

Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	THURSDAY, 13 DECEMBER 2012 AT 6.00PM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT
Members Present	Cllrs Roger Mazillius (Chair), Reg Barry, Ian Stephens, Andy Sutton, Ian Ward
Officers	Ian Anderson, Jon Baker, Dave Burbage, Stuart Fraser, Ian Lloyd, Bob Streets, Richard Williams
Internal Auditor	Emma Butler, (Price Waterhouse Cooper), Geraint Newton (Price Waterhouse Cooper)
Apologies	Mr Garry Smith (Co Opted – Non Voting)

23. [Minutes](#)

Members reviewed the minutes to the previous meeting held on [24 September 2012](#).

RESOLVED:

THAT the minutes be agreed.

24. [Declarations of Interest](#)

None declared.

25. [Public Question Time](#)

There were no written public questions received

26. [Draft Work Programme](#)

The draft programme for the schedule of committee activity over the coming year was reviewed and the committee was advised the following:

It was confirmed that unless otherwise advised the meeting scheduled for 18 April 2013 was still set to proceed and the Fraud and Irregularity report would be presented to members at that meeting.

RESOLVED:

THAT the Draft Work Programme be noted.

27. [**Audit Commission Annual Report on the Certification of Claims and Returns**](#)

The Head of Financial Management presented to members a report which summarised the audit of the various grant claims and returns made by the council during 2011/12.

With regard to the Teachers Pensions Return, it was noted that improved processes had been put in place which would help to eliminate any further risks that had been identified.

RESOLVED:

THAT the Annual Report on Certification of Claims and Returns for 2011/12 be accepted.

28. [**Audit Commission Report – Annual Audit Letter 2011/12**](#)

The Head of Financial Management presented to the committee a report which summarised the 2011/12 audit of the Isle of Wight Council 2011/12 financial statements.

It was noted that following the meeting of the Audit Committee on 24 September 2012 the external auditor, issued an unqualified opinion on the Authority's 2011/12 financial statements included in the Authority's Statement of Accounts and concluded that the council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor also certified completion of the audit.

It was noted that this would be the last audit carried out by the Audit Commission before external audit responsibilities would be taken up by Ernst and Young LLP

RESOLVED:

THAT the Annual Audit Letter for 2011/12 be accepted.

29. [**Internal Audit Performance Report**](#)

The Business Effectiveness Manager and the council's internal auditor presented a report which provided members with executive summaries of the work of the internal audit function and which also included key performance indicators.

The internal audit plan which determined the reviews to be undertaken was approved by the committee in February 2012.

Of the four audits carried out, two were given a low rating, two a medium and there were no high rated findings, which meant there was no requirement for any full audit reports to be seen by the committee. It was further noted that an end of March 2013 completion date was on schedule.

With regards to the ICT Service Levels, Performance & Benchmarking, the committee was advised that areas of efficiencies would continue to be looked at with a view to making savings. It was noted that online automated services would help in this area

Whilst not included in the reviews, some members expressed concern over the amount of time taken by the main contact centre to receive and process calls. Members were

advised that improvements had been made, but a progress report would be submitted to members in due course.

RESOLVED:

THAT the Internal Audit Performance Report be received and noted.

30. **Internal Audit Contract**

The Business Effectiveness Manager presented to members a report which advised the committee on the conclusion of a review of the internal audit contract with Price WaterhouseCooper LLP

It was noted that the existing contract, which had been secured through the procurement process in 2010, was due to conclude by the end of June 2013.

Members were advised that the current provider had delivered a good service and their performance had been consistently high, with satisfaction scores averaging 8.9 out of a possible 10 in 2010/11, and an average 9.4 for the current year, exceeding the target score of 8 in over 90% of the cases.

The delivery of the Annual Audit Plan and its objectives had been met and members of the committee were also advised that the recommendation to extend the contract had been endorsed by strategic directors and the Leader of the Council as well as the external auditor.

It was agreed that as it was unlikely that there would be significant change in performance should an alternative provider be appointed, the current provider would, following positive benchmarking results, have their contract extended for a further two years to 30 June 2015, as recommended by the Strategic Director of Resources.

RESOLVED:

THAT the recommendation of the Strategic Director of Resources to extend the contract for internal audit services to the existing contractor for a further two years from 1 July 2013 until 30 June 2015 be agreed.

31. **Development of the Internal Audit Plan**

The Business Effectiveness Manager presented a report to members which provided them with a further opportunity to influence the council's internal audit plan for 2013-14.

With regard to inclusion of the Highways PFI, members were advised that a review of the audit plan was scheduled for the middle of the Quarter Three period.

Members were reminded that the development and approval of the plan remained the responsibility of the Audit Committee.

RESOLVED:

THAT the early development of the internal audit plan for 2013/14 be considered and noted.

32. [Treasury Management 2012/13 - Half Year Report](#)

The Head of Financial Management presented a report to the committee which provided a half-year progress update on the council's treasury management policies, practices and activities for the financial year 2012-13. Such an update was in line with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management 2011 and the council's approved treasury management strategy 2012-13.

Members were advised that with regard to the capital expenditure, the authority was improving with spending being more in line with the profile, although it was inevitable that there would always be some slippage on the programme.

With regard to the 25% profiled underspend by the Resources Directorate, members were advised that finances were only being utilised as and when required and that the Transformation programmes were not behind schedule, even if the spend had slipped. However, contingency plans were in place should there be any unforeseen additional expenditure and it was agreed that members would be updated on the situation at the meeting to be held on 18 April 2013.

On the issue of external borrowing, much of the old long term loans had been cleared with short term borrowing being favoured over taking out further long term Public Works Loan Board (PLWB) borrowing. Such a strategy meant paying 0.4% interest as opposed to some 4% and with no significant rise in interest rates anticipated, this was regarded as being the best policy to continue with.

Regarding spend on the Cowes One School Pathfinder (OSP) project, the committee was advised that any shortfall in expenditure not covered by capital grant would be covered by other borrowing.

RESOLVED:

THAT the Treasury Management 2012/13 - Half Year Report be received and noted.

33. [Financial Regulations](#)

The Head of Financial Management presented to members a report which sought approval for the Council's updated Financial Regulations following a review during 2012/13.

Such approval would provide a framework for the implementation of consistent financial management as well as internal control standards across the council. It would also support internal control systems assisting the council to manage any risks and aid in the achievement of corporate objectives

With regard to senior management being responsible for investigating allegations of fraud or corruption, members requested that the Leader of the Council and relevant Cabinet Member also be involved in the process. The Business Effectiveness Manager advised that this would only be appropriate if any allegations of fraud had been proven. It was therefore agreed that the paragraph should be amended to reflect this.

On page I - 32 of the report, members request that the word “may” be changed to “usually be the case” within the table outlining the thresholds and processes required to undertake a procurement exercise.

On the issue of Procurement Cards, members requested that elected members also be included within the narrative in the report.

On page I - 14, paragraph 3.2.8 of the report, members were advised that it would be amended to state that Cabinet or the Cabinet Member would be the decision maker with regard to changes to service provision or structure being undertaken and the subsequent impact of such changes on budgets to service areas.

With regard to Procurement, the committee was advised that the next Procurement Monitoring Report would be presented at the next committee meeting on 14 February 2013.

RESOLVED:

THAT the updated Financial Regulations be approved for publication.

34. **Strategic Risk**

The committee was presented with a report from The Business Effectiveness Manager which provided an opportunity to review the strategic risks of the council and to agree any areas where further information or action would be required.

Of the six strategic risks assessed, four were given a medium risk rating whilst two, ineffective decision making and control processes (governance) (SR0036) and failure to commission and secure services which are relevant to the Isle of Wight community's needs (SR0039) were assessed as being low.

With regards to Strategic Risk 004, (SR004) around the Ineffective response to a major emergency (SR004) members were advised that the risks around the Highways PFI would be included in the strategic risk narrative.

On Insufficient staffing capacity and skills (SR0037), members requested further information about the plans to encourage more apprenticeships

RESOLVED:

THAT the Strategic Risk report be reviewed and agreed.

35. **Audit Committee Terms of Reference**

Members were presented with a report from the Business Effectiveness Manager which sought approval of the proposed amendments to the Audit Committees terms of reference.

Following such approval, the council's constitution would be amended accordingly and then formally endorsed at a meeting of the Full Council.

RESOLVED:

- i. THAT the Audit Committee Terms of Reference be approved
- ii. THAT the Isle of Wight Council's Constitution be amended accordingly.

36. **Exclusion of Public and Press**

Following approval, the public gallery and members of the press were asked to leave the chamber.

RESOLVED:

THAT under Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business, namely Agenda item number 15 (Minute 38), on the grounds that there is likely to be disclosure of exempt information as defined in paragraph 7C of Schedule 12A of the Act and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

37. **Election of Chairman for the Remainder of the Meeting**

Owing to an unavoidable commitment, the chairman left the meeting at this stage.

The committee therefore voted in favour of Councillor Andy Sutton taking the chair for the remainder of the meeting.

RESOLVED:

THAT Cllr Sutton be elected as Chairman for the remainder of the meeting.
(Cllr Sutton thereupon took the Chair)

38. **Risk Based Verification Policy – Experience Of Implementation So Far**

The councils Benefits Manager presented to members a report which provided an overview of the experiences of the introduction of Risk Based Verification (RBV) applied by the Isle of Wight Council to the assessment of Housing & Council Tax Benefit (HB/CTB) new claims received after 1 April 2012 as well as provide an update of the developments that continued to be made.

RESOLVED:

THAT the Risk Based Verification Policy report be noted

CHAIRMAN.....