



Minutes

Name of meeting	AUDIT COMMITTEE
Date and Time	MONDAY 28 SEPTEMBER 2020 COMMENCING AT 10.00 AM
Venue	VIRTUAL (MS TEAMS)
Present	Cllrs R Barry (Chairman), A Axford, J Kilpatrick, C Quirk, J Hobart and M Lilley
Also Present (Non voting)	Cllr Brian Tyndall Debbie Downer, Lizzi Goodwin, Dave Martin, Charlotte Sadler, Claire Shand, Tom Southall, Jo Thistlewood, Megan Tuckwell, Chris Ward Jack Dunkley, Helen Thompson, David White (Ernst & Young)

10. **Minutes**

THAT the Minutes of the meeting held on 27 July 2020 be confirmed.

11. **Declarations of Interest**

There were no declarations received at this stage.

12. **Public Question Time - 15 Minutes Maximum**

There were none received.

13. **Approval of the Final Accounts - Update**

Members were asked to note the revised timetable for the approval of the final accounts. At the request of the external auditors - and as a result of the COVID-19 pandemic - the following items which were due for consideration at this meeting have been slipped:

- External Audit: Letter of Representation - Isle of Wight Council
- External Audit: Letter of Representation - Isle of Wight Pension Fund
- External Audit: 2019/20 Audit Results Report for Isle of Wight Council
- External Audit: 2019/20 Audit Results Report for Isle of Wight Pension Fund
- Approval of the Final Accounts

The statutory deadline for the approval of the accounts had been moved to the 30 November 2020 and these items would now be considered at the next meeting, on 30 November 2020.

RESOLVED:

THAT the revised timetable for the approval of the final accounts be noted.

14. **Reports of the External Auditor, Ernst and Young**

The External Auditors provided an update with regards to the progress made since the last update given at the previous Audit Committee. It was explained there are no new areas of significant concern to bring to the committee's attention. The plan is progressing well but will be kept flexible.

A question was then raised by a member asking if the Perpetuus Tidal Energy Centre (PTEC) contract we invested in would be included in the assessment showing growing concern. The External Auditors advised that all investments and loans would be included in the assessment of growing concerns.

A member asked if the Pension Fund accounts can now be signed off and whether there would be an extra charge for this. Members were advised additional cost would incur and that the assessment showed the Pension and to be a growing concern.

RESOLVED:

THAT the reports of the external auditor, Ernst and Young, be noted.

15. **Internal Audit Progress Report**

The Chief Internal Auditor was in attendance to present the report. It was explained that the revised Audit Plan is progressing well but needs to be kept as flexible as possible due to the number of additional sign offs required for the unexpected Government grants received due to Covid-19. The Committee heard how this is the first time work was being presented in relation to work undertaken in line with this year's plan and there were no new areas of significant concern to bring to the committee's attention.

62 reviews were proposed to be undertaken (and several follow-ups) in two stages and this may continue moving forward. It was explained that if the exception remains open and in progress then an active review would be kept until closed.

Following the Chief Internal Auditor presenting the report and advising members that there are no new concerns, questions were raised from a member seeking further information on the existing concerns. The Chief Internal Auditor advised that high risks and any audit which shows a no assurance overall for the entire system would be highlighted at the committee meeting. It was emphasised that the statement 'no new concerns' was for this reporting period, not overall. However, the Chief Internal Auditor explained her areas of general concern would be any areas

where there was a historical high risk with inadequate movement would be considered as a concern.

RESOLVED:

THAT the Internal Audit Progress Report be noted.

16. **The Councils Risk Profile**

The Strategic Manager of Organisational Change & Corporate Performance was in attendance to present the report. The following risks were presented to members :

- A lack of financial resource and the ability to deliver the councils in year budget strategy for 2020/21
- A lack of financial resource and the ability to deliver the councils medium term strategy
- Insufficient staffing skills and capacity
- Change in organisational culture and failure to keep pace.
- The failure to improve educational attainment
- The failure to identify and effectively manage situations where vulnerable children are subject to abuse
- Failure to recruit acceptable quality of professionals across Adult Social Care and Housing
- The failure to identify and effectively manage situations where vulnerable adults are subject to abuse.
- Failure to secure required outcomes from an integrated Adult Social Care and Health
- Adult Social Care provider failure
- Failure of the waste contract
- Failure of highways PFI
- Brexit and uncertainty during the transition period
- Archiving the vision for the Island
- Budget gap increased to 10.7 million due to COVID-19 pandemic

A Member asked if the change from Green to Amber was due to COVID-19 or because the council has lost staff members. It was explained that the reason for the change from Green to Amber was to do with the fact that due to COVID-19 the council was unable to proceed with the projects that were put in place to develop staff capacity, skills and to streamline the recruitment process.

A question was asked should this committee have a 'watching brief' regarding COVID-19 and should a continued COVID-19 update be added to the agenda. It was advised that other members did not feel that this would be appropriate for Audit Committee.

A question was asked if revenue would be moved into capital or would capital be raised to support revenue to make up for the shortfall in the budget. The Technical Finance Manger advised of a deferral of the capital programme to support the budget shortfall, which were funded by borrowing rather than existing resources.

Not undertaking the Capital Programme means that the borrowing would not be undertaken which meant the Revenue costs would not be incurred hence a saving to the revenues budget.

RESOLVED:

THAT the councils risk profile be approved.

17. **Property Investment Portfolio Bi-Annual Report**

The Property Investment Bi-Annual Report was presented The Assistant Director Regeneration, Property and Investment at Portsmouth County Council. The report provided an overriding summary with financial analysis up to 31 March 2020. It was explained that capital incomes have remained steady and the rents received from these assets have totalled just under 1.6 million pounds. Members attention was drawn to the council's current position with regard to the acquisition strategy it was explained that this strategy was under review in light of the government's changing constraints. The impact risk and the risk mitigation under section 7 of the report was also brought to members attention.

Questions were raised regarding other local authorities across the country and whether they had also paused their acquisition strategy. It was explained that there were many different aspects of activity that take place from local authority's property, but it was explained that in light of the government review purchasing for return has entirely stopped across local authorities across the country.

Following this a member asked in relation the previous question if the risk analysis had been done for each property invested in and had there been assessments on which property poses more risks. It was advised that the assets have been considered safe however this does not make them risk free.

A member asked who manages the unspent amounts from the £100 million. It was advised that this could be answered by the Section 151 Officer. It was explained how the money is borrowed with lower rates of interest.

RESOLVED:

THAT the Property Investment Portfolio Bi-Annual Report be noted.

18. **Treasury Management Annual Report 2019-20**

The Technical Finance Manager presented the report to the committee. It was explained how at the time of the report the council had acted with the boundaries of the performance indicators set out in the treasury management strategy. The committee heard how on the 17September 2020 there was a unanimous vote to keep bank rates at 0.1%. The Bank of England did explain how they have begun to explore how a negative bank interest rate could be implemented should there be a further economic downturn. The debt management agency, central government

bank notified that all deposits with a less than 3-week duration would attract a negative interest rate through the debt management office. Work was being done with treasury advisors to assess how this would impact our investments however currently no issues had been identified.

Members noted that interest for short term borrowing had been low but there was concern that interest rates would go up and will may regret not investing when the rates were lower. The Technical Finance Manager advised this was not a concern and the treasury management advisors forecast stated that interest rates would be low for the foreseeable future, and would be monitored regularly.

RESOLVED:

THAT the Treasury Management Annual Report be noted.

19. **Member's Question Time**

There were no members questions received.

CHAIRMAN