

Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	TUESDAY, 18 MAY 2010 COMMENCING AT 6.00 PM
Venue	COMMITTEE ROOM ONE, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Members Present	Cllrs Roger Mazillius (Chairman), Reg Barry, Ian Stephens, Susan Scoccia, Ian Ward
Cabinet Members	Cllr Peter Bingham
Officers Present	Jonathan Baker, Steve Beynon, Dave Burbage, Stuart Fraser, Dave Hook, George Hook, Iain Lawrie, Ged Richardson, April Ross, Claire Shand, Richard Williams
Audit Commission	Paul Chambers, Kate Handy
Apologies	Mr Garry Smith (Co-opted Member)

42. Minutes

RESOLVED:

THAT, the minutes to the meeting held on [2 March 2010](#) be agreed.

43. Declarations of Interest

There were no declarations made at this stage.

44. Audit Committee Draft Work Programme

Members of the Committee reviewed the programme which gave an overview of the programme of items which would be presented over the coming year.

RESOLVED:

THAT work programme be noted.

45. Audit Commission Reports

Members of the Audit Commission presented three reports which took into account the following areas of activity:

(i.) Workforce Management Skills Capacity Review – March 2010

A report was presented to members that reviewed the progress and capacity within workforce planning.

Members were advised that the Audit Commission recognised that the council's capacity and processes for managing its workforce was developing well and it was acknowledged that the previous 2006-09 Workforce Development Strategy had provided a good basis for these improvements. It was also noted that the development of a new People Management Strategy and Strategic Workforce Plan would help the council in the medium to long term in identifying what staff and skills were needed.

Further improvements were also required and these included the development and implementation of a recruitment strategy, communicating to managers and Human Resources (HR) staff their respective roles and responsibilities in people management as well as the establishment of clear performance management, monitoring and reporting of the delivery of HR functions and related people management performance.

The Head of Human Resources stated that the council was monitoring the situation with regard to one fifth of newcomers to the council leaving the service within 12 months. This included using comments received at exit interviews to help assist in encouraging people to remain within the employment of the authority as well as having made improvements to the induction arrangements for newcomers.

It was noted that the average day's sickness absence per person had come in under the target of 8.5 for the reporting period, although the council recognised that more needed to be achieved in order to bring these figures down further.

With regard to Policies which support diversity and good people management and in particular the issue of improvements that need to be made for access to council buildings for disabled people, Members were advised that building rationalisation through the Transformation Programme would help address this specific issue.

It was noted that the council had used the Work Right Scheme which is operated through Mencap to assist people with learning disability to gain access to mainstream employment and has provided valuable opportunities for disabled people to apply for positions within the council when they became available.

The Cabinet Member for Resources stated that whilst the council needed to do more within the area of Workforce Management Skills Capacity, the authority was moving in the right direction and strong HR, work force development and quality training would be needed to assist in creating more highly skilled Island based employees.

RESOLVED:

THAT the Workforce management Skills Capacity Review – March 2010 be noted.

(ii.) Review of Internal Audit

Members received an Audit Commission report which provided details of their review of the council's internal audit arrangements against the standards set within the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government.

The Head of Compliance and Procurement advised that the report showed a significant improvement within the function of Internal Audit since the last triennial report in 2006. The role of the Chief Internal Auditor would not alter in light of the recent contract for the running of Internal Audit Services being awarded to Pricewaterhouse Coopers (PWC) and would continue to control the audit plan that PWC would deliver and report regularly back to the Committee. The services of PWC would also help the authority in meeting the recommendations as set out in the Audit Commissions report.

The Committee was also advised that the reasons for employing the services of PWC were predominantly one of quality, although anticipated savings of 10% could also be achieved.

The Committee requested that the Audit Commission check the detailed report information around Standard 7 - Audit Strategy and Planning, as there appeared to be an incomplete sentence with regard to demonstrating how the service would be delivered in accordance with its Terms of Reference. The Audit Commission agreed to clarify the detail and respond to the Committee in due course.

RESOLVED:

THAT Review of Internal Audit be noted.

(iii.) Audit Progress Report

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

Members were advised that feedback was awaited with regard to the updated report of the council's Performance Management Review.

The date for a meeting to discuss feedback to the initial findings for the Fire & Rescue Service Use of Resources 2009/10 had been established as being 17 June 2010.

RESOLVED:

THAT the Audit Progress Report be noted.

46. Audit Commission Annual Fee Letters

Members of the Audit Commission presented to the Committee two letters which had been sent to the council providing a break down of charges set by the Commission for its services. It was noted that a third letter with regard to the fees on pension scales would be made available by the Audit Commission at the next meeting to be held on Tuesday, 29 June 2010.

(i.) Annual Audit Fee 2010/2011 – (Appendix A)

The Commission advised Members that the increase of £5,000 for the planned fee for 2010/11 represented a 2% increase over the planned fee for 2009/10. However the initial published fee scale for 2010/11 did include a 6% increase to cover the costs of any additional audit work arising from the introduction of International Reporting Standards. In recognition of the financial pressures that public bodies were facing during the poor economic climate, the Commission confirmed in July 2009 that it would subsidise the 'one-off' element of the cost of transition to International Financial Reporting Standards (IFRS) for local authorities from 2010/11. This therefore meant that the council received a refund from the Audit Commission of £15,866 in April 2010.

Members were also advised that the increase in the fee was partly due to the implementation of the councils' new financial system and the total indicative fee could rise further if more new systems were to be implemented.

The Strategic Director of Resources was confident that the planned work as outlined in the Audit Fee letter would be achievable within the given timescales in order to mitigate any risks.

RESOLVED:

THAT Annual Audit Fee Letter be noted

(ii.) Annual Inspection Fee 2010/2011 – (Appendix B)

Members of the Committee were assured that whilst the council would be charged £18,293 for its Managing Performance theme of organisational assessment, there would be no cost to the council for both the Area Assessment of Local Partnership and the Managing of Performance with regard to Fire & Rescue as both were funded by the Communities and Local Government (CLG) grant.

It was further noted that there was no significant increase in the figure quoted as no extra work would be anticipated.

RESOLVED:

THAT the Annual Inspection Fee 2010/2011 be noted

47. Audit Committee Annual Report

The Head of Compliance and Procurement presented to Members of the Committee a report which provided an overview of the work of the committee during 2009/10. Developments within the operation of the committee were specifically highlighted as well as those areas where its work had made a difference to the overall governance and operation of the assurance structures of the council.

Members were advised that it would not be necessary to submit the report to Full Council as publication on the council's website prior the Audit Committee Meeting meant that it was already available within the public domain.

RESOLVED:

THAT the Audit Committee Annual Report be noted

48. Whistle Blowing Complaints

The Head of Human Resources presented to the Committee a report which provided an overview of Whistleblowing complaints received for the full year 1 April 2009 – 31 March 2010.

The policy aims to promote and encourage the reporting of any serious concerns about malpractice or wrongdoing in any aspect of council service provision or the conduct of employees, elected members or others acting on behalf of the council.

The Committee was advised that one complaint was received via the independent and confidential "hotline" reporting facility which was a request for information only and no further action was taken.

There was one more complaint received through the Chief Executive in relation to management arrangements within the Directorate of Children & Young People and this was being investigated by the Strategic Director of that area.

With regard to the £8,000 annual cost of the dedicated telephone line, Members were advised that it was necessary to provide completely independent sources for the reporting of concerns to allow and encourage individuals to make such reports.

Callers need to be left in no doubt that their call would be treated confidentially by an impartial advisor who had specialist experience in dealing with such matters. The cost included the set up and staffing of the line and an advisor would guide any caller through the entire process if necessary.

It was noted that the policy would be reviewed with a view to looking at refreshing its content in 2010/11.

RESOLVED:

THAT the Whistleblowing Complaints report be noted

49. Information Communications Technology (ICT) Update

The Head of ICT presented to the Committee a report which provided an update on how the council was progressing in relation to its ICT disaster recovery, business continuity and security and was a result of a request from the previous Audit Committee meeting in March 2010.

Members were asked to be aware that with regard to disaster recovery and business continuity, a tested plan for recovering ICT in the event of a failure was in place, although full resilience still needed to be established.

The Committee was advised that whilst there had been no incidents of major loss of council data on the Island, the risk would always be there and this would be mitigated by the implementation of a new encryption solution due for completion within six months. In addition, all USB data storage devices were being replaced and a series of training programmes implemented, enabling all key personnel to be fully aware of all the potential threats.

The Head of ICT also advised the Committee that the council received well in excess of one million emails per month, 85% of which were spam or junk mail, but owing to the effectiveness of the council's service filters virtually all were removed before they had reached the recipient.

With regards to the new telephone system which would provide a fully resilient solution, the Committee was advised that it would be a purchased arrangement as opposed to being leased. This was decided following an extensive and robust business case which was put together and procured through the Hampshire Public Services Network framework agreement. The new system would fully support the increased flexible working that was being introduced and there would be three main switchboards at County Hall in Newport, Westridge in Ryde and the Broadway in Sandown, providing the authority with good backup options in the unlikely event of one switchboard going out of operation.

The Committee requested that a further progress update be presented to Members following the end of the financial year.

It was noted that Members of the Committee expressed their sincere thanks and gratitude to the ICT and Web Team for their diligent work to date.

RESOLVED:

THAT a progress report be presented to the Audit Committee in May 2011 following the completion of the financial year

THAT the Information Communications Technology (ICT) Update be noted

50. **Counter Fraud Annual Report – 2009/2010**

The council's Benefit Fraud Manager presented a report which provided members with an overview of both the council's framework in place to minimise and counteract the impact of fraud against the authority and the incidents of identified fraud attempted or committed against the council during 2009/10.

The report was the first of its kind presented to the Audit Committee and it was intended that further updates would be brought back to the committee in the future.

The Committee was advised that by using the National Fraud Initiative (NFI), a scheme which matched electronic data to prevent and detect fraud, the council was able to identify 128 potential data matches in respect of benefit claimants, which were reviewed by the benefit fraud team and, as a result, six formal investigations had been undertaken with fraud proven in two cases.

Owing to the use of the NFI, the council was able to access details of claimant's finances which could be used as evidence in the event of legal proceedings, whereas a decade beforehand the council would only be reliant on people verbally advising of their financial circumstances.

It was noted that the council's Revenue and Benefits team also commissioned a more detailed exercise which used data sourced from credit referencing agencies in order to identify potentially fraudulent applications for single person's council tax discount. There was also a telephone helpline service established which offered a facility where people could report in confidence any irregular incidents.

The Committee was advised that the council would endeavour to recover as much of any fraudulently acquired money as possible, although no timescale could be provided.

RESOLVED:

THAT the Counter Fraud Annual Report – 2009/2010 be noted

51. **Treasury Management Policy and Strategy**

The Head of Financial Management presented Members with a report which provided an overview of the council's existing Treasury Management policies and practices and to ensure arrangements were in place to review the operation of those practices on a regular basis. A further report would be presented to the Committee in six months time.

Members were advised that the report was the first of its kind and was prompted, following advice from CIPFA, by a series of high profile issues arising from the impact of the global economic crisis and recession and the resultant failure of Icelandic banks where many local authorities, although not including the Isle of Wight Council, had invested large sums of public money in.

With regard to the Annual Investment Strategy, the Committee was informed that only organisations which were given a rating of A2 or better would be used. The ratings were reviewed on a regular basis and obtained from a government approved agency.

Members were also advised that investment of surplus funds would be limited to organisations which would produce a lower return and would not be at any significant risk of failing. One such example would be to use another local authority or the UK Debt Management Office (part of HM Government) where there would be no risk of economic failure.

RESOLVED:

THAT Treasury Management Policy and Strategy be noted

52. Annual Governance Statement 2008/09 - Progress Report

The Head of Compliance and Procurement provided members with a report on the progress of the statement which was required by the Accounts and Audit (Amendment) (England) Regulations 2006 as part of the published statement of accounts, and was for the period up to 31 March 2010. Following the approval of the 2008/9 accounts by the Audit Committee in June 2009, it was agreed that progress against control issues detailed within the Statement should be reported to the Audit Committee on a quarterly basis.

Members asked about actions against the Value for Money issue and the Strategic Director for Resources responded by stating that the procedure of the Star Chamber as well as rigorous and robust procurement processes which were in place, meant the council was in a good position to identify and prioritise areas of spend where potential procurement savings could be made.

RESOLVED:

THAT the Annual Governance Statement 2008/09 – Progress Report be noted

53. Draft Annual Governance Statement (AGS)

The Chief Internal Auditor presented members with a report that outlined the draft statement for 2009/10 which would be required as part of the councils accounts to be approved at the Audit Committee meeting on 29 June 2010.

With regard to the issue of Education Performance, the Committee expressed a need for more detail to be provided on what specific areas of concern needed addressing.

Owing to the different safeguarding issues around young people and adults, Committee Members also agreed that the mitigation strategies for Vulnerable Clients should be divided into two sub categories in order to deal with adults and children separately.

RESOLVED:

THAT the Draft Annual Governance – 2009/10 Statement be agreed subject to the following:

- i. More detail be provided a round the issue of education performance.

- ii. Vulnerable Clients be divided into two separate sub categories – Adults and Children.

54. Procurement Quarterly Monitoring Report

The Head Compliance and Procurement presented to Members a summary of the council's procurement activity for the full year 1 April 2009 – 31 March 2010 as demonstrated by the operation of regular Procurement Board meetings along with the ongoing development of the procurement framework.

The Committee was advised that the Procurement Board meeting was a bi weekly internal function consisting of senior officers of the council from key areas such as Finance, Legal, Compliance and Human Resources. These officers scrutinise and decide on reports which requested permission to proceed with a tender process, sought approval of contract awards or requested for the use of procurement frameworks or the waiver of Contract Standing Orders (CSO's).

It was noted that whilst there had been an increase in waiver requests in quarter four over quarter three, the total for the year had decreased from 110 to 78.

However the Committee was advised that waiver requests would never be eliminated completely. This was because some would be of a matter of urgency, which was the most common reason, or due to safety issues. Others requests could be due to sole source of supply or reasons of compatibility. On some occasions the waiver of CSO's would also be to the council's advantage as it could result in savings.

RESOLVED:

THAT the Procurement Quarterly Monitoring Report be noted.

CHAIRMAN.....DATE.....