

AUDIT

DRAFT MINUTES OF THE AUDIT MEETING HELD ON 19 SEPTEMBER 2012 AT COUNCIL CHAMBER - COUNCIL OFFICES, MONKTON PARK, CHIPPENHAM, SN15 1ER.

Present:

Cllr John Brady, Cllr Richard Britton, Cllr Nigel Carter, Cllr Peter Doyle, Cllr David Jenkins, Cllr Julian Johnson, Cllr Francis Morland (Substitute), Cllr Helen Osborn, Cllr Mark Packard, Cllr Sheila Parker (Vice Chairman), Cllr Pip Ridout, Cllr Jane Scott OBE, Cllr Bridget Wayman (Substitute) and Cllr Roy While (Chairman)

Also Present:

Cllr John Noeken

1 Apologies and Membership Changes

Apologies were received from Councillors Alan MacRae and George Jeans

Councillors Alan MacRae and George Jeans were replaced by Councillors Bridget Wayman and Francis Morland respectively for this meeting only.

2 Chairman's Announcements

There were no Chairman's announcements.

3 Members' Interests

There were no declarations of interest.

4 Public Participation and Committee Members' Questions

There was no public participation.

5 South West Audit Partnership - Governance Arrangements

The Committee received a presentation from Gerry Cox, Head of Internal Audit Partnership, South West Audit Partnership – SWAP, about their future governance arrangements. In particular Gerry spoke about the following areas:

- The current arrangements – Run by a Board of partners representatives, SWAP were regulated by a Section 101 agreement, each partner had an equal vote, SWAP were hosted by South Somerset District Council – SSDC, and they were currently in the 2nd year of a 5 year agreement.
- Reasons for Change – Joint Board no longer suitable for a large partnership, major decision making becoming difficult, unable to change rules, 95% of budget was salary based, the SSDC governance rules not always applicable or appropriate
- What the Changes will be – company limited by guarantee, staff employed by SWAP not SSDC, company owned by the 12 partners, composition of Board to be determined, company remains not for profit
- The Change Timetable – Members workshop on 10 October 2012, decision by Partnership Board to proceed – 8 January 2013, formal TUPE consultation and individual partner approval – Jan-March 2013, current partnership being dissolved on 31 March 2013 and SWAP becomes a company on 1 April 2013
- Business as Usual – No disruption to service, no reduction in available resources, fees to partners remain as previously agreed, transition will be seamless

The Service Director reminded the Committee that the Council had a representative on the Partnership Board along with the Cabinet Member for Finance, Performance and Risk, John Brady. He did not envisage any problems with the proposed new arrangements as long as the terms and conditions and the quality of service remained in place.

Head of Internal Audit Partnership responded to a number of questions from Members which included:

- SWAP's ability to take on additional work outside of their Local Authority work would remain at the current levels of 10%
- Arrangements for the new Board and the role of Councillors on the Board
- There would be no cost implications to the Council involved with the proposed changes
- SWAP staff would remain at their current locations

The Chairman thanked SWAP for the presentation and reminded the Committee about the SWAP workshop on their governance arrangements to be held 10 October 2012.

Resolved:

That the presentation on the South West Audit Partnership governance arrangements be noted

6 **Internal Audit Progress Report 2011-2012**

The Committee considered a progress report by the Service Director of Finance and the South West Audit Partnership on the performance of the Internal Audit Section.

The report provided a summary of (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 IA Plan, including audits in progress.

The Service Director of Finance informed the Committee that the Service had started 65 audits, with only four reviews resulting in partial assurance. The four reviews, detailed below, related to audits carried out from 2011/12:

- Out of County Placements
- Safeguarding
- Traffic and Network Management
- IT Networks

Members were reassured that all reports in relation to the four areas above had been agreed as final and management responses and actions agreed to address the issues raised.

The Committee heard from Dave Hill, Group Audit Manager – SWAP who spoke about the Internal Audit first progress report 2012/13, the detailed audit plan and monitoring statement 2012/13, significant corporate risks and the summary of audits deemed 'partial/no assurance'. The Group Audit Manager explained that it was important to note that no significant new risks had been identified during the period April 2012 to 31 July 2012.

Officers responded to a number of questions and queries from Members, the main areas of discussion included (i) references to the misfiling of a low risk piece of information by a worker between two of their cases for out of county placements of looked after children, the message to staff about keeping accurate records had been reinforced and all issues were addressed; (ii) that no customer satisfaction questionnaires had been returned for audits in 2012/13, assurances were given that this was mainly due to the transition of working practices from Wiltshire to SWAP, however it was hoped that there would be more feedback at the next meeting, (iii) Members were reassured that procedures were being put in place so that the time taken between a draft and final audit response would be reduced significantly; (iv) some audits detailed in Appendix A did not include a start date, due in to delays, slippage and/or the terminology used, however Members were reassured that 95% of all Audits were on target; (v) the impact on Internal Audit due to the changes in public health and the Police and Crime Commissioner.

Resolved:

- a) That the findings from the SWAP audits to date be noted**
- b) That the changes to the audit plan set out at paragraph 6 of the report relating to the deferral of certain audits be agreed**

7 External Audit (KPMG)/SWAP Audit Protocol

The Committee considered a report by the Service Director of Finance about the protocol agreed between the Council's external (KPMG) and internal auditors (South West Audit Partnership) – SWAP.

The protocol set out in detail some of the key requirements for SWAP and KPMG to follow in order to provide a strong foundation with a view of helping ensure that testing by SWAP could be relied upon by KPMG.

Members were informed that to reinforce the independence of auditors, auditing standards and KPMG policy prohibited auditors from seeking direct assistance from Internal Audit. However, joint working agreements were in place, so that information on possible testing that Internal Audit chose to undertake would facilitate KPMG's ability to rely upon the testing.

Resolved:

- a) That the KPMG/SWAP Audit Protocol be noted**
- b) That That further updates on the protocol's application and success be received at future meetings of the Committee**

8 Audit Fee Letter 2012/13

The Committee considered a report by the Service Director of Finance about the likely external audit fee for 2012/13 audit.

Members were informed that the proposed indicative external audit fee for 2012/13 was £222,156 excluding external grant audit fees and VAT. This represented £148,104 reduction from the 2011/12 audit fees of £370,260. The reduction was closely linked to changes in the Audit Commission.

Resolved:

- a) That the KMPG proposed fee be noted**
- b) That the Committee receives further updates on the fee and any amendments or additional costs**

9 IT Control Systems

The Committee considered a report by Jacqui White, Service Director of Business Services on the latest position regarding the IT Control recommendations raised with KPMG's internal Audit Report 2011/12.

Officers reported that considerable work had been undertaken to progress the 15 recommendations raised by KPMG, with the majority of top priority risk 1 issues from the previous year being reduced to priority risk 2 or 3, details of which were highlighted in the appendix to the report. The only outstanding issue related to the 'Protection of the production environment from direct changes – SAP' and discussions were continuing between the Council, KPMG and Logica to resolve these issues.

Members thanked the officers and KPMG for the work carried out on resolving the issues and raised a number of points that were responded to by officers, these included working relationships between Council departments, the current and future role of the ICT Scrutiny Task Group, risks surrounding user access and consistency of approach between Council service areas in reviewing password revocation for staff leaving the Council employment.

Resolved:

- a) That the findings from the SWAP audits to date be noted**
- b) That the changes to the audit plan set out at paragraph 6 of the report relating to the deferral of certain audits be agreed**

10 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 in relation to Health and Safety, Occupational Health and Business Continuity/Emergency Planning.

The report highlighted a number of key changes from the last report which included an increase in the risk of (i) 'violence and aggression to employees from members of the public', and reductions in the following three risks (ii) 'Failure to Implement the Safeguarding Improvement Plan'; (iii) 'Inability to adequately fulfil the requirements as a Category 1 responder in the event of an incident or training'; and (iv) Ability to corporately control the maintenance and monitoring of contracts'. A risk action plan was attached to the report for (i) above which detailed the issue and steps taken to mitigate the risk from rising further and ultimately reducing the risk.

Members felt that it would be helpful for future reports to include a short explanation in the appendix about how risks had either increased or decreased since the last report.

Resolved:

- a) That the latest position regarding the Council' Strategic Risks as detailed in Appendix A of the report be noted
- b) That the continued monitoring of the risks detailed in the report be supported

11 **Date of next meeting**

That the next regular meeting of the Committee would be held on 19 December 2012

12 **Urgent Items**

There were no urgent items

(Duration of meeting: 10.30 am - 12.35 pm)

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