



Directorate of Legal and Democratic Services
Director **Davina Fiore**

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Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	TUESDAY, 16 SEPTEMBER 2008 AT 6.00PM
Venue	COMMITTEE ROOM 1, COUNTY HALL, NEWPORT. IOW
Present	Cllrs Jonathan Fitzgerald-Bond (Chair), Anne Bishop, Ivan Bulwer, Vanessa Churchman, Mike Cunningham
Officers Present	Jonathan Baker, Steve Beynon, Dave Burbage, Davina Fiore, Gavin Foster, George Hook, Sarah Mitchell, Peter Oakeshott
Cabinet Members	Cllr David Pugh
Other Councillors	Cllr David Knowles
Audit Commission	Kevin Suter, Stephan Taylor
Apologies	Cllr Barbara Foster and Cllr Colin West
27.	Election of Chairman for the Day Due to the absence of the Chairman it was necessary for the Committee to elect a Chairman for the evening. Cllr Fitzgerald-Bond was nominated and seconded for the role of Chairman. <u>RESOLVED :</u> THAT Cllr Fitzgerald-Bond was elected as Chairman for the day. (Cllr Fitzgerald-Bond thereupon took the Chair)
28.	Minutes <u>RESOLVED:</u> THAT the Minutes to the Meeting on 5 August 2008 be agreed.
29.	Declarations of Interest <u>RESOLVED:</u> Cllr's Bulwer and Bishop declared personal interests in Item 5 as they were both members of the Undercliff Investigatory Committee.

30. **Public Question Time**

There were no questions received.

31. **Audit Commission Report On Procurement**

The Head of Strategic Procurement highlighted elements of the report and stated that an Action Plan would address any concerns.

The External Audit Manager from the Audit Commission reported that in late spring 2008 a report on the procurement function of the Isle of Wight Council was commissioned.

It was reported that the Audit Commission was satisfied that procurement within the Council followed procedure. The procedure for letting contracts was good, although it was highlighted that there was an overall need for both a corporate procurement strategy and a policy by which contracts are to be managed.

Three recommendations were made arising from the main conclusions:

- I. Improve corporate arrangements for the governance and management of procurement.
- II. Continue to improve the implementation of consistent procurement processes across the Council.
- III. Improve arrangements for contract management after contracts have been awarded.

An area of weakness that still required attention included informing all relevant staff of the procurement procedure. Whilst training was addressing this, some areas still needed looking at.

Greater clarity was also required about the role of Scrutiny although it was reported that its role was still developing.

Contract management was identified as an area that needed review as some services had good arrangements in place whilst other areas had inadequate arrangements. This meant that risks were not being properly identified and managed.

The strengths that were identified included the allocation of responsibilities at senior level for providing corporate direction and oversight as well as clearly defining the role of Cabinet Members.

Clear corporate processes for undertaking procurement have been implemented and Governance arrangements have been improved through the establishment of the Procurement Board which meets on a weekly basis to approve letting strategies and award reports for all contracts incurring a whole life cost of over £50,000.

The Strategic Head of Procurement stated that he welcomed the recommendations on the action plan and that all were being fully adhered to. All recommendations had either been completed, were in the process of being completed and would be done so between October 2008 and January 2009 or were measures that would be continuously addressed.

It was also reported that a new IT system would be implemented in the near future that would help aid the recommendations.

RESOLVED:

THAT the report be noted.

32. **Audit Commission Report – Review Into The Undercliff Drive Investigation**

The Director of Finance stated that the covering report provided the Committee with a summary of the Council's response to the outcome of the Audit Commission review and to the recommendations made.

The Audit Commission's Senior Manager reported that in late 2006, the Council had learnt that the contract supporting improvement works for the Undercliff Drive had been erroneously let in 2002 and did not follow the correct EU procurement legislation. Council Officers then failed to take appropriate steps in order to rectify the problem as well as report the situation to Elected Members and the Audit Commission.

The resulting investigation therefore looked at both the Procurement and Human Resources issues that arose from the matter. Two independent firms were contracted to work on the investigation.

Members of the Committee were told that the overall cost of the investigation was higher than originally anticipated with the initial projection estimated at £50,000. However on completion this had risen to £1.3 Million.

Members were concerned that whilst it was anticipated later in the investigation that the cost would increase, the final figure was still much higher than any forecast. It was therefore feasible to suggest that had the actual final cost been forecast, the investigation could have been carried out differently in order to avoid that figure.

It was also suggested that several members on the investigation panel had serious concerns as to whether the investigation should continue after it became apparent that costs were going to be significantly higher.

The Audit Commission made several conclusions following the investigation which included that, whilst the Council did not properly follow the correct procurement procedures, a formal public interest report on the Undercliff Drive Procurement was not appropriate. It was also concluded that the Council would benefit from the investigation through

the ensuing changes to procedures, processes and culture. The Director of Finance advised members that following the investigation and the subsequent findings, better procedures on procurement had been implemented.

The Member for Ryde St Johns East asked questions around the disciplinary measures and procedures aimed at Officers involved in the inquiry, to which an answer was provided.

RESOLVED:

THAT the report be noted and the Action Plans be agreed.

33. **ISA 260 Report**

The Audit Commission apologised to members of the Committee on the lateness of the report, but stated that due to the “work in progress” nature of the paper that this was always likely.

The purpose of the report was to summarise the findings of the 2007/08 audit which was largely complete along with identifying key issues that would need to be considered prior to the Audit Commission issuing their opinion, conclusion and certificate.

The report would also include only matters of governance interest that had come to the attention of the Audit Commission in performing their audit. The audit is not designed to identify all relevant matters.

It was noted that the quality of the financial statements that were submitted for Audit were considered to be generally good with only a small amount of significant errors, the majority of which had been corrected by management. The Use of Resources assessment reflected this and gave a level 3 rating which meant that the statements were consistently above minimum requirements. This was an increase from the previous year’s rating of 2 and demonstrated a continuing trend of improvement in financial reporting. There was no reason that level 4 could not be achieved in the future.

Recommendations for improvements were however made in light of the findings of the quality of the presentation of the Pension Fund accounts and annual report.

Key areas of judgement and audit risk were identified in relation to the Financial statements and Annual Governance Statement.

The Audit Commission stated that the previous year it had reported that the Council was on the right track and was still proposing a qualified Value for Money conclusion.

It was reported that the Council’s arrangements for asset management were inadequate during 2007/08. However, actions had been put in place to address the gaps identified.

The Chief Executive accepted that assets need to be set out better for Island Residents and also reported that Property Services were now under the control of the Director of Finance.

RESOLVED:

- I. THAT the report be considered.
- II. THAT the financial statements be agreed.
- III. THAT the representation letter be approved.
- IV. THAT the action plan be agreed.

34.

Audit Commission Report on Health Inequalities

The Chairman expressed the Committee's concern at the style of terminologies within the report and requested that any future reports feature less jargon.

The External Audit Manager agreed to take into account the concerns of the Committee.

The Director Community Services advised Members that the recommendations were reported to the PCT Board in February 2008 and that all actions were being addressed and would be implemented by February 2009.

Recommendation 6 of the Plan stated that opportunities should be developed to address health inequalities issues, especially in primary care settings. This would set up a programme that would encourage people to lead and maintain a healthier lifestyle and discourage slipping back into bad habits. The Council and the PCT would provide facilities on their websites to help people with this.

Members were advised that whilst free swimming lessons had since been stopped for the under 16 and over 60 age groups, children were still being provided with free swimming via the school curriculum and that areas of a healthy lifestyle could be encouraged by use of the "One" Card.

Members were concerned that 11 out of the 12 recommendations were ranked as high with the other ranked as medium and that prioritising could be carried out in a more effective manner in order to identify the most critical areas.

RESOLVED:

- I. THAT the report be noted.
- II. THAT the action plan be agreed.

35.

Procurement – Quarterly Monitoring Report

The Head of Strategic Procurement advised the Committee that the report provided a summary of the progress achieved by Procurement towards implementing and embedding an improved framework for procurement activity across the Council.

The following key issues had been identified:

- Use of Frameworks
- Consolidation of supply and aggregation of demand
- Use of Consultants Guide
- Contract Management Guide

Members were advised that following the creation of the weekly Procurement Board, a more robust and proactive approach had been adopted to address procurement issues.

The waiving of Contract Standing Orders would only be considered if the request met one of six criteria. These would be:

- Genuine emergencies
- Urgency not of the Council's own making
- Collaborative/Joint Purchasing
- Sole source of supply
- Reasons of compatibility
- Partnering

The Committee were advised that the Adult and Community Services Directorate submitted the most amount of waiver requests.

RESOLVED:

THAT the report be noted.

36.

Risk Management Report

The Head of Compliance advised the Committee that the report provided an opportunity to consider the Council's Strategic Risk Register.

Members were also reminded that performance reporting was now under the remit of the Scrutiny Committee to consider and that quarterly reports on the Council's strategic risks had been tabled for Scrutiny.

The Strategic Risk Register highlights the risk to the Council with a High, Medium or Low rating and gives planned actions resulting in a lower risk score.

Areas that were highlighted as being of a high risk were:

- Economic
- Climate Change

- Financial – Revenue
- Change Management
- School Reorganisation
- Highways PFI
- Organisational Resilience and Civil Contingency

All these areas were targeted to become a medium risk following actions with the exception of Financial –Revenue and Change management, which was targeted to achieve a low risk rating.

All outcomes of the Action Plan would be reported internally to the Directors Team on a quarterly basis before being reported back to the Audit Committee in due course.

Whilst Procurement was a medium risk category, it was stressed to the Committee that this was still an area that was a major priority.

RESOLVED:

THAT the report and the progress made in developing and embedding risk management be noted.

37.

Whistle Blowing Complaints: April – June 2008

The Head of Compliance advised the Committee that an effective whistle blowing policy was needed in order to assist employees to alert at a senior level, issues that could compromise the Council.

The Committee were advised that the statistics released within the report were from April 2008 and only constituted events that were alerted to the Council and not an individual.

There were separate policies in place that would enable people to instigate a grievance procedure.

RESOLVED:

THAT the report be noted.

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