

## AUDIT

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### **DRAFT MINUTES OF THE AUDIT MEETING HELD ON 29 JULY 2015 AT WEST WILTS ROOM - COUNTY HALL, TROWBRIDGE.**

#### **Present:**

Cllr Richard Britton (Vice Chairman), Cllr Rosemary Brown, Cllr Tony Deane (Chairman), Cllr Stewart Dobson, Cllr Mike Hewitt (Substitute), Cllr Julian Johnson, Cllr Stephen Oldrieve, Cllr Jeff Osborn, Cllr David Pollitt, Cllr James Sheppard, Cllr Dick Tonge and Cllr Ian West (Substitute)

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#### **33 Apologies and Membership Changes**

Apologies received from Cllr Jane Scott, Cllr Linda Packard (replaced by Cllr Ian West) and Cllr Sheila Parker (replaced by Cllr Mike Hewitt).

It was also noted that Michael Hudson, the s151 Officer for Wiltshire Council, was on holiday.

#### **34 Chairman's Announcements**

There were no announcements.

#### **35 Minutes of the Previous Meeting**

The minutes of the meeting held on 23 June 2015 were presented.

#### **Resolved:**

**To approve as correct record and sign the minutes of the meeting held on 23 June 2015, subject to the following amendment:**

That the final paragraph of Minute 29 be amended to read:

*It was noted, following an issue raised by Councillor Richard Britton, that consideration would be given to whether references to the Disaster Recovery Plan and the Business Continuity Plans should be updated in the light of advice from auditors.*

#### **36 Members' Interests**

There were no declarations of interest made.

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

There were no questions from the public or members of the Committee under this item.

### 38 **KPMG - Report to those charged with governance**

Matt Tiller, Chief Accountant for Wiltshire Council, introduced KPMG's "Report to those charged with governance" to the Audit Committee, and invited Members to consider their response. Darren Gilbert from KPMG discussed the report in more detail

In the course of the presentation and the discussion, the issues discussed included: that it was anticipated that an unqualified opinion for the accounts and for arrangements to secure Value for Money (VFM) would be given; that the Pension Fund draft Annual Report had been considered; that Council should be pleased for getting accounts prepared and approved well before the deadline; how the systems had improved in recent years; the adjustments to the accounts that had been suggested, and that the level of adjustments suggest were in to be expected in a large and complex set of accounts; the national guidance on treating schools within the accounts; and that previous recommendation made had been addressed.

In response to a question from Cllr Steve Oldrieve, Darren Gilbert stated that a report had been made to KPMG in accordance with the Whistleblowing Policy, which had since been passed on to the Internal Auditors, SWAP, for review. Whilst this incident had delayed the signing of the Certificate, he expected that the matter would be resolved and that the Certificate could be approved.

In response to a question from Cllr Mike Hewitt, Darren Gilbert stated that governors are responsible for running their schools.

In response to a question from Cllr Julian Johnson, Dr Carlton Brand stated that the Council had a well-developed ICT security team dealing with 2000 attacks a day, and that this issue would form of part of the Information Commissioners report which would be considered by the Audit Committee in the Autumn.

In response to a question from Cllr Stuart Dobson, Darren Gilbert stated that external auditors had to focus their work on significant variances, giving a general assurance, and calculated what was to be the appropriate level of materiality given the size of the authority.

### **Resolved**

- 1. That the Audit Committee considers the ISA 260 report from external auditors in its receipt of the draft accounts for 2014/2015; and**

- 2. That based upon that advice, and subject to any issues raised as a result of that consideration, the Audit Committee delegates the signing of the letter of the management representation letter to the Chairman of the Audit Committee.**

## **39 Annual Governance Statement 2014-15**

Ian Gibbons, Associate Director for Legal & Governance Services, presented the report which asked the Audit Committee to approve the Annual Governance Statement (AGS) for 2014 -15 for publication with the Statement of Accounts.

In the course of the presentation and the discussion, the issues discussed included: that the AGS had been previously considered by the Audit Committee, the Standards Committee and the Cabinet; KPMG were satisfied that it accorded with the guidance; that changes would be made to include more reference to the Health & Wellbeing Board's documentation; and that Wiltshire Council is accountable body for LEP.

In response to a question from Cllr Richard Britton, it was agreed that the wording regarding the Disaster Recovery Plan and the Business Continuity Plans would not be amended in the report, and that an item on this would be brought to a future of the Audit Committee.

In response to a question from Cllr Richard Britton, it was agreed that a short paragraph describing the role and responsibilities of the Independent Remuneration Panel would be included.

Cllr Richard Britton commented that, whilst he was not suggesting that it be changed, the current wording regarding the new approach to combined assurance reviews paints picture of it being a wholly positive approach, and does not reflect that one of the drivers for the new approach was the need to reduce budgets.

Dave Hill, of the internal Auditors responded that the new approach should reduce the amount of unnecessary overlapping assurance work undertaken.

It was noted that members of the Audit Committee would have an opportunity to discuss, at their informal meeting, the audit plans.

### **Resolved**

**To approve the AGS 2014-15 for publication with the Statement of Accounts, subject to the inclusion of a short paragraph setting out statutory basis and the operation of the Independent Remuneration Panel.**

## 40 **Statement of Accounts**

Matt Tiller, Chief Accountant for Wiltshire Council, Finance, presented the draft Statement of Accounts in respect of the 2014/2015 financial year for Wiltshire Council.

In the course of the presentation and the discussion, the issues discussed included: that this was a culmination of large piece of work, started in January 2015, and involving a large amount of different departments; that the deadline for sign off was the 30 June and that the initial statement had been completed on 4 June before sending to external auditors a few days later; that Wiltshire Council was one of the first to get sign off of accounts prior to 30 September deadline; the adjustments that had been made during drafting and audit; how the accounts comply with national and international standards; and how explanatory notes are used to made the accounts more accessible to the public.

Questions from Cllr Richard Britton, and the answers received, are appended to these minutes.

In response to a question from Cllr Richard Britton, Mathew Tiller noted that the accounting adjustment regarding the additional pension contribution was explained in an accounting note.

In response to a question from Cllr Tony Deane, Darren Gilbert stated that they were satisfied that Council had taken sufficient action with regards to potential liabilities.

In response to a question from Cllr Jeff Osborn, Mathew Tiller stated that the adequacy of reserves could be reviewed as and when changes to circumstances, such as the economic outlook, warranted it. In addition, Cllr Dick Tonge stated that work was ongoing to ensure that teams work together to help members of the public minimise their debt.

In response to a question from Cllr Tony Deane, Cllr Dick Tonge stated that he was happy with the way reserves were managed but that he recognised the need to manage budgets to ensure reserves weren't used to fund overspends.

### **Resolved**

- 1. To receive and note the draft Statement of Accounts for 2014/2015; and**
- 2. That the team of officers responsible for putting together the Statement of Accounts be thanked for their exemplary work.**

#### 41 **Internal Audit First Quarter Update**

David Hill from internal auditors, SWAP, presented the report which provided an update on the performance of the Internal Audit (IA) Section for the first quarter of 2015/16.

In the course of the presentation and the discussion, the issues raised included: that there had been a members training session to consider the new approach, and that there will be a meeting in September to see initial results ahead of formal meeting in October; that new data interrogation techniques help improve timeliness of work; the desire to change the timing of reports so that one opinion is given to help streamline process; the additional work done in the year including investigation of a whistleblowing case; the schedule of audit work and how risks are identified; the impact of the Ofsted report on work with Children's services; how outstanding recommendations will be followed up; and the impact of changing systems and structures.

In response to an issue raised by Cllr Richard Britton, who stated that he was pleased to hear that outstanding recommendations would be chased up, it was agreed that process by which low risk extant recommendations are written-off, and the format of Internal Audit reports to Committee could be discussed at the informal meeting in September.

In response to an issue raised by Cllr Tony Deane, it was agreed that the level of access and the amount of information shared with Committee members could be discussed at the informal meeting in September.

In response to a question raised by Cllr Jeff Osborn, officers were asked to provide a written update regarding those items on the report where 'no management response' was recorded.

#### **Resolved**

**To note the findings from Internal Audit audits to date.**

#### 42 **Date of next meeting**

The meeting noted that the next regular meeting of the Committee would be held on 27<sup>th</sup> October 2015, as the 1<sup>st</sup> September 2015 meeting was cancelled.

#### 43 **Urgent Items**

There were no urgent items.

(Duration of meeting: 10.30 am - 12.30 pm)

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## Questions from Cllr Richard Britton and Answers provided

The responses provided by officers are based on the analytical review work that had been done on the income and expenditure statement as part of our closedown procedures. It is also a working paper requirement for the Council to provide this to KPMG as part of the external audit process.

- 1 Culture and related services. I'm not sure what this heading contains but the outturn is worrying – a 49% INCREASE in expenditure but a 15.6% DECREASE in income. What's going on here?

*This variance on expenditure is primarily due to £8.293 million increase in capital charges (depreciation/downward revaluations & impairments) since 2013/2014. This was expected as leisure centres were revalued in 2014/2015 as part of the rolling revaluation plan. This includes an impairment on 5 Rivers Leisure Centre in Salisbury and Corsham which is currently undergoing building work and as a result some facilities within the centre are out of use/adversely affected. There has also been an increase in property costs charged to this service line. This is a result of charging these costs directly to leisure rather than to property and then recharging these across all services per our CSR methodology per previous years. Direct charging gives a fairer reflection of total cost.*

*In respect of income, this variance is primarily due to one off grants received in 2013/2014 not reoccurring in 2014/2015.*

- 2 Environmental and Regulation. A 6.6% INCREASE in expenditure but a 7.8% DECREASE in income. Why?

*The variance on expenditure is primarily due to an increase in costs experienced within the Council's Waste service throughout 2014/2015. This service came in £3.243 million overspend against budget which is explained as follows per the outturn report to Members in June:*

*In respect of income, this variance is primarily due to a reduction in trade waste income being received in 2014/2015 than had been budgeted.*

- 3 Highways, Roads & Transport Services. Expenditure DOWN 21.6% which seems at odds with the Business Plan intention of spending record amounts on highways and infrastructure generally. Seems to be at odds with intention to spend more on repairs.

*The expenditure variance is partly due to a £2.931 million reduction in the amount paid out in respect of concessionary fares in 2014/2015 when compared to 2013/2014. This is due to Wiltshire Council administering the concessionary fares for Swindon in 2013/2014. In prior years there was a net nil cost to the Council as these costs were fully reimbursed and as such the income for this service has reduced by a similar amount in 2014/2015 due to*

*this practice ending from 1 April 2014. Additionally, in 2013/2014, £3.470 million was charged to this service in respect of impairments to car parks (inc park & ride car parks). This charge has not reoccurred in 2014/2015 as car parks are valued tri-annually as part of the rolling valuation programme. Finally, the amount of costs recharged through assessments, technical adjustments, has reduced by £6.875 million since 2013/2014 following annual review of the assessment procedure with more costs being charged directly.*

- 4 Although the revaluation surplus (£31.7m is well down from 2013/14 it's still a large figure which makes an important contribution to the funding of the deficit on service delivery. How is this arrived at?

*This figure represents the total movement in the asset valuations of those assets that have been revalued as at 31 March for that financial year by our external valuers. The Council operates a rolling 3 year valuation schedule so a significant number of the assets revalued in 2014/2015 would not be the same as those revalued in 2013/2014.*

*2014/2015 valuations covered Council Offices, Libraries, Youth Centres and Leisure Centres, whereas 2013/2014 covered Secondary & Special Schools, Car Parks, Public Conveniences, Playing Fields, Cemeteries, Care Homes etc. Council Housing, Investment Estate, Surplus Assets and new assets are revalued annually.*