

AUDIT

DRAFT MINUTES OF THE AUDIT MEETING HELD ON 26 JANUARY 2016 AT COUNCIL CHAMBER - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

Cllr Tony Deane (Chairman), 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 and Cllr Dick Tonge

1 Apologies and Membership Changes

Apologies were received from Cllr Jane Scott, (replaced by Cllr Dick Tongie), Dr Carlton Brand and Michael Hudson.

2 Chairman's Announcements

Cllr Helen Osborn, Audit Committee substitute to the Constitution Focus Group has stepped down from her role. An Audit representative on the Focus Group is therefore required.

3 Minutes of the Previous Meeting

The minutes of the meeting held on 27 October 2015 were presented.

Resolved:

To approve as a correct record and sign the minutes of the meeting held on 27 October 2015.

4 Members' Interests

There were no declarations of interest made.

5 **Public Participation and Committee Members' Questions**

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

6 **KPMG - Annual Audit Letter 2014/15**

Darren Gilbert, Director of KPMG, presented the detail of the Annual Audit Letter 2014/15.

In the course of the presentation and the discussion, the issues discussed included: that an unqualified opinion had been issued on the Authority's financial statements and the external auditors believed that the financial statements gave a true and fair view of the financial position of the Authority and of its expenditure and income for the year. This unqualified opinion also covered the pension fund financial statements considered as part of the certification process.

In response to a question from the Chairman, Ian Gibbons assured the meeting that all legal requirements in relation to the Annual Audit letter 2014/15 had been met.

Resolved

That the Audit Committee notes the contents of the Annual Audit Letter 2014/15

7 **KPMG - Annual Report on grants and returns work 2014/15**

Darren Gilbert, Director of KPMG, presented the detail of this report.

In the course of the presentation and the discussion, the issues discussed included: that the Council's Housing Benefit Subsidy claim was subject to a qualification letter mainly due to the identification of a number of errors and inaccuracies in relation to classification of overpayments and the recoding of income. The Teacher's Pension Contributions and Pooling of Housing Capital Receipts received minor adjustments and an unqualified audit certification.

Members expressed concern at the level of errors reported and Darren Gilbert sought to reassure the meeting that it was common to find this level of error rate with the sample under analysis and plans to get a further analysis of the qualified item were underway. It was emphasised that there was a need to find out what had triggered these errors and to establish whether these were training issues or system related.

In response to a question on whether the Internal Auditors picked on these errors, Jenny Strahan, Assistant Director – SWAP, informed the meeting that

the housing benefits claims were a part of the key control work area and SWAP was at the stage of scheduling field work and would be reporting on this at the next meeting. Given the level of errors discovered a question was posed on whether the sample base used for the analysis needed to be widened and Darren Gilbert explained that the sample was subject to a host of tests and analysis adhering to a strict methodology. If further work was required due to the opinion issued, that could be commissioned separately.

Resolved

- 1. That the Audit Committee notes the contents of the report with concern about the errors discovered.**
- 2. That the Finance department and Internal Auditors comment on the level of error findings in the Council's Housing Benefit Subsidy claims.**

8 KPMG - External Audit Progress Report and Technical Update

Darren Gilbert, Director of KPMG, presented the detail of this report

In the course of the presentation and the discussion, the issues discussed included: that KPMG was adding value to their service by producing yearly updates on any new financial regulations, and giving guidance on the practical level of impact of such regulations and how assets could be protected . Concerns were expressed about the level of expenditure in the portfolio of assets and whether there was really any need for this. An example cited was the revaluation of roads on the balance sheet and the perceived minimal impact on the Authority's borrowing capacity in real terms. It was explained that the accounting principle of fair value required this.

Members sought reassurance that the Finance department was up to speed with all required changes in processes and procedures arising from recommendations made by the financial regulator, CIPFA. Mathew Tiller, Chief Accountant, affirmed that the Finance department was on track to implementing these recommendations.

Resolved

- 1) That the Audit Committee notes the contents of the report and queries whether the Authority has the resources to undertake the exercise of revaluing assets.**
- 2) That no work should be done on the revaluation of the Highways until a Report has been submitted to the Audit Committee**

explaining the need for the audit and the resources (including cost) of the revaluation.

9 Internal Audit 2015/16 Third Quarter Update Report

Jenny Strahan, Assistant Director – SWAP presented the detailed findings of this report.

In the course of the presentation and the discussion, the issues discussed included: that the reported performance of schools was of particular concern. There was comment about the specific role of the Council and the value it adds to schools not being clearly defined. David Hill, Director of Planning - SWAP, explained that more schools had been earmarked for financial health visits with a view to taking a more themed approach for better engagement. It was noted that the low performance of schools appeared to be a rising trend and Members requested for an interim report on what was being done about this.

Cllr Richard Britton commented on apparent errors with dates and the tracking of the traffic lighting system used to categorise control assurance issues. In response to questions raised on the required variance for changing the status of an issue, David Hill responded that the standard period was 4 weeks noting that the errors in the report were not due to software problems but were typo errors which still needed to be taken seriously.

SWAP undertook to clarify dates shown in their reports as the Chairman could not understand how if an intermediate date slipped the final date remained the same.

In order to assure themselves as a Committee on the detail behind the findings on the various issues identified, a request was made about the possibility of Committee members having access to the SWAP web portal to enable members to drill further down into accounts to ascertain underlying records and transactions. Michael Tiller confirmed that this was possible and would arrange for the facility to be in place.

Members noted that there appeared to be a disconnect between signing reports and noting how recommendations had been implemented. There was concern over the risk of wasting resources with recommendations being accepted and not implemented and the role of management in ensuring this was emphasised.

The Chairman requested that a member of the Corporate Leadership Team is invited to the next Audit meeting to explain how audit recommendations are dealt with & tracked.

Michael Tiller informed the meeting that a report on how recommendations were being implemented would be circulated at the next scheduled meeting.

Resolved

- 1. That the Audit Committee notes the contents of the report and requests an interim report from the internal auditors on measures being taken to improve school audit performance.**
- 2. That Members would be given access to the SWAP web portal in order to drill down into records for more detail behind reports presented.**
- 3. That the Finance department produces regular reports showing the progress on how recommendations made are being implemented.**

10 **Information Governance**

Ian Gibbons, Associate Director for Legal & Governance Services, presented the report.

In the course of the presentation and the discussion, the issues discussed included: that practical training needs relevant to specific areas had been identified for action. That in rationalising documents the importance of having an overarching management strategy could not be overemphasised in ensuring that documents that were discarded were done in an orderly manner.

In response to a question from the Chairman regarding security in place for scanning devices being used for information storage, Mr. Gibbons assured the meeting that there was careful review of security with daily checks and supervision by Facilities Management and no security breach had been reported so far.

He also informed the meeting that he had been in touch with the Information Commission Office regarding the findings identified by the ICO audit report and would report at the next meeting.

Resolved

- 1. That the Audit Committee notes the contents of the report and that it was satisfied with the progress of the improvement programme.**

11 **Date of next meeting**

The meeting noted that the next regular meeting of the Committee would be held on 8 March 2016. *(Members should note that the March date has been cancelled and we apologise for the error).*

The next meeting will be at 10:30 on Tuesday 26th April in the Kennett Room

12 **Urgent Items**

There were no urgent items.

(Duration of meeting: 14.00 – 15:00 p.m.)

The Officer who has produced these minutes is Shirley Agyeman of Democratic Services, direct line (01225) 718089, e-mail shirley.agyeman@wiltshire.gov.uk

Press enquiries to Communications, direct line (01225) 713114/713115