



Minutes

Name of meeting	AUDIT COMMITTEE
Date and Time	MONDAY 23 NOVEMBER 2020 COMMENCING AT 10.00 AM
Venue	MS TEAMS (VIRTUAL)
Present	Cllrs R Barry (Chairman), A Axford, J Hobart, J Kilpatrick, M Lilley and C Quirk
Also Present (Non voting)	Andrew Carpenter, Debbie Downer, Jack Dunkley, Elizabeth Goodwin, Kerry Hubbleday, David Martin, Michael Murwill, Geraint Newton, Claire Shand, Jo Thistlewood, Helen Thompson, Cllr B Tyndall, Chris Ward, David White

20. Minutes

THAT the Minutes of the meeting held on 28 September 2020 be confirmed.

21. Declarations of Interest

No declarations were received at this stage.

22. Public Question Time - 15 Minutes Maximum

Questions must be delivered in writing or by electronic mail to Democratic Services at democratic.services@iow.gov.uk no later than 10am on 24 September 2020. Each question must give the name and address of the questioner.

No public questions were received.

23. Reports of the External Auditor, Ernst and Young

23.1 2019/20 Audit Results Report for Isle of Wight Council

The External Auditor was in attendance to present the report. The External Auditors provided an update with regards to the progress made since the last update given at the previous Audit Committee. Due to COVID-19 there were changes made to the final, audited accounts publication dates. The date for publication was now 30 November 2020. This is the same for all relevant authorities. Changes to the risk assessments and materiality have also been made as a result of COVID-19.

The significant challenges arising from the complexity of the COVID-19 pandemic were explained to the committee. The two most significant impacts were discussed. The first was valuation uncertainty that was placed over the valuation of property plant and equipment investment property assets by all valuers. The second significant impact was an increased focus on the disclosures around the going concern.

The committee heard how the audit can't be certified as closed due to two objections received regarding the financial statements. These matters have not been judged to be of such significance that they could have a material impact on the council's financial statements. The external auditors then updated the committee further on outstanding matters that were set out in the audit results report. The areas of risk identified for the audit were briefly summarised.

At this stage questions from members were invited:

A member questioned why late paperwork was circulated (Appendix 1) with minimal time to consider the differences in the first version and the final version. The external auditors explained that the changes were only very minimal tweaks, and this was due to the consultation process not yet being finished.

Member's sought clarification on why the report stated that financial statements as a whole were not free of material mistakes but then goes on to state that there are no issues. It was clarified that this describes the potential risks rather than the eventual findings.

RESOLVED:

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

23.2 2019/20 Audit Results Report for Isle of Wight Pension Fund

The external auditors gave an overview on the Pension Fund Report. The committee heard how there was still the same overarching impact of COVID-19 but due to the nature of the Pension Fund some of the complications were less of an issue. Based on the external auditors work they intend to issue an unqualified audit opinion on the Pension Fund and this audit could be closed as it was not impacted by the objections received.

The Technical Finance Manager, the Finance Team and all officers involved were formally thanked for the help they have given to the external auditors during the audit. It was recognised that it has been a particularly challenging audit due to the COVID-19 pandemic and the help given by officers was greatly appreciated.

RESOLVED:

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

24. **Statement of Accounts 2019-20**

The Principle Accountant (Corporate) presented the report to the committee. The accounts were required to be produced under the International Reporting Standards, and members received a presentation (Appendix 2) covering the below points:

- Legislative background
- Financial Statements Overview – How they fit together
- Comparing Financial Statements with budget
- Service Budget Performance
- Comparisons with Previous Year
- Council Reserves
- Summary

The final outturn position is a saving against budget target of £1.341m.

The £1.341m has been transferred to the capital resources reserve to fund future capital expenditure as set out in the corporate plan and medium-term financial strategy.

Following discussion, a vote was taken and it was:

RESOLVED:

THAT the councils risk profile be approved.

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

The Transformation and Business Intelligence Manager (Strategic) was in attendance to present the report. The committee heard how the report was reviewed by the Corporate Management Team in October and no changes were made to any of the risk scores. The specific points brought to the committee's attention were:

- Risk 1 – reflecting the current budget pressures
- Risk 4 – continuing to support staff in the new ways of working in line with current COVID-19 restrictions. It was emphasised to the committee that while staff have been home working staff sickness levels have been consistently reducing despite being in a pandemic situation.
- Risk 12 – Brexit, this risk mitigation has been comprehensively updated by the Director of Regeneration. The Brexit impact group has now been stood up again and is managing a full risk register focusing on main themes such as port health, congestion and traffic around Portsmouth, food resilience,

public health, medical supplies, cross Solent transport and workplace impact within the care sector.

Questions were then invited from the committee. A member asked for the Transformation and Business Intelligence Manager (Strategic) to go through the reds at 16 to clarify mitigation on these reds. The Transformation and Business Intelligence Manager (Strategic) ran through these and following this the same member asked when we will need answers on these issues from central government, following this the question was passed to the Assistant Director of Finance. It was explained that due to COVID-19 the government was going to issue a one year only spending review. A supplementary question was asked regarding our position in comparison to other local authorities. The Assistant Director of Finance explained that all local authorities would be in a similar situation, but it was impossible to directly compare to other authorities as it is dependent on what assumptions other authorities have made in their planning.

Following discussion, a vote was taken and it was:

RESOLVED:

THAT the Councils Risk Profile be approved.

26. Procurement Activity Report for the Half Year 1 April 2020 - 30 September 2020

The Procurement and Contracts Manager was in attendance to present the report to the committee. The role of the procurement team was explained to the committee. The commissioning decisions sit within the service areas and the procurement team take their requirements, carry out the procurement process compliant with the rules and regulations to structure it in such a way to ensure that its being run with the most appropriate process for the requirement resulting in the most appropriate contract mechanism. The Procurements and Contracts Manager then highlighted the main points to of the report to the committee:

Questions were then invited from the committee. A member asked a question in relation to appendix A of the report asking for assurance that no “middle people” made large amounts of money from us purchasing Personal Protective Equipment (PPE) at high cost to deal with the COVID-19 pandemic situation as has been documented on the news and had been the case with contracts purchased by central government. It was asked for assurance that the Isle of Wight Council purchased directly, and “middle people” were not paid a large profit. The Procurement and Contracts Manager explained how the Isle of Wight Council was fortunate in that it was able to purchase items quickly through pre-approved central framework agreements that are compliant with all of the relevant procurement regulations that public sector bodies are required to follow. All of the suppliers were pre-vetted and had been through a robust procurement process to be included on the framework agreement.

RESOLVED:

THAT the Procurement Activity Report for the Half Year 1 April 2020 – 30 September 2020 is noted.

27. Annual Governance Statement and Progress against previous AGS issues

The Strategic Manager of Organisational Change and Corporate Performance presented the report. Within the report there were two specific actions identified that were brought to the committee's attention that progress needed monitoring throughout the year. These issues could only be assessed for improvement as and when the audits were undertaken throughout the year. The reason for this is because the evidence would determine if there had been success in terms of improvements.

- Action One – the governance issue identified was compliance with the financial framework. Audits throughout the year had identified gaps in the process, whilst these were not significant, they did identify a pattern.
- Action Two- timescales for improvements had not been met. The impact of the COVID-19 pandemic has affected services ability to meet pre agreed timescales many of which were set before COVID-19 impact had hit. Improvement for this would be evidenced by audits undertaken throughout the year.

Out of 15 audits eight were now completed and full compliance has been given in term of assurance. It was brought to the committee's attention that there are some areas where progress cannot be monitored because the actions required are not yet complete. These were in relation to three areas in Information Technology (IT) and three in Property Services. These would be reviewed between December 2020 and January 2021 so any additional mitigating actions required as a result of the reviews could be established and evidenced appropriately. These results would be report to Corporate Management Team (CMT) and would be included in the audit review in March 2021.

There were no questions from members on the report, so the report was noted by the committee.

RESOLVED:

THAT the Annual Governance Statement and Progress Report was noted.

28. Audit Committee Annual Report 2019-20

The Audit Manager presented the Annual Report to the committee on behalf of internal audit. It was explained to the committee that in prior years the report has been informed on wider discussion with the audit committee. Due to COVID-19 for this year only this report had been informed solely on self-assessment questionnaire completed collaboratively by internal audit and the audit committee chairman. Work to inform the 2020/21 report had commenced and an initial survey to all committee members had been received and the majority of members had completed this survey.

Three areas were identified where potential enhancements could be considered. The first of these identified was the assurance over third party agreements and these were now captured in the contact management system. Third party assurance (for example Ofsted and the Care Quality Commission (CQC)) were used to help inform assurance work to ensure not duplicating efforts. A long-standing issue regarding a place on the committee for a co-opted member but despite a lot of effort over the years to fill the vacancy it had not successfully been filled.

Questions from members were first invited for the chair and then to the Audit Manager presenting the report. There were no questions from members and the report was noted.

RESOLVED:

THAT the Audit Committee Annual Report was noted.

29. **Annual Fraud, Irregularity and Whistleblowing Report 2019-20**

The Chief Internal Auditor presented the report to the committee. It was explained that on an annual basis an update is given to the committee of cases of fraud and whistleblowing. April 2019 to March 2020 there had been 13 joint working cases with the Department of Work and Pensions (DWP) in relation to benefit fraud. Unfortunately, a lot of the work around this has been put on hold at the request of the DWP. During this period there were no cases of whistleblowing. Work was being done around whistleblowing to make certain that staff were comfortable with how to report or escalate a case should they need to. The committee's attention was brought to three specific fraud cases that were noted, these cases were predominantly in relation to direct payments. There was the intention to bring a more comprehensive report by the end of the financial year.

Questions from members were then invited. A member asked whose job it was to follow up any suspected fraud in relation to the government money given to the council to distribute. It was explained that there was close work done with the council tax team and if they suspect a case to be fraudulent then they are able to hand the case over to be investigated further. More information surrounding checks and balances would be available by the end of the financial year. Following this, a supplementary question was asked regarding who would bear the costs for such investigations to which it was explained it would be on one level the authority and where there would be a national input these cases would be referred on to NATAS and for this would not be paid by the authority.

A question was asked regarding whistleblowing. It was asked whether all attempts of whistleblowing were recorded or only the cases that are found to be legitimate. The Chief Internal Auditor assured the member that all cases are recorded by the Human Resource (HR) Team / Legal Services Team. Additional arrangements were also put in place from an audit perspective. There was a direct email inbox and the emails sent to this inbox are recorded if they are found to be true or not. Following this answer a supplementary question followed asking whether there was an external whistleblowing process for people such as contractors to be able to use. It was explained that there were boundaries around who can be deemed a whistle-

blower but a contractor of the local authority is able to whistle blow. However, it was explained that residents are not able to report whistleblowing in this way and this is often misunderstood.

RESOLVED:

THAT the Annual Fraud, Irregularity and Whistleblowing Report 2019-20 was noted.

30. Corporate Tax Evasion Policy

The Chief Internal Auditor presented the Corporate Tax Evasion Policy to the committee. The committee heard how new legislation has been introduced and fundamentally what the organisation needs to do was put in place good framework and structure to protect itself. It was explained that without the correct checks and policy in place if a corporate tax evasion case was to arise the council could be liable. It was explained that there was guidance within the policy regarding areas deemed to be of slightly higher risk. The committees was asked to note that it was very key that the lead on tax be involved.

Questions were then invited from members. There were no questions from members. Following discussion, a vote was taken and it was:

RESOLVED:

THAT the Corporate Tax Evasion Policy was approved.

31. Treasury Management Half Year Report 2020-21

The Technical Finance Manager presented the Treasury Management Half Yearly Report to the committee. The purpose of the report was to present treasury management activities for the half year. It was recently investigated to see if the council could repay some of its short-term borrowing in regard to surplus cash. However, the lenders engaged with were not interested in having their money back because they were being given a better interest rate than other deposits would give. Members were informed that table seven on page 368 in the report is incorrect and the correct figure should be 279.3 million not 379.3 million. The total figure was confirmed to be the correct number.

Questions were invited from members. A member asked for further information on the council saving money due to not undertaking as much short-term borrowing as was initially forecast, and whether there had been extra money coming in or less paid out. The Technical Finance Manager explained that there was additional funding coming in due to the COVID-19 pandemic to pay things such as business grants. Therefore, there has been less need to undertake as much short term lending as originally forecast.

RESOLVED:

THAT the Treasury Management Half Year Report 2020-21 is noted.

32. Internal Audit Progress Report

The Chief Internal Auditor was in attendance to present the report. The committee heard that the reports purpose was to narrate the position in relation to the audit plan. It was explained there were 64 audits in the plan. The results of the outstanding audits due to be completed by next year were discussed and points of note were raised to the committee.

Freedom of Information (FOI) and subjects access requests were given limited assurance. This was due to not meeting statutory timeframes. It was acknowledged the reason for this is due to the fact that the Isle of Wight Council has less recourse than other authorities. There were some issues in regard to how the data was published and how easy it was to obtain that information.

School Landlord responsibility having limited assurance was raised to the committee. It was explained that responsibility for this lies with the schools and their governing bodies. However, for schools that are maintained there was a requirement for them to submit centrally to the property team confirmation that all of the relevant compliance checks have been undertaken. Findings from the review show that despite numerous checks it has proven immensely difficult to try and obtain the information required. For this reason, a number of exceptions around this area have been made.

The committee heard how all three report have been submitted to Corporate Management Team (CMT) and have been supportive and have acted in conjunction with the relevant directors to make certain that there sound arrangements were put in place.

Audits in the plan and their positions were discussed. It was heard there were two audits in the plan the first being housing benefits and the second being the Island Plan. These have been suspended. An assessment has been made in relation to housing benefit and a decision was made by the Chief Internal Auditor and the Section 151 Officer that they would be comfortable not performing a review this year due to resources being in greater demand elsewhere.

Questions were then invited from the committee. A member wished to make a comment raising concern around FOI requests. It was explained that there were a large amount of FOI's submitted around the topic of the Island Plan and planning applications for large areas of housing proposed. The member explained there has first-hand experience of these issues from their residents who were currently submitting a lot of FOI's which were usually surrounding planning permission or planning permission issues. It was asked what could be done to reduce large amounts of island residents submitting FOI requests. It was discussed and the member was informed there is a wealth of information on the councils website and work was currently being done around making the information on the website easier to access.

RESOLVED:

THAT the Internal Audit Progress Report is noted.

33. **Member's Question Time**

There were no members questions received.

CHAIRMAN