

Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	THURSDAY, 29 SEPTEMBER 2011 AT 6.00PM
Venue	COMMITTEE ROOM ONE, COUNTY HALL, NEWPORT
Present	Cllrs Julie Jones-Evans (Chair), Reg Barry, Susan Scoccia, Mr Garry Smith (Co Opted Member – Non Voting), Ian Ward, Wayne Whittle,
Cabinet Members	None
Officers	Jon Baker, Steve Beynon, Dave Burbage, Andrew Carpenter, Stuart Fraser, Bob Streets, Jo Thistlewood, Richard Williams
Price Waterhouse Coopers	Stephanie Edenburgh, Michelle Hillman
Audit Commission	Kevin Suter
Apologies	None

11. [Minutes](#)

Members reviewed the minutes to the previous meeting of [29 June 2011](#) and it was noted that Cllr Scoccia should have been listed under apologies for absence

RESOLVED:

THAT, subject to the above being noted, the minutes to the previous meeting be agreed.

12. [Declarations of Interest](#)

None declared.

13. [Public Question Time](#)

Whilst no written questions had been received, Mr Christopher Dodd, Secretary of Newport Harbour Action Group put an oral question to the Committee asking why the council had not submitted annual harbour accounts, associated auditors reports and statements of affairs disclosed by the accounts to the relevant Secretary of State.

Whilst the issue had been addressed in the Statement of Accounts the previous year and the council had advised that the appropriate accounts would be sent to the

appropriate body, a full written answer would be provided to Mr Dodd following the meeting

A supplemental question was also put to the Committee asking why the authority had never prepared annual harbour accounts specific to the harbour as if it were a company in conformance of relevant legislation.

Mr Dodd was advised that the issue had been dealt with and raised a number of times with a response given. It was agreed that the question should be supplied in written form to the appropriate officer and a full written response could then be provided.

Mr Robert Turner of Newport put an oral question to the Committee enquiring over the income generated from the Harbour Car Park and whether they had been credited to the harbour accounts as previously advised by the council.

Mr Turner was advised that a full written response would be provided following the meeting.

14. **Draft Work Programme**

The programme of work which provided an overview of forthcoming items was reviewed

RESOLVED:

THAT the Draft Work Programme be noted.

15. **Final Statement of Accounts**

15.1 **[Audit Commission Annual Governance Reports - Annual Governance 2010/11 Pension Fund & Annual Governance Report 2010/11](#)**

The Audit Commission presented a report on the Pension Fund audit which identified key messages before issuing the Fund's financial statements opinion, and which would form part of the Commission's report on the Council's financial statements.

It was noted that an unqualified opinion was given, and that there were fewer errors and issues to address than in previous years, which was a significant improvement.

Three unadjusted errors in the financial accounts had been identified which were accounting for non-UK recoverable tax, returned Bankers Automated Clearing Service (BACS) payments and valuation of investment assets. None of these errors was deemed material. The committee was asked to note the recommendations to address these issues.

Members were advised that the main control risk identified was that the SAP payroll not properly integrating with the AXIS pension's database. The resulting necessary manual intervention had not caused any errors in the payment of benefits to pensioners.

The Audit Commission also presented the findings of the Commissions audit of the council's accounts.

The Committee was advised that an unqualified opinion was given of these accounts and that the reporting was considered to be of a good quality.

It was noted that the only area which needed attention was within IT processes around password controls within the SAP computer database. Members were advised that this area was being addressed accordingly and all SAP users would be able to adopt the same password system as with other IT areas.

With regard to certifying the accounts, the Commission advised that following an objection received around Newport Harbour, certification of the 2010/11 accounts could not be achieved until the matter had been resolved. The opinion of the accounts could however still be signed off.

Members were also advised that unqualified "Value for Money" arrangements had been given by the Commission.

It was agreed that a report would be brought back to the Audit Committee in April 2012 providing an update on the potential area of further improvement identified around the reports to the Budget Review Board

RESOLVED:

THAT the recommendations of the Audit Committee with regard to the Pension Fund Governance Report 2010/11 and the Isle of Wight Council Governance Report 2010/11 be considered and approved.

15.2 [Statement of Accounts 2010/11 – To approve the report of the Head of Financial Management](#)

The councils Head of Financial Management presented to members of the committee a report which sought approval of the council's Statement of Accounts for 2010/11 following completion of the external audit process, and having given due consideration to the auditor's annual governance report.

Approval would need to be gained no later than 30 September 2011 by members of the committee as outlined in the Accounts and Audit (England) Regulations 2011.

It was noted that after applying year end carryovers to allow maximum flexibility in 2011/12 for delivery of the council's strategic priorities and budget savings strategy, the general fund balance had improved by £787,000 at the year end.

The committee was advised that delays identified around the implementation of the Transformation projects had not led to any significant additional costs and that rushing the programme could have resulted in unnecessary expense. Savings had been higher than anticipated and the authority was in a better position than originally planned.

With regard to the outstanding legal dispute concerning the VAT treatment of off-street car parking, members would be provided with an update at the Committee meeting on 21 February 2012.

Following discussions, the Chairman of the Audit Committee signed off the accounts in the presence of the Audit Commission.

RESOLVED:

- i. THAT the contents of the report and the council's Statement of Accounts for 2010/11 following consideration of the Audit Commission's annual governance report be considered.
- ii. THAT the 2010/11 accounts be published and approved.

16. [Audit Commission – Progress Report](#)

The Audit Commission presented to members a report on progress in delivering their responsibilities as the Council's external auditor.

The committee was advised that the final cost of the objections to the accounts would be £40,000. This was due to the objections taking up more time of the auditor as anticipated as well as being more legally complex

The Committee was advised that whilst it was disappointing to receive an objection, it was the legal right of anybody to lodge a complaint and each objection had to be treated on a case by case basis. As a consequence, costs could be high.

It was agreed that an update on the objections around Newport Harbour would be provided to members as soon as possible

It was noted that whilst there was no specific action plan, all relevant officers were aware what was needed to be done and discussions with the Audit Commission would be ongoing if necessary.

RESOLVED:

THAT the Audit Commission Progress Report be noted.

17. [Treasury Management Annual Report 2010/11](#)

The councils Technical Finance Officer presented to members a report on treasury management policies, practices and activities for the financial year 2010 -11 which was in line with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management 2009, and the council's approved Treasury Management Strategy 2010 -11.

Members noted that the council was not earning as good a rate of interest as before and any capital loans would only be made to reputable authorities and not to foreign banks.

Performance had improved relative to previous years in that capital spending had reached £31.2 million (although against a lower target which had already been reduced in year from £63.8 million to £43.3 million). There was also a significant reduction in planned capital expenditure after 2011-12 owing to the school reorganisation programme being re-profiled.

Members were pleased to note external debt was a lot less than the operational boundary.

RESOLVED:

THAT the Treasury Management Annual Report 2010/11 be received and noted.

18. **Internal Audit Performance Report**

A report was presented to members from the internal auditors, PriceWaterhouse Coopers (PwC) providing a summary of the activities of Internal Audit for the period of April to August 2011 as well as providing executive summaries from the issued internal audit reports detailing internal control findings and highlighting progress to date on the internal audit plan.

2011/12 would be the first full year where PwC would be delivering the audit and subsequent reports.

It was noted that 41% of the plan had been completed which was in line with the target set.

The committee was provided with summaries of eight internal audit reports, six had been awarded a "Medium Risk" classification and two audits had been awarded as 'Low Risk'. There were no "High" or "Critical Risk" reports to consider.

It was noted that with regard to the audit on Scrutiny Review, the amount of Call Ins registered was slightly lower than the national average. Members were also advised that copies of all the full audits can be made available on request

With regard to Highways Maintenance, members asked that it was their opinion that no payment for work should be made until officers were satisfied that the work was of an acceptable standard. Officers were requested that the system of control over the checking of completed works be reviewed to ensure that there was adequate control over such payments.

The committee also discussed the audit on the Fraud and Corruption Strategy and was advised that the council needed to gather as much evidence as possible in order to be able to maximise the rate of prosecutions. The Committee was advised that all relevant staff based at Sandown were well trained in dealing with this issue.

RESOLVED:

- i. THAT the progress of the Internal Audit Plan be noted.
- ii. THAT the outcomes of audits completed so far be noted.

19. **Risk Management Arrangements & Strategic Risks**

The Business Effectiveness Manager presented to members a report which updated the committee on the current risk register and provided information about such risks considered to be a threat to the council's strategic priorities.

Members were advised that with regard to Strategic Risk 32 and the risk over the economic downturn leading to reduced inward investment and a reduction of private sector investment, local growth in business would have an impact on the Council's resources and would impact on demand for services placed on the Council

In terms of the benchmarking results, it was noted that the arrangements for assessing the councils risk management were seen as effective compared to others. However level 5 (defined as "Driving") may not be necessary for all areas owing to the amount of resources required. One area, Processes was assessed at Level 5 with five areas assessed at Level 4 (defined as Embedded and Integrated) and just one, Policy & Strategy at Level 3 (defined as "Working").

Members reviewed the whole register and raised concerns at the number of planned actions that seemed to have a low percentage completion rate against the set target completion date.

The committee was advised that the figures shown in the register were not up to date and that many of the actions had since moved on. The councils Risk Management software provided by JCAD needed to be updated and as a result of this, more accurate completion rates would be generated.

It was therefore agreed by the committee that an updated risk management register be presented when the Committee next considered strategic risk.

RESOLVED:

- i. THAT, the risks, the assessment and the planned control measures as set out in the Strategic Risk Register at Appendix B be agreed.
- ii. THAT the risk management arrangements outlined in the report be noted.
- iii. THAT the committee receives an updated Risk Register with revised planned action completion rates when the committee next considers strategic risk.
- iv. THAT a similar report on the adequacy of risk management arrangements be received on an annual basis.

20. **Review of the Effectiveness of the Audit Committee**

The Business Effectiveness Manager presented to members a report which reviewed the committee's performance. It also provided members an opportunity to consider whether there are ways in which it could improve its effectiveness.

The results of the training self assessment were distributed to all members and it was noted that the committee complied with approximately 80% of requirements.

Both the internal Auditors (PWC) and the Audit Commission had offered to provide assistance with training whilst the councils Head of Financial Management had offered to service the financial training needs.

It was noted that a two to three hour session including a mock audit could be considered in the future in order to assist members with a better understanding of their role. Members were also in favour of short briefing sessions before each audit committee meeting. It was also agreed that members of the committee meet annually with external and internal auditors and with no officers present

Members were also advised that future agenda lengths be reviewed and that training for any other elected members be encouraged.

RESOLVED:

- i. THAT the self assessment be agreed and where the committee does not meet the requirements as set out in the Appendix the remedial actions be endorsed
- ii. THAT the training needs be identified and a series of training events to meet those needs be commissioned.
- iii. THAT the committee considers and uses the questions set out in the Toolkit for Local Authority Audit Committees as the basis of its questions when particular issues are being considered.
- iv. THAT the Committee meet annually with external and internal auditors and with no officers present

CHAIRMAN.....