



Minutes

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| Name of meeting | AUDIT COMMITTEE |
| Date and time | MONDAY 27 JULY 2020 COMMENCING AT 10.00AM |
| Venue | <u>MICROSOFT TEAMS MEETING</u> |
| Present | Cllrs Brian Tyndall (Chairman), Adrian Axford, Reg Barry, John Kilpatrick, Michael Lilley, Chris Quirk |
| Also Present | Cllr Andrew Garratt Kerry Huddleday, Lizzi Goodwin, Dave Martin, Charlotte Sadler, Claire Shand, Jo Thistlewood, Megan Tuckwell, Chris Ward Jack Dunkley, Helen Thompson, David White (Ernst & Young) |

1. Minutes

RESOLVED :

THAT the Minutes of the meeting held on 16 March 2020 be confirmed.

2. Declarations of Interest

Cllr Adrian Axford declared an interest in Minute item 5, Reports of the Chief Internal Auditor, as a family member received direct payments from the Isle of Wight Council.

3. Approval of the Final Accounts – Update

Members were asked to note the revised timetable for the approval of the final accounts. At the request of the external auditors - and as a result of the COVID-19 pandemic - the following items which were due for consideration at this meeting have been slipped:

- External Audit: Letter of Representation - Isle of Wight Council
- External Audit: Letter of Representation - Isle of Wight Pension Fund
- External Audit: 2019/20 Audit Results Report for Isle of Wight Council
- External Audit: 2019/20 Audit Results Report for Isle of Wight Pension Fund
- Approval of the Final Accounts

The statutory deadline for the approval of the accounts had been moved to the 30 November 2020 and these items would now be considered at the next meeting, on 28 September 2020.

RESOLVED:

THAT the revised timetable for the approval of the final accounts be noted.

4. Reports of the External Auditor, Ernst & Young

The External Auditors provided an update with regards to the progress with the audits of the Isle of Wight Council and Isle of Wight Pension Fund for the year ended 31 March 2020. Members were advised that the audit of the Isle of Wight Council has been conducted entirely remotely and was progressing well. Members were advised that the audit of the Isle of Wight Pension Fund had commenced during the first week of June and all substantive testing was complete. The anticipated completion date for both Audits was before the next meeting of the Audit committee to be held in September 2020. The Technical Finance Manager was thanked by the external auditors for the support throughout the Audit.

The External Auditors presented the report on the revised External Audit Plan for the Isle of Wight Council. It was advised that some risks had been re-evaluated in light of the COVID-19 pandemic since the audit plan was presented in March 2020. This included the impact on the valuation of investment property and the degree of uncertainty around this due to the valuations being based on market related factors. The committee heard that these valuations should be dealt with using a greater degree of caution but were reliable. Other areas of risk were brought to the committee's attention and how they would be monitored by internal specialists throughout August 2020.

Members were advised on how working remotely had impacted the audit and how certain aspects of the audit would be undertaken, including the utilisation of technology that allows virtual meetings and screen sharing. It was clarified that before an opinion could be issued on any set of accounts an internal consultation process would be required. The external auditors explained that this is not specific to the council and all audits follow this process.

Questions were raised regarding the valuation of investment properties, and it was clarified that this would depend on the final decision made by the auditors. Questions were raised regarding the small number of properties and whether they would be checked to see if they were still operational, paying rent or were being given a rent break. The external auditors advised that these enquiries would be made by internal specialists.

RESOLVED:

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

5. Reports to the Chief Internal Auditor

a) Isle of Wight Council Annual Audit Report, and Internal Audit Progress Report

The Chief Internal Auditor was in attendance to present the reports. Duplications in the reports were addressed and it was explained this was due to the timings of the reports. The committee heard how there are several high risks included in the reports and context was given on these by explaining how data analytics are used in the audit. This enables them to analyse population transactions and carry out 100 percent of analyst work. It was explained though there are areas of high risk they are not a cause for concern. With regards to the annual report, a level of reasonable assurance was given. The completion of implementing agreed actions within a timely

manner was set, and it was explained that this may influence the direction of travel for future years on the annual opinion. It was clarified that although highlighted this was not an area of concern. Questions were raised and clarity was provided regarding public health outcomes and spends on leisure centres, Nicholson Road, the Floating Bridge and Regeneration.

RESOLVED:

THAT the Isle of Wight Council Annual Audit Report, and the Internal Audit Progress Report, be noted.

b) Revised 2020/21 Internal Audit Plan

The Chief Internal Auditor presented the report. The committee heard how work had adapted in light of the COVID-19 pandemic, and though many are electronic records there are still manual records that need to be seen. Any fundamental changes would be brought back to the committee once the audit has been completed and manual records have been obtained. It was noted that in the revised plan there was a planned second follow up for any actions that have remained open..

Questions were raised regarding references to modern slavery. The Chief Internal Auditor explained that guidance set out by Government requiring this to be included in the Audit.

RESOLVED:

THAT the revised 2020/21 Internal Audit Plan be approved.

At the conclusion of the discussion members adjourned for a comfort break.

6. The Council's Risk Profile

The Transformation and Business Improvement Manager (Strategy) was in attendance to present the report. The revised risk scores were discussed individually, and the key changes were explained. Members noted that; staff from facilities such as Leisure Centres and Libraries had been re-deployed to assist with the council's response to COVID-19, and the roll-out of corporate equipment to enable staff to work from home had been largely successful.

Discussion took place regarding remote working, including the impact on mental health. It was confirmed that staff would be given regular opportunities to attend administrative buildings and engage with team members, however it was expected that some services would not retain previous office spaces. Members were advised that data for exam results would not be published by the Local Authority this year because of the revised assessment process. Services for children vulnerable to abuse remained fully operational throughout and a greater proportion of face to face visits were being undertaken.

Discussion took place regarding levels of risk around Brexit, and members sought further information around the mitigation needed in case of a second wave in the winter. It was advised that as the impact increases additional measures would be put in place and monitored closely. Additional questions were raised regarding the

risks surrounding the Highways PFI contract and the Amey waste contract, and it was agreed that going forward these would be reported on separately.

It was advised that the risk in relation to Pandemics had increased to the maximum level due to financial consequences of the emergency, and the Assistant Director of Finance provided an update in relation to the Pandemic section of the Strategic Risk Register, with particular regard to the financial aspects. The committee heard that the estimated financial impact of the COVID-19 pandemic at this time was approximately £10 million pounds, following emergency funding from the government.

RESOLVED:

THAT the strategic risks of the council as set out in Paper F, paragraph 11 and Appendix 1, be noted.

7. Annual Governance Statement & progress against previous ASG issues

Members expressed disappointment that no officer was in attendance to present this report. Discussion took place regarding the report and concerns were raised regarding those individuals who do not have access to technology and were required to participate in processes that require IT usage.

RESOLVED:

THAT the Annual Governance Statement 2019-20 be approved.

8. Treasury Management Strategy

The Technical Finance Manager presented the report and provided an update on the plans to not revise the Strategy (as approved by the Committee in March 2020) as a result of the Covid-19 pandemic. Members were advised that the medium-term global economic outlook was weak, and the UK bank rate was to remain at 0.1% with a possibility of a cut to 0% within the calendar year. Questions were raised regarding the percentage rates on borrowed money, specifically Lenovo loans. The Technical Finance Manager advised the loan was taken out over a 45-year period 24 years ago therefore further information on this was limited. Further questions were raised regarding leftover monies from grant payments and whether this could be used in other ways. The Technical Finance Manager advised that any funds not spent would need to be paid back.

RESOLVED:

THAT the update regarding the Treasury Management Strategy be noted.

9. Procurement Half-Yearly Report

The Director of Corporate Services presented the report. The committee heard additional commentary regarding how procurement activities had been managed throughout the COVID-19 pandemic, and it was explained how overall there had not been a large change in general activity. Attention was brought to the work being done to establish a contract database, ensuring all contracts are managed and tracked against milestones effectively. The report suggested that there had not been a large change in the number of waivers requested, however there had been a higher

value in the wavers themselves due to the commissioning of necessary residential placements. It was explained as a result of COVID-19 there has been some delay in delivering the action plan.

Questions were raised regarding the fluctuation on the procurement of residential homes and it was advised that COVID-19 did present a slightly different situation regarding what placements were required. Members were reassured that placements were sufficiently robust to maintain safety for the children that required placements during that period.

Questions were raised regarding how many children were included in each contract. The Director of Corporate Services advised that she believed they may only be for one child (as residential placements can be costly due to the nature of the specific requirements) however, the Children Services managers do not enter into the expensive arrangements lightly. It was suggested that the Director of Corporate Services review of all the transactions taken place during the COVID-19 pandemic.

Further information was sought with regards to where additional costs or savings had been made, and the Director of Corporate Services advised that this would be included within future reports to the Audit Committee.

RESOLVED:

THAT the Procurement Half Yearly Report be noted.

CHAIRMAN