

AUDIT

MINUTES OF THE AUDIT MEETING HELD ON 27 JULY 2016 AT KENNET COMMITTEE ROOM.

Present:

Cllr Richard Britton (Vice Chairman), Cllr Tony Deane (Chairman), Cllr Stewart Dobson, Cllr Mike Hewitt, Cllr Atiqul Hoque (Substitute), Cllr Sheila Parker, Cllr David Pollitt and Cllr Dick Tonge

Also Present:

Dr Carlton Brand and Carolyn Godfrey.

24 Apologies and Membership Changes

Apologies for absence were received from Baroness Scott of Bybrook, Cllr Rosemary Brown and Cllr Julian Johnson who was substituted by Cllr Atiqul Hoque.

25 Minutes of the Previous Meeting

Members considered the minutes and actions arising from the last meeting. The Chairman advised that the action to write to other members and key officers in Wiltshire schools was outstanding and would be completed following this meeting. The Committee was updated that healthy organisations had been discussed informally with Cabinet members, however the progression of this to a Cabinet meeting in the autumn was to be considered at a Corporate Leadership Team meeting. The Chairman asked that himself and the Vice Chairman be invited to Cabinet should an item on healthy organisation be taken,

Resolved:

To confirm as a true and correct record the minutes of the meeting held on 25 April 2016, subject to an amendment to reflect the attendance of Cllr David Pollitt.

To note the progress on actions arising.

26 **Members' Interests**

There were no declarations of interest.

27 **Chairman's Announcements**

The chairman advised that meetings were open to the public and may be recorded.

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

There was no public participation.

29 **Appointment to the Constitution Focus Group**

The Audit Committee was requested to appoint a member to the Constitution Focus Group, as required by its Terms of Reference, to replace Cllr Helen Osborn.

Resolved:

To appoint Cllr Tony Deane as the Audit Committee representative on the Constitution Focus Group.

30 **KPMG- Report to those Charged with Governance**

The Committee considered the ISA 260 report from external auditors in its receipt of the draft accounts for 2015/16. The report summarised the conclusions and key issues arising from the recent audit of the Council's financial statements and KPMG's assessment of the Council's arrangements to secure value for money in its use of resources.

Darren Gilbert (KPMG) and Michael Hudson (Associate Director for Finance) explained the report was designed to ensure transparency in the audit process and thanked the team for their hard work in supporting the 2015-16 external audit. In summary, the auditors were satisfied that the overall accounts were in good health, subject to three audit adjustments relating to technical accounting adjustments; the Pension Fund accounts were also satisfactory. KPMG confirmed that the Council had strong arrangements in place in terms of

financial controls, IT and organisation, and that although there were some recommendations arising from the audit, they were not critical. The auditor concluded that controls were in place to ensure the Council had made proper arrangements to secure, economy, efficiency and effectiveness in its use of resources. It was confirmed that the external auditors had kept in regular contact with the internal auditors, South West Audit Partnership (SWAP), and placed reliance on their work.

Questions were invited and it was confirmed that an IT test was planned for October 2016 which would simulate the collapse of IT systems and test the recovery of the system. Following further questions on IT controls, the auditor advised that improvements had been made to the SAP control environment, particularly in relation to access for 'powerful users' but this was still a work in progress. It was noted that KPMG's grading of IT controls was the same as previous years, however the Committee was reassured that improvement had been made.

In response to questions about the audit adjustments, members were advised that they were an accounting interpretation and would not affect the Council's level of general fund reserves; the first adjustment related to the accounting treatment of the sale of an asset within Other Land and Buildings, the second adjustment related to the accounting treatment of depreciation and upwards revaluation of an asset also within Other Land and Buildings. KPMG confirmed that its audit was not exposed to risk due to reliance on recommendations from the internal audit, and would undertake additional tests for reassurance when required. The Committee was advised that a Performance Scorecard was in development for the Better Care Fund and its expenditure was monitored closely. Officers advised that the Five Rivers valuation had recently been revisited and the new valuation was reflected in the accounts.

Resolved:

To thank the Wiltshire Council finance team for their hard work in supporting the 2015/16 audit.

To note the ISA 260 report from KPMG and to delegate the signing of the management representation letter to the Chairman of the Audit Committee.

31 **Annual Governance Statement**

The Committee was presented with officer reports on the Annual Governance Statement (AGS) which it had previously reviewed in draft; the changes proposed by the Committee had been incorporated and no further changes had been suggested by Cabinet. The AGS was to form part of the Annual Statement of Accounts for 2015-16 and set out the current systems of control. Significant

governance issues identified were as follows: delivery of the Council's Business Plan 2013-17, impact of financial challenges on Procurement of Contracts, Information Governance, Safeguarding Children and Young People.

The Committee was invited to comment on the AGS and noted, in reference to paragraph 74, that the Council had since reviewed the Code of Conduct for Councillors to ensure it was effective in promoting high standards of conduct. Members considered actions which still required completion from an Audit in 2015 in relation to Information Governance and queried the high number which were either partially complete or not yet implemented. Dr Carlton Brand (Corporate Director) advised that the recommendations would be implemented over a 4—5 year programme since the work required would be very resource intensive and updated that the audit of information assets was due to take place in the autumn since the Information Governance team was now fully staffed. The Corporate Director advised that he would bring a work plan to a future meeting and would also update members on the results of the IT system test. The Committee noted the high number of Freedom of Information Requests received each year and the resource required to manage this. The Chairman highlighted that continuity of the Project Manager overseeing the Information Governance work was important and it was confirmed that the Corporate Risk Register was updated to reflect the capacity and knowledge of teams and key officers.

Resolved:

To approve the Annual Governance Statement for 2015/16 for publication with the Statement of Accounts.

To request that the Information Governance work plan and associated timeline be presented to the next meeting.

32 **Statement of Accounts**

The Associate Director for Finance, introduced the Statement of Accounts and thanked officers and KPMG for their work to have this completed ahead of the statutory deadline. It was noted that a small underspend remained from the previous financial year and the accounts included the accounting adjustments recommended by KPMG. Members commented that transport costs for SEND (Special Educational Needs and Disabilities) pupils were significant and increased year on year. Carolyn Godfrey (Corporate Director) advised that the Council only provided transport where it had a statutory duty to do so and negotiated reductions in costs from providers where possible. Questions were raised over the technical definition of Council Tax, as referenced in the accounts, and it was agreed that wording would be reviewed before the accounts for the next financial year.

Members discussed Note 4 which identified that in terms of property, plant and equipment, the current economic climate made it uncertain that the Council would be able to sustain its present spending on repairs and maintenance, which would have a knock on effect on the useful lives assigned to assets. It was understood that the risk would be reflected in the service area's Risk Register and in the Annual Governance Statement. It was confirmed, in respect of Note 41, that the Council was now working to achieve upfront payments to prevent arrears. The breakdown of 'Sundry debtors' was provided and members noted that £8m was related to housing benefit.

Resolved:

To approve, and refer to Cabinet, the Statement of Accounts for 2015-16.

To delegate the signing of the Statement of Accounts to the Chairman of the Audit Committee.

33 **SWAP- Internal Audit Annual Report (2015/16) and First Quarter Update (2016/17)**

The Committee was presented with an update on the performance of the Internal Audit Section for 2015/16 (Annual Report) and for the first quarter of 2016/17.

Jenny Strahan, South West Audit Partnership, advised that the internal audit report had given an overall opinion of 'reasonable assurance' based on 63 individual audits it had undertaken. In particular, the internal audit had investigated problematic schools. A summary of recommendations implemented was provided; 236 priority 3&4 recommendations had been raised, of which 233 had been agreed and 140 implemented. Of the 93 outstanding recommendations, 38 implementation dates were not yet due. The 55 outstanding recommendations were being shared with the Corporate Leadership Team to monitor progress. It was acknowledged that final reports were often delayed; this was due to the knock-on effect of 'healthy organisations' and also resource issues which would be factored in for the next financial year. More resources would be brought in from September to support the audit and SWAP would be holding more regular meetings to update the Corporate Leadership Team. The officer circulated an updated copy of the internal audit work plan which included dates. Jenny Strahan updated the Committee that she was shortly to leave SWAP for a position elsewhere working as an IT auditor.

Resolved:

To note the report and verbal update provided at the meeting.

34 **Forward Work Programme**

The Committee heard that reports were on target for the October meeting and requested that an update on Information Governance be added to the Work Plan for the next meeting. The Associate Director for Finance advised that he was awaiting further national guidance on the procurement of internal audits and would update on this at a future meeting. The Associate Director was also to make arrangements for training members on the statement of accounts.

Resolved:

To note the progress of actions on the Forward Plan and request that the Information Governance work plan and associated timeline be added to the work plan for the next meeting.

35 **Date of next meeting**

The next ordinary meeting of the Committee was to be held on 26 October 2016.

36 **Urgent Items**

There were no urgent items.

(Duration of meeting: 10.30 am - 12.50 pm)

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