



Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	TUESDAY, 29 JUNE 2011 AT 6.00PM
Venue	COMMITTEE ROOM ONE, COUNTY HALL, NEWPORT
Present	Cllrs Julie Jones-Evans (Chair), Reg Barry, Ian Ward, Wayne Whittle
Cabinet Members	None
Officers	Jonathan Baker, Dave Burbage, Andrew Carpenter, Davina Fiore, Bob Streets, Richard Williams
Price Waterhouse Coopers	Greg Rubins
Audit Commission	Kate Handy, Kevin Suter
Apologies	Mr Garry Smith (Co Opted Member – Non Voting)

1. **Minutes**

Members reviewed the minutes to the previous meeting of [3 May 2011](#).

RESOLVED:

THAT the minutes to the previous meeting be agreed.

2. **Declarations of Interest**

Cllr Wayne Whittle declared a personal interest in item 41.2, Annual Audit fee 2011/12 - Pension fund as he was a Member of the Isle of Wight Pension Fund Committee.

Cllr Reg Barry declared a personal interest in item 41.2, Annual Audit fee 2011/12 - Pension fund as he was a Member of the Isle of Wight Pension Fund Committee.

3. **Draft Work Programme**

It was noted that Cllrs Jones-Evans and Barry, along with the Business Effectiveness Manager attended a training course on the Chartered Institute of Public Finance and Accountancy (CIPFA).

As a result of the training, Members were informed that the Isle of Wight Council was in general operating good practice although there were areas of need of improvement which included the format of reports. It was noted that future reports could see just the negative areas that needed addressing highlighted. Future training would be provided to members as and when required.

RESOLVED:

THAT the Draft Work Programme be noted.

4. [Audit Commission Reports](#)

Owing to the traditionally quiet period of audit activity the Audit Commission advised that there was no progress report to be presented. The next report would be in September's reports.

The following reports were received by the committee:

4.1 Annual audit fee 2011/12 - Isle of Wight Council Audit

The Audit Commission presented to members a report which advised on the letter dated 19 April 2011 that confirmed the audit work which the commission proposed to undertake and the indicative fees for carrying out the work within the Isle of Wight Council.

4.2 Annual Audit fee 2011/12 - Pension fund

The Audit Commission presented to members a report which advised on the letter dated 19 April 2011 that confirmed the audit work which the commission proposed to undertake and the indicative fees for carrying out the work within the Isle of Wight Council Pension Fund.

Both papers were discussed and the commission advised that the fees would be on a set scale basis for each audited body for 2011/12, rather than providing a scale fee with fixed and variable elements. The fees for 2011/12 were anticipated at being some £38,000 less than the previous year.

The implementation of the new social care billing system as well as the significant level of budget savings needed to be made during 2011/12 and 2012/13 were highlighted as two areas of potential risks.

With regard to the previous years accounts the Audit Commission advised that legal advice had been obtained on the circumstances around the complaints from two electors on Newport Harbour. The Commission had written to both parties and was awaiting a response from them by no later than 18 July 2011. Completion was anticipated by the end of August 2011.

RESOLVED:

THAT the Audit Commission reports on Annual audit fee 2011/12 - Isle of Wight Council and Pension Fund be noted.

5. [Annual Report](#)

The Business Effectiveness Manager presented a report to the committee which provided a summary of Internal Audit performance for the financial year 2010/11. An overall opinion on the adequacy and effectiveness of the control environment operating within the Council was also provided which informed the Committee prior to its consideration of the Annual Governance Statement.

Of the areas reviewed, three gained Full Assurance, 39 obtained a Substantial Assurance and seven a limited assurance (five of these were School Audits). The two remaining council audits that returned a Limited Assurance were around Information Management and Programme Management and was the subject of the Internal Audit Reports which would be considered by the committee later in the meeting.

It was agreed that a copy of internal audit report on Housing benefit be supplied to the committee.

RESOLVED:

THAT the Annual Report be endorsed.

6. **Annual Governance Statement 2010/11**

Members were presented with a report from the Business Effectiveness Manager which advised on the annual review of its governance arrangements, reflecting the findings of the review and highlighting any significant control issues.

With regard to the area of Procurement, it was noted that a number of measures had been implemented which included the establishment of an internal Procurement Board, which met on a weekly basis. The area of Procurement would be centralised under one directorate with the exception of the Schools Reorganisation and the Highways PFI. The centralisation of Procurement would help release savings by implementing a cost effective staff restructure. The Strategic Director of Resources stated that whilst the area of Procurement had improved, there would always be room for continuous improvement.

On the area of ICT and the encryption solution which provided protection from unauthorised access to the council's systems and data, the councils Head of ICT advised that the remaining 10% of the work should be completed within two months and members would be provided with a further update before the next Audit Committee meeting.

Members were also advised that a full update on the Solent Local Enterprise Partnership (LEP) would be provided at the meeting of the Economy and Environment Scrutiny Panel in September 2011.

RESOLVED:

THAT the Annual Governance Statement 2011/11 be approved.

7. **Statement of Accounts Draft Final Accounts 2010/11**

The Strategic Director of Resources and the Head of Financial Management presented to the committee a paper which reported on the council's financial position and revenue budget and capital programme performance during the 2010/11 financial year. Members were advised that the accounts provided were an abridged version and that the full edition would be sent prior to the next meeting in September 2011.

Members were reminded that following the Accounts and Audit (England) Regulations 2011, there was no longer a mandatory need to approve the draft accounts on or before 30 June each year. Approval of the final statement of accounts would now be sought by Full Council, or by a committee with delegated authority, such as the Audit Committee, on or before 30 September each year.

It was noted that an underspend of £787,000 was recorded in the 2010/11 Budget:-
Outturn as at 8 June 2011.

The Strategic Director of Resources advised members that the provision for doubtful debts was an estimate for expenses where an invoice had not been received and therefore the amount owed was not fully known. Members would be provided with further information on this following the meeting.

It was noted that a request was made on the re-evaluation reserves figure and were advised that a written response on this would be provided following the meeting.

With regard to the notes to the collection fund, the committee was advised that the £42,000 Interest on refunds was a rate which had been set by legislation via an independent source.

Whilst the committee noted the budget underspend achieved, members were advised that the £50,000 overspend on Human Resources was in relation to assistance provided to staff with regard to dealing with employment issues around proposed redundancy, early retirement etc. It was therefore decided that the timing was not right to try and achieve such a budgeted saving in the area and subsequently agreed to revise the figure at a later time. Feedback on the other areas of budget overspend as well as those where a zero figure had been recorded would be provided to the committee following the meeting.

RESOLVED:

THAT the contents of the report and the draft Statement of Accounts, as signed by the Strategic Director of Resources on behalf of the Council, prior to approving the accounts in September 2011 following the annual audit process, be considered.

8. **Risk Management Report**

The Business Effectiveness Manager presented to members a report which provided an update on the council's risk management arrangements and its strategic risk profile.

Members were advised that changes had been made to the risk register format and a planned action target date had been added. This would assist in the delivery of the actions as well as that of scrutiny.

It was noted that all future reports on Risk Management would focus more on managing risks as opposed to monitoring them.

With regard to the risks around non compliance on Carbon Reduction, Members requested that an update on Carbon Emissions Management and the proposed range of energy saving methods be supplied to them after the meeting.

The current medium rated risk of widespread disruption to Island life, injury/deaths and serious disruption to council services as a result of major civil emergencies or other major incidents and the subsequent planned action of a Disaster Recovery Test planned for 30 June was discussed. Members were advised that the date for the test was not confirmed and that an update on the situation would be provided to members as soon after the meeting as possible.

RESOLVED:

THAT the Audit Committee considers the Risk Management Report and its appendix and to confirm that the risks identified are consistent with its view of the risk within the council, and that risks are being accurately assessed and managed

9. **Consultation by Department of Communities and Local Government - the Future of Local Public Audit**

The Business Effectiveness Manager presented to members a report which, following the 2010 announcement of the intention to abolish the Audit Commission, advised on the Government's proposal to consult on the future of local public audit. This process would include proposals around the arrangements which would be needed to be put in place and included the way in which the future of external audit would function.

Members were advised that the proposed implications to the Audit Committee would include a chair and vice-chair to be independent of the council (i.e. not elected members). The majority of the committee members would also be independent of the council. The committee would continue to operate with no Cabinet members.

On the suggestion from the specific consultation that any appointed auditor to the council should not also be able to provide additional audit-related or other services, members were advised that it would depend on whether there may be a conflict of interest with the particular appointed auditor. The auditor should be appointed with a specific remit and if any other duties were required by that person then they could be appointed to carry these out providing they were related to the external audit function.

It was noted that members suggested that one proposal may be that the Isle of Wight Council Audit Committee could liaise with a council on the mainland and explore the possibility of each committee discussing the other councils audited activities.

Whilst members agreed that changes were inevitable, the committee was reminded that the process was still in the consultation phase and proposals could change further.

It was further noted that the paragraph "The proposal to allow audit firms to carry out further work is considered appropriate, provided that the safeguards outlined in the consultation are maintained" would be removed from the Draft Response to the DCLG consultation: The Future of Local Public Audit.

RESOLVED:

THAT, subject to the removal of the paragraph as outlined above, the response to the consultation be agreed.

10. **Internal Audit Reports**

The committee was presented with a report by the Business Effectiveness Manager which expanded on the two audited areas that received a Limited Assurance rating (as outlined in the Annual Report discussed earlier). Members were advised that any rating below "Substantial" was considered to be a rare occurrence and therefore

required a separate agenda item to highlight the issues. Both areas formed the two appendices to the report.

10.1 Programme Management - (Appendix One)

Members of the committee were advised that the Programme Management Audit focussed on the areas of Transformation within Programme Management, but it was emphasised that the Limited Assurance was not for Transformation alone as certain areas had received a Substantial Assurance rating. The Audit was looking at the overall Framework of Programme Management and it was within the framework were some weaknesses were found.

Such weaknesses included no overall agreement within the authority about the role of certain members of the Programme Management Team as well as there being no clarity of their role within the group.

It was noted that whilst savings had been achieved and on target, there were some concerns as to whether all areas of the council realised the full benefit that could be achieved.

With regard to the planned actions as outlined in the findings and recommendations, members were advised that responses had been received and actions had been put in place.

The Strategic Director of Resources responded by stating that the initial driving force for the Transformation Programme had been to deliver savings within the organisation which included the replacement of the Financial Systems and developing the shared support service as well developing more robust IT Systems and rationalising the property portfolio. A good quality network of staff to drive the projects through was in place, however following the governments comprehensive spending review in October 2010, significant reductions in resources meant that the authority had to react accordingly.

On the area of expectations, members were advised that these needed to be realistic and therefore not set too high in order to avoid falling short.

Members were also advised that there had been some changes in Programme Management personnel leading to the programme being reviewed. It was however stressed that the re-shaping of County Hall would still be carried out and many staff would need to work in a different way becoming more mobile and flexible.

The Director of Corporate Governance advised the committee that there had been a slight increase in stress related illnesses. It was noted the council took the issue very seriously and that a website was available for those wishing to access details of those who can offer help and counselling.

Members questioned whether or not there was a facility for those coming to work in County Hall to be able to express their views anonymously. The committee was advised that there was an annual staff survey where all views are considered in such a way. Members were also informed that there was some initial reluctance of staff to work at the shared services site at Westridge, however most staff had now settled in to the location well.

10.2 Information Management - (Appendix Two)

Members were advised that the key finding arising from the audit was that there was not a complete record available for all the information that was held. The committee was told that this was an area which most authorities in the country had a problem with due to the growing range and complexity of the data that needed to be dealt with.

Risks that had been identified included a failure to comply with legislative and central government requirements and missed opportunities to inform business decisions as well as a failure to make best use of technology and poor records management as a result of the current Records Management policy.

The councils Director of Corporate Governance who was also the Data Protection Officer advised that the council was going through a change process and a revised Records Management policy was in place. A new electronic Enterprise management system for IT would also be in place in the summer of 2011 which would help to address the risks identified from the audit. Whilst human error could never be discounted, the implementation of the new system along with the encryption of council laptops would significantly reduce the risks.

Members were assured that with regard to the back up of the IT systems, sufficient resilience was in place. There were also effective antivirus solutions established which was in accordance with the Government Code of Connection.

It agreed that the Business Effective Manager would provide an update on both the audit's findings and the subsequent measures to address the actions set, by the next meeting in September 2011.

RESOLVED:

THAT the Committee considered both the reports and the responses be endorsed

CHAIRMAN.....