



Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	MONDAY, 26 JUNE 2017
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Present	Cllrs Paul Brading (Chairman), Adrian Axford, Reg Barry, Paul Fuller, Julie Jones-Evans, Chris Quirk
Cabinet Members Present	Cllrs Clare Mosdell, Dave Stewart
Auditors Present	Helen Thompson, David White (Ernst and Young) Geraint Newton (Pricewaterhousecoopers)
Officers Present	Jennifer Beresford, Elizabeth Goodwin, Dave Martin, Helen Miles, Claire Shand

1. [Minutes](#)

RESOLVED :

THAT the Minutes of the meeting held on [13 March 2017](#) be confirmed.

2. [Declarations of Interest](#)

Cllr Brading advised that since being appointed chairman at the Annual Council meeting in May 2017 he had become the Cabinet Member for Children's Services and would be stepping down as the Chairman of the committee. It was expected a new chairman would be appointed at the next Full Council meeting on 19 July 2017.

3. **Reports of the External Auditor**

(a) [Isle of Wight Council Audit Committee Progress Report June 2017](#)

The progress report from the council's external auditors, Ernst and Young was presented. The report detailed the work carried out since the March 2017 meeting.

The interim visit had been conducted in March 2017. The IT audit team had undertaken work on the council's key systems (Northgate and Sap). Members noted that since the report was published the majority of outstanding evidence had been provided.

Substantive testing in relation to the Post Statements Audit had begun early in line with the requirement for the council to publish its audited statements by 31 July 2017. The results of the audit would be presented to the committee at its September 2017 meeting. The results of detailed work relating to the significant risk to the Value for Money Conclusion would also be presented.

2016/17 Grant Certification work could be concluded following the resolution of a small number of outstanding queries.

Post Statement work relating to the Isle of Wight Pension Fund had begun but the timetable for completion had been delayed due to issues surrounding the accuracy of membership data in administration system. The issue was discovered during last year's work but had not resolved been resolved due to changes within the pension administration team. Assurances were being sought from the actuary that the accuracy of its work regarding valuation of funds liabilities was not affected.

The committee were also updated on future external audit arrangements: Ernst and Young had been awarded lot two of the local government audit contract from 2018/19. The allocation of auditors to authorities would be undertaken by Public Sector Audit Appointments (PSSA) through the summer and confirmed in the autumn. The council would need to appoint an auditor to undertake grant certification work by the end of February 2018.

Members sought clarification regarding the significant risk in relation to the value for money conclusion, the council's financial position. The auditors would follow-up on the conclusions of the 2015/16 work and the actions taken by the council to address its financial position. The 2016/2017 outturn would be compared to the budget and the process for setting the 2017/18 budget examined. How key actions highlighted last year had been addressed such as changes to minimum revenue calculation, the creation of the regeneration team and use of capital resource would also be explored.

Members questioned the risks related to the change to the deadline for the council publishing its audited statement of accounts. The impact on the council was minimal only requiring the close of the accounts be brought forward to 31 May 2017. However, the auditors would lose two months and were working with the council to begin post statement work sooner than it would be undertaken traditionally to meet the change in deadline.

Reassurance was sought that this work would include reviewing underspend to ensure the council had not been left exposed. Members were advised work had not yet started on the outturn reports. However, underspend would not be reviewed in detail. It was agreed underspend was important when assessing value for money and would be considered in that context.

RESOLVED :

THAT the progress report be noted.

(b) [Isle of Wight Council 2017-18 External Audit Fee Letter](#)

The committee reviewed the letter from the external auditors which set out the work proposed for the 2017/18 financial year and the associated costs. Fees were set by Public Sector Audit Appointments (PSAA) and remained unchanged as they had been set over the term of the contract.

The Housing Benefit fee had not been confirmed but was expected to be in line with the 2016/17 costs. Confirmation was expected once queries across all organisations were resolved in the next few months. Members were reminded that there was no materiality in subsidy testing and any error would result in extended testing and impacted the level fees were set at.

The cost of work on Isle of Wight Pension Fund financial statements, which was not included in the letter, also remained unchanged and was £21,085. It was agreed the audit plans would be circulated via the clerk to the committee.

Clarification was provided that PSAA set fees for the 5 year duration of the contract and any increased costs were absorbed by the firms delivering the work. Scale fee variations for additional work were negotiated with PSAA and council providing reassurance around value for money. Fees were expected to reduce by 18% for 2017/18 which had received a mixed response from the industry with some seeing it as a challenge to quality.

It was not expected there would be a deterioration to service; each bid set out how audits could be undertaken more efficiently, for example, through changes to the audit process and better use of technology. The council itself should monitor quality but assurance was also provided by PSAA who assess each firms work annually.

RESOLVED :

THAT the fee letter be noted.

4. [Isle of Wight Council Audit Committee Internal Audit Progress Report](#)

Members considered the report by the council's co-sourced internal audit provider on progress against the audit plan, which detailed the work undertaken between March and June 2017. It was noted two reviews from the 2016/17 plan had been postponed until 2017/18, Adult Social Care – Savings Plans and Dynamic Purchasing System (DPS) and Environmental Health.

Six internal audit executive summaries were considered:

- Benefit payments (Low risk)
- Local Taxation (Low risk)
Reassurance was sought regarding the medium risk findings in relation to debt recovery. Members were advised the errors found during testing of the controls were the result of minor processing errors and unlikely to reoccur.
- Insurance (Medium risk)
Members questioned the unexpectedly high level of claims made in relation to council vehicles and the suggestion, that in an effort to reduce the level of claims, personal liability be increased. They were advised doing so would reduce the risk to the council and encourage officers to be more cautious. Officers agreed to provide further information relating to the claims and the impact of an increased fleet size.
- Constitution
- Procurement (Medium risk)
- Schools (Hunnyhill, Niton, St Thomas, Carisbrooke and Greenmount Primary Schools – Medium Risk)

Concern was expressed regarding the medium risk assigned to all schools audited. The schools audited were small and had limited resource to practice the controls needed to record information in a timely manner. Clarification was provided regarding the process for ensuring schools acted on the recommendations from the audit.

Discussion took place regarding the audit plan and the underspend from the 2016/17 budget. It agreed the Chief Internal Auditor would bring back an overview of where savings had been made to the September 2017 meeting.

RESOLVED :

- (i) THAT the report be noted
- (ii) THAT an overview of the underspend in 2016/17 be considered at the September 2017 meeting.

5. **[Procurement Activity Report for the Half Year 1 October 2016 to 31 March 2017 \(Q3 and 4 2016-17\)](#)**

The Head of Legal Service and Monitoring Officer presented the report which outlined the council's procurement and contract monitoring activity for the October 2016 to March 2017 period. An overview of changes to the Procurement and Contract Monitoring Team and their role was also provided.

During discussion regarding the number of waivers in the period, attention was drawn to Appendix B of the report which provided the reason for the waivers and long term actions. It was noted waivers were a useful tool and allowed services to be reactive. Additional information on how the number of waivers had been reduced in recent years was sought. Members also questioned the lack of member involvement in relation to procurement board and the head of legal services advised that this would be given consideration.

RESOLVED :

THAT the report be noted.

6. **The Council's Risk Profile**

The committee considered the report which detailed the council's position in relation to strategic risks relating to the 2016/17 strategic plan and outlined the scoring system used to rate the risks by the risk owners. The risks and updates were:

- Lack of financial resource and the ability to deliver the council's in-year and medium term budget strategy (Score – 12)
- Insufficient staffing capacity and skills (Score – 9)
- Educational Attainment (Score – 9)

Members were advised that the Strategic Plan for Education would be considered by the Policy and Scrutiny Committee for Children's Services at its meeting on at the 29 June 2017.

- Failure to provide effective arrangements to prevent incidents of abuse of vulnerable adults (Score – 12)
- Failure to identify and effectively manage situations where vulnerable children were subject to abuse (Score – 9)
- Failure to secure the required outcomes from the integration of Adult Social Care and Health (Score – 12)

It was noted that the Care Close to Home strategy was due to be presented at the Health and Wellbeing board on the 29 June 2017. In addition, following several years on interim management, the service was under stable senior management which was expected to improve the direction of travel for the risk.

- The council failed to achieve the required outcomes from its significant contractual relationships and failed to successfully resolve some anomalies in the contract's interpretation (in relation to the 25 year highways PFI contract) (Score – 9)

- The risk that the islands economy fell further behind its mainland comparators and was unable to generate sufficient wealth to sustain the Island and its community (Score – 12)
- Achieving the Vision for the Island (Score – 12)

Members were reminded that the vision for the Island would be subject to change as the new administration would set out their vision in the 2017-20 Corporate Plan.

Reassurance was sought regarding improving the risk score for around the provision of effective arrangements to prevent incidents of abuse of vulnerable adults. Discussion took place regarding residents in permanent residential care. Permanent residential care was not desirable as a future care model and outcomes were better for elders who remained at home. Funding was in place to address issues within the service and develop new care models. Focused projects, with deadlines for completion would be delivered through My Life a Full Life.

A review had been requested to focus improvements. However, the issues around adult social care were a national problem and would take time to address. It was noted that the score was also impacted by incorrect reporting of data in Quarter 3.

RESOLVED :

THAT the strategic risks be approved

7. **Members' Question Time**

Cllr Jones-Evans raised a question in relation to the review into the floating bridge. The Chief Internal Auditor advised that the review was in progress. Clarification was provided that the review was being undertaken by Pricewaterhousecooper.

CHAIRMAN