



Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	THURSDAY, 19 FEBRUARY 2015 COMMENCING AT 10.00AM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Present	Cllrs Reg Barry (Chairman), John Howe, Stuart Hutchinson, Colin Richards, Dave Stewart
Officers Present	Jennifer Beresford, Stuart Fraser, Bob Streets, Jo Thistlewood
Co-Opted Member (Non-Voting)	Paul Wilkinson
Apologies	Cllr John Medland

42. [Minutes](#)

RESOLVED :

THAT the Minutes of the meeting held on 11 December 2014 be confirmed.

43. **Declarations of Interest**

There were no declarations received at this stage.

44. [Audit Work Programme](#)

The committee reviewed the draft work programme for the 2015/2016 financial year.

Members were advised that training requirements would be confirmed after the meeting, and would include a session on risk management.

An update on the tender process for the re-letting of the Internal Audit provision was provided. Councillors Reg Barry, Stuart Hutchinson and Mr Paul Wilkinson would be part of the review panel and members would be apprised of the progress of the tender.

RESOLVED :

- (i) THAT the work programme be noted.

(ii) THAT the appointments to the internal audit tender panel be agreed.

45. Reports of the Business Improvement Manager

(a) [Strategic and Significant Corporate Risk Report](#)

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 County Council (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.

The committee was advised there had been little change overall but asked to note that the score relating to the Strategic Risk 041(Failure of arrangements with Hampshire CC to manage children's services via a strategic partnership) had been reduced as a result of endorsement from Ofsted which had rated the school improvement arrangements as "effective" and upgraded their rating for safeguarding arrangements on the island from "inadequate" to "requires improvement".

Concerns were raised around the risks associated with insufficient staffing capacity and skills. The risk score was expected to increase substantially due to the planned restructuring of the organisation, although it was noted plans to mitigate the impact of the restructure had been put in place. There was some suggestion that it would be of benefit for members to have sight of the proposed risk controls relating to the insufficient staffing capacity and skills rather than just the headlines, it was agreed that brief outlines would be provided.

Clarification that where a risk control was reported as 100% complete, a system was in place for ongoing review of that risk and it had not been closed was provided.

Members commented that communication was commonly a key influence on the success of organisational change. Reference was made to regular updates staff received and organisational health indicators used.

Members asked that electronic communications be extended to include councillors.

Discussion took place surrounding the financial position of the council and the recent budget proposals. It was noted that the Scrutiny Committee would review the budget on a quarterly basis through a task and finish group and that both the Audit and Scrutiny Committees should take a co-ordinated approach to avoid duplication.

Members asked that they be provided with information concerning risks which although not 'red' were nonetheless in danger of becoming 'red' in the future.

RESOLVED :

THAT the strategic risk report be noted.

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

Members were provided with the final Internal Audit Plan for 2015/2016, and when noting how the plan had been compiled, it was highlighted that corporate management had requested the inclusion of a basic process review to help reduce the risk of fraud and error.

Attention was drawn to the cost for each audit component replacing the number of audit days previously detailed and the make-up of the fee was explained. It was noted the committee would make the final decision on the allocation of audit resource.

The committee was advised that the council wanted to reduce internal audit costs and a proposed a reduction of £20,000 was included in the budget recommendations. It was hoped that savings would result from the re-tendering of the internal audit process to achieve the proposed decrease. If this was not the case, the audit plan would need to be renegotiated after the tender process.

Members were advised local authority school finances were agreed by the Schools Forum and monitored by the council. New software had been purchased to facilitate this. Schools and the local authority worked together when budget deficits were expected and in extreme cases, the section 151 officer could recommend the schools scheme of delegation was withdrawn. The council had no involvement with academies finances.

It was questioned if the audit resource allocated to the Highways PFI and Waste Management was sufficient. Members noted a third party contract manager, Atkins Ltd, had been engaged to facilitate the set-up of effective contract management of the Highways PFI. The final decision regarding the waste management contract has not yet been taken and rested with Full Council. The Scrutiny Member responsible for the contracts review project would be provided with the contract specification.

Members also expressed some concern at the resource allocated to the proposed audit of the Coroner's service, and it was agreed that this needed to be reviewed.

RESOLVED :

THAT the audit plan be approved.

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

The committee was presented with seven internal audit executive summaries and key performance indicators. It was highlighted all were considered low or medium risk:

- Local Taxation (low risk)
- Accounts Receivable (medium risk)
- Recruitment, Retention and Redundancy Policy (medium risk)
- Sickness Absence (medium risk)
- Waste Procurement Project Management (medium risk)
- Adults Social Care Follow-up (medium risk)
- Corporate Governance (medium risk)

Members were given an update on the erroneous payment to a company in administration; the case sat with the Sheriffs court in Scotland and was scheduled to be heard on 16 March 2015.

Reassurance was sought regarding the audit report comments on failure to record staff time to the Waste Management Contract Project. It was noted that officers consider whether there is value in ensuring that all time spent on projects is recorded.

Consideration was given to the increased number of contracts as the council moved towards commissioning.

One of the issues highlighted by the report on governance was that a previous audit review of the Audit Committee had recommended closer liaison between the Audit Committee and the Scrutiny Committee. It was therefore agreed that the Chair of the Scrutiny Committee, the Chair of the Audit Committee and the Business Improvement Manager would meet informally on a regular basis.

RESOLVED :

- (i) THAT the internal audit progress be noted.

- (ii) THAT the Internal Audit Charter be approved.
- (iii) THAT the chairs of the Scrutiny and Audit Committee meet regularly.

42. **Approval of Treasury Management Strategy**

Members considered the Treasury Management Strategy for 2015/16. A presentation providing context for the strategy in terms of the external economy was given. Key areas highlighted were:

- Growth (recent growth business investment driven/future growth expected to be consumer driven)
- GDP Projections
- Consumer Price Inflation
- Interests rate forecasts
- Credit ratings

The committee was asked to note that the strategy reflected the impact of political sensitivity (general election, EU potential referendum) on the economy.

Attention was drawn to the changes resulting from the Banking Reform Act. The changes had affected the bail-in arrangements for banks and it was expected the risk to local authority investments would increase as they remained uninsured. It was noted the treasury management strategy focused on low risk investments and a list of approved investment counterparties which could be used was presented.

Discussion took place surrounding the council's liabilities and borrowing strategy. It was noted that there was nothing to be gained from early repayment of long term loans as the premium associated with early repayment negated any gain and was equal to any future interest costs. Short term interest rates were low and long term rates high. The council's long term borrowing was decreasing and being replaced with rolling short term borrowing as a result.

RESOLVED TO RECOMMEND TO FULL COUNCIL :

THAT Full Council approves the Treasury Management Strategy.

43. **External Auditor's Report – Certification of Council's Grant Claims and Returns - Annual Report**

The committee reviewed the external auditor's annual report on certification of claims and returns. The report stated procedures had been adjusted to prevent the reoccurrence of any issues found.

Discussion took place regarding grant certification audit fees. Members were asked to note that while the number of claims audited and associated charges had been reduced the external auditors had declined to audit the Teachers' Pension Scheme. It had therefore been necessary to outsource it to another provider. Member noted the one-off cost of £5,400 and the change in the audit

fee scale for 2013/14. Any savings needed to be offset against the additional costs.

Consideration was given to the possibility of engaging new auditors for claims not included in the existing grant claims audit regime and it was agreed arrangements to facilitate this will be looked at as required.

RESOLVED :

- (i) THAT the annual report on the certification of claims and returns 2013/2014 be accepted.
- (ii) THAT the additional costs relating to the audit of the Teachers Pensions Return be noted.
- (iii) THAT the change in the audit fee scale for 2013/2014 be noted
- (iv) THAT arrangements be looked at for the audit of grant claims outside the arranged regime.

CHAIRMAN