageing population
- Reducing health inequalities

Some of these areas were core business for the Council, whilst others related to other partners such as NHS Wiltshire. All were covered by the Local Agreement for Wiltshire and were being considered by the Public Service Board. The CAA report was also being considered by the Overview and Scrutiny Budget and Performance Task Group and by Cabinet.

The Service Director Performance reassured the Committee that the simplistic nature of the report belied the amount of work undertaken and methodology used by the inspectors to produce it.

Councillors felt that they were not currently in a position to identify matters from the CAA report that were relevant to the Audit Committee's work programme and would probably benefit from an analysis of the issues raised. This could be referred to the Overview and Scrutiny Budget and Performance Task Group for consideration. They considered the benefits of receiving a presentation by the Audit Commission explaining the CAA methodology.

**Resolved:**

**To receive a presentation about the CAA from the Audit Commission.**

Councillor Julian Johnson left the meeting at 12.40 pm.

**43. Forward Work Programme**

**Resolved:**

**To include the following items in the forward work plan:**

- **Internal Audit: update on National Forward Initiative**
- **Chief Finance Officer: progress report to include efficiency savings and Asset Register**
- **JAR: children to adult care transition**
- **Monitoring benefits realisation**
- **Regional Financial Management Improvement**
- **Appropriate close down procedures are in place for the preparation of the 2009-10 financial statements**
- **Monitoring the implementation of the SAP system, including ensuring that sufficient assurance over the completeness and accuracy of the opening balances and other key data transferred into the new system are received.**
- **To ensure that Wiltshire Council is reviewing, and updating if necessary, its financial systems and other arrangements to enable its financial statements to be prepared under the International Financial Reporting Standards (IFRS) as will be required of local government bodies from 2010-11.**
- **KPMG:**
  - **Grants education work**
  - **Detailed audit plan**
  - **Update audit findings**

**44. Date of Next Meeting**

**Resolved:**

**To note that the next regular meeting of the Committee would be held on Wednesday 24 March 2010, starting at 10.30 am**

**45. Urgent Items**

There were no urgent items to be considered

**46. Review of Severance Arrangements – the Five Councils**

The Chief Executive introduced the report and explained that the independent audit by the external auditors KPMG had been commissioned by him to obtain a transparent and independent view of the severance arrangements for employees of the four former district councils and Wiltshire County Council.

Mr Darren Gilbert, KPMG, explained that a thorough review was undertaken in that context and that inconsistencies were identified as well as a need for better documentation and a clearer audit trail. He drew councillors' attention to the actions identified in the report which had been agreed in the Council's response.

The Chief Executive felt confident that the move to a single unitary council would itself address some of the issues highlighted as it would promote and enable consistency in the application of policy and procedures,

Councillors questioned the process being put in place to recover overpayments and were satisfied that due consideration was being given to assess whether recovery action should be taken. Councillors raised concerns over the issue whether payments should be made in respect of underpayments identified by the audit relating to the application of the 0.3% salary uplift. The Chief Finance Officer advised that the practice adopted by this Council, which was generally followed nationally, was to put the onus on employees to claim such sums. Councillors felt, however, that in these cases Wiltshire Council should make these payments on an exceptional basis as they had been identified through this audit.

**Resolved:**

**(1) To note the report and the actions taken in response to the recommendations.**

**(2) To recommend that payments are made in respect of the underpayments identified relating to the application of the 0.3% salary uplift as an exception to normal practice applied by the Council and nationally.**

Councillors Helen Osborn and David Jenkins left at 1.20 pm.

**47. Audit of Non-Pensionable Honoraria: Kennet District Council**

The Solicitor to the Council introduced the report and explained the purpose and outcome of the audit.

**Resolved:**

**To note the contents of this report and the actions being taken in response to the auditors' recommendations.**

**48. Exclusion of the Press and the Public**

**Resolved:**

**To agree that in accordance with Section 100(A) (4) of the Local Government Act 1972, the public be excluded from the meeting for the following item on the grounds that it may involve the likely disclosure of exempt information as defined in paragraph 2 of Part I of Schedule 12A of the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public**

**Paragraph 2 refers to information which is likely to reveal the identity of an individual**

Councillor Chris Caswill left at 1.22 pm

**49. Audit of Non-Pensionable Honoraria: Kennet District Council**

The Solicitor to the Council introduced a report on the Audit of Non-Pensionable Honoraria for Kennet District Council.

**Resolved:**

**To note the report and to request an update on the position at the next meeting.**

(Duration of meeting: 10.30am – 1.30pm)

The Officer who has produced these minutes is Marie Gondlach, Democratic Services Officer, direct line (01225) 713 597 or email

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