

## AUDIT

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### **DRAFT MINUTES OF THE AUDIT MEETING HELD ON 24 MARCH 2010 AT COMMITTEE ROOM III, COUNTY HALL, TROWBRIDGE.**

#### **Present:**

Cllr Richard Britton, Cllr Chris Caswill, Cllr Christopher Cochrane, Cllr Peter Colmer (Reserve), Cllr Peter Doyle, Cllr George Jeans, Cllr David Jenkins, Cllr Julian Johnson, Cllr Alan Macrae, Cllr Sheila Parker (Vice Chairman), Cllr Bridget Wayman and Cllr Roy While (Chairman)

#### **Also Present:**

Cllr Fleur de Rhe-Philipe and Cllr Jane Scott OBE

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#### 50. **Apologies and Membership Changes**

Apologies for absence were received from Cllr Helen Osborn, substituted by Cllr Peter Colmer.

#### 51. **Chairman's Announcements**

There were no Chairman's Announcements.

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

The minutes of the last meeting held on 9 December 2009 were presented.

#### **Resolved:**

**To approve as a correct record and sign the minutes of the meeting held on 9 December 2009.**

#### 53. **Members' Interests**

No interests were declared.

54. **Public Participation**

The Chairman explained he would be happy to allow the public to speak at the start of each item should they wish to do so.

There was no public participation.

55. **Risk Management Update**

The Chairman reminded Members that access to the Risk Management Strategy was available via Sharepoint.

The Head of Business Arrangements updated the Committee on the main issues surrounding the Council's Risk Management. Councillors requested further clarification on the actions sought to mitigate risks within Risk Ref. CR005 – Impact on the Council due to the Economic Climate and the procedures surrounding the 'dangerous persons' database.

It was agreed that the Hd of Business Arrangements would provide Members with the relevant information out of committee.

**Resolved:**

- **That the significant risks set out in the report be noted.**
- **That the position on the Council's risk management arrangements be noted.**

56. **Summary report on certification of grants and returns**

Darren Gilbert, Senior Manager, from the external auditors KPMG introduced a report to the Committee highlighting the results of their work on the Certification of Grants and Returns for 2008/09. He pointed out that the report had taken on a new format to help raise the profile of certification work and present the information more concisely.

Concerns were raised regarding the Council's difficulties, to comply with the schemes requirements, which were now being addressed including the appointment of grants coordinator and agreed working practices with KPMG. The Chief Finance Officer stated there had been process issues and to assist the grants coordination process a central grants officer had been appointed to ensure that all grants and returns requiring certification are identified, and to support and improve the preparation and certification process.

**Resolved:**

**That the report be noted.**

57. **Detailed financial statements audit plan 2009-10**

Chris Wilson, Partner, from the external auditors KPMG updated the Committee on the key aspects of the work having been undertaken by KPMG in Financial Year 2009/10. In particular highlighting;

- **Audit Overview** – work already undertaken, predominantly within the Planning and Control Evaluation areas of the timetable. Also the type of activity that KPMG had to undertake liaising with the finance and internal audits teams to enhance efficiency of the accounts audit.
- **Key Financial Statement Audit Risks** – highlighting the areas which were being 'looked at' using colour coding. Areas coded red, are considered to be complex, surrounding issues of judgement and process, indicating a higher risk than those coloured amber and green.

Reassurance was requested by Councillors regarding the processes surrounding the accounts delivered by the numerous legacy systems, existing outside of SAP. Chris Wilson assured the committee that the legacy systems were tested as part of the audit process. The Chief Finance Officer explained that in the future, he should be able to demonstrate where account balances had come from, and be able to give reassurances over the robustness of the system.

Councillors also requested reassurance as to whether with the establishment of the single Unitary Council direct savings had been made with regard to Audit Fees. Both the Chief Finance Officer and Chris Wilson, confirmed that savings had been made, and that these equated to approximately a third, comparing 'like with like'.

**Resolved:**

**That the report be noted.**

58. **Audit progress report**

Darren Gilbert, Senior Manager, from the external auditors KPMG, gave a short progress update on Audit for Financial Year 2009/10.

- Planning procedures in relation to Accounts and Use of Resources have been completed.
- The initial planning assumptions made in relation to SAP Data Migration are being revisited.

**Resolved:**

**That the report be noted.**

59. **Internal Audit Progress Report 2009-10**

The Chief Auditor led the Committee through the salient points of the Internal Audit Progress Report 2009/10 which detailed the extensive work which had been undertaken to review and test the wide range of controls in place across the Council's main financial systems.

It was noted that many of the Council's financial systems and procedures had been transferred into SAP as of 1 April 2009, and therefore there had been a period of transition and considerable change. Finance staff resources had been stretched. This had had an impact on the financial control environment.

It was acknowledged by the Committee that the report was a comprehensive piece of work. However, it was felt that management actions should be more explanatory, itemising exactly what actions had been undertaken to rectify issues illustrated within the report. It was decided that a table detailing the actions being employed by the management should be included within the next report.

**Resolved:**

**That the content of the latest Internal Audit Progress Report for 2009-10 be noted, specifically:**

- **Actual productive audit days very closely matched the target over the course of the year to date, and current resources should essentially ensure achievement of the final target productive days for the year as a whole.**
- **Summaries of the outcomes of audits completed during the period, together with details of current work in progress.**

60. **Capital Expenditure: De-Minimis Thresholds**

The Chief Finance Officer presented the report which proposed the removal of the existing de-minimis thresholds completely, and to rely instead upon the application of the recently developed capital expenditure guidance (taken from the SORP) to determine the nature of all expenditures.

**Resolved:**

- **That the Council's financial database (SAP) is designed to account for fixed assets in a way that dispenses with the need for de-minimis thresholds.**
- **That the existing de-minimis thresholds be removed completely and rely to upon capital guidance to determine the nature of all expenditures.**

61. **Financial Regulations and Procedures**

The committee considered a report which sought approval of the proposed new financial regulations which come into effect from 1 April 2010.

**Recommended:**

**That Council approves the proposed new financial regulations.**

**Resolved:**

- **To receive the Department management Strategy at the next Committee.**
- **To receive the Output Specification in respect of the finance services provided by the Shared Services Team at the next Committee.**

62. **Health Check on SAP – Financials**

The Chief Finance Officer introduced the report on the Health Check on the financial elements of SAP. He highlighted areas of concern and the action being undertaken to address those issues.

**Resolved:**

**That the report be noted.**

63. **Progress Report – Preparation of Final Accounts 2009-10**

The Chief Finance Officer reported that the Accounting team were appropriately resourced and were utilising relevant skills and experiences in conjunction with KPMG.

**Resolved:**

**That the report be noted.**

64. **Forward Work Programme 2009-10**

The Committee received the proposed work programme for 2009-10, and was invited to identify any further areas which required consideration and to advise officers of any specific issues it would like to see addressed in the reports included in the programme.

**Resolved:**

**To note the Work Programme.**

65. **Exclusion of Press and Public**

**The Monitoring Officer advised the Committee on the legal grounds for excluding the public from the meeting for the consideration of item 16 of the agenda with reference to the following statutory provisions:**

**Paragraph 2 of Part 1 of Schedule 12A to the Local Government Act - information which is likely to reveal the identity of an individual.**

**Paragraph 5 - information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.**

**The Committee was required to balance the public interest in withholding the information on these grounds against the public interest in disclosure to the public. As the report included legal advice received from counsel in contemplation of proceedings and also bearing in mind the Council's obligations under data protection legislation the Monitoring Officer's advice was that it was appropriate to exclude the public at this stage.**

**Following discussion on this issue in the light of the Monitoring Officer's advice the Committee**

**Resolved:**

In accordance with Section 100(A)(4) of the Local Government Act 1972, to exclude the public from the meeting for the business specified in item 16 of the agenda because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 2 and 5 of Part 1 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.

Councillors Chris Caswill, Peter Colmer and David Jenkins asked for their vote to be recorded against this decision.

66. **Audit of Non-Pensionable Honoraria: Kennet District Council - Update**

The Monitoring Officer introduced his report, which updated the Committee on developments since its meeting on 9 December 2009, including advice received from Counsel on the validity of the payments referred to in the audit. Following detailed discussion of the issues and the action proposed to be taken in the light of Counsel's advice the Committee.

**Resolved:**

**To note the report and endorse the action proposed in paragraph 13 of the report regarding recovery of payments.**

(Duration of meeting: 10.30 am - 1.10 pm)

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