

Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	MONDAY, 24 SEPTEMBER 2012 AT 6.00PM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT
Members Present	Cllrs Stuart Hutchinson (Chair), Ian Ward, Ian Stephens, Andy Sutton,
Other Members (non-voting)	Cllr David Pugh
Officers	Jon Baker, Dave Burbage, Andrew Carpenter, Stuart Fraser, Bob Streets, Jo Thistlewood, Richard Williams
Internal Auditor	Geraint Newton (Price Waterhouse Cooper)
External Auditor	Kate Handy (Audit Commission), Pam Smith (Audit Commission),
Apologies	Cllr Reg Barry, Mr Garry Smith (co-opted non-voting)

12. [Minutes](#)

Members reviewed the minutes to the previous meeting held on [28 June 2012](#).

RESOLVED:

THAT the minutes be agreed.

13. [Declarations of Interest](#)

None declared.

14. [Public Question Time](#)

There were no written public questions received

15. **Draft Work Programme** ([Recording 1](#) and [2](#))

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

- Following a review, revised draft Financial Regulations would be presented to the committee in December 2012

- Various Training would be added as and when required.
- Following recommendations by the internal auditors, members would be invited to be involved in developing the next Internal Audit Plan.
- A paper on the review of the Internal Audit Contract would also be presented at the December 2012 meeting.

RESOLVED:

THAT the Draft Work Programme be noted.

16. Reports of the Audit Commission

The Audit Commission presented to members the following four reports:

i. Progress Report

The committee received an update on the progress being made by the external audit team with the appraisal of the 2011-12 accounts. The report proved assurance to the committee that the external audit plan was progressing well and to schedule.

On the progress being made on the key considerations, the auditor reported that most issues had been resolved but that work was continuing on the Whole of Government Accounts return and was expected to be complete by 30 September.

ii. Annual Governance Report – Isle of Wight Council

Members were presented with a report which summarised the key findings to date of the 2011/12 audit for the Isle of Wight Council accounts including any key issues which need to be considered in advance of the Audit Commission finalising and issuing its audit opinion, value for money conclusion and audit certificate.

Members were encouraged to learn that the Commission provided an unqualified opinion for both the councils Financial Statements and Value for Money conclusion.

It was noted that the commission had also complimented finance staff and their management of the closedown process and supporting records and working papers.

The committee was also advised that an objection had been received from a member of the public around the Newport Harbour finances for 2010/11. Certain aspects of the complaint were the same as had been received and addressed in previous years. However there were a number of new issues identified for which responses had been provided by the council. The commission therefore concluded that there had been no unlawful expenditure carried out and that the accounts for 2010/11 could formally certified by them.

It was further noted that Council's progress in implementing the recommendations from the 2009/10 and 2010/11 objections had been fully applied by council staff.

iii. Annual Governance Report – Isle of Wight Pension Fund

Members were presented with a report which summarised the key findings to date of the 2011/12 audit for the Isle of Council pension fund including any key issues which need to be considered in advance of the Audit Commission finalising and issuing its audit opinion, value for money conclusion and audit certificate.

The Commission advised that there had been no findings of any concern and that the position was vastly improved, compared to 2 years ago.

iv. Draft Annual Audit Letter

The Committee were presented with a copy of the letter which would be sent to all members and sets out the draft conclusions from the audit of the council's accounts for 2011-12. No major discrepancies had been identified.

Staff had been praised for their cooperation with the Commission in what had been another challenging year.

RESOLVED:

- i. THAT the Annual Governance reports 2011/12 and the draft Annual Audit Letter be considered and approved
- ii. THAT the committee agreed not to amend the Pension Fund accounts for those issues where the Audit Commission thought it unnecessary

17. Statement of Accounts

The Head of Financial Management presented to the committee a report which sought approval of the council's Statement of Accounts for 2011/12 following completion of the external audit process, and having given due consideration to the content of the auditor's annual governance report.

The draft accounts were seen by members at the Audit Committee in June 2012 and final approval would need to be gained no later than the end of September 2012 by members of the committee as required by the Accounts and Audit (England) Regulations 2011.

The most significant change between the draft accounts and final accounts related to the value of harbour assets. It was noted that as a result of the commercial style accounts compiled for the council's harbour activities, the value of Ventnor Haven was seen to be understated on the basis that the most significant part of the cost of the asset had been funded by grant. This therefore meant that only the net cost had been included in previous years accounts rather than gross cost.

A report on the Islands Harbour accounts would be presented to the councils Cabinet at a meeting later in the year.

RESOLVED:

- i. THAT the contents of the report and the council's Statement of Accounts for 2011/12 following consideration of the Audit Commission's annual governance report to members be approved.
- ii. THAT the accounts be approved and published no later than 30 September 2012

18. Progress of Annual Governance Statement

The Business Effectiveness Manager presented to members of the committee a paper which reported on the issues which arose from the Annual Governance statement approved at the committee meeting on 28 June 2012.

It was noted that there were no major issues to report back on.

RESOLVED:

THAT the progress being made to address issues arising from the Annual Governance Statement be noted.

19. Internal Audit Performance Report

The Business Effectiveness Manager presented to the committee a report which provided summaries of the findings of the work of the council's internal Auditor, PricewaterhouseCoopers (PWC).

It was noted that the position regarding the 109 recommendations set by PWC resulted in satisfactory progress with 54% implemented and 44% in progress (or partially implemented). One action which had not been implemented was not seen as a cause for concern as it was deemed no longer necessary.

Members were pleased to learn that there had been no "Critical" or 'High risk' findings, which negated the need for to see any reports in their entirety

RESOLVED:

- i. THAT the Internal Audit Performance report be noted and received.
- ii. THAT no further action be considered necessary.

20. Review of Audit Committee Effectiveness

The Business Effectiveness Manager and the auditor from PWC presented to members a paper which reported on the annual review of the committee's effectiveness. The review took into account interviews with committee members and various council officers involved in the running of the function as well as a review of its terms of reference, a training needs assessment and a review of the checklist

included in the Chartered Institute of Public Finance & Accountancy (CIPFA) guidance

It was noted that there had been a minor issue raised with the terms of reference which would need addressing after the meeting with Democratic Services.

Members were of the opinion that the consultation with PWC was a worthwhile exercise and that the committee would move forward in a positive way enabling the function to become stronger.

It was also noted that members were of the opinion that the main driver for the committees function should always be the Strategic Risk Register, enabling any shortcomings to be identified as quickly and effectively as possible with more emphasis on less paperwork and more tangible easier to understand recommendations.

RESOLVED:

- i. THAT the results of the Internal Audit review on its role and effectiveness be considered.
- ii. THAT the changes highlighted at Appendix B arising from the CIPFA checklist be considered
- iii. THAT minor changes to the committee's terms of reference to ensure that they cover the core functions of an audit committee as set out in CIPFA guidance be agreed
- iv. THAT that a programme of further training developed for members be agreed.

21. Strategic Risk Report

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

The committee was advised that there were six areas of risk which were being managed by directors. Two of the six were being managed at their 'controlled' level. One risk around the commissioning of services had its target score of five revised to that of two, thus making it more challenging.

Members were of the opinion that the report by and large presented an improving scenario for the council, although it was mindful of the challenges that lay ahead for the authority in the coming months and years.

RESOLVED:

THAT the strategic risks of the council as set out at Appendix 1 of the report, be reviewed and noted

11. **Member Question Time**

There were no written questions received within the deadline,

CHAIRMAN.....