

AUDIT

MINUTES OF THE AUDIT MEETING HELD ON 26 APRIL 2016 AT KENNET COMMITTEE ROOM.

Present:

Cllr Tony Deane (Chairman), Cllr Richard Britton (Vice Chairman), Cllr Mike Hewitt, Cllr Sheila Parker, Cllr Stewart Dobson, Cllr Julian Johnson, Cllr David Pollitt, Cllr Baroness Scott of Bybrook OBE and Cllr Dick Tonge

Also Present:

Cllr Atiqul Hoque and Maggie Rae

13 Apologies and Membership Changes

Apologies were received from Cllr Rosemary Brown.

The Chairman reported a permanent change of committee membership as agreed at the last Council meeting on 23 February 2016 where Cllr Stephen Oldrieve was replaced by Cllr Mike Hewitt as a Committee Member and Cllr Atiqul Hoque replaced Cllr Mike Hewitt as a substitute.

14 Chairman's Announcements

The Chairman formally announced the passing of Cllr Jeff Osborn and gave details of funeral and reception arrangements.

15 Minutes of the Previous Meeting

The minutes of the meeting held on 26 January 2016 were presented.

Resolved:

To approve as a correct record and sign the minutes of the meeting held on 26 January 2016.

16 Members' Interests

There were no declarations of interest made.

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

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

18 **Housing Benefit Subsidy Audit 2014-15**

Michael Hudson presented on this item.

In the course of the presentation and the discussion, the issues discussed included: the high volume of caseloads handled, the level of complexity surrounding welfare reforms and the processing of related claims. Michael Hudson noted that compared to other unitary authorities the error rate for Wiltshire Council came out at a lower level of settlement and below average. He identified staff appraisal and training as the main areas requiring improvement to raise performance levels.

Darren Gilbert, Director, KPMG, reassured Members and reiterated that whilst the level of errors was material and therefore reported it was common place given the complexity of issues being dealt with and that it was not exclusive to Wiltshire Council. He noted that the external auditors were very satisfied with the findings on the Housing Benefit Subsidy.

Darren Gilbert clarified that the extrapolation methods referred to in the report were standard methods of assessment consistently used and applied by Auditors and were not methods exclusively designed by KPMG.

In response to questions posed on high staff turnover and the attendant reasons, Michael Hudson informed Members that the problem of staff turnover was mainly due to the age profile of employees and the consequent effect of retirements and redundancies. He highlighted that not all vacancies created due to retirements and redundancies had been filled hence the pressure on staff and risk of errors among other problem areas. In response to questions raised regarding overpayments and fraud Michael Hudson announced that an Annual Fraud report that was currently being compiled would be taken to the next Audit Committee to furnish Members with more detail regarding fraud activity within all areas of the Council.

19 **KPMG - Audit Fee Letter 2016/17**

Daren Gilbert informed Members that the Audit Fee Letter 2016/17 was an advance notice of the key elements of audit work proposed for the financial year and the fee that would be charged.

In response to a question posed regarding the £5,000 increase in the Housing Benefit Grant Claims fee, Daren Gilbert noted that the fee reflected the relatively high volume of claims involved and consequent level of work required.

Resolved

That the Audit Committee notes the contents of the Audit Fee Letter 2016/17

20 **KPMG - External Audit Plan**

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

In the course of the presentation and the discussion, the issues discussed included: the significant accounting risks surrounding the administration of the Better Care Fund, the challenges of closing the funding gap and achieving value for money, reporting of changes to the financial statements and the cost of the external audit.

In response to concerns raised about the total cost of the external audit, Darren Gilbert noted that the 2016/17 audit fee was set externally as always by the Public Sector Audit Appointments Ltd (PSAA). He further highlighted that the 2016/17 fee had been set at the same level as that set for 2015/16 and this had preserved 25% reductions applied that year. This was in addition to savings of up to 40% in scale audit fees and certification fees achieved in 2012/13. Darren Gilbert informed the meeting that the external audit fee was relatively cheaper compared to that paid by other councils and the benefits were far reaching.

Cllr Baroness Scott noted that the Council Executive vigorously challenge the fees payable to KPMG every year and had negotiated and worked hard with KPMG in bringing the fees down to the current amount. Michael Hudson informed Members that the procurement of external audit and future fees payable was being looked at.

On the issue of changes to the financial statements, Michael Hudson assured Members that no significant changes had been made to financial statements submitted without the Committee having had sight of those and any changes would continue to be reported to the Executive and to the Committee.

Darren Gilbert commended the Council for being ahead of the game in being compliant with regulations that were yet to be enforced within the next two years. He noted that this added value by expediting the whole audit process and allowing better efficiency and focus of resources into more critical areas of concern.

Resolved

That the Audit Committee notes the contents of the External Audit Plan

21 **SWAP - Internal Audit Activity - Q4 Update 2015/16**

The Vice-Chairman expressed concern about the increasing list of recommendations from internal audit activity that had not yet been implemented and noted that by not responding to the outcome of internal audit work being done the Council was not living up to its philosophy of continuous improvement nor achieving value for money.

Maggie Rae, representing the Corporate Directors (CDs), acknowledged that the regular contact between the CDs and the committee had drifted due to the recent focus on budgeting and cost cutting processes within the Council. She emphasised that CDs are keen to reinstate this regular contact in order to interface with the team and be proactively involved in resolving issues. Mrs. Rae noted that the reason for recommendations appearing not to have been progressed was mainly due to the impact of policy changes and hence recommendations not requiring any action or indeed requiring to be closed.

She commended the new audit process proposed and commented that it gave a more rounded view of the organisation and enabled the process of delving deeper into areas requiring improvement and success. This was a process that the CDs would want to work on and improve.

The Chairman commented that the response received and action taken since the Committee highlighted the issue of outstanding recommendations was commendable.

Stuart Trubee, Senior Auditor – SWAP, took the Committee through the initial processes for accessing live Audit Reports and related data from the SWAP web portal. It was noted that the Committee would require adequate training in order to be able to access and use the system effectively.

Resolved

That SWAP would organise a training session for the Audit Committee to enable Members to effectively access audit reports on the SWAP web portal.

Jenny Strahan, Assistant Director – SWAP, presented the detailed findings of the Internal Audit Activity - Q4 update 2015/16. In the course of the presentation and the discussion, the issues discussed included: changes in presentation of information, enhancement and volume of reporting, the use of improved charts and graphs, positive results on internal audit activity performance reviews and concerns about findings on schools earmarked for financial health visits.

In response to questions regarding the basis of selection of the schools involved and the subsequent findings Jenny Strahan informed Members that 5 out of 9 schools reviewed had performance issues and that the reviews were done in conjunction with the Schools and Budget team with direction given to focus on schools with areas of high risk. Concerns expressed also focused on opportunity for fraud which put individuals, schools and the Council at risk and the challenge faced by schools in recruiting governors with relevant finance skills.

Michael Hudson commented that there was no evidence to suggest widespread fraud among schools but there were areas for improvement to ensure robust financial controls and strong financial stewardship within schools in the county. He noted that there was doubt as to whether recommendations made were being communicated to relevant finance committees and governors within schools and this was to be followed up.

Jenny Strahan informed the meeting that as a result of the findings made regarding schools and academies, SWAP would follow up on recommendations made and further work would be taking place within the next 6 months focusing on school improvement.

The future role of the Council when all schools become academies was also raised for careful consideration.

Resolved

- 1. That the Audit Committee notes with concern the findings reported about schools.**
- 2. That the Chairman and Vice-Chairman, on behalf of the Committee would prepare a note to significant people within and outside the Council who are not part of the Committee, to highlight the issues raised and seek a concerted resolution.**

Healthy Organisation

Cllr. Richard Britton, Vice-Chairman, commended the Healthy Organisation theme review and commented that it was a well-structured and comprehensive presentation of the organisation and there was huge opportunity to link internal audit work with management performance and use the themed wheels in the diagram as a demonstration of the level of continuous improvement ongoing in the defined areas.

He noted that this integrated approach would make internal audit work the catalyst for achieving green status on the wheel - targeting internal audit work at areas of amber and working with the organisation to move them to green.

On the issue of whether Cabinet should take ownership of this process Cllr Baroness Scott commented that Cabinet would be keen to take ownership of the process and noted that it was important to manage the process well given the political sensitivities surrounding some of the issues.

In response to questions raised regarding the high number of amber themed results, Jenny Strahan responded that most of these emanated from legacy issues inherited and there was more work to be done with mapping and reporting on the various wheels to depict a more accurate picture on performance and improvement. It was also noted that given the challenges surrounding activities and risks the amber status could not be avoided entirely and Members were just seeking reassurance that everything that could be possibly done for improvement was being done.

The issue of cyber risk was also raised and reference was made to the findings of the Information Commissioner's Office (ICO) audit, improved information governance, control of ICT resources and training provided to all partners on cyber risk. Jenny Strahan informed the meeting that SWAP would be undertaking further work on ICT.

Concerns were also raised regarding the level of training that Area Boards have on risk assessment and how it impacts on their decision making.

Cllr Britton subsequently proposed a recommendation which was ratified by the Committee.

Resolved:

That the Cabinet receive a presentation on the Healthy Organisation system and consider its integration with the internal audit programme and its use in the furtherance of the continuous improvement philosophy.

22 **Urgent Items**

There were no urgent items.

(Duration of meeting: Times Not Specified)

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