



Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	MONDAY, 9 MAY 2016 AT 10.00AM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Present	Cllrs Stuart Hutchinson (Chairman), Reg Barry, David Eccles, Colin Richards, Dave Stewart and Roger Whitby-Smith
Auditors Present	Dan Deacon (PricewaterhouseCoopers), Geraint Newton (PricewaterhouseCoopers), Helen Thompson (Ernst and Young) and Simon Mathers (Ernst and Young)
Co-opted Member (non-voting)	None
Officers Present	Jon Baker, Debbie Downer, Iain Lawrie, Helen Miles, Gavin Muncaster, Bill Murphy and Jo Thistlewood
Apologies	Paul Wilkinson

27. [Minutes](#)

RESOLVED:

THAT the Minutes of the meeting held on [18 February 2016](#) be confirmed.

28. [Declarations of Interest](#)

Cllr Whitby Smith declared a personal interest as he was a member of the Pension Board

Cllr Hutchinson declared a personal interest as he was a member of the Pension Fund Committee

29. [Public Questions Time](#)

There were no written questions received.

30. [External Audit Plan 2015-16 - Isle of Wight Council Pension Fund](#)

The Technical Finance Manager presented a report which introduced the plan for the audit of the Isle of Wight Council Pension Fund accounts for the year ended 31 March 2016 from its external auditors, Ernst & Young LLP.

Members were advised that following its presentation to them the report would be submitted to the Isle of Wight Council Pension Fund Committee and Pension Board.

RESOLVED

THAT the contents of the auditors' plan for the audit of the pension fund 2015-16 accounts be noted.

31. Reports of the Head of Legal Services

a) Procurement Review

The Head of Legal Services provided members with a verbal presentation on the measures in place in setting a new procurement strategy.

It was noted that in some areas such as Adult Social Care, there may be some collaboration with the NHS and CCG as integration between Health and Social care progresses.

A paper would be circulated to all members of the council's Senior Management Team (SMT) and / or Corporate Management Team (CMT) in order to secure agreement to a way forward. Should there be overall agreement to adopting the themes of the national strategy for procurement for local government then these should form the basis for the new local procurement strategy which would be circulated later this year for approval, with a view to it being in force from October 2016. Members were therefore invited to provide any feedback that could be added to the new strategy.

The committee was concerned that there may be an insufficient number of procurement officers given the number and high value of contracts that needed managing which could have financial and effectiveness implications, although they did acknowledge the restricted resources available to the authority.

Members requested information about the procurement of the DPS system from Matrix for just under £1million, including whether there had been a full business case carried out given that it was over the European Tender levels and if so who was responsible for such research prior to purchase. The Head of Legal Services advised that information would be provided following the meeting.

RESOLVED

THAT the Procurement Review be noted.

b) Revised Contract Standing Orders

The Head of Legal Services provided members with a report which provided the committee with a high level view of the council's Contract Standing

Orders (CSOs) which would be recommended to Full Council for adoption at its meeting on 25 May 2016.

It was noted that the council last reviewed its CSOs in 2014 which were subsequently approved by all members at Full Council on 16 July 2014.

Members were advised that it was necessary to review the CSOs in order to take account of the continuing changing nature of the council as well as ensure the rules governing the purchase of goods, services and the commissioning of works would be fit for purpose for the foreseeable future.

It was noted that any contracts utilising the council's financial resources could include outcomes to support the local economy by providing employment for Islanders as part of the evaluation criteria.

Members would be provided with a definition of "Light Touch" contracts, following the meeting.

The committee was advised that in respect of paragraph 4.1.3 of the draft contract standing orders (the appendix to the covering report) concerning contracts with a life value in excess of £1.5m, the wording "Executive may be required to give its approval to the procurement proceeding and/or the subsequent Contract award" was set out as such because there were some contracts such as energy agreements (electric / gas supplies) that may need a quick sign off in order to achieve best value and therefore, need to be an officer decision, albeit in consultation with the Executive Member.

Members agreed to amend paragraph 2.1.2 to make clear that transparency reporting applied to the procurement process wherever possible.

Members were also advised that every contract let should be recorded on the council's database by July 2016 which would be managed and controlled by the procurement team.

RESOLVED

THAT the committee notes the report and, subject to the wording of the second bullet point under paragraph 2.1.2 being amended to make it clear that transparency reporting applies to the procurement process wherever possible, recommends to Full Council that the Contract Standing Orders set out in the Appendix to the report be approved and implemented on 1 June 2016 and that the Head of Legal Services be delegated to make minor amendments to the CSOs as required from time to time.

Named Vote

For (6) – Cllr Reg Barry, Cllr David Eccles, Stuart Hutchinson, Cllr Colin Richards, Cllr Dave Stewart, Cllr Whitby-Smith

Against (0)

Abstain (0)

32. **Reports of the Technical Finance Manager**

a) **Annual Governance Statement (AGS) and progress against previous AGS issues (Verbal Report)**

The Technical Finance Manager advised the committee that there was no change to the format and that the Corporate Management Team (CMT) would be reviewing the statement at its monthly meeting on 24 May 2016. The draft AGS would then return to the Audit Committee at its meeting on 27 June 2016 for further review.

b) **The Council's Risk Report (Verbal Report)**

The Technical Finance Manager reminded members of the committee that they would no longer receive updates at every meeting. A full risk report will however be presented to them in June 2016.

c) **Revised Financial Regulations**

The Technical Finance Manager presented a report which sought formal approval of the council's Financial Regulations following the annual review during 2015 / 2016 and the early part of 2016 / 2017.

The summary of the amendments to the financial regulations 2016 were highlighted for members.

No concerns were raised and members were content to approve the revised regulations.

RESOLVED

THAT the publication of the updated Financial Regulations be agreed.

Named Vote

For (5) – Cllr Reg Barry, Cllr David Eccles, Cllr Stuart Hutchinson, Cllr Colin Richards, Cllr Roger Whitby-Smith

Against (0)

Abstain (0)

d) **Internal Audit Performance Report**

The council's internal auditors presented a report which provided executive summaries of their work, including copies in full of one high risk report, and key performance indicators for members to acknowledge.

Members noted that there had been nine reports issued, one of which, Business Continuity / IT Disaster Recovery, was rated as 'High' risk as well as five rated as 'Medium' risk and one rated as 'Low' risk.

The "High" risk report was dealt with independently by virtue of a separate appendix. Members were assured that any outstanding actions arising would be monitored by CMT and would be followed up by the internal auditors to ensure measures were in place to avoid any recurrence of issues.

With plans in place to mitigate any further risks associated with Business Continuity and IT Disaster Recovery, members were advised that the system would be fully tested in October 2016 with a scheduled mock-up of a system failure.

In the rare event of a power outage, a large generator in County Hall car park would activate automatically to allow systems to continue. Members were advised that all council care homes also had their own back-up power supplies should there be any unexpected outage.

Returning to the issues around the other non-high risk reports, members were advised that with regard to Pension Governance, a full report would be presented to the council's Pension Board.

In respect of the waste report, the Head of Contract Management advised that the high level of calls being received in the contact centre was being dealt with by deploying additional resources and introducing a floor walker from the waste contractor in order to provide specialist advice.

Other aspects of the new waste contract were discussed and members were advised that following the initial bedding in of the new collection arrangements, problems should ease and calls from residents to the council would begin to decrease.

RESOLVED

- I. THAT the progress report of the council's internal audit provider be received and noted.
- II. THAT the issues identified in the high risk report be considered and noted.

33. [Chairman's Report](#)

The Chairman presented to fellow members of the committee his annual report which would also be submitted to all members of the council for noting. This was recognised best practice as carried out in other authorities. The report set out the committee's work and performance during the year, including how it had met its terms of reference.

The Chair advised that the issues around committee membership had been highlighted to all group leaders who had been encouraged to fill vacancies on the committee in order to create a strong and challenging body.

RESOLVED

THAT the Audit Committee Annual Report 2015-16 and the committee's activities during the last financial year, be noted.

34. **Exclusion of Public and Press**

The committee debated whether the High Risk Internal Audit Report should be discussed in open forum.

Following a debate, it was:

RESOLVED:

THAT the discussion of the High Risk Internal Audit Report in the presence of public and press be agreed.

Named Vote

For (3) – Cllr David Eccles, Cllr Stuart Hutchinson, Cllr Whitby-Smith

Against (2) – Cllr Reg Barry, Cllr Colin Richards

Abstain (0)

35. **High Risk Internal Audit Report**

The Head of Contract Management presented to members a report which focussed on the internal audit of the Highways PFI contract which had been assessed as “High” risk.

Following agreement by the committee to discuss the matter in open forum, members noted whilst current arrangements were a significant improvement from those which had been in place over the previous three years, in the short term there remained significant PFI related risks for the council, specifically the ongoing process of resolving issues. These included the adjudication regarding elements of the contract, with the risk that it would result in additional, ongoing costs to the authority.

Reliance on the contractor ‘self-reporting’ their performance, with payment reliant on meeting specific performance indicators also posed a significant risk.

Without robust validation by the council, there was an increased risk of no performance deductions as a result of contract breaches. This could therefore result in the council not paying the correct amount for the service it had received

Issues around lack of in-house capacity were also discussed and whilst the committee acknowledged the work carried out to address the issues raised from

the audit, they also recognised that more resources were ideally required to manage the ongoing PFI contract.

Members discussed the issue of utilising capital funds in order to assist with resources around the management of the PFI contract and an additional recommendation was proposed and seconded which requested that the committee recommends to Executive to consider such measures.

RESOLVED

- I. THAT the issues identified in the high risk report are considered
- II. THAT reassurance is sought so that actions are being undertaken to address the findings.
- III. THAT Executive is asked to consider whether they are able to use capital funds to help provide sufficient resources to manage the PFI contract.

Named Vote

For (5) – Cllr Reg Barry, Cllr David Eccles, Stuart Hutchinson, Cllr Colin Richards, Cllr Whitby-Smith

Against (0)

Abstain (0)

36. Members' Question Time

Cllr Barry asked an oral question on whether members of the committee could meet with the new Director of Finance and Section 151 Officer. Members were advised that the new post holder, Mr Chris Ward, appointed under a partnership arrangement with Portsmouth City Council, was present at County Hall two days per week and would meet with members in the near future.

CHAIRMAN