



Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	THURSDAY 11 DECEMBER, 2014 AT COMMENCING AT 10.00AM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Present	Cllrs Reg Barry (Chairman), Stuart Hutchinson, Colin Richards
Officers Present	Jenn Armstrong, Jonathan Baker, Sue Dasent, Bob Streets, Jo Thistlewood
Co-Opted Member (Non-Voting)	Paul Wilkinson
Other Members Present	Cllr David Eccles
Auditors	Emma Butler, Geraint Newton (PricewaterhouseCoopers) and Kevin Suter (Ernst and Young)
Apologies	Cllr John Medland

35. [Minutes](#)

RESOLVED:

THAT the Minutes of the meeting held on [25 September 2014](#) be confirmed.

36. [Declarations of Interest](#)

There were no declarations received at this stage.

37. [Audit Work Programme](#)

The Committee reviewed the draft work programme which detailed items scheduled for the remainder of the 2014/15 financial year. A further two items were added for the February 2015 meeting as follows:

- An Internal Audit Tender Progress Update from the Improvement Business Manager;
- A Grant Claims Report from Ernst Young.

RESOLVED:

- (i) THAT an Internal Audit Tender Progress update and a Grant Claims report be included in the work programme for February 2015.
- (ii) THAT the work programme be noted.

38. **Reports of the Business Improvement Manager**

(a) [Internal Audit Performance Report](#)

The Committee was informed of five reports which were considered medium or low risk:

- Information Management (low risk)

The arrangements pertaining to support compliance with the NHS Information Governance Toolkit that enabled the council to host Public Health were reviewed. A number of actions pertaining to Confidentiality and Data Protection, Roles and Responsibilities, Information Governance and Information security Assurance were outlined.

- Software Development (medium risk)

Concern was expressed that charging for pre-application planning advice had not as yet been resolved. Members were told that with Accolade, the system through which planning was managed, had made charging difficult but that these had been resolved.

Concerns were raised about the software development of corporate bought-in systems like SAP as they differed in the development needs compared to in house systems. Assurance was given that such systems were supported by different teams.

- Public Health (medium risk)

It was noted that the Strategic Plan was still at draft stage. There was some discussion around the recruitment of a permanent director for Public Health.

- Medina Leisure Centre (low risk).

The review examined the efficiency and effectiveness of the management of the Medina Leisure Centre.

Discussion took place around benchmarking, with a suggestion that West Wight Leisure Centre would be appropriate as their services and issues were very similar. It was suggested that mainland centres were not relevant as the services they provided were very different from those of the Isle of Wight.

Members suggested that benchmarking be used when auditing income challenges within the audit plan. It was noted that the management of the Medina Leisure Centre had been conscious of the charges at other centres when the pricing structure was created.

- Licensing (medium risk)

Licensing controls were reviewed, with specific focus on taxis, street trading and licenses issued under the Licensing Act 2004. A very small number of efficiencies were identified but none of note.

RESOLVED:

- (i) THAT the progress report be noted
- (ii) THAT the Committee's comments regarding benchmarking be considered by the auditor.

(b) [Development of Internal Audit Plan 2015/16](#)

Members were given an outline of the council's draft internal audit plan for 2015/2016. It was noted that due to the finite amount of time determined by the audit contract, the plan was driven by a risk assessment, including the committees own perception of risk.

The process used for extrapolating the risk score and proposed audit areas was explained. Areas of risk were identified, whilst members expressed reservations that risk assessments by managers would be subjective. Assurances were given that those interviews were only part of the process and had primarily been used to identify areas of risk.

Detailed discussions took place regarding the Highways PFI contract and concerns were raised regarding the effectiveness of its management. Members discussed what they believed was the ineffective management of the contract, citing the high number of complaints received as evidence of this. The Committee was told a review was scheduled for quarter four 2014-15.

There was some discussion surrounding the effective management of outsourced contracts, scheduled for review in quarter three. Members believed it was essential that payment to BT for the broadband contract was performance based and recommended it be one of the contracts sampled.

Further concerns were expressed around the cost and value for money in relation to Ventnor Harbour. It was noted a review of Harbours was planned for quarter one and those points had been included within the scope of work.

Due to the limited number of auditing hours, school transport and beach cleaning would not be included in the 2015/16 work plan.

Members requested that the risk rating be included on the proposed audit plan as well as on in the risk assessment. This would facilitate comparing the risk rating to the time allocated in the plan.

An update was provided on the Adult Safeguarding financial system. Swift (the existing system) had been replaced by Paris. The implementation of the system was to be monitored.

Members agreed that a review of Pension Board Governance would be postponed until quarter three since it would not take effect until April 2015. The government guidance was still in draft form, and would not be embedded in time for the quarter one review.

RESOLVED:

- (i) THAT the early development of the internal audit plan for 2015/16 be agreed.
- (ii) THAT where appropriate officers take cognisance of the Committee recommendations of items for inclusion in the plan.

(c) [Annual Audit Letter](#)

The Annual Audit Letter was presented by the external auditors. The letter is formal confirmation that the Council's annual accounts for the year ended 31 March 2014 were signed by 30 September 2014, and finalisation of the draft report presented to the September audit committee. No areas of concern were identified.

RESOLVED:

THAT the outcomes within the Annual Audit Letter be noted.

(d) [Progress with issues raised in the Annual Governance Statement 2013/14](#)

Three key issues from the Annual Governance Statement had been identified:

- Project governance
- Conducting council business
- Clinical Governance

Project governance - members questioned the capacity of the council to support and manage the different services delivered through projects.

Members were reassured that a review of staffing needs in relation to the management of significant outsourcing contracts, such as, Cowes

Enterprise College and the Highways PFI contract had taken place.

RESOLVED:

- (i) THAT the update be noted;
- (ii) THAT the actions included within the Corporate Review Action Plan be endorsed.

(e) [Strategic and Significant Service Risk](#)

The following nine risks were highlighted within the report:

- Insufficient Financial Resources;
- Ineffective and inefficient decision making and control processes (governance);
- Insufficient staffing capacity and skills;
- Failure to provide effective arrangements to prevent incidents of abuse of vulnerable adults;
- Failure to identify at an early stage schools that are not delivering good enough performance and to discharge the council's responsibilities in relation to school improvement;
- Failure of arrangements with Hampshire CC to manage children's services via a strategic partnership;
- Failure to identify and effectively manage situations where vulnerable children are subject to abuse;
- Failure to commission and secure services which are relevant to the Isle of Wight community's needs and which meet the council's statutory duties;
- Ineffective response to a major emergency.

There was some discussion regarding safeguarding and it was noted the latest Ofsted review was that the service had moved from inadequate to 'requires improvement'. The Business Improvement Manager described this as a remarkable change in such a short time. In terms of Educational attainment members also queried the media coverage of the previous day which had referred to the continuing poor performance of the Island's education system. The Business Improvement Manager reminded members of the Ofsted review of School improvement which had taken place in June 2014 which had been very positive about the council's school improvement arrangements, and said that members needed to acknowledge that it would take longer than one academic year to bring Island schools in line with their mainland counterparts.

The Committee was asked to note that the Action Plan for the Education Priority, including detailed staged improvement targets as set out in a report to Cabinet in January 2014.

Regarding governance, Members agreed that an all-party budget would be required to ensure constraints were managed efficiently.

With regard to Appendix B , it was suggested that, in future reports, only red risks of a corporate, cross-council nature should be reported. The Business Improvement Manager agreed to implement this suggestion.

RESOLVED:

- (i) THAT the strategic risks of the council, as set out in paragraph 5 of the report (attached to and forming part of these minutes) and their controls as set out in Appendix A (attached to and forming part of these minutes) be noted.
- (ii) THAT the service risks currently assessed as “red” as set out in Appendix B (attached to and forming part of these minutes) be noted.

39. **[Procurement Monitoring Report for the year 1 April 2014 to 30 September 2014](#)**

Consideration was given to the Council’s procurement activity for the period 1 April to 30 September 2014.

It was noted that paragraph 11 of the report (attached to and forming part of these minutes) should have read ‘detailed a reduction of 5 waiver requests compared to the previous year’, not 4 as stated. In table four, the quarter one Planning and Regulatory Services figure of £169k was comprised of two waivers of £19k and £150k. The latter should have been detailed in Appendix A but that line was omitted.

Members suggested that £50k was a very low threshold for review by the procurement board given the value of the majority of contracts and officer time constraints. It was agreed that an alternative method of providing the board with oversight of all contracts, utilising e-tendering, would be investigated and presented for the Committees approval.

RESOLVED:

THAT the report be noted.

40. **[Treasury Management 2014/15 - Half Year Report](#)**

Members considered the half-year progress of treasury management policies, practices and activities for the financial year 2014/15.

It was noted that while there had been no significant changes, the Council had diversified its short term investment portfolio.

RESOLVED:

THAT the report be noted.

41. **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 following item of business, namely Minute number 42, on the grounds that there was likely to be disclosure of exempt information as defined in paragraph 3 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.

42. **Confidential Report - Provision of Internal Audit**

Members were advised the contract with Pricewaterhouse Coopers (PWC) had been in place for four and a half years and was scheduled to expire on 30 June 2015.

Ordinarily the contract would simply be re-let after a competitive process and whilst significant interest was expected from the private sector once an invitation to tender was issued. It was suggested the option of a partnership with other authorities be considered alongside any such bids.

It was suggested that a panel made up of members of the Audit Committee, supported by the Managing Director, Head of Finance (as S151 officer) and the Business Improvement Manager would consider the appointment of the Council's internal auditors. Composition of the panel would be discussed at a later date.

RESOLVED:

THAT officers embark on a process of inviting expressions of interest which allowed for both outsourcing and partnership options to be explored together.

CHAIRMAN