



Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	3 DECEMBER 2018 AT 10.00AM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Present	Cllrs Adrian Axford (Chairman), Reg Barry, Paul Fuller, Chris Quirk
Auditors Present	Geraint Newton, David White
Officers Present	Jennifer Beresford, Sharon Betts, Elizabeth Goodwin, David Martin, Helen Miles, Gavin Muncaster, Claire Shand, Tom Southall, Jo Thistlewood.
Apologies	John Kilpatrick, Bryan Tyndall

16. [Minutes](#)

RESOLVED :

THAT the Minutes of the meeting held on 30 July 2018 be confirmed.

17. [Declarations of Interest](#)

There were no declarations received at this stage.

18. [Public Questions Time](#)

Questions were put to the Chairman as follows:

Mr Stephen Goodman asked if the council has looked at the costs of failing to do anything now, in response to the climate crisis. Mr Goodman then asked a supplemental question if not why not. The chairman advised a written response would be provided ([PQ 42-18](#))

Ms Tanya Rebel of Cowes asked if the Isle of Wight Pension Fund had invested in fracking and other fossil activities overseas. Ms Rebel then asked a supplemental question of how if the fund had invested in fracking and other fossil activities overseas this resolved with the councillors own views on fracking? The chairman advised a written response would be provided. [PQ 33-18](#)

19. [Property Acquisition Report](#)

The Assistant Director of Regeneration, Property and Investment for Portsmouth City Council presented a report which provided an overall summary of progress in the delivery of the council's commercial property acquisition strategy. The key points highlighted were:

- In addition to the circa £20.7 million (inclusive of all costs associated with purchase) which had been invested as detailed in the report, and additional property at the cost of £10 million had been purchased. Therefore around £69 million of the fund remained to be invested.
- The income generated, including the new investment, would be approximately £1.4 million per annum in a full year of operation.
- The fund required significantly more purchases to become a fully invested UK wide fund and balance the property risk to an acceptable level while maximising the overall return.

Clarification was provided that Portsmouth City Council's Investment Department were supporting the investment work and had a proven track record. Any proposed investments met the strict criteria around aspects like profitability and cash value. A good geographical spread and other risk mitigating factors were also taken into account. It was also noted that not all bids were successful.

Discussion took place regarding investment of monies from the fund on the Island. Members were advised that the property acquisition initiative was strictly for financial return and did not include regeneration of job creation. However, the monies made from the investment portfolio were reinvested in Island services.

RESOLVED :

THAT the update on the property investment fund be noted.

20. [External Audit - Isle of Wight Council and Isle of Wight Pension Fund Annual Audit Letter for the year ended 31 March 2018](#)

The committee considered the letter from the external auditors which concluded the audit work on the Isle of Wight Council and Isle of Wight Pension Fund accounts for the financial year 2017-2018. Detailed auditors findings had been presented to the committee when it met in July 2018, and there had been no changes since that date.

The auditors advised that, following the committee's approval, an unqualified opinion had been issued on the council's accounts and the Isle of Wight Pension Funds accounts. An unqualified value for money conclusion had also been issued.

Member's attention was drawn to the change in fee for 2017/18 which had been agreed with the Section 151 officer to be 128,989 rather than £128,054

as planned, which related to work following changes to the council's internal reporting structure.

In relation to the Council's accounts, the significant risks were discussed. Reassurance was provided that the auditors had taken confidence from the council's progress in relation to its medium term financial strategy. However, since medium and long term objectives had not yet come to pass the risks remained.

In response to questions relating to materiality, members were advised the measure against which materiality was applied was determined by what would be of greatest interest; public spending in the case of local government accounts and net assets in relation to the pension fund. This was then used to determine what needed to be examined. A full explanation would be circulated outside the meeting.

The report on 2017/18 housing benefits certification work was expected to be issued in November 2018. Out of over 5,500 claims and a claim value of over £46 million, there had been two minor errors of £126 and £0.80. While these were very small and the claim had been accepted by the Department of Work and Pensions it had been necessary to report them as there was no materiality applied to findings.

RESOLVED :

THAT the external auditor's letter be noted.

21. **Internal Audit Progress Report and High Risk Audit Reports**

Members were presented with a report from the council's co-sourced internal audit provider, Pricewaterhousecoopers (PWC) summarising the activities undertaken between July and December 2018. Work on programmes of work for quarters one to three of 2018/19 were substantively complete.

The executive summary for Environmental Health (Medium Risk) was considered as were the high risk reports on IT General Controls and Parking.

Consideration was given to staffing concerns within Environmental Health, Members noted that a strong apprenticeship scheme was in place to train environmental health officers but remained concerned that this did not address the issues around retention.

During discussion regarding the Parking report, members were reassured that in regard to comments regarding risk managements, risks were being addressed and the issues were in relation to recording. Clarification was also provided that the Parkon machines were able to provide the same data, however how information was provided was different. Questions were raised regarding the drop in income in relation to parking and members were advised that information would be provided after the meeting.

The committee was advised follow-up work on both the high risk reports would be undertaken during the 2019/2020 audit work.

RESOLVED :

THAT the Internal Audit Progress Report and High Risk Audit Reports be noted.

22. Annual Governance Statement (AGS) and progress against previous AGS issues

The committee received a verbal update on progress against issues in relation to the council's annual governance statement for 2017-18. Members were advised that the council's governance framework followed both the Chartered Institute of Public Finance (CIPFA) and Society of Local Authority Chief Executives (SOLACE) codes of practice. Updates against both the 2016/17 and 2017/18 action plans were provided:

2016/2017:

- The contact centre was answering calls within the 90 second target. In the three months prior to the meeting calls had been answered within 60 seconds. Improvements had also been made to the citizens access portal.
- Members had completed a training needs assessment and a training programme had been approved by the Cabinet Member for Resources.
- Recruitment and retention continued to be a challenge in some areas and work was ongoing in this area. The recent staff survey was still being analysed but showed steady progress though there was more to do. The second round of BIG conferences had been completed.
- Work to strengthen strategic partnerships was ongoing.

2017/2018

- The councils programme project management framework had been updated. A programme management board had been set-up to manage programmes and Cabinet had oversight of strategic projects.
- Work in relation to GDPR had gone well. Staff awareness was good and reporting of breaches was appropriate.
- Following recommendations in the peer review. Changes to the council's senior management structure had been completed. A formal update would be sent to Cabinet early in 2019.

Discussion took place regarding complaints from residents and the committee requested data regarding complaints be provided.

RESOLVED :

THAT the update on the Annual Governance Statement (AGS) and progress against previous AGS issues be noted

23. **Procurement Half-yearly Report**

The committee received a high-level overview of the council's procurement and contract monitoring activities from 1 April through 30 September 2018 inclusive.

Questions were raised in relation to what appeared to be repeat waivers of £27,000 for Regeneration and why you would need a repeated waiver. Clarification was provided that the amounts were the same as a result of rounding and were for different services.

RESOLVED :

THAT the Procurement Half-yearly Report be noted.

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

Members considered the report which detailed the current position of the council's strategic risks. The format of the report had been changed. Long commentary around the risks had been replaced by a focus on mitigations and updates were now obtained directly from the risk owner rather than the head of service. The risks and their ratings were:

- Lack of financial resource and the ability to deliver the council's in-year budget strategy (Amber)
- Lack of financial resource and the ability to deliver the council's medium term budget strategy (Amber)

This risk had previously been a linked to risk relating to the in-year budget

- Insufficient staffing capacity and skills (Amber)

Concerns were raised regarding complaints about turnover of social workers by Adult Social Care services users. Members were advised that a dedicated recruitment officer had been appointed to the service in an effort to address the recruitment and retention issues in this area.

- A change in organisational culture fails to keep a pace with the speed of organisational change, negatively impacting on the delivery of the required transformation to deliver the corporate plan (New Risk –Amber)
- Failure to improve educational attainment (Amber)
- Failure to identify and effectively manage situations where vulnerable children are subject to abuse (Amber)
- Failure to provide acceptable quality of professional practice across Adult Social Care (Amber)

Members questioned if Adult Social Care (ASC) was being given adequate priority as there had been delays in ICT Equipment for mobile working being issued to the teams. Due to the end of the lease on enterprise house, it had been necessary to revise the planned roll out of the equipment to allow for ASC to move into County Hall.

- Failure to identify and effectively manage situations where vulnerable adults are subject to abuse (Amber)
- Failure to secure the required outcomes from the integration of adult social care and health (Amber)
- 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) (Amber)
- Brexit - Uncertainty during transition period, followed by potential legislative, funding and policy changes after the UK leaves the EU may adversely affect the council and its ability to provide services. This was a new risk which replaced the risk that “the Island's economy falls further behind its mainland comparators and is unable to generate sufficient wealth to sustain the Island and its community”. (Red)
- Achieving the vision for the Island (Red)
- Additional demands placed upon the Isle of Wight Council and partners owing to pandemic flu

Clarification was provided that risk were approved by the Corporate Management Team who also made adjustments as appropriate.

RESOLVED:

THAT the council's strategic risks be approved.

25. **Treasury Management Half-yearly Report**

The Technical Finance Manager provided the committee with a half-year report detailing the progress on treasury management policies, practices and activities for the financial year period ending 30 September 2018. The report was provided in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice. Performance was meeting all targets and within the strategy.

There was discussion regarding predicted interest rate increases and it was agreed more information on market predictions would be circulated to the committee.

It was noted that a new format would be used in 2020 and that the requirements had been broadened to include capital and non-treasury (regeneration and commercial) investment strategies. These new documents would be circulated at the February 2019 committee prior to budget council.

RESOLVED :

THAT the Treasury Management Half-Yearly Progress Report be noted.

26. Reports of the Chief Internal Auditor

(a) [Fraud & Irregularity \(including Whistleblowing\) Annual Report](#)

The Chief Internal Auditor presented the report which informed the committee of incidents of fraud and irregularity, whistleblowing and details of changes to arrangements for the period 1 April 2017 to 31 March 2018. It was noted that fraud cases which were open could not be reported.

There was one case to report in the period relating to the potential fraudulent use of £171k of direct payments. Further details of the case would be shared with the committee once the prosecution had concluded.

One instance of whistleblowing was reported: A poor system for managing the receipt of cash in one area was investigated. From January 2018 all future transactions in that area will be electronic. No discrepancies were found.

Members questioned if fraud was being actively sought as levels were very low and it seemed illogical there had only been one case for some time, especially with advances in technology. The enhancements to council's counter fraud measures through a shared arrangement with Portsmouth City Council were outlined.

In addition, members noted that while the responsibility for benefit fraud, with the exception of discounts, had transferred to the Department of Work and Pensions in 2015, joint working arrangements with local authorities were now being explored.

RESOLVED :

THAT the Fraud & Irregularity (including Whistleblowing) Annual Report be noted.

(b) [Audit Committee Annual Report](#)

The committee considered a report which outlined the audit committee's assessment of their effectiveness in 2018. Details of the areas to be assessed in an annual assessment which reflected the characteristics of a good audit committee according to CIPFA were also provided.

Overall, the committee was considered “good” and “effective”. There was only one area where the committee was not compliant with 'good practice'. This area related to the committee's role on assessing the adequacy of the assurance framework, including partnerships and collaboration arrangements as no information was presented to the committee for areas of assurance obtained from outside of the council. They were therefore unable to form an opinion on the overall arrangements in place. Assurance Mapping, would form part of the role of the Internal Audit service from April 2019, would address this omission.

Discussion took place regarding a co-opted audit committee member. Members were assured that this was not a statutory requirement. Having sought to appoint and advertised the vacancy they had been more proactive than many committees and did not need to take any further action. It was also noted that the political vacancy on the committee had been opened to all groups.

RESOLVED :

THAT the Audit Committee Annual Report and co-opted committee member be noted.

(c) [Internal Audit Service Update](#)

Members received a report which informed the committee of the work underway to re-establish an in-house Internal Audit service supported by Portsmouth City Council under a shared services agreement. The stages of the work and estimated completion dates were provided. The key points noted were:

- A formal notice for cessation of the contract had been accepted by PwC. Consultation was in progress regarding the transfer of relevant employees. Recruitment to the in-house team will take place between 1 April 2019 to 30 June 2019.
- It was expected the Isle of Wight Council would enter into a strategic partnership arrangement with Portsmouth City Council by 31 March 2019. Handover arrangements were in progress and would be completed by 31 March 2019.
- The next steps included creating an audit plan and looking into which high risk fraud areas could be more proactively targeted.

RESOLVED :

THAT the Internal Audit Service Update report be noted.

CHAIRMAN