

AUDIT

DRAFT MINUTES OF THE AUDIT MEETING HELD ON 30 JUNE 2010 AT COMMITTEE ROOM III, COUNTY HALL, TROWBRIDGE.

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 Jeff Osborn (Reserve), Cllr Sheila Parker (Vice Chairman) and Cllr Roy While (Chairman)

Also Present:

Cllr Fleur de Rhe-Philipe and Cllr Jane Scott OBE

67. Apologies and Membership Changes

Apologies for absence were received from Councillors Jemima Milton and Bridget Wayman. Councillor Helen Osborn was substituted by Councillor Jeff Osborn.

68. Chairman's Announcements

The Chairman drew member's attention to the pre-circulated CIPFA statement on the Role of the Head on Internal Audit.

69. Minutes of the Previous Meeting

The minutes of the last meeting held on the 24 March 2010 were presented.

Resolved

To approve as a correct record and sign the minutes of the minutes of the meeting held 24 March 2010.

Councillors asked for an update on Minute 66 - Audit of Non-Pensionable Honoraria. The Monitoring Officer, explained that two severance payments were being pursued and he agreed to write to members of the Committee once there were any significant developments to report.

70. Members' Interests

Agenda item 9 – Wiltshire Council: Draft Set of Annual Accounts 2009 – 10. Councillor Peter Doyle expressed a personal interest in this item, as the Draft Accounts show a payment to Wootton Bassett Town Council, of which he is a member.

Agenda item 12 – Internal Audit Progress Report 2010 – 11. Councillor Peter Doyle expressed a personal interest in this item, as he has been appointed a non-executive director of Sarsen Housing Association, which is involved in the West Wilts PFI.

71. **Public Participation**

The Chairman explained that he would be happy to allow the public to speak at the start of each item should they wish to do so. There were no questions from members of the public and no speakers at the meeting.

There was no public participation.

72. **KPMG: Interim Audit on 2009/10 Financial Year**

The Chief Finance Officer, introduced the report that identified a range of issues for which significant management action had been identified. The Senior Manager from the external auditors KPMG gave a progress report on Interim Audit on 2009/10 Financial Year drawing the Committees attention to the most salient points of the KPMG report.

- A number of issues had been raised as a result of the unprecedented change over the last year. Significant change had taken place due to implementation of the Unitary Council, changes in the IT environment and key financial systems.
- The overall message stressed the importance of the Council developing an appropriate and timely response to the recommendations of the report.

The issues identified this year in conjunction with the scale of change being undertaken have been recognised. Mitigating action has been implemented and the Chief Finance Officer reassured the Committee that he was confident that the organisation was taking responsibility through action plans.

The Corporate Director - Resources, addressed the Committee reiterating the huge undertaking that had taken place to bring five Councils into one coupled with the implementation of the SAP system. He stressed that savings were being delivered within frontline services and that the 'big bang' approach had worked. The vast majority of issues highlighted within the report had been addressed and those that had not would be looked at in the next four to six weeks.

After a lengthy debate during which members raised concerns seeking explanations and reassurances over a number of issues it was,

Resolved

- a) **That the outcomes contained within the Interim Report be noted.**
- b) **That mitigating action being undertaken be noted.**
- c) **That a paper is brought to Audit and the Budget and Performance Task Group addressing the cultural issues surrounding the use of SAP.**
- d) **The Head of Internal Audit to circulate to Members details of duplicate payments and consequent mitigating management action.**

73. **Annual Audit Fee 2010/11**

The Senior Manager from KPMG, the Councils external auditors explained the main proposals contained within the 2010/11 Annual Audit Fee (£410,094) those being:

- A risk based approach to audit planning as set out in the Code of Audit Practice and Work mandated by the Audit Commission.
- Reflecting only the work undertaken by KPMG any inspection and assessment fees being charged separately by the Audit Commission.

Resolved

That the Annual Audit Fee for 2010/11 be noted.

74. **KPMG: Data Migration Audit**

The Senior Manager from KPMG presented his report on the Data Migration Audit.

Resolved

- a) **That the report be noted.**
- b) **That a Comprehensive Post Implementation Review is undertaken, and the results brought to the September Audit Committee Meeting.**

75. **Wiltshire Council: Draft Set of Annual Accounts 2009-10**

The Chief Financial Officer presented the draft Statement of Accounts in respect of the 2009/10 financial year for Wiltshire Council. The completed set of accounts will be submitted to the Committee on 30 September 2010.

The accounts were reviewed and queries were raised by the Committee.

It was noted that the Reconciliation of Income and Expenditure Account contained the term 'Accounting Deficit' and this was a technical deficit encompassing issues including depreciation and pension adjustments. The Chief Finance Officer stated that he would prepare a report for the next Audit Committee to explain how the accounts were prepared.

Resolved

- a) That the draft accounts for 2009-10 be noted.**
- b) The Chief Finance Officer to prepare report for the next Audit Committee to accompany the accounts.**

76. Internal Audit Annual Report 2009-10

The Head of Internal Audit presented the first Internal Audit Annual Report 2010-11 for Wiltshire Council. In doing so he advised Members that this report contained considerable data, and drew the Members attention to the recently circulated CIPFA document on the role of the Head of Internal Audit in public service organisations. It was noted that information for comparisons with other similar Councils was not available. Currently a benchmarking exercise is underway and results of this will be brought to the September Committee meeting.

A range of audits were carried out across all service departments based on risks and issues identified at the start of the year and were incorporated into the audit plan. Action plans have been agreed with management which will enable to address and manage the risks identified. Additional audit work has also been undertaken, of note the work surrounding Anti Fraud and Corruption and the National Fraud Initiative. Investigative work highlighted a number risks which are being pursued.

It was noted that there was a lot of work being undertaken and that the Internal Audit team were providing 'good value for money'. Members expressed concern that there appeared to be no plan to move forward, a systems plan. The Chief Finance Office acknowledged this but stressed that the way forward should come out of the post SAP Implementation analysis.

Resolved

- a) That the report be noted.**
- b) That the bench marking Report be brought to the September Committee meeting.**

77. Internal Audit Plan 2010-11

Consideration was given to the report by the Head of Internal Audit which presented the Internal Audit Plan 2009-10.

Members expressed a wish for a more informal Seminar to enhance their knowledge and understanding of the Audit Plan.

Resolved

That the content of the Wiltshire Council Internal Audit Plan for 2010-11 be noted, with particular regard to the following:

- **The audit planning process, incorporating risk-based planning, departmental and corporate governance functions, and external audit liaison.**
- **Significant issues having an impact upon the plan.**
- **A summary of available audit resources, and where these will be employed over the operational year.**
- **Progress against the plan will be reported regularly throughout the year.**

78. Internal Audit Progress Report 2010-11

The Head of Internal Audit introduced the report and highlighted the main consideration for the Council.

He informed the Committee that this was the first progress report for the current financial year. The new style report, introduced at the request of the Committee, tracks management response and actions to Internal Audit recommendations. Follow up work concluded that management is responding properly to Audit reports with appropriate action to manage risks. Where assurance is not given issues would be taken up with Service Directors. Action with regard to car parking recommendations is still outstanding.

The Chief Finance Officer and Head of Internal Audit will report on a recommended response to CIPFA consultation document – Role of the Head of Internal Audit.

Resolved

That the report be noted.

79. Annual Governance Statement 2009/10

The Monitoring Officer presented the Draft Annual Governance Statement

(AGS) for 2009-10 for the Committee's preliminary comments.

It was noted that the Council was required to prepare and publish an AGS as part of its annual review of the effectiveness of its governance arrangements.

The draft AGS would be revised in the light of any comments this Committee, or any other body consulted, wished to make and the ongoing review work by the Assurance Group.

The draft AGS would be presented to Cabinet, the Standards Committee and KPMG, External Auditors, with any comments being presented to this Committee at its meeting on 30 September 2010 when the AGS would be presented for final approval.

Members suggested that the AGS should be more robust in stating the many achievements of the Council over the past year and the benefits of moving to unitary status, at the same time reflecting openly on the challenges which have been met.

Resolved

1) To ask the Assurance Group,

- a) To review the AGS in light of the above comments and make appropriate amendments.**
- b) To include the issues relating to the implementation of SAP covered in KPMG's Interim Audit Report 2009/10 as a significant governance issue in Section E of the AGS.**

2) To note that the draft of the AGS will be revised further in the light of ongoing work by the Assurance Group and any comments of the Standards Committee and Cabinet, before being brought back to the Committee for final approval on 30 September 2010.

80. Proposed Work Programme for the Audit Committee 2010/11

The Committee received its proposed work programme for 2010-11, and was invited to identify any further areas which required its consideration and to advise officers of any specific issues it would like to see addressed in the reports included in the programme.

Resolved

- a) To amend the work programme as follows for the meeting on Wednesday 30 June:**

- **A joint paper surrounding the cultural changes surrounding SAP implementation to be submitted to Audit and Standards Committee.**
- **Post Implementation SAP Review Report.**
- **Internal Audit Benchmarking Report.**

b) To review the papers received by the Audit Committee and address timings, frequency and length of meeting to facilitate improved functionality.

81. Date of next meeting

The next regular meeting of the Audit Committee will be held on 30 September 2010 at 2.00pm.

82. Urgent Items

None.

(Duration of meeting: 10.35 am - 2.20 pm)

The Officer who has produced these minutes is Anna Thurman, of Democratic Services, direct line (01225) 718379, e-mail anna.thurman@wiltshire.gov.uk

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