



Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	MONDAY, 18 FEBRUARY 2019
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Present	Cllrs Adrian Axford (Chairman), Reg Barry, Paul Fuller, Chris Quirk, Brian Tyndall, (Vacancy).
Auditors Present	Helen Thompson, David White (Ernst and Young) Geraint Newton (PricewaterhouseCoopers)
Co-opted (non voting) Member	Vacancy
Officers Present	Jennifer Beresford, Jo Cooke, Martin Goff, Kerry Hubbleday, Chris Jones, David Martin, Helen Miles, Paul Somerset.

27. [Minutes](#)

RESOLVED:

THAT the Minutes of the meeting held on 3 December 2018 be confirmed.

28. [Declarations of Interest](#)

There were no declarations received at this stage.

29. **Reports of the External Auditor**

a) [Grant Certification](#)

The committee reviewed the external auditor's annual report on the certification of claims and returns reported on the certified housing benefits subsidy claim for 2017-2018. The claim work had been completed by the 30 November 2018 deadline and was valued at £46,352,845.

Members noted that while a qualification letter had been issued, reassurance was provided due to the complexity of the housing benefit regime. Initial sampling had revealed errors in rent rebates and incorrect employment earnings requiring testing of a further 40 records. However, the Department of Work and Pensions had accepted the claim and there was no change to the subsidy claim as a result of the errors.

The fee charged reflected the 2015/16 fee set by Public Sector Audit Appointments Limited (PSAA) as no additional work had been required.

RESOLVED:

THAT the committee note the certification of the 2017/18 grant claims.

b) [Audit Plan – Isle of Wight Council](#)

The plan for the external audit of the council's accounts ending 31 March 2019 was presented. The significant risks and areas of audit focus identified in the plan were highlighted by the auditor. These were:

- *Misstatements due to fraud or error*
- *Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure*
- *Valuation of Land and Buildings, PFI Accounting and Pensions Liability Valuation*
- *PFI Accounting*
- *Pension Liability Valuation*
- *Business Rates Appeals Provision*
- *New Accounting Standards*

Members were reassured management override was identified as a standard risk in all audit plans due to the unique nature of managements position. The audit approach was designed to reduce that risk to an acceptable minimum. In addition, due to the high degree of estimation involved in accounting processes, particularly in relation to revenue recognition, this was a presumed risk on all audits. The capitalisation of revenue expenditure, where revenue was assigned as capital, had been assessed as the risk most likely to occur.

Concerns were raised regarding the Highways PFI and clarification was provided that the external auditor's role was to monitor the financial arrangements. Service delivery would be monitored through the contract management team and the evaluation of the effectiveness of contract management arrangements was an internal audit function.

Regarding the value for money conclusion, members noted follow-up work was being undertaken in relation to the robustness of plans to meet the medium-term financial strategy.

RESOLVED:

THAT the committee note the 2018/19 External Audit Plan for Isle of Wight Council.

c) [Audit Plan – Isle of Wight Pension Fund](#)

Members considered the plan for the external audit of the Isle of Wight Council Pension Fund ending 31 March 2019. The areas of risk highlighted included:

- *Misstatements due to fraud or error*
- *Risk of manipulation of investment valuation and income*
- *New Accounting Standards*

Discussion took place regarding the review being undertaken by the Pension Regulator in relation to training of the Pension Board. Reassurance was provided that a series of training programmes had been delivered to board and committee members. The Pension Regulator had closed the file and was satisfied with the training undertaken and the programme available met the requirements.

Concerns were also raised in relation to the membership data for the pension fund. The committee had been advised in the September 2018 meeting that issues would be resolved by the end of 2018. However, this had now slipped to March 2019. Members noted that a data officer had been appointed but requested that they be advised of any further delays to the completion of this work as it could impact on the fund's liabilities and valuation in the next financial year if not resolved.

RESOLVED:

THAT the committee note the 2018/19 External Audit Plan for Isle of Wight Council.

30. [Internal Audit Performance Report including high risk reports](#)

The committee was presented with a report from the council's co-sourced internal audit provider, PricewaterhouseCoopers (PWC) summarising the activities undertaken between December 2018 to February 2019.

One medium risk Executive Summaries for Homes with Multiple Occupancy (HMO's) and three high risks reports had been issued. The high-risk reports related to:

- Home School Transport

It was noted that at the time the audit was undertaken the service was facing unprecedented staffing issues and following officers returning to work actions were being implemented promptly. It was also noted that the contract with Southern Vectis was due for renewal in 2020 and work regarding retendering the service was underway.

- SEND (Special Educational Needs and Disability)

Members were reassured that the issues related to responding better to parents and following training and changes to staff the picture was much improved.

- Social Media and CCTV.

Concerns were raised in relation to issues with regard to Homes with Multiple Occupancy. It was noted that this area had not been reviewed for some time and it was the processes and documentation rather than practice which needed to be strengthened. Actions were in place which would be followed up during 2019. Changes to where the work sat operationally and new systems were expected to result in further improvements.

Reassurance was provided that all high risk actions were checked as part of the following year's audit work and the committee would be advised of any outstanding issues accordingly.

RESOLVED :

THAT the Internal Audit Progress Report and High Risk Audit Reports be noted.

31. [Approval of Treasury Management Strategy](#)

The Pension Fund & Treasury Management Accountant presented the Treasury Management Strategy Statement (TMSS) 2019-20 and requested the committee adopt the statement. Changes made by the Director of Finance and Section 151 Officer to the council's Treasury Management Practices (Appendix 2 attached) in accordance with the revised CIPFA codes and government guidance were highlighted.

Clarification was provided that while new borrowing would be undertaken it would replace existing borrowing which would mature and fall away.

RESOLVED:

THAT the committee adopt the Treasury Management Strategy Statement for 2019-20 and note the revised Treasury Management Practices.

32. [The Council's Risk Profile](#)

Members considered the report which detailed the council's strategic risks in quarter four of 2018/19. The risks and their ratings were:

- Lack of financial resource and the ability to deliver the council's in-year budget strategy (Amber)

- Lack of financial resource and the ability to deliver the council's medium term budget strategy (Amber – remained Amber but risk had been reduced by one point due to the council's financial position at the close of quarter three)
- Insufficient staffing capacity and skills (Amber)
- A change in organisational culture fails to keep a pace with the speed of organisational change, negatively impacting on the delivery of the required transformation to deliver the corporate plan (Amber)
- Failure to improve educational attainment (Amber)

Failure to identify and effectively manage situations where vulnerable children are subject to abuse (Amber - while the risk remained Amber it had decreased by one point due to the recent Ofsted report).

- Failure to provide acceptable quality of professional practice across Adult Social Care (Amber – this risk had previously been rated Red but had been reduced to reflect actions taken)
- Failure to identify and effectively manage situations where vulnerable adults are subject to abuse (Amber)
- Failure to secure the required outcomes from the integration of adult social care and health (Amber)
- The council fails to achieve the required outcomes from its significant contractual relationships and fails to successfully resolve some anomalies in the contract's interpretation (in relation to the 25 year Highways PFI contract) (Amber)
- Brexit - Uncertainty during transition period, followed by potential legislative, funding and policy changes after the UK leaves the EU may adversely affect the council and its ability to provide services. This was a new risk which replaced the risk that “the Island's economy falls further behind its mainland comparators and is unable to generate sufficient wealth to sustain the Island and its community”. (Red)
- Achieving the vision for the Island (Amber)
- Additional demands placed upon the Isle of Wight Council and partners owing to pandemic flu (Amber)

Clarification was sought regarding how the impact of mitigations was monitored. It was agreed that future reports would show the impact of mitigations and any subsequent actions required.

RESOLVED:

THAT the council's strategic risks be approved.

33. [Approval of Internal Audit Plan](#)

The committee considered the provisional Annual Audit Plan for 2019-20. It was noted that discussions with the Directors of Adult Social Care and Children's Services had not yet taken place and work in these areas would be added at a later date.

Discussion took place regarding work around section 106 monies sitting within regeneration and Beach Fronts (Water Safety)

RESOLVED:

THAT the provisional Annual Internal Audit Plan for 2019-20 be approved as required under the Public Sector Internal Audit Standards.

CHAIRMAN