

Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	TUESDAY, 3 MAY 2011 AT 6.00PM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT
Present	Cllrs Julie Jones-Evans (Chair), Susan Scoccia, Ian Ward, Wayne Whittle
Cabinet Members	Cllrs Dawn Cousins, Edward Giles, David Pugh
Co-opted Members (non-voting)	Mr Garry Smith
Audit Commission	Kevin Suter, Kate Handy
Officers	Jonathan Baker, Dave Burbage, Dave Hook, George Hook, Claire Shand, Bob Streets, Jo Thistlewood
Apologies	Cllr Reg Barry

38. [Minutes](#)

Members agreed that the minutes were a true record of the previous meeting, but requested that an update be provided as soon as possible on the Resident Information section of the council website as well as clarifying the situation with regard to the current number of dedicated practitioners who manage the safeguarding referrals across the Island with regard to vulnerable clients. It was also noted that an update would be provided on the issue of the councils "medium" rating being reviewed by the Chief Executive and Risk Manager.

RESOLVED:

THAT the minutes of the meeting held on Tuesday, [22 February 2011](#) be agreed

39. **Declarations of Interest**

None declared.

40. [Annual Governance Statement \(AGS\) Progress of Issues From 2009-10 and 2011-12 Action Plan](#)

The Business Effectiveness Manager provided members with a report which advised on the progress made against the issues included within the Annual Governance Statement (AGS) for 2009/2010 as well giving members an opportunity to consider

potential items for inclusion in the AGS for 2010/11 and a subsequent action plan for 2011/12.

It was noted that the AGS must be published along with the Statement of Accounts in June 2011 and that the action plan which accompanied the report provided an update on issues raised the previous year.

Members were advised that there was one important change to the previous year with the issue of schools performance no longer considered as part of the AGS.

With regard to the Procurement Plan, members were advised that this had been published as outlined in the Action Plan. It was also noted that the implementation of the SAP IT modules being fully completed and thus providing opportunities to identify developments in value for money (VFM) and spending analysis meant the prospects to improve on the adequate rating in the area of VFM was high.

RESOLVED:

THAT the progress made against the control issues identified in the 2009 -10 Annual Governance Statement as set out in the Appendix of the report, be noted.

THAT the proposals made for potential inclusion in the Statement for 2010 -11 be considered and confirmed as appropriate.

41. **Draft Work Programme**

Members reviewed the programme which gave an overview of the items which would be presented for the remainder of the council year, ending in May 2012.

The committee training around the Chartered Institute of Public Finance and Accountancy (CIPFA) regulations would be undertaken by Cllr Jones Evans, Cllr Barry and the council's Business Effectiveness Manager.

It was also noted that with regard to SAP, a demonstration off its use would be provided to members of the committee in due course.

RESOLVED:

THAT the Draft Work Programme be noted.

42. **Audit Commission Reports**

The following Audit Commission reports were received by the committee:

41.1 **Isle of Wight Council - Audit Plan**

The Audit Commission presented to members a report which advised on the audit work proposed with regard to the financial statements and value for money conclusion 2010/11 in respect of the Isle of Wight Council Wight Council.

The Commission reported that new specific risks had been identified which included the impact of the government's spending review of October 2010 and

the subsequent maintaining of essential services with reduced spending as well as the impact of the new public services transparency framework.

With regard to the audit fee, members were advised that no rise was anticipated providing certain assurances had been met. These included the level of risk relating to the audit of accounts being slightly increased due to the impact of International Financial Reporting Standards (IFRS) and also good quality; accurate working papers would be available at the start of the financial statements audit. Suitable work on all material systems would also need to be undertaken by Internal Audit and made available for review by the Commission by the end of final quarter of the year.

RESOLVED:

THAT the Isle of Wight Council Audit Plan be noted.

41.2 Audit Opinion Plan – Isle of Wight Council Pension Fund

The Audit Commission presented to members a report which advised on the audit work proposed by the commission with regard to the financial statements and value for money conclusion 2010/11 in respect of the Isle of Wight Council's pension fund.

It was noted that the testing strategy with regard to the risks identified around separate bank arrangements being in place for the pension fund would consist of testing key controls and / or substantive tests of transaction streams and material account balances at the year end and would be carried out both before and after the draft financial statements had been produced. Members were advised that internal audit services would need to be called on in order to assist and assurances would need to be gained that the risks would be mitigated.

RESOLVED:

THAT the Isle of Wight Council Pension Fund Audit Opinion Plan be noted

41.3 Audit Commission Progress Report

The Audit Commission presented to members a report advising on the progress made with regard to the audit of the 2010 -11 accounts. It was noted that assurances were given that the plan was progressing in accordance to schedule and was on track for completion by September 2011.

It was noted that with regard to the two objections to the 2009 -10 accounts in relation to Newport Harbour, the commission was in the process of receiving legal advice on both protests and they would be dealt with together, hence the delay around the first objection.

Whilst the commission acknowledged that there was a potential reputational risk due to the delay in addressing the issue, it was of the opinion that it was not appropriate to discuss the matter whilst under investigation. The local ward member was satisfied that the council's legal team was dealing with the matter appropriately and agreed that the correct (albeit not necessarily the quickest) solution needed to be found

With regard to the layout and format of the Audit Commission reports, members stated that improvements could be introduced to the report layout in order to reduce duplication and thus the amount of paper needed.

RESOLVED:

THAT the Audit Commission Progress Report be noted.

43. [Whistle Blowing Complaints - Annual Report](#)

The Head of Human Resources presented to the committee an overview of the whistle-blowing complaints received for the full year 1 April 2010 – 31 March 2011 together with an update of recent policy developments and proposed revised approach to the handling of future complaints.

Members noted that the data for 2010 / 11 continue to reflect a low level of complaints. The one issue that had been raised was resolved quickly and efficiently and with no evidence of any serious wrongdoing.

A revised policy with an approach to make it easier to follow and understand was noted and supported together with the withdrawal from the hotline reporting facility which would release an approximate £6,600 saving for the financial year 2011/12, with a full effect £8,000 per annum thereafter. Members were assured that alternative arrangements for the reporting of concerns through the use of the Public Concern at Work helpline had been put in place at a cost of £800 per Annum. There was also a web based facility to help in the reporting process.

With regard to the policy statement regarding assurances to potential whistleblowers' anonymity, the committee was of the opinion that perhaps the statement could be worded better with regard to the area of disclosing identity.

Members of the committee were advised that future monitoring would still be the responsibility of the Head of Human Resources, although the Business Effectiveness Manager would assist in future committee reports, taking over from the Head of Compliance and Procurement.

RESOLVED:

THAT Whistle Blowing Complaints Annual Report be noted

44. [Treasury Management Strategy 2011-12](#)

The council's Technical Finance Officer presented a report which advised on the updated strategy following its approval at Full Council on 23 February 2011 as part of the council's annual budget. The amendments were in the Prudential Indicators arising from an increase in the capital programme.

It was noted that should there be a future need for changing the policy or the limits with the strategy, the Strategic Director of Resources would prepare a report for Cabinet / Full Council. The Audit Committee would also have the opportunity to consider the report.

Members were encouraged by the monthly Treasury Management function reports on the council's interest earning capacity being maximised.

RESOLVED:

THAT the Treasury Management Strategy 2011-12 be noted

45. Risk Management Report

The Business Effectiveness Manager presented to members a report which provided an overview of the council's strategic risk profile and any movement within it.

It was noted that the Risk Register had not been updated since the previous meeting and an additional report would be presented to Members at the next meeting on 29 June 2011.

With regard to risks rated as high, members were advised that the maximum score that a risk could attain would be 16.

On the area of ICT and the lack of resilience to safeguard against loss of data, members were advised that 85% of council laptops had been encrypted and it was anticipated that the remainder will be completed within six weeks.

RESOLVED:

THAT the Risk Management Report be noted

46. Counter Fraud Annual Report

The Head of Compliance and Procurement presented a report to the committee which provided an overview of both the council's framework currently in place to minimise and counteract the potential impact of fraud against it as well as the incidence of identified fraud attempted or committed against the council during 2010/11.

Members were advised that actions taken to counter fraud included data matching, the use of an independent fraud hotline as well proactive means where national law can allow the authority to look into a company's personnel records if there were substantial grounds of suspicion that an employee was committing benefit fraud.

It was noted that the rise in referrals was largely due to there being more individuals claiming benefits and that such a rise in numbers was to be expected.

With regard to recovery rates, the committee was advised that the Department of Work and Pensions would pay local authorities a subsidy payment of 40% of any overpayment identified as fraud. The recovery rate with regard to the Isle of Wight Council to date was 70.4%. Members were advised that in some cases the full amount would be recovered in one go, whereas in other cases the amount owed to the council would be paid back over a period of time.

Local media outlets would regularly report prosecution cases to keep Island residents informed of the councils campaign against fraud.

RESOLVED:

THAT Counter Fraud Annual Report be noted

47. [Internal Audit Outcomes Report – Quarter 4 And The Years Ended 31 March 2011](#)

The Business Effectiveness Manager presented a report which provided members with a summary of internal audit performance for the fourth quarter and the year in total allowing the committee to monitor progress against the audit plan approved at the Audit Committee meeting on 2 March 2010.

It was noted that PriceWaterhouse Coopers (PWC) had been with the council since July 2010 taking control of all Internal Audit operations and that a 98% rate of Audit completion compared to the previous year had been achieved. Only minor issues were outstanding and it was also noted that a former council internal audit employee had transferred to PWC.

Members were advised that contracting PWC for internal audit functions had proved to be a financially cost effective option for the council.

RESOLVED:

THAT the Internal Audit Outcomes Report – Quarter 4 and the Years Ended 31 March 2011 be noted.

48. [Procurement Monitoring Report to 31 March 2011](#)

The Head of Compliance and Procurement presented to members of the committee a half yearly report which provided a high level view of the council's current procurement activity (as demonstrated by the operation of its internal Procurement Board) as well as the ongoing development of the procurement framework.

The committee was advised that with regard to the volume of the Waiver of Contract Standing Orders being submitted on the grounds of urgency, a failure to note the expiry of a contract and plan ahead could be one reason for such a request. However, many other reasons were also likely which would not be within the council's control.

Members were assured however that every report which was presented to the Procurement Board had undergone a significant process of challenge from all key areas prior to submission.

RESOLVED:

THAT the Procurement Monitoring Report to 31 March 2011 be noted

CHAIRMAN.....