

Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	TUESDAY, 21 FEBRUARY 2012 AT 6.00PM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT
Members Present	Cllrs Julie Jones-Evans (Chair), Ian Stephens, Andy Sutton,
Co Opted Member (non voting)	Garry Smith
Cabinet Members	None
Officers	Jon Baker, Steve Beynon, Dave Burbage, Sue Dasent, Stuart Fraser, Bob Streets, Richard Williams
Price Waterhouse Coopers	Emma Butler, Michelle Hillman, Geraint Newton
Audit Commission	Kate Handy
Apologies	Cllrs Reg Barry, Ian Ward

31. [Minutes](#)

Members reviewed the minutes to the previous meeting held on [22 November 2011](#).

RESOLVED:

THAT the minutes be agreed.

32. [Declarations of Interest](#)

None declared.

33. [Public Question Time](#)

There were no written public questions received

34. [Draft Work Programme](#)

The work programme of future audit committee agenda items and training sessions was reviewed. It was noted that a new programme to take into account the forthcoming 2012 – 2013 financial accounting year would be made available for the next scheduled meeting.

RESOLVED:

THAT the Draft Work Programme be noted.

35. [Audit Commission Reports](#)

The committee received from the external auditor the following four reports:

i. Certification of Claims and Returns Annual Report

The Audit Commission presented to members a report which provided a summary of the outcomes of their certification work on the 2010/11 claims and returns following instructions issued by the Audit Commission to its auditors in accordance with section 28 of the Audit Commission Act 1998.

It was noted that the progress on the previous recommendations had been made and the commission was satisfied that the same issues would not be repeated in 2011/12.

ii. Progress Report

Members were presented with a report from the Audit Commission which provided them with the progress in delivering their responsibilities as the external auditors. It included an update on the externalisation of the Audit Practice as well as asking a number of questions which the committee could consider in order to assess whether it had received sufficient assurance on emerging issues.

The Commission advised the committee that the anticipated objection from a member of the public around the issues of Newport Harbour had been received and that the Commission had worked through the various issues raised by the objector. It was noted that there had been seven grounds to the objection which were different to the previous year and that whilst there was a maximum time period of nine months to deal with the issues; it was expected to be dealt with sooner.

Members were also advised that plans to externalise the Commission's in house practice were well advanced, with the 13 potential providers invited to tender being evaluated. Following this an announcement of the successful applicants would be announced in March 2012. The plans would mean that local authorities would not be given the opportunity to choose their auditors for a further three or possibly five years.

iii. Audit Plan – Isle of Wight Council

The committee received a report from the Audit Commission which set out the planned work for the 2011/12 audit on the activities of the Isle of Wight Council and was based on the Audit Commission's risk-based approach to audit planning.

The report also highlighted the following specific risks for the forthcoming 2012/13 period:

- New information systems (social care billing and treasury management)
- Heritage Assets (council owned museums / theatres etc)
- Valuation of property, plant and equipment
- Newport Harbour

With regard to Heritage Assets, the committee was advised that a management plan was in place.

On the objections raised over Newport Harbour, the Chief Executive of the Isle of Wight Council stated that it was the right of any member of the public to raise objections to any accounting issues and that any delays addressing such concerns were not the fault of the council or that of the Audit Commission.

iv. Audit Plan – Isle of Wight Council Pension Fund

The committee received a report from the Audit Commission which set out the planned work carried out for the 2011/12 audit on the activities of the Isle of Wight Council pension fund.

RESOLVED:

THAT the...

- i. Certification of Claims and Returns Annual Report
- ii. Progress Report
- iii. Audit Plan – Isle of Wight Council
- iv. Audit Plan – Isle of Wight Council Pension Fund

...be noted

36. Internal Audit – Performance Report

The committee was presented with a report from the council's internal audit provider on the progress of the audit plan for 2011-12 including the outcomes of the audits completed since the last meeting of the committee on 22 November 2012.

The council's internal auditors, PricewaterhouseCoopers LLP, advised members that there had been no "High" or "Critical" risk findings and as a consequence there was no need for the committee to see the full version of any of the reports.

Members were advised that the council was still in the process of agreeing to the legal issues in relation to the transfer of council land and property to the newly formed

school academies and foundations. Although there was no set schedule for the complexities to be resolved, there was some expectation that they should be settled by March 2012.

With regard to the functions around procurement, members were advised that the forthcoming PFI and Waste contracts would be dealt with by dedicated teams. The management of the contracts would be picked up by the councils Procurement section at some stage in the future following the contract award.

RESOLVED:

THAT the Internal Audit Quarterly Report be noted

37. **[Procurement Monitoring Report - Waivers 1 April 2010 to 31 March 2011](#)**

The councils Strategic Manager for Procurement and Contract Management presented to the committee a report on the volume of waivers from the contract standing orders granted by the councils Procurement Board during the year 2010/11. The paper was requested as a result of the Procurement Monitoring Report for the period 1 April 2011 through to 30 September 2011 which was presented to the committee at its meeting on 22 November 2011 and it provided the details of the 83 waivers approved.

Members were advised that with regard to the urgent nature of the Broadband Connectivity for Island Schools, this was linked to the disposal and transferring of school sites for the school reorganisation.

With regard to the waiver around the maintenance of lighting and illuminated road signs, the committee was advised that this was connected to the Highways PFI and there was a need to ensure that existing contracts dove-tailed with the start of the PFI contract

Members requested that all future Procurement reports provide more detail and narrative on the exact nature of waiver requests submitted.

RESOLVED:

THAT the Procurement Monitoring Report - Waivers 1 April 2010 to 31 March 2011 be noted.

38. **[Internal Audit Plan 2012/13](#)**

Members were presented with a report from the council's internal audit provider detailing the Internal Audit Plan for the financial year 2012-13. The plans purpose was to give the Audit Committee the opportunity to consider the content and balance of the plan which was used to direct the deployment of audit resource. Members were also advised that as such it was important that the plan addressed the council's key risks and adequately covered its business operations.

The committee requested that the relevant member of the Cabinet be consulted and requested that as such, a specific recommendation be made that all future plans state that the appropriate Cabinet Member be actively involved with the councils Strategic Directors and senior officers in the plans development.

With regard to the auditable unit of “Compliance with Legislation”, there was discussion around the frequency of the audit being at every five years as well as the capacity to manage the risk. Members requested that a further recommendation be made around reviewing the overall arrangements for this.

It was noted that a typographical error had been identified on page F36 of the report. Under “Step 6 – Determine the Audit Plan”, it stated the use of two models for “Intensity” and “Frequency” of Audits. Only the frequency of internal audit work should have been referred to and an updated plan would be issued to members in due course.

RESOLVED:

- i. THAT the committee agreed to recommend that all future Internal Audit Plans make reference that the Cabinet Member has been actively involved with the councils Strategic Directors and senior officers in the development and content of the plan.
- ii. THAT a review of the overall arrangements around risk of Compliance with Legislation be considered
- iii. THAT subject to rectification of the typographical error on page F36, the Internal Audit Plan 2012/13 be noted.

39. **Treasury Management Strategy 2012-13**

The Head of Financial Services presented to members a report which formed part of the council’s annual budget strategy and which was due to be approved by full council on Wednesday, 29 February 2012.

It was noted that the Local Government Act 2003 and subsequent regulations require the Council to set out its annual strategy with regard to both borrowing and the repayment of external debt.

The Act and ensuing regulations required the council to have regard to the Chartered Institute of Public Finance and Accountancy’s (CIPFA’s) revised Code of Practice for Treasury Management, and Treasury Management Practices.

The Committee was mindful of its responsibility in the implementation and regular monitoring of treasury management policies and practices as well as receiving a mid-year review and an annual report after the year end and it was therefore agreed that the strategy should be recommended by the Audit Committee for approval at Full Council on Wednesday, 29 February 2012.

RESOLVED:

- i. THAT the Audit Committee noted its responsibilities in relation to the implementation and regular monitoring of treasury management policies and practices
- ii. THAT the Audit Committee noted the Treasury Management Strategy 2012-13 and recommended it to Full Council at its meeting on 29 February 2012.

40. [Strategic Risk](#)

The Business Effectiveness Manager presented to committee members a report which set out improvements to the way the council managed the areas of strategic risk.

It was noted that the risks scores and the status of measures designed to control the risks had been reassessed following the presentation of the Strategic Risk report in September 2011, when both scores and controls had been deemed out of date because the council risk management system had not been kept up to date.

Members were asked to note that the target date for completion of the strengthening of procurement contract management and quality assurance would be identified as soon as possible and the system updated accordingly.

The committee requested that the relevant Cabinet Member be included in future registers as being consulted on their risk areas and that a summary of the Risk Register be included in each Quarterly Performance Report.

RESOLVED:

- i. THAT the strategic risk register be considered
- ii. THAT the risks identified reflect the committee members own perception of strategic risk
- iii. THAT the committee agreed the controls be considered as adequate, were being implemented in a timely manner and were working effectively to manage risk
- iv. THAT the committee agreed that the risk had been accurately assessed
- v. THAT the relevant Cabinet Member be included in future risk registers as being consulted on their relevant areas of risk
- vi. THAT a summary of the Risk Register be included in each future Quarterly Performance Report.

41. [Progress Update for Issues Identified in the Council's Annual Governance Statement](#)

The Business Effectiveness Manager presented to members a report which updated on progress made against the issues raised in the Annual Governance Statement (AGS) approved by the committee in June 2011.

The committee requested that future reports be presented on a bi-annual basis as opposed to quarterly unless there was a specific need to highlight any urgent issues which the committee needed to address.

With regard to the area of ICT and the estimated 1300 new telephones to be installed, members were advised that this was in line with the projected Transformation figures. However the Strategic Director of Resources advised members that no items of work

equipment such as telephones would be authorised for use unless it had been fully justified.

RESOLVED:

- i. THAT all future Progress Updates for Issues Identified in the Council's Annual Governance Statement be presented on bi-annual basis unless urgent business dictated otherwise.
- ii. THAT the Progress Update for Issues Identified in the Council's Annual Governance Statement be noted.

42. Member Question Time

There were no written questions received

CHAIRMAN.....