

## **AUDIT COMMITTEE**

**TUESDAY, 20 APRIL 2010**

PRESENT:- Councillors Michael Dickinson (Chair), Des Moffatt (Vice-Chair), Steve Allsopp, Nick Martin, Eric Shaw and Peter Stoddart

Apologies for absence were received from Councillors Mary Martin.

Councillors Roderick Bluh, Mark Edwards and Keith Williams were also in attendance.

### **57. Declarations of Interest**

The Chair reminded Members of the need to declare known interests in any matters to be considered at the meeting.

Councillor Nick Martin made a personal but non-prejudicial declaration of interest in respect of Item 11 (Minute 62) 'Audit Committee request for Internal Audit to review part of the Wi-Fi project'.

### **58. Public Question Time**

No questions were asked under Standing Order 18.

### **59. Minutes**

Resolved - That the minutes of the meeting held on 30<sup>th</sup> March 2010 be confirmed and signed as a correct record.

### **60. Exempt Items - Exclusion of Press and Public**

That, in accordance with Section 100A(4) of the Local Government Act 1972, the public be excluded during the discussion of the matters referred to in the items listed below on the grounds that they involve the likely disclosure of exempt information as defined in the respective paragraphs of Part 1 of Schedule 12A of the Act.

<u>Item No.</u>	<u>Paragraph No.</u>	<u>Minute No.</u>
13	3	68

### **61. Corporate Risk Management: Update**

The Head of Performance and Risk presented a report on risk management activity within Swindon Borough Council, including information on the outcome of the Internal Audit review in relation to Risk Management. The report highlighted the achievements to date in establishing a framework for good risk management and identified areas of development in 2010/11, including raising the understanding of risk as a management tool, in future planning, and partnership working. The Chief Executive gave assurances as to the regular management of the Corporate Risk

Register by Corporate Board.

Resolved – 1) That the proposed approach to implementing Corporate Risk Managements for 2010/11 as set out in the report be endorsed.

2) That the Corporate Risk Register as discussed by Operations Board and Corporate Board in February 2010, and as attached at Appendix 1 to the report be noted.

3) That the Internal Audit Report on Risk Management, attached at Appendix '2' to the report be noted.

4) That the Chief Executive be invited to attend meetings of the Audit Committee when the Corporate Risk Register is considered to provide assurance as to how it is being taken into account in strategic planning and management.

5) That the Group Director for Business Transformation ensure that risks in relation to shared infrastructure and IT security continue to be appropriately reflected in the Corporate Risk Register.

## **62. Audit Committee request for Internal Audit to review part of the Wi-Fi project**

At its meeting in January 2010, the Committee had requested that Internal Audit review part of the Wi-Fi project and the Head of Internal Audit report its findings back to the Committee. The Head of Internal Audit presented his report, carried out in accordance with the remit set by the Committee and approved by the Chair of Audit Committee, including his conclusions in relation to the loan security, compliance with the Council's treasury management policy, profit-sharing arrangements, compliance with EU Directive: Article 87, value for money, and lessons learnt from the process in relation to the openness of the decision-making process.

Councillor Nick Martin advised that he did not accept the report, and considered that it was very difficult for an Internal Audit review to adequately audit such a decision of the Authority. He suggested that there should be a freestanding external review of the loan arrangements, due diligence carried out in respect of the company and its Directors, the security of the loan, adherence to the treasury management policy and the measures used to demonstrate value for money.

The Chief Executive confirmed that the organisation culture was one of openness and transparency and that the Head of Internal Audit had been given unfettered access to all parties and documents to carry out his review and to draw his own conclusions. The Leader of the Council confirmed that this internal audit was completely independent, as was the case for all reviews, and noted that the review had confirmed that the arrangements were appropriate. He acknowledged that it was important to learn lessons to enable the Council to continue to develop innovative projects, whilst accommodating greater cross-party pre-decision discussions.

Councillor Des Moffatt confirmed that the Head of Internal Audit's report included the additional information requested in respect of the process but indicated that he would support an external auditor examining in detail the decisions made, including whether the contract was competitive. At the request of the Leader, Councillor Moffatt advised the Committee of his reasons for questioning the decisions made in relation to the Wi-Fi Project and the decision-making process.

Councillor Steve Allsopp suggested that if this was to be the forerunner of a range of new initiatives that the Council would undertake, that it was important to learn the lessons from the exercise and to build upon the issues presented in the report. The Cabinet Member for Resources supported the need to learn from the

process.

It was noted that the Director of Law and Democratic Services had been asked by the Corporate Governance Working Party and the Scrutiny Committee to bring back a report on augmenting the Council's processes for managing the transition of innovative commercial projects with private sector partners, from inception to the approval and implementation of a project, to enable greater member discussion and involvement. The Leader emphasised that the audit report and the examination of the process by the Scrutiny Committee had showed that due process had been followed and he stated that the decision was made in good faith for the benefit of Swindon, but that he was happy to work on a cross-party basis to develop a better process to deal with similar proposals in future. The Chair of Audit Committee confirmed that, if he was still Chair in the new municipal year, he would like to be involved in the Corporate Governance Review Group's consideration of this report. The Chief Executive agreed that in moving forward the Council would need to ensure that it had access to officer skills to work in innovative ways with the private sector.

Mr Peter Smith of the Audit Commission, the Council's External Auditors, confirmed that the value of the project was not sufficient to be material to the Council's accounts. He commented that the Council could request the Audit Commission to carry out Advice and Assistance work but that this was aimed at improvement rather than reviewing historical decisions of the Council. Such an application would be subject to assessment in accordance with strict criteria to ensure that there was no conflict of interest with the Audit Commission's statutory role.

Resolved – 1) That the Audit Committee note the report of the Head of Internal Audit dated 9<sup>th</sup> April 2010 in respect of concerns raised at Audit Committee in relation to Wi-Fi.

2) That it be confirmed that the scope of the Internal Audit as requested by the Committee had been addressed in the report.

3) That the Director of Law and Democratic Services be requested to submit his report on future decision-making in relation to the Council's engagement in innovative activities as soon as possible, preferably within 3 months from the start of the new municipal year

### **63. 2009/10 Closedown Update and IFRS Transition Position**

The Committee considered a report from the Director of Finance setting out the 2009/10 year-end closedown and a summary of the significant changes to the way in which the Council will present its accounts, including information on the International Financial Reporting Standards transition position and changes for the presentation and management of the 2010/11 accounts.

Resolved – 1) That the report be noted.

2) That the Director of Finance provide further detail to the Committee in relation to the changes to leases for 2010/11, when reporting on the close of accounts at the next meeting.

3) That the Director of Finance write to the Committee members to provide information on the implications in the changes to leases for 2010/11 in relation to Community Buildings.

### **64. Process for compiling the Annual Governance Statement**

The Head of Internal Audit submitted a report on the proposed process for

compiling the Annual Governance Statement 2009/10. The Annual Governance statement itself would be submitted to the June meeting of the Committee for approval. The Committee was informed that the Standards Committee had reviewed the procedure at its meeting on 19<sup>th</sup> April 2010 and had endorsed the process.

Resolved – That the process for compiling the Annual Governance Statement, as set out in the report, be approved.

**65. Work Undertaken by other Committees**

As agreed at the meeting of the Committee on 26<sup>th</sup> January 2010, the Audit Committee received the reports to Council on the meetings of the Scrutiny and Standards Committees, and the Overview and Scrutiny Committees held since the last meeting, for Members to review the work and identify any significant control issues.

Resolved – That it be noted that no significant control issues were identified in the work undertaken by other Committees of the Council since the last meeting.

**66. External Audit - Annual Audit and Inspection letter**

This report was withdrawn from the agenda.

**67. Head of Internal Audit Update**

The Committee received a report of the Head of Internal Audit summarising the main issues arising from the Internal Audit reports finalised since the Audit Committee meeting in March 2010, and progress on the completion of the annual internal audit plan for 2009/10.

Resolved – 1) That the report be noted.

2) That the Head of Internal Audit and Chair and Vice-Chair meet early in the new municipal year to agree which reports should be reported to the next meeting of the Committee for review.

**68. Internal Audit Review of Payroll**

The Committee received the internal audit report on the Council's Payroll system. The report covering the audit of 2009/10 processes, was finalised at the start of April 2010, and an overall risk assessment of 'Of Concern' was given. The Committee reviewed the report and action plan. The Director of Human Resources and Change, the Cabinet Member for Leisure and Corporate Services, and the Head of Service for Capita were in attendance to respond to issues raised by the audit, and advised on the significant progress in implementing the key recommendations of the audit report and action plan.

Resolved – 1) That the report be noted.

2) That the Director of Human Resources and Change work with the Head of Service, Capita and Director of Finance to ensure that the final recommendations in relation to segregation of duties are implemented.

3) That Corporate Board be requested to note the Internal Audit Review of Payroll and its conclusions, and to discuss any risks arising from the audit, which should be included in the Corporate or Group Risk Registers.