



Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	MONDAY, 25 SEPTEMBER 2017 AT 10:00 PM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Present	CLLrs Adrian Axford (Chairman), Paul Fuller, Julie Jones-Evans, John Kilpatrick, Chris Quirk
Auditors Present	Helen Thompson, David White (Ernst and Young) Dan Deacon, Geraint Newton (Pricewaterhousecoopers)
Officers Present	Jennifer Beresford, Andrew Carpenter, Elizabeth Goodwin, Kerry Hubbleday, Dave Martin, Claire Shand, Jo Thistlewood
Apologies	Cllr Reg Barry, Brian Tyndall

8. [Minutes](#)

RESOLVED :

THAT the Minutes of the meeting held on [26 June 2017](#) be confirmed.

9. [Declarations of Interest](#)

There were no declarations received at this stage.

10. [Report of the External Auditors](#)

(a) [Isle of Wight Council Audit results report Year ended 31 March 2017](#)

The external auditor presented a report summarising the findings from the 2016 - 2017 audit and the work undertaken around the risks identified in the audit plan. It was expected an unqualified opinion and value for money conclusion would be issued on completion of outstanding work. Since the report had been issued work outstanding on investment income, pensions, expenditure and financial statements had been completed. The only significant audit risk identified related to management oversight and was a standard risk identified in all audit work. No issues were identified by the testing related to this risk.

Members were advised that materiality had increased to £3.883m as it was based on 1% of gross revenue and expenditure which was slightly

higher than expected. Clarification was also provided regarding the technical terminology used in the report.

In 2015/16, in relation to the value for money conclusion, concerns had been raised regarding sustainable resource deployment, informed decision making, working with partners and other third parties and progress in the delivery of a sustainable medium term financial plan. Work in 2016/17 indicated a trend of improvement in the proper arrangements.

No significant deficiencies in the design or operation of internal controls that might result in a material misstatement in financial statements had been identified. There had been a delay in the publication of the annual governance statement and the period for public comments had been extended accordingly.

Members questioned the absence in the report of concerns relating to IT infrastructure. The committee was advised that while some concerns had been identified, following substantive testing these had been found to have had no impact and were not significant enough to be included in the report. Since similar issues had been raised in previous years, the responses to the findings would be included in the planning for next year's audit planning.

RESOLVED:

THAT the External Auditor's Annual Results Report relating to the Isle of Wight Council be noted.

(b) Isle of Wight Pension Fund Audit results report Year ended 31 March 2017

Members were advised that materiality used in the audit of the Isle of Wight Pension Fund, based on 2% of net assets, had increased to £9.4m.

The auditors work had not identified any unadjusted misstatements and no adjustments had been required. The only significant risk identified was the standard risk relating to management override identified in all audit engagement.

Two issues were highlighted; both were felt to be the result of absence of key council personnel:

- The Membership data provided to the actuary was incorrect for the second year running and would be picked up in the planning for next year's audit.
- Completion of the audit work was delayed

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

RESOLVED:

THAT the External Auditor's Annual Results Report relating to the Isle of Wight Council Pension Fund be noted.

11. Internal Audit Progress Report

The committee received the report of the council's co-sourced internal provider which summarised of the activities undertaken between June and September 2017 regarding outstanding review from the 2016/17 programme of work.

The three reviews considered medium risk were:

- Cash Handling
- Payroll and Pension Administration
- Key Financial Systems

Three further high risk reports were also presented:

- Highways and Waste Contract Management
- Pan Meadows
- Payment Card Industry, Data Security Standard (PCI DSS)

Members were advised that the auditor's recommendations had been accepted. Actions were underway but slightly delayed. The upgrade being undertaken was complex and there had been a delay with Capita.

Members expressed disappointment that there was no-one responsible for the service highways and PFI areas where high risks had been found were not present. It was suggested that, as the implementation date for the actions related to the two reports was November 2017, that the relevant officer be invited to the December 2017 meeting to provide and update.

RESOLVED :

- (i) THAT the committee reports of the co-sourced internal audit provider.
- (ii) THAT the officer responsible for the Highways and Waste PFI be invited to provide an update on the progress addressing the auditor's recommendations at the December 2017 meeting.

12. Annual Governance Statement 2016-17

Members considered the annual governance statement which detailed the results of the council's annual review of the effectiveness of its system of internal control. The council's governance framework was noted as being

designed to be consistent with CIPFA/SOLACE codes of practice and compliant with the seven Myner's Principles.

The statement identified five key areas for improvements to be secured in, which were captured as an action plan that detailed activities required to underpin improvement. In respect of the proposed action to secure the delivery of a planned programme of learning and development for members following the elections in May 2017, clarification was sought as to whether members felt adequately supported. It was reported that thus far, this had been measured using evaluations from the post-election induction process and feedback from members had indicated the programme was comprehensive and supportive of developing confidence in their roles. The programme would be ongoing with member information seminars scheduled throughout the year to underpin other professional development needs.

Discussion took place regarding the actions undertaken to increase accessibility and transparency. The actions, which had been completed after 31 March 2017 and were not included in the report were:

- Redesign of the council's website (it was hoped increases accessibility would reduce the number of calls).
- There was a large scale improvement programme already in place to reduce call waiting times. Additional monies had been allocated to the call centre to help improve this front line service. Three and a half full time staff should be in place by December 2017 and were being recruited and trained. It was hoped funding could be found for a further five to six more staff in future budget reviews.

Concerns were raised in relation Corporate Parenting and its effectiveness. The Corporate Parenting Board had not met for 6-months and a number of meetings had been cancelled. Members also wanted a briefing on their role as Corporate Parents.

RESOLVED :

- (i) THAT the committee approve the annual governance statement and recommends it to the Chief Executive and Leader of the council for signature before publication with the council's statement of accounts.
- (ii) THAT clarification be sought regarding meetings of the Corporate Parenting Board
- (iii) THAT a briefing be arranged for all members, regarding corporate parenting

13. Statement of Accounts 2016-17

The committee received a presentation regarding the 2016-17 Statement of Accounts. The information provided included:

- Legislative background
- An overview of the financial statements and how they link together
- A comparison of the financial statements with budget
- Details of underspend (£6.0m)
- Revenue Budget Performance
- Service Budget Performance
- Comparisons with 2015/16
- Details of the council's reserves

Members noted that the final position was a £6.0m improvement on the budget and was comprised of a net overspend of £420,000 offset against a net saving of £6.4m on corporate budgets, of which the key items related to the corporate contingency, vacancy management savings and loan interest.

Clarification was provided that the statement of accounts did not provide detailed revenue accounts and therefore members would not see entries for pertaining to specific items such as contract penalties.

Reassurance was sought in relation to the increase in pension liabilities which had increased by £20m. Members were advised that the figure was a notional amount which reflected the amount the council would have to pay if all active members ceased contributions. Liabilities were funded to 92% which was a strong position.

RESOLVED :

THAT the report committee approve the 2016-17 Statement of Accounts.

14. **Treasury Management Annual Report 2016-17**

The Technical Finance Manager presented the report and advised the committee that all activity within the year had operated within 2016/17 strategy and all prudential indicators had been met.

The committee recognised the contribution that treasury management had made to savings. Members were advised that the council had been able to take advantage of low interest rates by borrowing short term from other local authorities and taking out multiple loans with the Public Works Loan Board decreasing interest rates in June 2016. As a result of continuing low interest rates, £0.5m savings had already been identified towards the 2017-18 budget; further savings were anticipated for the rest of the year

Clarification was provided that Minimum Revenue Provision (MRP) was an accounting entry. Previously monies had been allocated for budgeted debt rather than actual borrowing which was no longer the case and it had been possible to take a MRP repayment holiday, both of which had generated savings.

RESOLVED :

THAT the committee note the council's strategic risks.

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

The committee considered the report which provided the current position of the council's strategic risks. It was noted that the risks would be re-evaluated in line with the new corporate plan once it had been considered at the October 2017 meeting of Cabinet, rather than the September 2017 meeting as stated in the report. The following updates areas were highlighted:

- Failure to Improve Educational Attainment: the risk had been updated to reflect the improvement plan and fuller analysis of performance.
- Failure to provide effective arrangements to prevent incidents of abuse of vulnerable adults: there had been a number of operational areas had showed improvements and further improvements were expected later in the year.
- The council fails to achieve the required outcomes from its significant contractual relationships and fails to successfully resolve some anomalies in the contract's interpretation (in relation to the 25 year Highways PFI contract): There had been good performance in areas of the highways and waste contracts. Recycling for example had exceeded targets following improvements to recycling centres and the introduction of mobile sites.

Members recognised the work done around reducing the risk related to staffing capacity and skills noting the savings made increased resilience and modernisation of systems of processes.

RESOLVED :

THAT the committee approve the councils risks

16. **Members' Question Time**

Cllr Paul Fuller raised a question regarding the lack of a co-opted member on the committee. He was advised that adverts were being prepared to advertise the vacancy and it was hoped the vacancy would be filled before the next meeting.

CHAIRMAN