

Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	MONDAY, 26 SEPTEMBER 2016 AT 10.00AM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Present	Cllrs Stuart Hutchinson (Chairman), David Eccles, and Roger Whitby-Smith
Auditors Present	Dan Deacon (PricewaterhouseCoopers), Simon Mathers (Ernst & Young), Geraint Newton (PricewaterhouseCoopers), Helen Thompson (Ernst & Young)
Co-opted Member (non-voting)	None
Officers Present	Jon Baker, Andrew Carpenter, Kerry Hubbleday, Helen Miles and Jo Thistlewood
Apologies	Cllrs Reg Barry, Colin Richards and Dave Stewart

8. [Minutes](#)

The minutes to the previous meeting were reviewed.

RESOLVED:

THAT the Minutes of the meeting held on [27 June 2016](#) be confirmed.

9. [Declarations of Interest](#)

There were no declarations made.

10. [Public Questions Time](#)

There were no written questions received.

11. **Approval of the Annual Accounts**

- i. [External Auditor's Annual Results Reports – Isle of Wight Council and Isle of Wight Council Pension Fund. \(Recording 1 and 2\)](#)

The External Auditor presented a report on the work carried out by them to discharge their statutory audit responsibilities together with any governance

issues identified. The report summarised the findings from the 2015 - 2016 audit, which was noted as being substantially complete, including matters arising from the audit of the financial statements and the results of the work undertaken to assess arrangements to secure economy, efficiency and effectiveness in the council's use of resources – Value for Money (VfM).

All significant audit risks identified before the start of the audit had been addressed; management had provided assurance to the auditors on Island Roads PFI, New waste management contract and Minimum revenue provision (MRP).

No significant deficiencies in the design or operation of internal controls that might result in a material misstatement in financial statements had been identified.

Whilst proper arrangements were in place to secure value for money in the use of resources, it was noted that there was a significant risk around the delivery of a balanced budget in 2017 – 2018 and the council's ability to plan its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

With regard to the pension fund audit an unqualified opinion on the pension fund financial statements was given, audit work was completed and no issues of concern were raised.

Two other issues were highlighted. One was in relation to the pension fund risk register which had not been updated during the course of 2015 – 2016. The other where information provided to the actuary in respect of International Accounting Standards (IAS) 19 was found to be inaccurate, but which was identified to have no impact on the assessment of the pension fund liability that goes in the council's main accounts. Members were advised that these were probably due to officer capacity issues.

The draft management representation letters for the council and the pension fund were approved for signature by the Chairman of the Audit Committee in addition to the Section 151 Officer.

RESOLVED:

THAT the External Auditor's Annual Results Reports – Isle of Wight Council and Isle of Wight Council Pension Fund be noted and agreed.

ii. [Annual Report of the Head of Internal Audit](#)

The Technical Finance Manager, as Head of Internal Audit, presented a report on the activities of the internal audit function for the year ended 31 March 2016, as well as the outcomes of its work. It also provided an opinion on the council's control regime.

The committee were reassured that no significant issues of note had been recorded aside from some thematic issues, which were consistent with other auditor findings.

While members acknowledged there were no major issues, concerns were expressed over the heavy workload for the lead officer for Internal Audit. Members were however reassured that their concerns were noted and that additional senior officer support had been made available. The situation was under continuous review in order to prioritise workloads effectively and ensure all significant areas of work were completed appropriately

RESOLVED:

THAT the annual report of the Head of Internal Audit be endorsed.

iii. [Annual Governance Statement \(AGS\) 2015-16](#)

The Technical Finance Manager, as Head of Internal Audit, presented the council's annual governance statement for 2015-16 as required by the Accounts and Audit Regulations 2015.

The report had been drafted with input from relevant senior managers, and had been approved by the Corporate Management Team.

The committee would normally receive a draft AGS at its meeting in June along with the draft accounts. However, owing to capacity issues this was not possible for 2016.

There were no major issues about which the committee should be concerned, and a detailed action plan would be presented to the committee in due course.

RESOLVED:

- i. THAT the Annual Governance Statement be agreed.
- ii. THAT the Annual Governance Statement be recommended for signature by the Chief Executive and Leader of the Council before publication with the council's statement of accounts.

Named Vote

For – (3) Cllr Eccles, Hutchinson and Whitby Smith

Against – (0)

Abstain – (0)

iv. [Statement of Accounts 2015-16](#)

The Strategic Manager - Financial Management and the Principal Accountant – Corporate presented the council's Statement of Accounts for 2015/16 for approval, following completion of the external audit process, and having given due consideration to the content of the external auditor's annual report.

The Accounts and Audit Regulations 2015 require approval of the accounts by members of the Audit Committee no later than 30 September each year.

Following the approval, the accounts would be signed and dated by the Chairman of the Committee and then published on the council's website, together with the report and opinion issued by the auditor.

Members received a [PowerPoint presentation](#) which provided them with legislative background, a financial statements overview, revenue and service budget performance, comparisons with previous year and council reserves.

RESOLVED:

THAT the 2015- 2016 Statement of Accounts be agreed.

Named Vote

For – (3) Cllr Eccles, Hutchinson and Whitby Smith

Against – (0)

Abstain – (0)

12. [Procurement Strategy 2016 – 2019](#)

The Head of Legal Services and Monitoring Officer presented a report which provided the committee with an overview of the council's proposed Procurement Strategy for 2016 – 2019. Should the committee support the adoption of the report, it would then be considered by the Executive at its meeting on 10 November 2016.

The new strategy was required as a result of recent findings from the council's auditors and would be based around the following four key themes:

- Strategic
- Supporting Local Economies
- Leadership
- Modernising Procurement

Members were advised that implications of Brexit on the new strategy were not known at this stage. The council would still need to trade with European Union members and should there be any changes to the current legislation that the council must abide by, then the committee would be provided with updates.

RESOLVED:

THAT the Procurement Strategy set out in the appendix to the report be agreed and recommended to the Executive for approval.

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

i. [Internal audit progress report and initial planning for 2017-18 programme](#)

The Technical Finance Manager, as Head of Internal Audit, introduced the performance report from the council's Internal Auditors against the 2016-17 audit plan as well as an introduction to the planning for the 2017-18 internal audit programme.

Members were advised that reports issued since the committee last considered the internal auditors work were rated as a 'medium' risk, for the HR Process Digitalisation/ E-HR and a 'low' risk, for the IT Strategy.

With regard to the HR Process Digitalisation, it was noted that the council's approach to project management had not been consistent, although some areas such Fire Control were good. Project Management would therefore be revisited in the future.

Whilst the IT Strategy was rated as 'Low' risk, the committee did express some concerns around the use of 'Cloud' technology and the possibility of cyber-attacks. However, members were advised that all data in the 'Cloud' would be encrypted and that appropriate measures would be in place to mitigate any risks.

Members were advised that the 2017- 2018 Internal Audit programme planning had already.

All members were also encouraged to advise the Technical Finance Manager of any priorities that they felt needed addressing, to inform the 2017-18 plan.

RESOLVED:

- i. THAT the progress report of the council's internal audit provider be noted.
- ii. THAT the process for the formation of the 2017-18 internal audit plan be noted

ii. [Treasury Management Annual Report 2015-16](#)

The Technical Finance Manager presented the annual report on treasury management policies, practices and activities for the financial year 2015-16.

In December 2015, the committee received a half-year progress report on treasury management activities and the annual report updated this as well as including additional information required.

No major issues of concerns were raised or discussed and members noted and agreed the report.

RESOLVED:

THAT the Treasury Management Annual Report 2015-16 be noted

iii. [External Audit Arrangements After 2017-18](#)

The Technical Finance Manager presented a report setting out the latest position in relation to the requirement in the Local Audit and Accountability Act 2014 for the council to appoint its own external auditor by 31 December 2017.

Members were advised that the council could make its auditor appointment itself, in conjunction with other bodies, or it could take advantage of the national collective scheme that was being developed by PSAA.

The committee was asked to support in principle the proposal that the council request Public Sector Audit Appointments Limited (PSAA) to assist with the appointment of an external auditor for 2018-19.

It was noted that further update reports would be provided to the committee at future meetings in order to advise of the progress.

Members were concerned that they could be agreeing to something without full knowledge of its implications and therefore requested the recommendation be amended to allow for further information to be made available.

RESOLVED:

THAT the council opts-in, in principle, to an approved collective procurement arrangement through Public Sector Audit Appointments Ltd (PSAA), a sector led body acting for the sector as a whole, subject to further detail being provided.

Named Vote

For – (3) Cllr Eccles, Hutchinson and Whitby Smith

Against – (0)

Abstain – (0)

iv. [Co-opted Member Vacancies](#)

The committee was advised that the process for recruiting new co-opted members to its membership would start shortly. Up to two members would be

appointed with non-voting rights and it was hoped that those with a good balanced knowledge of business and financial matters could be attracted.

Advertisements would be placed in the local press and the Isle of Wight Chamber of Commerce and the Women on Boards initiative could also be approached in order to identify possible participants.

14. **Members' Question Time**

No written questions were received.

CHAIRMAN