

## AUDIT

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### **DRAFT MINUTES OF THE AUDIT MEETING HELD ON 13 MAY 2011 AT COUNCIL CHAMBER - BROWFORT, DEVIZES.**

#### **Present:**

Cllr Richard Britton, Cllr Nigel Carter, Cllr Chris Caswill, Cllr Peter Doyle, Cllr George Jeans, Cllr David Jenkins, Cllr Julian Johnson, Cllr Alan Macrae, Cllr Helen Osborn, Cllr Sheila Parker (Vice Chairman), Cllr Bridget Wayman and Cllr Roy While (Chairman)

#### **Also Present:**

Cllr Fleur de Rhe-Philipe, Cllr Jane Scott OBE

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#### 16. **Apologies**

There were none.

#### 17. **Chairman's Announcements**

The Chairman informed the Committee of two points to note;

- There would be a presentation from Gerry Cox, Head of Internal Audit Partnership, South West Audit Partnership (SWAP).
- The Department for Communities and Local Government (DCLG) has issued a consultation document on the Future of Local Public Audit. The document will be circulated out of Committee and members comments will noted.

#### 18. **Minutes of the Previous Meeting**

The minutes were approved subject to;

- Cllr Doyle being listed within apologies
- A minute on Benefits realisation.

## **Resolved**

**To approve as a correct record and sign the minutes of the meeting held 23 March 2011.**

19. **Members' Interests**

There were none.

20. **Public Participation and Committee Members' Questions**

There was no public participation.

21. **SAP Development PID**

Mark Stone, Interim Programme Director – ICT, IM and The Campus and Operational Delivery Programme updated the Committee on the SAP Project Initiation Document.

He thanked KPMG for their comprehensive SAP Post Implementation Report from November 2010. SAP is now a subset of the ICT project.

Outstanding actions that remain unresolved are detailed within Appendix A included in the agenda at pages 27 – 32. This is aligned to phase one of the Information Services Technology Plan.

Short to mid – term business development requirements were identified in Appendix B included in the agenda at pages 33 – 38. These are aligned to phase 2 of the Information Services Technology Plan.

The Committee acknowledged that this was a useful document and recognised the difficulties of merging 5 Authorities into 1 Unitary Council. It was agreed that this report detailed a way forward, but it was felt that the document did not resemble a plan as there were no start or finish dates and therefore monitoring progress would be difficult.

This point was noted, start dates and risk assessments would be added, in addition the Information Services Technology Plan would be made available to Members via SharePoint.

Concern was raised over the number of outstanding projects and work to be done. In particular the number of workarounds that were in place.

The Interim Project Director explained that the number of projects was not considered to be large in terms of a £1Bn organisation. Workarounds were being systematically removed when issues had been resolved. Issues were

being addressed holistically rather than using a 'sticking plaster' approach, ensuring that the 'end to end' process was right.

Confirmation was requested that all members of staff had been trained in SAP.

In response to this it was confirmed that all members of staff were trained prior to SAP 'going live', however training will be an ongoing, due to staff movement and development.

A number of the Committee raised concern over the bullet points, within the conclusion of the report in particular:

- Business processes are not well aligned with SAP leading to duplication of effort.

Corporate Director, Resources, Dr Carlton Brand, explained that the business of Wiltshire Council is continually changing, and currently is going through major restructuring. Business processes would constantly be reviewed and developed.

Members of the Committee queried the future SAP developments road map (Appendix C) expressing concern that there was no allocated budget for these projects.

The Interim Project Director explained that the future road map for SAP contained 25 projects some of which have been investigated and costed, and that business cases were in development for financial approval. He went on to explain that as a department resources were finite and budgets were managed to deliver the best options. However with more resource the projects could be delivered more quickly.

The Committee acknowledged that as a Council there was a 4 year Business Plan and that the main priority was to deliver the objectives within this plan.

## **Resolved**

### **To note the report and the work that is taking place.**

#### **22. Audit Plan 2011/12**

Steve Memmott, Head of Internal Audit presented the Internal Audit Plan 2011-12 and sought the Committees views.

Wiltshire Councils Business Plan recognised the need for cost reductions and for service delivery changes to meet the corporate goals with reduced resources. Specific areas for review within the audit plan include those that are featured within the Business Plan:

- Cost Reduction Areas

- Benefits and Outcomes
- Raising Income

Appendix 1 sets out the detailed audit plan of productive work for 2011-12 included in the agenda at pages 63-68.

The Committee thanked the Head of Internal Audit for the Plan and welcomed a number of the audits specified within the plan.

Members of the Committee asked whether it would be possible to see a longer term plan to fit in with the cycle of the Business Plan. The Head of Internal Audit explained that risk changes continually and the plan addressed those risks and the controls that mitigate them. There has been a dedicated move away from cyclical audit planning.

Another issue where Committee members expressed concern was the area of seeking efficiencies. It was felt that undoubtedly contractors would try and protect themselves and that savings made in one area would manifest themselves elsewhere. The risk of cost efficiencies should be realised. The Corporate Director, Resources, Dr Carlton Brand acknowledged that cost shunting was an issue and we should be mindful of this. The Head of Internal Audit, Steve Memmot, explained that capacity is built into the plan to take on audits when necessary and that audit days stated within the report are provisional.

Committee members asked whether Internal Audit would investigate Section 106 monies. The Head of Internal Audit noted this request. Corporate Director, Resources, emphasised that rumours currently circulating around Section 106 monies were 99% untrue. The new system was in place and currently data was being loaded onto the database. The system would be operational in 4 – 6 weeks. He explained that the database would be searchable by Area Board and by Ward.

The Leader asked why there was an Internal Governance Audit in each department except for the Department of Neighbourhood and Planning. The Head of Internal Audit explained that the Internal Governance Audit had already taken place. He went on to explain that Internal Audit were specifically looking at how each department were rolling out and administering corporate policies in accordance with the Corporate Plan.

The Leader extended her personal thanks and thanks on behalf of the Committee for being the leader of such an excellent department for so long. All members of the Committee agreed.

23. **Forward Work Programme**

**Resolved**

**The Plan was noted.**

24. **Date of next meeting**

The next Audit Committee meeting will take place on 29 June 2011, in the Council Chamber, Monkton Park.

25. **Urgent Items**

There were none.

26. **Exclusion of the Press and Public**

Following a lengthy discussion, where the Solicitor to the Council Ian Gibbons explained the rationale behind the recommendation, he reminded the Committee of the fine balancing act between withholding and disclosing information and whether the public interest is outweighed.

Paragraph 2 - Information likely to reveal the identity of an individual. It protects an individual's privacy. It allows use of data about them without revealing publicly who they are.

Paragraph 3 - Information about financial or business affairs. This could be information about individuals, companies or the Authority itself. The exemption is there to help the Authority carry on business relationships effectively. The rule may cover such issues as procurement or tenders.

Paragraph 4 - Information relating to any consultations or negotiations within the Authority. i.e. whenever there are, or plan to be, negotiations or discussions with employers over terms of employment. This exemption allows the Authority to carry on negotiations without their position being prejudiced.

Following a recommendation to accept the resolution it was put to the vote and won. Councillors Caswill, Osborn and Jenkins asked for their votes against to be recorded.

**Resolved**

**To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Number 12 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 2, 3 and 4 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.**

## 27. **Future Provision of Internal Audit Services**

Michael Hudson, Interim Chief Financial Officer, explained to the Committee the options available for the delivery of the Council's Internal Audit service and the internal and external drivers that have led to this review.

In summary these options were;

1. Retain in – house and restructure.
2. Enter into a partnership model of delivery with another local authority.
3. Outsource the service to an external private provider.

The Interim Chief Finance Officer went on to explain that against the assessment criteria and weightings the Internal Audit service had been assessed as being a good service. He stated that they were an excellent team.

After consideration of the detailed assessments, Option 2 (SWAP Partnership) was the recommended option.

Members of the Committee welcomed the recommended option noting the potential for economies of scale, further career prospects for staff and the sharing of specialist knowledge and best practice. However some of the Committee urged caution, stressing the need for stability within Internal Audit during this period of significant change that Wiltshire Council was currently experiencing. The team had an excellent working relationship with the areas they were auditing and that a change would be unhelpful at this stage. The Interim Chief Finance Officer reaffirmed the continuity of staff, and the need to invest through opportunities. The team needed to be flexible and have sufficient skills and capacity to ensure it can respond to the changing needs of its client. The Service needed to plan for the continual investment in the staff to ensure the high levels of skills are retained, coupled with the growing focus on joint local authority working, standardisation of processes that is driving the sharing of best practice. SWAP have the specific resource and technological systems.

The Leader re-iterated that the management restructure and the future provision of internal audit were two separate issues.

The Interim Chief Financial Officer explained that should the Committee recommend the proposal to Cabinet a paper would be brought back to this Committee detailing the negotiations that had taken place.

### **Resolved**

- i) **Approve Officers to enter into formal negotiations with the South West Audit Partnership (SWAP) under a section 101 of the Local**

**Government Act 1972 as amended by the 2000 Act, agreement, to assess further the feasibility of Wiltshire Council entering into a joint local authority Internal Audit partnership.**

- ii) Bring back to Audit Committee any formal proposal to enter a TUPE transfer arising from these negotiations, for consideration.**
- iii) Agree that in case negotiations with SWAP result in this option being withdrawn, in parallel with SWAP negotiations the Section 151 Officer, in consultation with the Cabinet Portfolio Holder for Finance, and the Chairs of Audit Committee and Resources Overview & Scrutiny Commission, should pursue alternative arrangements to ensure the Internal Audit Service has effective leadership following option IA as proposed in this report as set out at paragraph 21.**

(Duration of meeting: 10.30 am - 1.25 pm)

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