

# Minutes

Name of meeting	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
Date and Time	<b>MONDAY 18 MARCH 2024 COMMENCING AT 10.00 AM</b>
Venue	<b>COUNCIL CHAMBER, COUNTY HALL, ISLE OF WIGHT</b>
Present	Cllrs A Garratt (Chairman), V Churchman (Vice-Chairman), C Critchison, C Jarman, K Lucioni, C Quirk and R Redrup
Also Present	Sharon Betts, Jo Cooke, Barry Downer, Debbie Downer, Elizabeth Goodwin, Kerry Hubbleday, Laura Gaudion, Geraint Newton and Megan Tuckwell
Also Present (Virtual)	Cllr P Spink  Jason Jones, Kevin Suter, Rumana Rafiq Ullah (Ernst and Young)  Wendy Perera, Colin Rowland and Melanie White

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## 43. **Apologies and Changes in Membership (If Any)**

No apologies or changes in membership had been received.

## 44. **Minutes**

RESOLVED:

THAT the minutes of the meeting held on 11 December 2023 be confirmed as a true record.

## 45. **Declarations of Interest**

Cllr Chris Jarman declared an interest as the chairman of the Isle of Wight Pension Fund Committee.

Cllr Vanessa Churchman declared an interest as the vice chairman of the Isle of Wight Pension Fund Committee.

Cllr Karen Lucioni declared an interest in any matters relating to her portfolio as Cabinet Member for Regulatory Services, Community Protection, and ICT.

## 46. **Public Question Time - 15 Minutes Maximum**

No public questions were received.

## 47. **Reports of the External Auditor**

### 47a **Isle of Wight Pension Fund Audit Results Report 2022-23**

The External Auditors presented the report which summarised the status and results of the audit. It was advised that the work was substantially finished however the final opinion could not be issued until the audit of the Isle of Wight Council had been completed.

Attention was drawn to the areas of the audit focus, the details of the work performed, and the conclusions reached in relation to fraud risk (misstatements due to fraud or error), significant risk (valuation of level 3 investments) and inherent risk (IAS 26 actuarial present value of promised retirement benefits). Questions were raised around the outstanding response from management for the assurance letter request and it was confirmed that this had now been received.

RESOLVED:

THAT the Isle of Wight Pension Fund's audit results report for the year ended 31 March 2023 be received and noted.

### 47b **Isle of Wight Pension Fund Audit Planning Report 2023-24**

The External Auditors presented the report which summarised the proposed approach and scope for the 2023-24 audit. Attention was drawn to the materiality thresholds, which remained unchanged since the prior year. Questions were raised regarding the audit deficit threshold and overall planning materiality. The committee confirmed their understanding of, and agreement to, the materiality and reporting levels.

Comments were made in relation to the upcoming departure of Pension Fund Manager, and it was advised that this was unlikely to have any impact on the planned work as the focus would be on the year ending April 2024. Questions were raised regarding the timeline for appointing a new officer and it was advised that an informal meeting had been arranged for members of the Pension Fund Committee, Local Pension Board, and staff to receive an update on the matter.

RESOLVED:

THAT the Isle of Wight Pension Fund's audit planning report 2023-24 be received and noted.

### 47c **Value for Money Interim Report 2022-23**

The External Auditors presented the interim report on the council's value for money arrangements, which summarised the work undertaken during the audit year 2022-23, the findings, and recommendations for improvement. It was advised that the conclusions within the report were likely to remain unchanged however the final version could not be presented until the conclusion of the audit for 2022-23. It was suggested that the committee should meet with the external auditors informally at least once a year. The chairman of the Pension Fund Committee confirmed that information was being sought on recharges made to the pension fund from council.

RESOLVED:

THAT the Value for Money Interim Report 2022-23 be received and noted.

**48. Reports of the Chief Internal Auditor**

**48a Internal Audit Progress Report**

The Chief Internal Auditor presented the report which summarised the results of the audits finalised between December 2023 and March 2024. Attention was drawn to two high-risk areas; the element of the disabled facilities grant which was not used on facility adaptations (where there is a requirement for it to go through an approval regime), and accounts payable (changes to supplier details). It was confirmed that arrangements were in place for both matters and neither were of significant concern.

RESOLVED:

THAT the report be received and noted.

**48b Internal Audit Plan 2024-25**

Consideration was given to the report which set out the Internal Auditors proposed programme of work for 2024-25. It was noted that two corrections to the report would be required; the proposed audit for the better care fund would be a full report (not a follow-up as stated) and the proposed audit for disabled facilities would be moved from the Community Services directorate to Adult Social Care.

Questions were raised regarding any potential issues anticipated as a result of the proposed move to a committee-system of governance. The Chief Internal Auditor advised that there were no significant concerns around the model of decision making itself (as both frameworks had pros and cons) however attention was drawn to the risks associated with the speed of implementation by May 2024.

RESOLVED:

THAT the Internal Audit Plan 2024-25 be approved, subject to the above corrections.

**48c Tax Evasion Policy**

The committee received and considered the policy which had been updated to ensure that the council had fit-for-purpose arrangements in place to prevent tax evasion. No comments or questions were raised at this stage.

RESOLVED:

THAT the Corporate Tax Evasion Policy be approved.

**49. Treasury Management Strategy Annual Report**

Consideration was given to the Treasury Management Strategy for 2024-25. It was noted that the strategy remained substantially similar to that of the previous year,

with the exception of the maximum which could be invested in each money market fund which had been reduced from £16m to £13m. No questions were raised at this stage. It was noted that the strategy was based on a widely used template and assurance was given that this was appropriately edited to reflect the needs of Isle of Wight Council.

RESOLVED:

THAT the Treasury Management Strategy for 2024-25 be adopted.

**50. Treasury Management Report (Q3)**

The committee received the report which provided an update on treasury management policies, practices, and activities from 1 April 2023 to 31 December 2023. Discussion took place the experiences with using Lloyd's bank and it was advised that the contract did need to be renewed but the council were not actively looking to go elsewhere. Questions were raised around the long-term fixed interest loans.

RESOLVED:

THAT the performance for the nine months to 31 December 2023 against the treasury management indicators be received and noted.

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

Consideration was given to the report which summarised the current position regarding the council's strategic risks. Attention was drawn to the new Strategic Risk 19, in relation to coastal erosion; the impact on the Island's infrastructure, roads and utilities, and the financial implications that could bring. Discussion took place regarding the impact this could have on the Highways PFI contract, and it was requested that narrative on this be provided in future.

Discussion took place regarding Strategic Risk 12, particularly in relation to the Energy from Waste plant operating and generating power as the commission tests are worked through. The committee were assured that the final test certification was expected to be achieved by the end of March 2024.

Concerns were raised regarding the performance of cross-Solent ferry operators, and the risks to the Island as a result of disrupted and minimal service. The Chief Executive advised that the Emergency Planning team would be asked to review and refresh the council's contingency plans, and it was requested that a report be provided to the committee at its next meeting. It was noted that the matter would be considered by the Corporate Scrutiny Committee in June 2024.

RESOLVED:

THAT the report be received and noted, and the strategic risks of the council as set out in Appendix 1 of the report be approved.

Following discussion, the committee adjourned for a ten-minute comfort break.

**52. Chairman's Annual Report**

The chairman presented his annual report which assessed the performance of the committee, how it had complied with the CIPFA position statement, and discharged its responsibilities during 2023-24. No questions were raised, and the committee expressed its thanks to the chairman.

RESOLVED:

THAT the report be received and noted.

**53. Future Governance Arrangements:**

**53a Future Governance - Progress Update**

Consideration was given to the report which provided an update on the progress towards the proposal to implement new governance arrangements for the council. The chairman advised that an additional meeting of the committee had been arranged for 29 April 2024, where the final report would be received prior to its consideration by the Full Council in May 2024.

Views and concerns were raised by various members. It was noted that these were not necessarily collectively shared.

A concern was raised in relation to the timescales which were considered challenging, and the risks associated with delivering a change in governance arrangements by May 2024 (particularly the potential for governance failures which could arise due to insufficient time). Concerns were raised around the acceptance that operational efficiencies would be determined post-implementation after May 2024. Concerns were raised that the output from the council would be less under a committee-system of governance.

Views were shared regarding the process for the appointment of chairmen under the new proposals, and it was believed that the chairmen of all committees should always be elected by the Full Council. A view was put that the new Leader of the council should be disconnected from the chairmanship of the Policy, Finance, and Resources Committee, on the basis that these roles required different skill sets.

Discussion took place regarding the implementation date, and whether it would be beneficial to implement a change in governance arrangements during a council term (May 2024) or at the beginning of a new council term following the May 2025 local elections.

It was emphasised that it remained incumbent on all councillors to keep up to date with all documentation and provide feedback where required. As there were a variety of views it was felt best that the views of committee members would be passed on to Full Council ahead of its meeting on Wednesday 20 March 2024.

RESOLVED:

THAT the report be received and noted, and the views of the Audit and Governance Committee members would be shared with the Full Council.

**53b Update on the Review of the Constitution (verbal)**

No updates to report.

**53c Copy of the report to the Corporate Scrutiny Committee on Confidentiality**

The committee received a copy the report on confidentiality which had been presented to the Corporate Scrutiny Committee in January 2024. The chairman advised that this item had been added to the agenda following the last meeting where themes of openness and transparency had been discussed. Discussion took place regarding the process for defining matters as confidential and from which groups.

RESOLVED:

THAT the report be received and noted.

Cllr Jarman raised matters, and sought to present a briefing note, regarding the budget preparation process and access to information. The chairman did not accept the matter as urgent under special circumstances in order to be considered immediately, and it was therefore agreed that the matter would be referred the next meeting of the committee (29 April 2024).

**54. Workplan**

Consideration was given to the committee's workplan, and the chairman reiterated that an additional meeting of the committee had been arranged for 29 April 2024. No comments or questions were raised at this stage.

RESOLVED:

THAT the workplan be received and noted.

**55. Members' Question Time**

Cllr Chris Jarman raised an oral question regarding the process for receiving responses to members' written questions. The chairman advised that any procedural matters could be reviewed within the constitutional amendments.

CHAIRMAN