



# Minutes

Name of meeting	<b>AUDIT COMMITTEE</b>
Date and Time	<b>MONDAY 15 MARCH 2021 COMMENCING AT 10.00 AM</b>
Venue	<b>VIRTUAL (MS TEAMS)</b>
Present	Cllrs R Barry (Chairman), J Hobart and J Kilpatrick
Officers Present	D Downer, E Goodwin, K Hubbleday, C Sadler, J Thistlewood
Apologies	Cllr C Chapman

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34. **Minutes**

THAT the minutes of the meeting held on 23 November 2020 be confirmed.

35. **Declarations of Interest**

No declarations were received at this stage.

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

No public questions were received.

37. **Reports of the External Auditor, Ernst & Young**

The external auditor presented the reports. It was explained how the audit was not yet certified as closed. This was due to receiving a number of objections to the audit in the summer. Two objections had been determined and it was decided that the substance of the matters raised were not in public interest to review the matter as they were largely the same issues as previously investigated. Another matter brought to the committees attention was within Appendix A of the report. This set out increases in fees that have been discussed with the Director of Finance. It was explained the Director of Finance felt it was PSA's responsibility to approve any changes in the base fee for the audit. The second element of the fee re-basing within the report was around the additional taken in 2019/20 and that element of fee increase was agreed by the Director of Finance. The next stage in the process would be to go to public sector appointments. Fees for the objections that were included in the council accounts may be subject to change due to additional work being carried out.

### **37.1 Audit Plan - Isle of Wight Council**

The external outlined the objections to the audit in the summer. Two objections were determined and the third was decided to not be within public interest to review the matters again as they were largely the same as previously looked at relating to Newport Harbour. Appendix A of the report was brought to the committee's attention. The increase in fees previously discussed with the Director of Finance were raised as they no longer reflect the risks. The Director of Finance was said to have felt it was PSAA'S responsibility to approve any changes in the base fee for the audit.

### **37.2 Audit Plan - Isle of Wight Council Pension Fund**

The risks were said to be largely the same as the prior year as the audit was not yet closed. The external auditors gave a short brief on the risks detailed within the report. The first risk discussed were the fraud risks, they were mandated by the auditing standard. Property valuations were another risk as they were significant balanced in the councils accounts. A summary of the key changes was detailed within the report.

The Chairman asked whether it was always the case that the council would have to sell to the highest bidder or where other things were taken into consideration when it came to lawful value for money. The external auditors explained they would seek more information.

### **37.3 External Audit 2019/20**

The external auditors outlined the risks and the motor materiality.

- Risk of fraud or error due to management override of control – it was said that this risk is required to be recognised as part of ISO 240.
- Risk of fraud and revenue recognition through the manipulation of investment income
- The pension fund making a material investment in private debt and the pension fund investing in level 3 assets, as they were not quoted on an open market it make the valuation more complex.

#### **RESOLVED:**

THAT the external Audit be noted.

### **38. Treasury Management Strategy Statement 2021-22**

The Technical Finance Manager was in attendance to present the report. It was explained that the council was required to set the strategy annually to enable it to manage its treasury management risks and borrowing and investment strategies. No significant changes were proposed to the strategy for the coming financial year. The Technical Finance Manager invited questions form the committee. There were

no questions from members, so the vote was taken. The report was unanimously approved.

RESOLVED:

THAT the Treasury Management Strategy Statement 2021-22 was approved.

### 39. **The Councils Risk Profile**

The Strategic Manager for Organisational Intel presented the report and explained that it represented the councils position as of February 2021. Changes within the strategic risk register and risk profile were confirmed through the Corporate Leadership Teams. The risks were read to the committee as follows:

- Lack of financial resources and the ability to deliver the councils in year budget strategy for 2021. The score for this has improved from the previous quarter.
- Lack of financial recourses and the ability to deliver the councils medium-term financial strategy. There was no change in score for this risk.
- Insufficient staffing capacity and skills remained on amber. It was also brought to the committee's attention how staff who had been responding to the pandemic were fatigued and this score would now likely be red.
- Organisational culture was a green risk and it was said how the council in the last 12 months had evidenced how it worked together in relation to how it meets the current needs of its population.
- Failure to improve educational attainment. No change in this score however, attendance on the Isle of Wight had improved. It was said to be worth noting that 74 % of Island schools were currently rated good or outstanding.
- Failure to identify and effectively manage situations where vulnerable children are subject for abuse. This score had remained the same.
- Failure to recruit an acceptable quality of professional practice. It was said the be focused around Adult Social Care and Housing Needs department. Although this score had remined the same there was an overall reduction in the number of vacancy's and improved retention.
- Failure to identify and effectively manage situations where vulnerable adults were subject to abuse. Scores remined the same but it was said that Adult Social Care staff remained focussed on protecting vulnerable adults within the Island community.
- Failure to secure the required outcomes from the integrated Adult Social Care and health partnership. Score remained the same.
- Adult Social Care provider failure. It was explained the situation was improving with workforce shortages that have been mitigated through staff redeployment internally.
- Failure of the highways PFI contract. This was at amber. Discussions were ongoing between the service provider and the council to facilitate the completion of the core investment period of the contract.
- Failure of the waste contract resulting in significant financial and operational disruption remained stable.

- Brexit. The committee heard due to good management of the situation none of the risks predicted for the island had happened.
- Additional demands placed upon the council and partners over the pandemic.
- Additional risk were currently being developed managing the long-term impact of Covid.

The committee had no further questions. The risk profile was proposed and seconded. A vote was taken and the report was unanimously approved.

RESOLVED:

THAT The Councils Risk Profile is approved.

**40. Approval of Internal Audit Plan**

The Chief Internal Auditor presented the report to the committee. It was explained that the audit was kept fluid to allow flexibility in relation to Covid-19. The committee was asked to note the breakdown of the different directorates. All audit work had to be underlined with the strategic risks and the organisations priorities. The Chief Internal Auditor explained that the plan would be reviewed on a regular basis and any amendments or additional audits would be brought back to the committee when suitable. It was envisaged that Covid-19 assurance work would continue into the next year and there would also be an increase in the number of grants. The plan was formulated in consultation with all relevant senior managers, Chair of the committee and other relevant players.

Members of the committee voted and the report was unanimously approved.

RESOLVED:

THAT The Internal Audit Plan was approved.

**41. Internal Audit Progress Report**

The chief Internal Auditor was in attendance to present the report. The high risks areas were brought the committees attention, including; children with disabilities, public health funerals, deputyships and appointee-ships. Some staff from some areas were said to have been unavailable due to the Covid-19 pandemic therefore it was not possible to close those audits. Attention was brought to the Covid-19 assurance work that had been undertaken and this was outside of the audit plan. Income and loss compensation claims home to school grants, and infection control grants were all included. Despite Covid-19 and the impact it has on staff all areas showed improvements.

RESOLVED:

THAT the audit progress report is noted.

42. **Member's Question Time**

No members questions were received.

CHAIRMAN