



Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	TUESDAY, 29 JUNE 2010 AT 6.00PM
Venue	COMMITTEE ROOM ONE, COUNTY HALL, NEWPORT
Present	Cllrs Wayne Whittle (Chairman), Reg Barry, Susan Scoccia, Ian Ward
Co-opted Members (voting)	Mr Garry Smith
Audit Commission	Kevin Suter
Officers Present	Jonathan Baker, Sharon Betts, Dave Burbage, Andrew Carpenter, Stuart Fraser, George Hook, Ged Richardson, April Ross
Apologies	None

1. **Minutes**

It was noted that the minutes to the previous meeting should have stated that the co opted member of the Committee, Mr Garry Smith as being present.

It was further noted that Mr Smith declared a personal interest with regard to his sister working in the teaching profession.

RESOLVED:

THAT, subject to the above, the Minutes of the meeting held on Tuesday, [18 May 2010](#) be confirmed.

2. **Declarations of Interest**

There were no declarations received at this stage.

3. **Public Questions Time**

There were no written questions received.

4. **Draft Work Programme**

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

RESOLVED:

THAT Draft Work Programme be noted.

5. **Audit Commission Reports**

The Audit Commission presented to members two reports which took into account the following areas of audit activity:

5.1 Pension Fund Annual Audit Fee Letter – 2010/11

The Committee was advised that the Pension Fund Annual Audit fee letter confirmed the indicative cost to the council of the planned audit work which the Audit Commission propose to undertake for the 2010/11 audit of the Isle of Wight Council's pension fund.

The planned reduced fee of £37,000 for the 2010/2011, compared to £38,500 to the previous year, was largely due to the anticipation of no new financial systems being implemented in the coming year. However, the charge was still 5.7% above the scale fee of £35,000, and this took into account the high level risk of introducing the International Financial Reporting Standards (IFRS) from 1 April 2010. This was a factor that was being taken into account for all Local Authorities with regard to Audit Commission fees.

The Audit Commission agreed to confirm to the Committee the comparative costs to other local authorities with regard to the percentage costs over the scale fee in due course.

RESOLVED:

THAT the Pension Fund and Annual Audit Fee Letter – 2010/11 be noted.

5.2 Audit Commission Progress Report – June 2010

Members were advised that the Audit Commission's Progress Report for the Isle of Wight Council provided an overview of the Audit Commission's development to date in the completion of their 2009/2010 audits as well as the conduct and reporting of the Audit Commission's programme of reviews.

The Audit Commission explained to the Committee that due to the Use of Resources (UoR) no longer being scored in Local Government and the abolition of the Comprehensive Area Assessment (CAA) by the recently elected coalition government in May 2010, work undertaken by the Commission solely informed on the Value for Money Conclusion.

With regard to the error identified by the Committee at its previous meeting on 18 May 2010 in relation to the summary in Table 1 and the detailed text for Standard 7 within the Review of Internal Audit report, members were advised that Full assurance was given and that a revised report correcting the error had been provided to the Chief Internal Auditor and the Head of Compliance and Procurement.

RESOLVED:

THAT the Audit Commission Progress Report – June 2010 be noted

6. **Draft Annual Governance Statement 2009/10**

The Head of Compliance and Procurement reported that the council had a statutory duty under the Accounts & Audit Regulations (2006) to provide an Annual Governance Statement in conjunction with its published annual accounts.

The Statement provided an overview of the council's governance arrangements and identified any particular important issues which would have impacted that governance framework.

For each issue identified, the statement would detail the actions needed to be undertaken in order to resolve the matter as well as identify the responsible Strategic Director. In addition, the Statement would also need to be approved by the Committee at the same time as the council's Statement of Accounts.

The Head of Compliance and Procurement advised that with regard to the Intelligent Procurement initiative, the aim was to achieve savings not only on what the council bought, but also on the process of procurement. The procurement process for the Highways Private Finance Initiative (PFI) was a more protracted and robust procedure owing to its longer lead times and was headed separately within the council's PFI team.

With regard to the council's new SAP Financial system being successfully implemented on 1 April 2009, the Head of Financial Management was confident that issues identified around ordering, bank reconciliation and procurement code processes which could have had an adverse impact on the council's accounts were being successfully addressed.

The Strategic Director of Resources advised members that the cost of replacing the council's telephone system had been identified within the Transformation budget.

The Head of Compliance and Procurement agreed to provide action dates with regard to the quarterly updates on the progress of the Annual Governance Statement and it was further agreed that clarity would be provided to members on the issue regarding the suggestion from Price Waterhouse Coopers of a level 4 risk assessment for the ISP.

RESOLVED:

THAT the Committee considered the draft Annual Governance Statement

THAT the Committee approved the Statement and recommended it to the Chief Executive and Leader of the Isle of Wight Council

7. **Statement of Accounts – Draft Final Accounts – 2009-10**

The Head of Financial Management presented the council's draft accounts for 2009 - 2010 which would require the approval by members of the Audit Committee on or before Wednesday, 30 June 2010.

Following approval and sign off from the Chairman of the Audit Committee as well as the council's Strategic Director of Resources they would then be subjected to the annual audit process by the Audit Commission, with the audited final accounts due to be published on or before Thursday, 30 September 2010.

Members were advised that the Strategic Director of Resources had an overall responsibility for preparation of the Statement of Accounts, and was required to certify that the Statement presented a true and fair view of the financial position of the Council. The Strategic Director was also fully involved in the whole council's budget setting process.

The Head of Financial Management clarified to members that the final accounts were produced in the format stipulated by the Statement of Recommended Practice (SORP) which was published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and set out the proper accounting practices in accordance with the statutory framework. Members were also asked to note that as of 2009/10 the accounting requirements for the Waste Management PFI and similar contracts for all Local Authorities were no longer based on the UK accounting standard FRS5 but on International Financial Reporting Standards (IFRS).

The Committee was advised that with regard to the outturn position in terms of capital expenditure for 2009/2010, 83% of the revised budget was achieved; this was the best performance in over 5 years.

With regard to the loss of the appeal with Southern Vectis over the Concessionary Fares Scheme, the Committee was advised that the cost had fallen within budgetary targets and were part of the Highways and Transport Expenditure of Service as detailed within the Statement of Accounts.

Members were also advised grant money of £0.61million would be paid back in full to the Department of Transport over a three year period as a result of aborting the Ryde Gateway project. The Strategic Director for Resources stated that the cost of aborting the scheme was more economically viable to the council than if the project was to proceed due to additional costs which would fall to be met by local taxpayers. The capital expenditure associated with Ryde Gateway amounted to £1.24 million which did not result in completed fixed assets and had been classed as abortive capital expenditure.

The councils Principal Accountant stated that whilst discretionary benefits on early retirement had now ceased, the authority still had a duty to honour previous agreements and therefore a reference continues to be included in the accounts.

On the losses within the Harbours and Coastal Trading Operations, the Committee was advised that a review of this area would take place during 2010.

Members were concerned that the level of contributions received from the PCT with regard to Free Registered Nursing Care was nearly 40% less than that of the council's input. The Head of Financial Management agreed to re-check the published figure but was confident they were correct.

With regard to council employees earning in excess of £50,000 per year, it was noted that approximately 20% of these were from the teaching profession

RESOLVED:

THAT the draft Statement of Accounts, as signed by the Strategic Director of Resources, on behalf of the Council be approved.

8. Internal Audit Outcomes and Opinion Report – 2009/10

The Chief Internal Auditor presented to the Committee a report which provided a summary of Internal Audit performance for the financial year 2009/10.

The Proportion of the Audit Plan completed was 92% which was 3% below the target set. It was also noted that 77% of recommendations had been implemented against a target of 80%.

Whilst there were two audits that had achieved a Full Assurance level and 11 which had been classed as substantial, there were 4 audits that had been given Limited Assurance and one that was categorised as Nil Assurance. The audit which was given a Nil rating was being suitably addressed and was the subject of a confidential report which was being discussed at the meeting.

The Chief Internal Auditor informed Members that, subject to the foregoing and the disclosures in the Annual Governance Statement, reasonable assurance could be given that the internal control environment operating in financial year 2009/10 met the council's requirements.

Members were informed that the six Priority One recommendations that had not been implemented by the due date would be treated as an area of priority and the Committee would be advised on progress as soon as possible.

With regard to why the Proportion of the Audit Plan completed was three percent below the set target of 95%, the Chief Internal Auditor suggested that it may be due in part to uncertainty amongst staff over employment status as a result of the Market testing exercise.

Members requested that all future reports should include within the Planned Coverage table next to the proportion of Audit Plan Completed column, the corresponding results from the previous year in order to make comparisons easier.

RESOLVED:

THAT the Internal Audit Outcomes and Opinion Report – 2009/10 be noted.

9. Exclusion of Public and Press

RESOLVED:

THAT under Section 100(A) (4) of the Local Government Act 1972, the public and press be excluded from the meeting for the tem of business, namely minute number 10, on the grounds that there is likely to be disclosure of exempt information as defined in paragraphs 3 and 7 of Part 1 of Schedule 12A of the Act and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information..

10. **Confidential Report of the Chief Internal Auditor**

Following the exclusion of the public and press as agreed unanimously by the Committee, the following item was addressed:

Internal Audit Outcomes Report – Quarter 4 2009/10 – Audit Report on Payment Card Industry Data Security Standard Audit

Members discussed a report from the Chief Internal Auditor which provided a synopsis of the internal audit report on the council's compliance with The Payment Card Industry Data Security Standard (PCI DSS).

RESOLVED:

THAT the Internal Audit Outcomes Report – Quarter 4 2009/10 – Audit Report on Payment Card Industry Data Security Standard be noted.

11. **Members Question Time**

No written questions from elected members had been received

CHAIRMAN