

Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	TUESDAY, 10 NOVEMBER 2009 COMMENCING AT 6.00 PM
Venue	COMMITTEE ROOM ONE, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Present	Cllrs Roger Mazillius (Chairman), Reg Barry, Susan Scoccia, Ian Stephens, Ian Ward
Cabinet Members	Cllr Peter Bingham
Officers Present	Jonathan Baker, Dave Burbage, Stuart Fraser, George Hook, Heidi Marshall, Claire Shand
Audit Commission	Kate Handy, Kevin Suter
Apologies	Mr Garry Smith

13. Minutes

RESOLVED:

THAT the Minutes of the meeting held on [15 September 2009](#) be confirmed.

14. Declarations of Interest

There were no declarations received at this stage.

15. Audit Committee Draft Work Programme

Members agreed that as well as the International Financial Reporting Standards (IFRS) training that was on the programme as an area of activity, further training on standard areas of the committees remit, such as Risk Management and Annual Governance Statement should also be undertaken by all committee members.

It was therefore noted that as another area of the Work programme was the Review of the Effectiveness of the Audit Committee in March 2010, it would be beneficial to organise two sessions of training one ideally prior to the end of 2009 with another in early 2010.

It was also agreed that useful to consider the broader external review and inspection processes including Office for Standards in Education (Ofsted).

RESOLVED:

THAT the committee members would undertake two training sessions in addition to that for the IFRS, prior to the Audit Committee meeting on 2 March 2010.

THAT the Audit Committee Draft Work Programme be noted.

16. Use of Resources – Council and Fire and Rescue Service

Members of the Audit Commission presented an introduction to the report of the external auditors for both the Council and the Fire and Rescue service that provided judgement on how well services were being managed and delivered whilst providing value for money. The report was approved at the meeting of the Cabinet on 13 October 2009.

The Committee were reminded that a new assessment structure was in place to measure the council and this new system of assessment was applicable to both the Police Authority and the Primary Care Trust. The overall score given for both the Council and the Fire and Rescue Service was 2 out of a maximum of 4 which enabled the Audit Commission to provide an unqualified value for money conclusion for the Council for the first time since the requirement was introduced in 2005/06.

It was noted that the Audit Commission's findings in respect of the Key Lines of Enquiry (KLoE) 2.4 in which the Audit Committee was deemed not to demonstrate leadership or provide a high level of assurance, as well as lacking liaison with Scrutiny over internal control issues and its annual programme as well as being mainly directed by officers, referred to the previous Audit Committee prior to the election of the administration in June 2009.

In reference to KLoE 2.2, membership engagement referred to all elected members and not just those of the committee.

The Audit Commission requested that as a result of the report, the council were recommended to record any areas of improvement and consider which areas needed prioritising.

Members were advised that the outcome of the revised assessment method for the Use of Resources was a good first score as there were no areas of the authority that scored a failure rating of 1. Whilst there were significant improvements to be made such as the Capital Programme, the council was progressing well with a clean value for money conclusion with areas such as overall budget planning and accounting highlighted.

The Director for Resources and the Cabinet Member both expressed disappointment with parts of the assessment, but were confident that measures being put in place such as the proposed new Corporate Plan that was to be submitted to the Full Council on 25 November 2009 would be beneficial.

Members raised some issues on the procurement procedure and whether elected members were consulted. The Director for Resources stated that the in-house procurement process which included the weekly meeting of a Procurement Board

consisting of relevant Directors and senior officers proved an effective method in dealing with and approving contracts. There were some instances when a waiver of the contract standing orders was required, but this was only in exceptional circumstances when all other areas had been exhausted or it was in the council's best interests.

The Committee was advised that whilst there were a number of councils that had attained a rating of 3, very few had been scored with a 4. The committee agreed that it would be beneficial to contact some council's that had been given a higher score than the Isle of Wight with a view to sharing information.

RESOLVED:

THAT the presentation from the council's auditors on their Use of Resources 2008/9 assessments be received and noted.

THAT the improvements identified by the UoR assessment be considered and reviewed against the council's current plans and priorities for improvement

THAT a focused SMART action plan in response to the three issues detailed the report be developed.

17. Annual Audit Letter – 2008/2009 Audit Commission

The Committee were presented with a report that provided a summary of all the work undertaken by the Audit Commission in the 2008/09 financial year and included the assessment of Accounts and the Use of Resources.

Three areas were highlighted in which the council was urged to take action on. These were:

- Engage in early communication with the audit team to explore new or complex areas. (This would aid efficiency of the financial statements production and audit itself and potentially reduce future fees.)
- Progress the planned changes to the presentation of information for decision making and performance management.
- Maintain the clarity of focus on the Council's priorities in strategic and service planning.

Members highlighted the good conclusions for the Fire and Rescue Service and with the forthcoming Model for Change project; there was great scope to increase the rating.

RESOLVED:

THAT the Annual Audit Letter 2008/9 be accepted.

18. **Audit Commission Reports**

(i.) Data Quality Spot Check – Isle of Wight Council & (ii.) Isle of Wight Fire and Rescue Service

Members were presented with a report that detailed the key findings from the Audit Commission review of data quality based on their review of a sample of key indicators and focussed on the arrangements in operation to secure data quality and the use of fit for purpose information.

The overall conclusion was that there was a good standard with improvements implemented from the council's performance team that had been imbedded across the whole authority.

However, the committee was asked to note that there was slow progress on the percentage of CO2 reduction from local authority operations. The council was therefore advised to contact other Local Authorities in order to gain advice on improving within this area.

The Director of Resources advised members that a recently appointed Energy Manager was in place and was in contact with Brighton and Hove City Council to gain useful feedback for the Island.

The Committee were advised that Southern Vectis had to allow the council access to prime data. This was in order to quantify accurately the number of people using the concessionary fares scheme.

The Strategic Manager for Corporate Policy and Performance advised that the proposed new Corporate Plan would focus on assisting in areas of data collection ensuring that it would be collected accurately and efficiently

RESOLVED:

THAT the Data Quality Spot Checks for the Isle of Wight Council and the Isle of Wight Fire and Rescue service be approved.

(iii.) Audit Progress Report

The Committee were presented with a report that provided an overview of the Audit Commission's progress to date in the completion of the 2008/2009 and 2009/2010 audits and in the conduct and reporting of the Audit Commission's programme of reviews.

The Audit Commission advised that there were no outstanding reports and that all items were up to date.

RESOLVED:

THAT the Audit Progress Report be approved.

19. **Internal Audit Outcomes Report – Quarter 2 2009/10**

The Head of Compliance and Procurement presented a report that summarised the internal audit performance for the second quarter of 2009/10, allowing the committee to monitor progress against the audit plan.

Members were informed that there were 5 areas that were given a substantial assurance level, which meant that each area was well controlled. These included Corporate Governance and Value for Money Strategy as well as Development Control and Land Charges Income. However there were two areas where the Chief Internal Auditor could only provide limited assurance, meaning that high levels of actions needed addressing. These were the ICT Review of The Education Management System (EMS) and Accounts Receivable (Sundry Debtors).

The Director of Resources advised that the commissioning of internal audit resource from PriceWaterhouse Coopers was necessary in order to complete the audit plan.

Members of the Committee requested that an update be provided on the cross-training arrangements that had been put in place to address the limited assurance that had been identified within the Review of EMS. It was also agreed that an update on all issues that had been raised within the Internal Audit Outcomes Report be provided to the committee.

RESOLVED:

THAT an update be provided on the cross-training arrangements that had been put in place to address the limited assurance that had been identified within the Review of EMS

THAT an update on all issues that had been raised within the Internal Audit Outcomes Report be provided to the committee

THAT the Internal Audit Outcomes Report be noted

20. **Whistleblowing Complaints – 2008/09**

The Head of Human Resources presented to the Committee a report that provided an overview of the Whistleblowing complaints received for the full year 1 April 2008 to 31 March 2009 together with an update on complaints received in the first six months of the current reporting period 1 April 2009 to 30 September 2009.

The procedure was revised and re-launched in April 2007 in to ensure that high standards of probity were maintained by the Council.

Over the period a total of 4 people throughout the council had contacted the hotline, although no further action was taken following the calls due to the issues being identified as non serious. The Committee were therefore assured that over the period of 12 months, there was no reason for the Committee to be concerned. However, Members were advised that the policy of regularly reporting to the Committee should continue in order demonstrate good practice as well as highlight good quality procedure within the council.

The Head of Human Resources informed those present that the procedure was carried out by an independent external body and cost the council in the region of £8,000 per Annum and was also available for staff working within the education areas as well as those working with outside agencies for the authority.

Procedures were also in place for anybody to make contact via emails and telephone calls, again with total anonymity.

Members were also advised that the procedure was highlighted at corporate inductions.

RESOLVED:

THAT the Whistleblowing Complaints report be noted.

21. Procurement Monitoring Report – Quarter Two 2009/2010

The Head of Compliance and Procurement presented to Members the second 2009/10 quarterly report that provided a high profile outlook of the Council's procurement activity. The business of procurement was monitored internally on a weekly basis by the Procurement Board, a select committee of Directors and relevant senior officers, which would pass judgement on the various reports that were presented.

Such reports would consist of Contract Letting Strategies, Contract Award Reports and requests for a waiver of Contract Standing Orders.

The Committee was reminded that waiver requests had to meet specific criteria in order to be granted. Such criteria could include "sole source of supply", "emergencies not of the councils own making" and reasons of safety or time.

The Director of Resources assured the Audit Committee that in some cases a waiver request would be in the council's best interest as in the case of "sole source of supply" as it would be a costly and irrelevant exercise to carry out a full tender process.

The Head of Compliance and Procurement reported that significant improvements had been made on the previous year, although there would be no complacency and efforts would continue to progress further.

RESOLVED:

THAT the Procurement Monitoring Report 2009/2010 be noted.

22. Annual Governance Statement 2008/9 – Progress Report September 2009

The Head of Compliance and Procurement presented to the Committee a summary of the progress achieved by 30 September 2009 which addressed issues identified within the Annual Governance Statement (AGS) 2008/9 that was approved by the Audit Committee on 22 June 2009, in accordance with the statutory regulations of the Accounts and Audit (Amendment) (England)

Regulations 2006 as part of the Statement of Accounts, also approved at the June 2009 meeting.

Two items that were classed as cleared; Highways Maintenance and Asset Management did not necessarily mean that there were no issues of concern rather that the areas were deemed compliant with the conclusions made within the AGS.

Members were advised that the Project Sponsor Masterclass for Directors, Heads of Service and other senior managers had taken place in the first week of November and proved to be a very useful exercise.

The Director of Resources stated that the action plan in place for Strategic Asset Management was to identify property that was or was not fit for purpose and if the council provides good value for money. Those that were not would be subject to disposal in order to make savings as part of the Transformation Programme.

Members were assured that a structure of servers that would backup the system on a daily basis was in place, thus mitigating the risk of any serious loss of data due to a crash. Security was also monitored regularly by means of a series of penetration tests by an external source to check the fallibility of its IT and data bases.

The Director of Resources agreed that the Head of ICT would attend a future Audit Committee in order to discuss the data recovery strategy and other IT issues as well as provide a synopsis of the role of the Head of ICT.

RESOLVED:

THAT the Annual Governance Statement 2008/9 – Progress Report September 2009 be approved.

23. Risk Management Report

The Head of Compliance and Procurement submitted a report that provided an overview of the Council's strategic risk profile and the current shifts.

Members were advised that with regards to the economic section within the register, P.U.S.H. was an acronym for Partnership for Urban South Hampshire. The Head of Compliance and Procurement agreed to explain the meanings of any acronyms in future reports in order to aid understanding for all.

It was agreed that future registers would identify more clearly the consequences of all risks as well as the risk impact.

RESOLVED:

THAT the Risk Management report be noted.

24. Internal Audit Governance Arrangements

The Head of Compliance and Procurement presented to Members a report which requested the approval of two key documents which formed an important part of

the governance arrangements over internal audit. These were the Internal Audit Charter and the Internal Audit Strategy.

The charter defined the purpose, authority and responsibility of the internal audit function and the strategy set out the approach.

The Committee were assured that the internal audit service was fully resourced.

RESOLVED:

THAT the Internal Audit Charter be approved.

THAT the Internal Audit Strategy be approved.

CHAIRMAN.....