

## AUDIT

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### **DRAFT MINUTES OF THE AUDIT MEETING HELD ON 28 SEPTEMBER 2011 AT COUNCIL CHAMBER - COUNCIL OFFICES, BRADLEY ROAD, TROWBRIDGE, BA14 0RD.**

#### **Present:**

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

#### **Also Present:**

Cllr John Brady and Cllr Jane Scott OBE

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#### 40. **Apologies**

Apologies were received from Cllrs Julian Johnson, Bridget Wayman and Alan Macrae who would attend at the latter half of the meeting.

#### 41. **Chairman's Announcements**

The Chairman welcomed all those present, including members from KPMG, the Finance team, and Corporate Directors.

The Chairman indicated that he expected the meeting to be lengthy due to the content of the agenda.

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

The minutes of the last meeting held on the 29 June 2011 were presented.

#### **Resolved**

**To approve as a correct record and sign the minutes of the meeting held 29 June 2011.**

#### 43. **Members' Interests**

There were no declarations of interest.

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

There was no public participation.

45. **Annual Governance Statement**

The Director of Law and Governance, Ian Gibbons, outlined the changes that had been made since the Audit Committee considered the draft Annual Governance Statement (AGS) on 29 June 2011. He informed the Committee that the AGS had been presented to both the Standards Committee and Cabinet on 20 July and 13 September 2011, respectively and to KPMG the Council's external auditors. The AGS has been revised to reflect the comments made by these.

The Director of Law and Governance confirmed that KPMG had confirmed that the AGS conformed to CIPFA guidance.

**Resolved**

**To approve the Annual Governance Statement 2010/11 for publication with the Statement of Accounts.**

46. **Report to those Charged with Governance**

The Chairman drew the Committees attention to the report, in particular the Accounts production and audit process (page 24 of the agenda refers) KPMG stated 'The quality of the accounts and the supporting working papers provided to us were excellent'.

The Chief Finance Officer explained that this had been a challenging year, whilst coping with a management restructure and transition to IFRS which has resulted in additional work for both the finance team and KPMG. He thanked KPMG for the report and the comments within that he agreed with.

Chris Wilson, Partner, KPMG, led the Committee through the salient points of the report, of note were;

- Issuing an unqualified audit opinion
- Audit adjustments were made but these were technical adjustments, presentational points
- Implementation of IFRS had been challenging, the Council had dealt with these issues appropriately
- The Council has implemented nearly all the recommendations from *ISA 260 Report 2009/10* and the majority of this years
- Unable to fully rely on the operation of key automated controls within the IT Control environment, additional audit work was required

- VFM – Council has made proper arrangements to secure economy, efficiency, and effectiveness. There are no areas of risk

Members were reassured and pleased by the quality of the accounts and supporting documentation and thanked the Finance team for their hard work.

Members sought clarification on a number of points regarding IT including;

- **Were ongoing IT issues surrounding security a threat to the Councils security?** Carlton Brand, Corporate Director Transformation and Resources explained that security regarding passwords and user accounts had either been addressed or were ongoing. He explained that IT had been brought back 'in house' with a saving of £2M which had been directed to frontline services. Discussion of these issues in the public domain would not undermine the Council's integrity system.
- **IT appear to be reactive rather than proactive, HR should be providing IT with supporting data to ensure rapid response to account closure.** Director of Transformation and Resources explained that work had taken place with HR to revise and strengthen processes. Care had to be taken when revoking passwords as often individuals in frontline services needed to use their accounts right up until the day they leave their position.
- **Confirmation was sought that STERIA had handed over all the required documentation and that outstanding IT issues that had been rectified had been audited.** Director of Transformation and Resources confirmed that all required documentation had been received from STERIA. KPMG had not undertaken further testing, however Internal Audit had, and had given a substantial assurance.
- **Council systems have been vulnerable for several years and this indicates complacency by the Council in rectifying these issues.** The Chairman explained that the Review of ICT Provision Task Groups role is to scrutinise the in-house ICT provision, including legacy software, proposed equipment and ways of working. Corporate Director Transformation and Resources stressed that there was no complacency and that Internal Audit had given a substantial assurance. Mark Stone, Interim Programme Director ICT, IM and Campus Operational Delivery Programme explained that the work surrounding Implementation Improvements (Appendix A of the Project Initiation Document (PID)) had been completed and work was on schedule to finish the Essential Business Developments (Appendix B of the PID). He went on to explain that after any large scale IT implementation there would be post implementation issues. Cllr Carter, Chairman of the Review of ICT Provision Task Group acknowledged the concerns over IT security and integrity and that the task group would be monitoring the work undertaken, he also confirmed the substantial assurance given by Internal Audit.
- **Additional Audit Work.** Confirmation was requested regarding the fee for the additional IT audit work undertaken by KPMG. Chris Wilson,

KPMG, confirmed that additional IT work required both during the and after the interim audit visit was agreed with management. The additional costs with the extra IT audit work were £42,000. This was offset by a £60,000 reduction for the cancellation of two VFM audit projects which were originally scheduled when the fee for the 2010/11 audit year was agreed, however these were no longer considered necessary when the Audit Commission made changes to the VFM audit approach.

### **Resolved**

- a) **That the audit committee delegates, the signing of the management representation letter, to the Chairman.**
- b) **That the Committee note the Report.**
- c) **That the Committee receive the draft accounts for 2010/2011.**

#### 47. **Wiltshire Council Statement of Accounts 2010-11**

Michael Hudson, Chief Finance Officer, explained that there were over a 100 pages relating the Statement of Accounts which also contain the accounts relating to the Pension Fund. The format of the accounts has been changed this year in line with the new requirements of the International Financial Report Standards (IFRS) this represented the biggest change in accounting for 20 years. He thanked the members of his team for their excellent work. He also thanked KPMG for their comments on the quality of the accounts and supporting paperwork.

Members of the Audit Committee raised a number of issues over the presentation of the accounts, Matthew Tiller, Chief Accountant explained that these were technical accounting adjustments. The purpose of these was to make accounts comparable internationally.

Other issues raised were;

- **What is the current position regarding VAT on off street Car parking?** A final conclusion to this issue is ongoing, and Customs and Excise are vigorously defending their position. There are numerous logged claims spanning a number of years. The predicted position on this issue is not contained within the accounts.
- **A provision of £1.5M has been made for potential claims against the Council, members sought clarification on pay reform.** A number of legislative changes have taken place. Work and due process are ongoing.
- **Why were there confidentiality clauses surrounding the detail regarding the Chief Finance Officer post who left Wiltshire Council on the 1 August 2010.** Ian Gibbons, Director Law and Governance explained that it is not untypical when there is a termination of contract to

have such clauses. The Council has to be mindful of further disclosure and be subject to a claim. A balance should be struck and clear regard should be given to this. Case law is developing and the ways ahead appears to be for disclosure.

The Leader, Jane Scott, advised members seeking additional financial data to look at the expenditure reports regularly submitted to Cabinet.

### **Resolved**

**That the Audit Committee delegates the signing of the Statement of Responsibilities for the Statement of Accounts, to the Chairman.**

#### **48. Risk Management Update**

Eden Speller, Head of Business Arrangements informed the Committee that there would be Risk Management training seminar on 7 November at Monkton Park which all member and substitutes were welcome to attend. He went on to update the Audit Committee on the Council's Risk Management arrangements drawing particular attention to the detailed Action Plan associated with each risk.

Of note were;

- Proposed changes to Senior Management Structure – the risks associated with this would be considered as part of the decision making process (Cabinet 6 October) which would feed into the risk management processes and if significant risk are identified these will appear in future risk management reports.
- Risks RNP 139 and RNP 142 are currently being reviewed with a view to reduce the risk rating of both from Red to Amber. Whilst they may be reduced, the risk will continue to be reported on in the Risk Report due to their significance.
- The Risk Strategy is to be reviewed to reflect recent changes within the Council. The Strategy will remain flexible to any further changes required.
- Risk and Assurance are continuing work with service areas in ensuring Risk is being appropriately managed and reported.
- Risk RNP 140, is near to completion and will be removed in the near future.

The members thanked the team for their report and it's improved clear layout.

### **Resolved**

**That the report and supporting risk action plans were noted.**

#### **49. Internal Audit Progress Report 2011-12**

Rod Taylor, Principal Auditor, gave a brief update to the Committee on the progress of Internal Audit main points were;

- Limited Assurances had been given to Revenues and Benefits (IT), however these were legacy systems that would be replaced by the Northgate Revenues and Benefits system.
- Financial Management Standard in Schools (FMSiS) – 3 audits had taken place in the first quarter of the financial year, Abbeyfield School, Wyvern College and Zouch Primary School.

Members of the Committee sought clarification on a number of points including:

- **Audits completed on the Travellers service and the Court of Protection.** Following instruction from the Audit Committee, Internal Audit reports on completion were copied to both the Portfolio Holder and Corporate Director – management responses were being re-written to ensure a fully rounded response and would be incorporated in a report for the next Audit Committee meeting in December.
- **Audit completed Order of St Johns Care Homes Provision of Placement (page 195 of agenda refers).** James Cawley, Service Director – Strategy and Commissioning, DCS informed that Committee that all the follow up management actions had been undertaken, and that Internal Audit were content that each risk had been addressed.
- **Audit completed on Statutory Visits to Looked After Children (page 194 of agenda refers).** The follow up review found that records on the CareFirst system were still not complete and that as a result it was not possible to say with any certainty that statutory visits were timely. Sheila Parker, Portfolio Holder for Vulnerable Children was able to assure the Committee that management action had now been taken to mitigate risk.

The Committee requested that it would be helpful at future meetings to have a verbal update in support of each of the audits undertaken. This would provide Committee members with an update on management action.

**Resolved**

**To note the report.**

50. **Internal Audit TUPE Update**

Michael Hudson, Chief Finance Officer detailed the draft Key Performance Indicators, he explained that the focus of the measures were to ensure:

- Quality of audit coverage and work
- Efficiency and cost
- Quality of staff and partnership relationship

- Innovation

Members of the Committee discussed the KPIs in detail, making some minor alterations to ensure the continued delivery of service. The Chief Finance Officer explained that the South West Area Partnerships (SWAP) fee was based on the 2011/12 Wiltshire Council Audit Plan as approved by the Audit Committee.

### **Resolved**

**To amend key performance indicators where considered appropriate by Committee, to monitor the partnership post transfer and submit to Cabinet for approval.**

#### 51. **Urgent Items**

There were no urgent items.

#### 52. **Date of next meeting**

The next meeting will take place on the 14 December 2011, in the Council Chamber, Monkton Park starting at 10.30am.

#### 53. **Exclusion of the Press and Public**

Following 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.

### **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.**

54. **Internal Audit TUPE Update (part II)**

Michael Hudson, Chief Finance Officer welcomed the comments that had been brought before the Committee and would ensure that the staff concerns and views would continue to be listened to throughout the transfer process.

The Committee were content with detailed management responses to the issues that had been raised and realised the need to move forward and resolve any further issues that may arise quickly.

The Committee acknowledged that the South West Area Partnership (SWAP) were engaged in discussions with the staff, and that Internal Audit has good standards.

The Committee also recognised that SWAP has to manage its own budget within the current climate and noted that it would be easier for them to make efficiencies within their IT infrastructure and numbers of staff noting that if the process of TUPE of Internal Audit staff was not pursued there was increasing potential of pressure upon staff members in the future.

Some members still expressed concern regarding the delivery of an 'Internal' function managed by an external provider.

On being put to the vote, the motion was CARRIED and a recorded vote having been requested by the requisite number of Councillors, the voting was recorded as follows;

For (5)

Cllrs Richard Britton, Jacqui Lay, Alan Macrae, Sheila Parker and Roy While

Against (3)

Cllrs Chris Caswill, David Jenkins and Helen Osborn

Abstentions (0)

**Resolved**

**To recommend to Cabinet;**

- a) SWAP to continue with due diligence of Wiltshire staffs' terms and processes noting Audit Committees comments.**
- b) Council officers to finalise the legal and TUPE documentation.**



(Duration of meeting: 10.30am -3.30pm)

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