



Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	MONDAY, 21 MAY 2018 COMMENCING AT 10:00 AM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Present	Cllrs Adrian Axford (Chairman), Reg Barry, Paul Fuller, Julie Jones-Evans, Chris Quirk, Brian Tyndall
Auditors Present	David White (Ernst and Young) Dan Deacon (Pricewaterhousecoopers)
Co-opted (non voting) Member	Vacancy
Officers Present	Jennifer Beresford, Elizabeth Goodwin, Kerry Hubbleday, Dave Martin, Claire Shand, Paul Somerset.

1. [Minutes](#)

RESOLVED :

THAT the Minutes of the meeting held on [19 February 2018](#) be confirmed subject to minute 31 being amended as follows:

RESOLVED:

THAT the update on the Annual Governance Statement 2017/18 be noted.

2. [Declarations of Interest](#)

There were no declarations received at this stage.

3. **External Audit progress report and plan for 2018/19**

(a) [Isle of Wight Council and Isle of Wight Pension Fund Audit Committee Progress Report](#)

The progress report from the council's and Isle of Wight pension Fund's external auditors, Ernst and Young was presented. The report detailed the work carried out since the February 2018 meeting.

Field work had been conducted in February and March 2017. All back ground and general audit planning documents had been updated for both audits as had walkthroughs of all key financial systems with the exception of the year end work which it was too early to undertake. Substantive testing had been undertaken on a number of areas for the councils audit and IAS19 Protocol work relating to the pension fund audit was underway. .

The results of the audits and the results of detailed work relating to the significant risk to the Value for Money Conclusion would be presented to the committee at its 30 July 2018 . Members noted that while there were still challenges around the faster close deadline on the 31 July 2018, the work completed would significantly contribute to meeting the deadline.

Planning procedures for 2017/18 Grant Certification work was substantially complete. Testing had been completed in April 2018 with the exception of those samples with queries which were expected to be resolved in August 2018.

The committee were also updated on future external audit arrangements. A joint procurement with Portsmouth City Council was being undertaken and an invitation to tender for certification of housing benefit subsidy claims for 2018/19 onwards had been issued. Ernst and Young had prepared a response which would be submitted on 21 May 2018.

RESOLVED :

THAT the progress report be noted.

(b) [Isle of Wight Council 2018/19 and Isle of Wight Pension Fund 2018/19 Fee Letters](#)

The committee considered the external audit fee letters for the 2018/2019 external audits of the Isle of Wight Council 2018/19 and Isle of Wight Pension Fund 2018/19.

Members were advised the fees were set by Public Sector Appointments Ltd who had secured a 23% reduction in fees for 2018/19 through joint commissioning. The fee for the council's audit was £98,602 and the fee for the Isle of Wight Pension Fund Committee was £16,235.

Reassurance was provided that the scope of the audit was not reduced as a result of the reduced fee's and that the emphasis was on the auditor to make efficiencies which included increased data analytics and a closer working relationship with the council.

RESOLVED :

THAT the 2018/2019 fee letters for the Isle of Wight Council and Isle of Wight Pension Fund be noted.

4. **Internal Audit Progress Report**

(a) [Audit Committee Internal Audit Progress May 2018](#)

The Internal Audit Progress report from the council's co-sourced audit provider was presented. The report provided a summary of activities for the period February 2018 to May 2018. It was noted that any final reports from 2017/18 would be presented at the committees July 2018 meeting with the exception of the review of Public Health. Due to the change of senior management within the service, the review was postponed and results would be provided early in 2018/19.

The following nine executive summaries were provided:

- IT Alignment with Business Need (Medium)
- Housing (Medium)
- Regeneration and Strategic Support (Medium)
- Corporate Governance and Service Planning (Low)
- Local Taxation (Medium)
- Vanguard (Medium)
- Contract Management (Medium)
- Schools
Broadlea Primary Schools (High), Wooten Primary Schools, The Bay Primary School and St Georges School (Medium)
- Treasury Management (Low)

Members expressed concern regarding the issues raised in the review of Vanguard and it was agreed when the audit plan from 2018/19 was discussed, a review of the local care board would be requested

Concern was also raised regarding the unacceptably low feedback in relation to the quarter three review of schools and it was noted that a number of schools had complained they had not received the results of the audit in a timely fashion. Members were advised that while verbal results would have been provided written results could not be produced until all schools had been reviewed. This was a fundamental flaw with the process for auditing schools and would be addressed in future audits.

Discussion took place regarding the ratings for a number of the reviews as medium rather than high risk. As a result, members requested that a

report outlining the council's audit risk methodology, including benchmarking to other local authorities and a recommendation in relation to future ratings, be provided.

RESOLVED :

THAT a report, outlining the council's audit risk methodology, including benchmarking to other local authorities and a recommendation in relation to future ratings, be provided to the committee.

(b) [Annual Audit Plan 2018-19](#)

The Chief Internal Auditor declared an interest as the Chief Internal Auditor for both the Solent Local Enterprise Partnership (SLEP) and Portsmouth City Council who were the chief financial body for the Solent Local Enterprise Partnership.

The 2018-19 Annual Audit Plan was presented to the committee for approval. The plan included details of the proposed reviews which included capacity for two reviews which had yet to be determined. It was suggested that these remained open to address any issues which may arise during the year.

Members felt the issues raised during the 2017/18 review of Vanguard were significant enough to warrant further reassurance and requested that the Local Care Board which had been developed from Vanguard, be included in the 2018/19 audit plan.

RESOLVED :

- (i) THAT a review of the Local Care Board be added to the 2018/19 Internal Audit Plan.
- (ii) THAT the 2018/19 Internal Audit Plan be approved.

5. Reports of the Head of Resource

(a) [The Council's Risk Profile](#)

Members gave consideration to the report which detailed the current position of the council's strategic risks. The risks and their ratings were:

- Lack of financial resource and the ability to deliver the council's in-year and medium term budget strategy (Red)
- Insufficient staffing capacity and skills (Amber)

Members were advised a Cabinet report had been drafted outlining a revised senior management restructure.

- Failure to improve educational attainment (Amber)

It was noted this risk would be static until the indicative exam results were available in the Summer 2018.

- Failure to identify and effectively manage situations where vulnerable children are subject to abuse (Amber)
- Failure to provide acceptable quality of professional practice across Adult Social Care (New Risk – Red)

Discussion took place regarding the whistleblowing policy in relation to this service area and reassurance was sought regarding the anonymity available. Cultural issues were slow to change but mechanisms were in place to reinforce positive messages and the recent staff survey showed an improvement in the number of people who felt they could speak up.

- 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)
- 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 (Red)

Members noted that the Corporate Peer Review had provided a great deal of information in relation to this risk.

RESOLVED :

THAT the councils strategic risks be approved.

(b) [Draft Annual Governance Statement 2017-18](#)

The committee considered the annual governance statement for 2017-18 which detailed the results of the council's annual review of the effectiveness of its system of internal control. Members were advised that the council's governance framework followed both the Chartered Institute of Public Finance (CIPFA) and Society of Local Authority Chief Executives (SOLACE) codes of practice.

During discussion it was noted that the measure of success relating to the development and implementation of the stakeholder engagement strategy needed to be added.

RESOLVED :

THAT the Annual Governance Statement 2017-18 be approved.

6. **Members' Question Time**

Councillor Paul Fuller requested an update on vacancies for co-opted members on the committee. The vacancies had been advertised in May 2017 but no applicants had come forward. A new advert had been prepared. However, draft CIPFA guidance had been released which could impact on the role and the advert would not be placed until the guidance had been reviewed.

CHAIRMAN