



Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	MONDAY, 20 MAY 2019
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Present	Cllrs Brian Tyndall (Chairman), Adrian Axford, Reg Barry, Paul Fuller, Chris Quirk, (vacancy).
Co-opted (non voting) Member	Vacancy
Officers Present	Jennifer Beresford, Ashley Curzon, Elizabeth Goodwin, Kerry Huddleday, Dave Martin, Geraint Newton, Wendy Perera, Justin Thorne
Apologies	John Kilpatrick

1. [Minutes](#)

RESOLVED:

THAT the Minutes of the meeting held on 18 February 2019 be confirmed.

2. [Declarations of Interest](#)

There were no declarations received at this stage.

3. **Internal Audit Performance Report including high risk reports**

(a) [Internal Audit Report – Nicholson Road](#)

The committee considered the high-risk report relating to Nicholson Road regeneration initiative in Ryde. A number of concerns were raised including: the lack of target dates for actions in the report, the financial impact should the project not be taken forward and if projects were being appropriately monitored.

Discussion took place regarding the impact on the revenue budget should the capital project not proceed. Members were advised that risks were intrinsic to large development projects and that there was a regeneration fund for this purpose. Reassurance was also provided that there was an appropriate level of governance in relation to the project.

The difficulties with target dates for investigative work were highlighted. However, the committee felt it was appropriate to ask for dates as preparatory work such as identifying costs and options should have been undertaken to some extent before the project had been taken forward.

Questions were asked regarding the provision of affordable housing on the Island if the project did not go forward with this element. Members were advised the council was setting up two companies to deliver local affordable housing. Several members raised issues around the communication of changes to regeneration projects, such as the removal of affordable housing elements, being effectively communicated. This had not been raised in the audit report but would be shared with the Director of Regeneration.

At the end of the debate, the committee agreed to request the appropriate scrutiny body review the report.

RESOLVED:

- (i) THAT the Internal Audit Report on Nicholson Road be noted.
- (ii) THAT the committee request the report be drawn to the attention of the Policy and Scrutiny Committee for Neighbourhoods and Regeneration.
- (iii) THAT target dates be provided in relation to the actions relating to the audit so progress could be monitored.

(b) [Internal Audit Report - Regulatory Compliance](#)

The Chief Internal Auditor presented the report in relation to the council's compliance, as a landlord with 866 properties, with the appropriate land lord compliance checks (gas/electrical safety, water testing etc.).

The risk had been reported to the council as "No Assurance" since it had not been concluded that the necessary arrangements in relation to compliance was not in place, but no assurance could be given that they were, due to how the information and evidence was stored. Reassurance was provided that the report did not indicate a risk to safety at the council's properties, but that the relevant information was not stored by property and could not therefore be effectively collated.

Discussion took place regarding a central system for collating the required data. Members were advised it was not possible for a date for this to be provided until conversations with ICT had taken place. An update was to be provided at the December 2019 meeting.

RESOLVED:

- (i) THAT the Internal Audit Report on Regulatory Compliance be noted.
- (ii) THAT an update on the actions in relation to the high-risk report be provided at the December 2019 meeting.

(c) [Internal Audit Progress Report May 2019](#)

Members considered a report summarising internal audit activities undertaken between February 2019 to May 2019. All work relating to 2018/19 was complete and the reports for Asset Management and Income Collection would be presented at the July 2019 meeting.

Three high risks had been reported, which would be considered individually by the committee. Executive summaries were provided for the following reviews which were low or medium risks:

- Project Management (Low Risk)
- Accounts Payable (Low Risk)
- Contract Management (Medium Risk)
- Journals and Reconciliation (Low Risk)
- Looked After Children (Medium Risk)
- Payroll (Low Risk)
- Domiciliary Care (Low Risk)
- Local Care Plan (Low Risk)
- Fire Service Governance (Low Risk)
- Schools
 - Reported as low risk: Medina College and Arreton, Cowes, St Mary's, Medina House, Newport and St Helens primary schools.
 - Reported as medium risk: Barton, Binstead and Hunny Hill primary schools)

Reassurance was provided that actions relating to the audit would be followed up under the new internal audit arrangements. The committee requested that an update be provided accordingly.

Concern was raised that while the risks were reported as low and medium many issues were being raised and there were similarities between these issues across the different areas for review. Members were advised this was not uncommon across many councils given the reductions to funding and resources. The Isle of Wight was not considered to be of significant concern to the Chief Internal Auditor.

RESOLVED:

- (i) THAT the Internal Audit Progress Report be noted; and
 - (ii) THAT future reports include a brief update on outstanding actions to address risks raised as and when follow-up work is completed.
- (d) [Internal Audit Report – GDPR and Data Protection](#)

The committee was presented with a report in relation to the high-risk audit findings following a review of the steps the council had taken to comply with General Data Protection Regulations which became enforceable from May 2018.

The management response was noted and attention was drawn to central resource issues which had impacted on work in this area; there were only 2.6 full time employees. Reassurance was provided that an additional post had been created to address the issues raised and that it was accepted there should be greater corporate oversight and monitoring in this area. GDPR has been added to the risk register and was also referenced in the annual governance statement.

An action plan to address the issues raised by the audit was in place and compliance was expected within 12 months. The committee requested an update on the action plan once work was underway and the post had been filled.

RESOLVED:

- (iii) THAT the Internal Audit Report on GDPR and Data Protection be noted and;
- (iv) THAT an update on the actions in relation to the high-risk report be provided at the September 2019 meeting.

4. Reports of the Assistant Chief Executive

- (a) [The Council's Risk Profile \(Paper F\)](#)

Members considered the report which detailed the council's strategic risks for 2019/20. The risks and their ratings were:

- Lack of financial resource and the ability to deliver the council's in-year budget strategy (from 8 Amber to 3 Green – reduced as closer to the end of the financial year)

- Lack of financial resource and the ability to deliver the council's medium-term budget strategy (10 Amber to 13 Red – increased due to challenges of year on year savings)
- Insufficient staffing capacity and skills (Amber)
- 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 (From 9 Amber to 8 Amber)
- Failure to improve educational attainment (9 Amber to 10 Amber – Monitoring visits by Ofsted indicated a number of schools' ratings would improve to good or outstanding)
- 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)
- Failure to identify and effectively manage situations where vulnerable adults are subject to abuse (Amber – the number of Deprivation of Liberty Standard assessments outstanding had been reduced from 750 to 120)
- Failure to secure the required outcomes from the integration of adult social care and health (Red)
- 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 (Amber)
- Additional demands placed upon the Isle of Wight Council and partners owing to pandemic flu (Amber)

- Additional demands placed upon the IW Council and partners owing to pandemic flu has been increased (from 9 AMBER to 16 RED) on the advice of the Director of Public Health.

Members noted the previous scores were now listed on the report and requested that updates also be highlighted so changes were clear.

In relation to the risk of failure to improve educational attainment, the committee questioned why there had not been a more significant reduction to the risk of there had been significant improvement. The risk had been rated by the corporate management team and the committee's comments would be fed back.

Concerns were expressed regarding Brexit. Due to uncertainty there was little action that could be taken. However, reassurance was provided that the Chief Executive met regularly with neighbouring councils (Portsmouth, Southampton and Hampshire) and the potential impact on the Island's workforce was monitored. Members also noted that Brexit was impacting on the council's ability to generate income via investments.

RESOLVED:

- (i) THAT the council's strategic risks be approved; and
 - (ii) THAT future reports be amended to clearly show changes.
- (b) [Annual Governance Statement \(AGS\) and progress against previous AGS issues \(Paper G\)](#)

The draft annual governance statement for 2018-19, which detailed the results of the council's annual review of the effectiveness of its systems of internal control was considered. 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. The final version would be presented to the committee for consideration at its July 2019 meeting.

The key areas highlighted to members included:

- Refreshed project and programme management framework and introduction of strategic and member review boards.
- General Data Protection Regulations (GDPR) obligations
- Action plan relating to the Corporate Peer Challenge
- Strategic Partnership Arrangements.

Discussion took place regarding the members review board's political make-up. Reassurance was provided that this was appropriate as the board was a mechanism to provide the administration with programme

oversite and that the audit and scrutiny functions offered cross party accountability.

RESOLVED:

- (i) THAT the Annual Governance Statement 2017-18 be noted; and
- (ii) THAT future reports be amended to clearly show changes.

CHAIRMAN