



Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	TUESDAY, 11 MARCH 2008 AT 6.00PM
Venue	COMMITTEE ROOM 1, COUNTY HALL, NEWPORT. IOW
Present	Cllrs Colin West (Chairman), Ivan Bulwer, Mike Cunningham, Jonathan Fitzgerald-Bond
Audit Commission	Kevin Suter, Steven Taylor
Officers Present	Jonathan Baker, David Burbage, George Hook, Ged Richardson, April Ross.
Cabinet Member	Cllr Barry Abraham
Apologies	

37. Minutes

The minutes were agreed and the following items were noted:

i. Kitbridge School – Letter to Governing Body

The Chairman reported that a letter had been sent to the Governing body of Kitbridge School requesting reasons why actions from a previous audit report had not been carried out. A reply had since been received.

ii. Scrutiny Committee – Internal Audit Services Report on Highways

It was noted that the Scrutiny Committee would take up the issues regarding the internal Audit Services report on Highways.

RESOLVED:

THAT the minutes of the meeting on [12 February 2008](#) be agreed.

38. Declarations of Interest

There were no declarations received.

39. Public Question Time

There were no public questions received.

40. Annual Audit Plan 2008-09

The Chief Internal Auditor reminded the Committee that it was now a requirement from the Chartered Institute of Public Finance and Accountancy to produce an audit plan with a duration of no longer than one year.

The process of developing the plan was to create a list of all auditable items (known as the "Audit Universe") from various sources informed by Change Management, the key risk areas. These are Financial Management/Systems, Procurement and ICT Governance.

It was noted that areas of intense change within the Authority such as Eco Island and the Education Re-organisation are inherently risky and as such attract attention from Auditors.

Strategic Risk Registers, Departmental Service Plans as well as previous audit findings were also used as sources of information to produce the plan.

A risk assessment process was then carried out using a tool developed by Stanford University that looked at the following three categories'. These were:

- i. Size of Audit – (Money, People involved)
- ii. Control Environment – (Previous control history, past audit problems etc)
- iii. Availability of Assurances from other sources such as advisors and consultants.

Once all the information was fed into the process then a list of ranked prioritised audits is established and according to the importance of each item is included in the annual plan. Any items that are low on the list of ranking and as a consequence is not picked up within the year would be addressed within the following two years as a higher rated item.

It was noted that the Plan would remain fluid throughout the year and changes will be made in accordance with priority changes.

It was also noted that past comparisons would not be possible as the Plan was in a new one year format. However the intentions of the following year could be provided if requested.

The Committee were told that the Single Risk Score could range from 1 – 120 with high scoring audit being included in the Annual Audit Plan.

The Chief Internal Auditor stated that the investigation into Council Tax payments by residents of Holiday Homes was being looked at by senior officers of the Council and a policy will be developed.

RESOLVED:

THAT the Annual Audit Plan 2008/9 be noted.

41. Audit Commission Reviews

Members of the Audit Commission reported to the Committee that specific reviews had been carried out and action plans made from the following approved reports:

- Review of Internal Audit
- Severance Payments – Follow-up Review
- Partnership Working
- IT Management Arrangements

The Committee were told that recommendations were being implemented as advised.

It was noted that the Partnership Working Report would be addressed within the month and that the IT Management Arrangements Report may need to be revisited in 2009.

RESOLVED:

THAT the Audit Commission Reviews Report be noted.

42. Use of Resources (UoR) 2007

The Head of Compliance advised the Committee that the report was an annual assessment on how well finances and resources were being managed and were relevant as of 31 July 2007.

It was noted that since the report was written, a lot had happened within the Council and that a re-assessment of the Council would be provided during April/May 2008.

The Audit Commission added that the Star Rating for the Council announced the previous month was still 2 but was improving well. This rating was made up from the following assessments made by the Audit Commission and other agencies:

- Corporate Assessment Inspection
- Service Scores from Social Care, Education, Environment
- Audit Commission's Judgment on use of Resources.

Results are then published in the New Year taking the opportunity to reflect the Councils performance of the recent past in the Direction of Travel Statement. The star rating is then announced.

It was stated that the score of 2 stars was consistent with the previous two years. The following five areas of the assessment were looked at in more depth:

- Financial reporting
- Financial management
- Financial standing
- Internal control
- Value for money

Judgments are made on each theme and an overall score is averaged to give the final rating.

It was stated that in light of the difficulties of 2006/07 that included such events as the Undercliff Drive Investigation along with developing certain strategies such as Eco Island and the Education reforms, it was not surprising that some ratings were better than others.

The Audit Commission reported that the reconciliation of the asset database with the financial records had improved and that the Capital Programme had given assurance that the Council was moving forward in a positive way.

The Committee felt initial concern at the report's findings but subsequently felt reassured that the various changes made by the Council had been recognised.

It was noted that the level scores that were given in the report were Key Lines of Enquiries (KLOE's). These represent sets of questions and statements around issues which provide consistent criteria for assessing and measuring the effectiveness and efficiency the UoR. Indicative levels are then given. Level 2 would mean the minimum level expected, level 3 would be few errors and performing better and level 4 would mean very good practice and worth sharing with other organisations.

The Committee was reminded that table 8 of the report from the Audit Commission set out revised questions for 2008.

It was noted that the low score of 1 for the Council to have arrangements in place to maintain a sound system of internal control in 2006 and 2007 was expected to be higher in 2008 after procedures were put in place following the Undercliff Investigation.

The Cabinet Member for Residents and Resources recognised the considerable work and effort that various Officers had put in to help improve matters. It was noted that the Council had now turned the corner and that the past experiences should be seen as a positive learning curve, making the Council realise how poor the previous systems had been.

The Director of Finance accepted that the comments made in the report were harsh but fair and that it was anticipated that future reports would show the improvements that have been made.

The Committee was told that a periodic review may be provided by the Audit Commission at the end of April 2008, providing time constraints allowed.

It was also noted that the Head of Compliance would provide a similar review of internal self assessments during the middle of the year to outline where the Council are against the outstanding actions identified by the assessment drafted in April / May 2008.

RESOLVED:

THAT the Use of Resources Report 2007 be noted

43. Statement of Internal Control 2006/07

It was noted that this formed part of the 2006/7 published accounts and progress had since been tracked against issues identified.

It was also noted that this report would be the last of its kind as the Statement of Internal Control is being replaced in 2008/9 by the Annual Governance Statement. This would provide a broader picture looking at community outcomes as well as internal matters.

The Annual Governance Statement would follow the same path as the Statement of Internal Control, going to the Audit Committee in draft format before being approved when the accounts have been assessed.

The Committee noted that there had been significant progress in the issues outlined in the Progress Report. However, the Committee also noted that some of the issues identified would take longer to address.

Future Annual Governance Statement reports would address any items that get held over from the Statement of Internal Control. The Head of Compliance reported that a similar framework would be used to track and monitor issues.

It was noted that the Committee was pleased to see the improvements in the ICT Areas.

RESOLVED:

THAT the Statement of Internal Control 2006/7 Report be noted.

44. Procurement Monitoring

In the absence of the Head of Procurement, the Head of Compliance addressed the Committee and reported that this report was to be the first of the Quarterly reports for 2008 that would look at and report areas of improvement and activity within the Procurement operation of the Council. The main areas to be looked at would be:

- Price savings to the Council
- Improvement in process
- Improvement in compliance level

The key change to this area was implemented in 2007 when a new Head of Procurement was installed, enabling the Council to use a more professional and corporate approach.

In line with this change was the implementation of fortnightly Procurement Board (PB) Meetings that discusses decisions regarding key contract arrangements, issues with existing contracts as well as Contract Letting Strategies and Contract Waivers. It was noted that any urgent items would be dealt with via means of a "Virtual Decision" where members of the PB would decide matters by means of email. It was also noted that whilst contracts of £50,000 were addressed at PB as major items, items under this threshold still had to go through the PB process.

The spend analysis would be able to highlight all contract values if needed.

These new measures would ensure that the Council had a better understanding of what it procures and who it procures from as well as ensuring that contracts are properly in place and correctly managed.

Other measures that have been put in place have included revising the Procurement strategy and reviewing and establishing various approved supplier lists.

It was noted that future Procurement Monitoring Reports would provide greater detail in what is being let and what savings are being achieved.

The Committee expressed some initial surprise that certain measures were not originally in place but were impressed with the professional manner the new Procurement Head had brought to the Organisation.

The Head of Compliance reported that a new internal Procurement Training course was in place and would provide all relevant staff with the necessary knowledge of the Procurement Code and process and when completed would provide these staff with a license to procure.

Training started in January 2008 with Highways and would branch out into other areas with a final completion by the summer of 2008.

It was noted that the procurement training programme did not allow officers to procure without approval from the PB but merely to educate those responsible in the correct procedures as outlined in the Procurement Code.

RESOLVED:

THAT the Procurement Monitoring Report be noted.

45. Members Question Time

There were no Members questions received.

CHAIRMAN.....Date.....