



# Minutes

Name of meeting	<b>AUDIT COMMITTEE</b>
Date and time	<b>MONDAY, 16 MARCH 2020 COMMENCING AT 10:00 AM</b>
Venue	<b>COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT</b>
Present	Cllrs Brian Tyndall (Chairman), Adrian Axford, Reg Barry, John Kilpatrick, Michael Murwill, Chris Quirk
Cabinet Member	Cllr Stuart Hutchinson
Also Present	Helen Thompson, David White (Ernst & Young)  Marie Bartlett, Ashley Curzon, Mark Downer, Elizabeth Goodwin Kerry Huddleday, Dave Martin, Geraint Newton, Jo Thistlewood, Justin Thorne

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26. [Minutes](#)

RESOLVED:

THAT the Minutes of the meeting held on [2 December 2019](#).

27. [Declarations of Interest](#)

No interests were declared at this stage.

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

a) [Audit Plan 2019/20– Isle of Wight Council](#)

The external auditors advised the committee of a number of audits nationally that had not been completed due to a number of challenges on the delivery of audits. Some councils had not had their 2017/18 audits. Increased regulations and movement of staff within auditor companies had impacted on this. By 31 July the Council's accounts must be published online, this is no longer a statutory deadline. Audits for the Isle of Wight Council for 2017/18 and 2018/19 had been completed on time.

The 2019/20 Audit plan highlighted significant risks which included, misstatements due to fraud or error and risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure, these were mandatory under the auditing standards, and had been built into the

overarching auditing approached, highlighted within the report. These risks were generic across all Local Authority audits and not specific to the Isle of Wight.

Other areas of audit focus for the Isle of Wight had been identified, these were high risk but not significant, these included valuation of land and buildings, PFI contract and pension liability valuation. A new area for this year's area of focus was the intended implementation of IFRS 16 for leases this will take effect in full in 2020/21 but the council is required undertake certain preparations and make high level disclosure in the accounts this year.

One risk had been identified as significant value for money this was a continuation of work undertaken for medium and longer term plans. There had been no change to how calculation or figures for the Materiality.

The Committee asked what had changed regarding the way fees were set as they believed they were set centrally, they were advised that this was done by a central procurement service. Since 2010 fees had been reduced this had no reflection of the associated risk. The PSA had said each audit firm needed to negotiate its fee with each authority Section 151 Officer.

The Isle of Wight was currently in year 2 of a 5-year contract, it would be the decision of the authority to continue to procure through the Public Sector Audit Appointments (PSAA).

**RESOLVED:**

THAT the Isle of Wight Council Audit planning report for the year ended 31 March 2020 be noted.

**b) [Audit Plan 2019/20– Isle of Wight Council Pension Fund](#)**

The key risks identified were unchanged from the previous year; the previous control issues highlighted in respect of a review by the Pensions Regulator have now been completed. It was expected that the pension fund audit fee could be increased due to extra work required on membership data as a result of the triennial valuation this year.

It was noted that the Pension Fund recently won an award (Local Government Pension Scheme Fund of the Year) for being best small sized Local Authority funded in the country (assets under £2.5 billion) and congratulated them, the external auditors congratulated the team and advised that it reflected the way the pension fund was run.

A triennial valuation as at 31 March 2019 had been completed and had not highlighted any issues. Due to market changes, a lot of value had been lost from investments recently. Members asked how this would be reflected in the accounts; the external auditors would review information submitted to determine how this would be reflected.

A question was asked about the impact of investment pooling on the investment strategy set by the fund. Members were advised that the Isle of Wight Pension Fund would determine its own investment strategy, with ACCESS effectively

another fund manager investing on the fund's behalf, the auditors would be seeking verification of the value and there would be no impact.

RESOLVED:

THAT the Isle of Wight Pension Fund Audit planning report for the year ended 31 March 2020 be noted.

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

a) **[Approval of Internal Audit Plan 2020/21](#)**

The Chief Internal Auditor presented the Internal Audit Plan 2020/21, the council must undertake an effective audit to evaluate effectiveness of it risk management on an annual basis, items for inclusion in the audit plan would be decided by the Chief Internal Auditor.

RESOLVED:

THAT the Internal Audit Plan 2020/21 be approved.

b) **[Internal Audit Report \(including high risk reports in full if necessary\)](#)**

The Chief Internal Auditor presented the Internal Audit report and highlighted that the audit plan was due to be completed by mid-April 2020, which would be confirmed to the Committees next meeting. Two areas that needed to be highlighted these included Public Health outcomes, a number of issues had been identified, including that evidence had not been obtained confirming achievement of outcomes. The second area was around schools and it was noted that this type of auditing had not been looked at in previous years; best practice had been issued to schools to provide support.

RESOLVED:

THAT the Internal Audit Plan Progress Report be approved.

c) **[Policy Update - Anti-Money Laundering Policy](#)**

The Chief Internal Auditor presented the policy which had been revised in response to a change in legislation which placed greater emphasis on risk assessments in relation to understanding areas of potential exposure and enhanced internal controls. The revised policy which would ensure that the Council had fit for purpose arrangements to prevent money laundering.

RESOLVED:

THAT the revised Anti-Money Laundering Policy be approved.

### 30. Reports of the Director of Corporate Services

#### a) Report on Insurance

The Cabinet Member for Resources provided an update on insurance as requested at the meeting on September 2019.

*“Following investigation into the matter raised with the committee about the apparent change in policy for the level of public liability insurance required by contractors, I can confirm that this was a result of a misunderstanding between officers in the level of works to be undertaken. This was an isolated matter which was quickly resolved. I can confirm therefore after discussion with the Director of Corporate Services that there is in fact no change in policy and the standard amounts remain in operation and are assessed according to the level of risk for the type of works being carried out.”*

RESOLVED:

THAT the verbal update on insurance be noted.

#### b) GDPR and Data Protection Update Report

The Strategic Manager of Legal Services presented the update report which outlined the progress made against the General Data Protection Regulation (GDPR) audit action plan since last reported to the committee on 30 September 2019. This action plan addressed the issues identified within an internal audit report into the council's arrangements for compliance with the GDPR and Data Protection Act 2018, as presented to the committee on 20 May 2019.

It was noted that the biggest risk was human error and appropriate training and policies were in place to reduce the level of reporting of breaches.

RESOLVED:

THAT the progress, and the proposed next steps, be noted.

### 31. Approval of Treasury Management Strategy

The Technical Finance Manager advised the Committee that the economic situation had changed dramatically since the Treasury Management Strategy had been prepared, and things were still changing. It was believed that the impact on the strategy would be minimal as historic borrowing had been taken at fixed rates, which would not be impacted by the current market changes.

The Cabinet Member for Resources advised the Committee on the developing government guidance on business rate arrangements, and how this would affect income. A hardship fund was being put in place to support rate relief for vulnerable people. The government had recently announced the business rate retail discount from April 2020 would be increased and would include hospitality and leisure businesses which would have an impact on the Island. There was

some uncertainty around the amount of loss of income to the council although the government had promised council's would be fully compensated.

A review of the issues would be conducted and, if necessary any changes to the Strategy would be reported to the Committee. The Treasury Management Strategy was similar to previous years, lower base rates should not have much impact on the budget, regular updates were being circulated.

The Committee asked how the increased rates to borrow money to invest in commercial property would affect ability to make a profit. Members were advised that each investment opportunity was considered on a case by case basis, and meetings with the investment team were ongoing which updated on investments and levels of income received. The current issues regarding Coronavirus could have a dramatic impact on the Council's commercial property acquisitions.

It was noted that a half yearly update would be provided, at which point if there were significant changes, officers may seek revision of the strategy. Members were advised that if circumstances changed prior to that, additional updates would be provided.

RESOLVED:

THAT the Treasury Management Strategy Statement 2020-21 of 16 March 2020 be adopted.

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

The committee reviewed the current position with regard to the council's strategic risks and highlighted a couple of risks, one of which had been below score for a number of months, this would be reported to Senior Managers for decision. All services were asked to review business continuity plans are in place.

The Committee asked if measures relating to the number of Deprivation of liberty Safeguards would be changed as the number of outstanding referrals had seen a significant reduction. It was also noted that the risk for waste and PFI were currently listed together and it was felt that it would be beneficial to list these separately.

It was noted that certain areas of recruitment were of concern although there were certain areas that were difficult to retain staff, agreements were in place to attract individuals to roles in key posts.

RESOLVED:

THAT the committee approves the strategic risks of the council as set out in paragraph 10 of the report.

**33. Internal Audit Report – Regulatory Compliance**

The Assistant Director of Economic Development, Planning & Assets provided a verbal update on the progress made in relation to the Internal Audit Report on Regulatory Compliance, as requested by the Committee at its meeting held on

20 May 2019. All items were in progress to ensure all buildings were safe, a new staff member had been appointed to help tackle points in plan. The water hygiene contract had passed and procurement process running. Officers were confident that buildings were safe and work would continue.

RESOLVED:

THAT the update on Regulatory Compliance be noted.

**34. Internal Audit Report – Income Collection**

The Parking Operations Manager, on behalf of the Assistant Director of Neighbourhoods, provided a verbal update on the progress made in relation to the Internal Audit Report 2018/19 on Income Collection, as requested by the Committee at its meeting held on 30 September 2019. A local floating bridge network had been installed and new handheld devices and software had been in place since beginning of February 2020, improvements had already been seen, the new handheld devices allowed for contactless payments. The amount of discrepancies had reduced significantly. There had been a few teething problems but it was believed the direction of travel was good.

Staff were promoting contactless payments, the app and more advertising to people in cars advising that they needed a ticket, it was envisaged moving to a cashless payment service on board and passengers directed to the pay and display tickets if they want to pay with cash.

RESOLVED:

THAT the update on Income Collection be noted.

CHAIRMAN