



# Minutes

Name of meeting	<b>AUDIT COMMITTEE</b>
Date and time	<b>TUESDAY, 2 MARCH 2010 COMMENCING AT 6.00 PM</b>
Venue	<b>COMMITTEE ROOM ONE, COUNTY HALL, NEWPORT, ISLE OF WIGHT</b>
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, Stuart Fraser, George Hook, Iain Lawrie, Ged Richardson, April Ross
Audit Commission	Kate Handy, Kevin Suter
Apologies	Mr Garry Smith (Co-opted Member)

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## 34. Minutes

### RESOLVED:

THAT, the minutes to the meeting held on [12 January 2010](#) be agreed.

## 35. Declarations of Interest

There were no declarations made at this stage.

## 36. Audit Committee Draft Work Programme

Members of the Committee reviewed the programme and it was suggested by the Chairman that the co-opted member of the panel could make an informal presentation of his previous experience of working in audit services outside the Authority.

### RESOLVED:

THAT an informal training session from the Committee's co-opted member be arranged, at a date to be identified.

## 37. Audit Commission Reports

The Head of Compliance and Procurement presented the covering report which took into account the following three Audit Commission reports:

(i.) 2009/2010 Audit Opinion Plan – Isle of Wight Council

Representatives from the Audit Commission advised Members that the plan set out the proposed work which needed to be undertaken in order to audit the council's financial statements 2009/10.

It was noted that when the results of the Audit of Accounts were released, the commission would notify the committee what was discovered against any risks.

Members were advised by the Commission that the fee as indicated in their letter to the council on 30 March 2009 was deemed appropriate.

Specific risks were highlighted and these included areas including the new financial systems such as general ledger, accounts payable / receivable and cash receipting. The Audit Commissions conclusions within this area was that a controls based approach was still appropriate for the audit where material balances resulted from these new financial systems, and the key controls were identified on which reliance was placed.

The Committee was advised that on average, eight people were involved in carrying out the audit work on behalf of the Commission.

Members raised comments with regards to risks surrounding the termination of the Ryde Gateway agreement and possible negative cost implications. The Head of Financial Management responded by advising members that any expenditure of the project would be written off and action would be taken to mitigate any risks.

Members also questioned why the additional capital allowance of £1.5 Million would no longer be allocated for improvements to the public realm and council assets in Ryde. The Cabinet Member for Resources reminded the Committee that on 13 October 2010, Cabinet agreed to give consideration to allocating the allowance, although recent budgetary constraints had made this difficult.

With regards to the new ICT systems, the Committee was advised by the Cabinet Member for Resources that the SAP system was more "user friendly" and less complicated and was a much more effective system when dealing with the council's accounts. Regular monthly monitoring of SAP and its implementation was also being carried out to mitigate any risk to the authority.

RESOLVED:

THAT the 2009/2010 Audit Opinion Plan – Isle of Wight Council be noted.

(ii.) 2009/2010 Audit Opinion Plan – Isle of Wight Pension Fund

The Committee was presented with a report which set out the audit work undertaken in relation to the audit of financial statements 2009/10 for Isle of Wight Pension Fund.

Members were advised by the Head of Financial Management that measures were in place to address the area of risk around the certification of the opinion audit and

a final draft of the Pension Fund Annual Report should be provided at the start of the audit in order to mitigate the risk of further delay.

RESOLVED:

THAT the 2009/2010 Audit Opinion Plan – Isle of Wight Pension Fund be noted.

(iii.) Audit Commission Progress Report – February 2010

The Committee was presented with a report which provided progress in delivering the commissions responsibilities as the Trust's external auditor.

Members were asked to note that the 2009/10 Plan which was agreed by the Audit Committee on 21 April 2009 had been amended with the project covering 'Learning from External Assessments' substituted with a one looking at Performance Management.

It was further noted that the Skills and Capacity review which was expected in January 2010 should now be ready in May 2010.

RESOLVED:

THAT the Audit Commissions progress Report – February 2010 be noted.

**38. Audit Plan – 2010 / 2011**

The Chief Internal Auditor presented to the Committee a report which outlined the proposed internal audit activity for the financial year of 2010/11.

The Committee was advised that the audit plan was likely to change during the course of the financial year as the council's risk profile developed. The outcome of the market testing of internal audit may also result in changes to the plan. Any changes to the audit plan would be reported to the Committee as part of the quarterly reporting process.

It was noted that the approach adopted for the development of the plan by Internal Audit services was risk based. The risk assessment tool used assessed the relative risks of audit entities by measuring:

- The size of the entity (in financial terms, staffing levels etc)
- The control environment within which the entity operates
- The availability of assurance from other inspection processes

Strategic risks (SR) were highlighted along with the relevant corporate themes and corporate outcomes / strategic priorities and the 50 planned audits had been mapped against the strategic risks and their associated themes and priorities.

The Chief Internal Auditor clarified that in relation to SR 24 – Climate Change, the council had to provide independent assurance for the European Union (EU) that in respect of EU funded coastal protection projects, funds had been utilised in accordance with the agreed funding criteria. Hence, this audit was listed against this strategic risk.

With regard to Economic Risks, members were advised that audits of procurement card transactions and the concessionary fares scheme were included in the plan. These audits would provide assurances that no abuse of the respective systems were occurring. Regarding concessionary fares, Internal Audit had previously put in place a programme of mystery shopping in order to determine if appropriate bus tickets were being issued. Although no evidence of any wrongdoing had been found, the scale of the financial risk to the authority merited further work within the area during the next financial year.

Members were advised that with regard to SR3 – Financial Revenue, the council had launched an initiative to counter council tax fraud, which would enable the authority to recoup in the region of £700,000 per year. Letters would accompany all bills explaining the consequences of committing fraud as well as providing advice on who could be genuinely entitled to benefit.

The Committee was advised that a new support officer was being established to investigate the use of Smart Meters in response to SR31- Carbon Reduction.

**RESOLVED:**

THAT the Committee endorse the methodology used to construct the audit plan.

THAT the Committee considered and agreed the relative priorities, frequencies and amounts of time devoted to areas of council activity;

THAT the internal audit plan for 2010/11 be approved.

**39. Assessment of the Effectiveness of the Audit Committee**

The Chief Internal Auditor presented to the Committee a report which set out an assessment on the role of the Audit Committee based on the publication “Audit Committees: Practical Guidance for Local Authorities” published by Chartered Institute of Public Finance and Accountancy’s (CIPFA).

The report highlighted the fact that members of the Audit Committee’s involvement in other bodies of the council, provided that such involvement was not as a Cabinet Member, something which could be considered advantageous and thus add to the Audit Committees effectiveness.

**RESOLVED:**

THAT the Committee’s terms of reference be modified to incorporate the fraud requirements suggested in the CIPFA model.

THAT summaries of internal audit quality questionnaires from managers be presented to the audit committee on a quarterly basis.

THAT summary reports from other inspection agencies which are considered by Scrutiny Committees be reported annually to the Audit Committee.

THAT the Audit Committee takes a role in overseeing the council's anti-fraud arrangements - an issue already included in the Committees work plan.

#### 40. **Risk Management Report**

The Council's Risk Manager presented Members with an overview of the council's strategic risk profile and current shifts within that profile.

Key changes were highlighted and these included the downgrading of the threat to council services as a result of a Swine Flu pandemic, failure to evidence progress and delivery of the Corporate Plan and the Publication of Official Journal of the European Union (OJEU) notices for the Highways PFI.

Members were advised that the Strategic Risk Register tied in with the 2010/11 Audit plan.

The Risk Manager advised that failure to comply with OJEU regulations would expose the council to a great risk of challenge which could result in serious consequences such as delays in letting important contracts, loss of financial revenue and reputational damage.

Members of the Committee were of the opinion that relevant issues raised on the risk register could be shared with the four Scrutiny Panels and specific registers tailored to each panel could be compiled. It was also suggested that each Scrutiny Panel member could be provided with some basic risk training in order to assist with their understanding of the area.

Some concerns were raised with regards to the PFI programme and any possible risks in relation to the Council not receiving the funding. However, the Committee was advised that the UK Treasury Department had cited the Isle of Wight Councils PFI submission bid as an exemplar case and the signs for success in attaining the funding were very encouraging.

#### RESOLVED:

THAT the Risk Management Report be noted.

#### 41. **Annual Governance Statement**

The Head of Procurement and Compliance presented a report which provided the Committee with a summary of the progress achieved by 31 January 2010 towards addressing issues identified within the original statement.

The Committee was satisfied that Project Management was being dealt with in a positive way with a Director-led Project Strategic Board and Member Review Board chaired by the appropriate Cabinet Member for the project and attended by the Cabinet Member for Major Projects.

Members were advised that the draft Climate Change Strategy should be completed by 30 March 2010 and would be circulated soon after.

The Committee repeated requests for all future reports to either be free of acronyms or have them fully explained.

The Chairman referred to ICT disaster recovery and requested that the Head of ICT be asked to attend the next meeting of the Audit Committee to provide an update on disaster recovery, any other relevant council IT issues as well as provide the Committee with assurances that everything was in place to reduce all risks.

RESOLVED:

THAT the Council's Head of ICT be asked to attend the meeting of the Audit Committee on 18 May 2010 in order to provide an update on ICT Disaster recovery and any other relevant ICT issues.

THAT the Annual Governance Statement and the progress made against the control issues within the 2008/9 Annual Governance Statement be approved.

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