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Monitoring Officer
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County Hall, Newport, Isle of Wight PO30 1UD
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Agenda

Name of meeting	AUDIT COMMITTEE
Date	MONDAY 25 JULY 2022
Time	10.00 AM
Venue	COUNCIL CHAMBER, COUNTY HALL, ISLE OF WIGHT
Members of the committee	CLLrs A Garratt (Chairman), M Lilley (Vice-Chairman), J Bacon, K Lucioni, G Peace, M Price and R Redrup Democratic Services Officer: Megan Tuckwell democratic.services@iow.gov.uk

1. **Minutes** (Pages 5 - 8)

To confirm as a true record the Minutes of the meeting held on 14 March 2022.

2. **Declarations of Interest**

To invite Members to declare any interest they might have in the matters on the agenda.

3. **Public Question Time - 15 Minutes Maximum**

Questions may be asked without notice but to guarantee a full reply at the meeting, a question must be put including the name and address of the questioner by delivery in writing or by email to Democratic Services at democratic.services@iow.gov.uk, no later than two clear working days before the start of the meeting. Therefore, the deadline for written questions will be Wednesday 20 July 2022.



Details of this and other Council committee meetings can be viewed on the Isle of Wight Council's Committee [website](#). This information may be available in alternative formats on request. Please note the meeting will be audio recorded and the recording will be placed on the website (except any part of the meeting from which the press and public are excluded). Young people are welcome to attend Council meetings however parents/carers should be aware that the public gallery is not a supervised area.

4. **Reports of the External Auditor, Ernst and Young:**

To consider the reports of the External Auditors in relation to the Isle of Wight Council and the Isle of Wight Pension Fund.

(a) Annual Audit Plan 2021-22 – Isle of Wight Council (Pages 9 - 56)

(b) Annual Audit Plan 2021-22 – Isle of Wight Pension Fund (Pages 57 - 94)

5. **Internal Audit Annual Report (including opinion)** (Pages 95 - 118)

To consider the report of the Chief Internal Auditor.

6. **Internal Audit Progress Report** (Pages 119 - 166)

To consider the report of the Chief Internal Auditor, including the high-risk reports in relation to asbestos and deprivation of liberty safeguards (DoLS).

7. **Annual Governance Statement (Draft)** (Pages 167 - 192)

To consider the draft Annual Governance Statement for 2021-22.

8. **Property Investment Portfolio Annual Report** (Pages 193 - 204)

To consider and note the report of the Director of Regeneration.

9. **Treasury Management Annual Report** (Pages 205 - 222)

To consider the report of the Director of Finance.

10. **Half-Yearly Procurement Report** (Pages 223 - 250)

To consider the report of the Director of Corporate Services.

11. **The Council's Risk Profile** (Pages 251 - 282)

To consider the report of the interim Chief Executive.

12. **Review of the Constitution** (Pages 283 - 286)

To consider the report of the Monitoring Officer.

13. **Workplan** (Pages 287 - 288)

To consider and note the committee's workplan.

14. **Members' Question Time**

A question must be submitted in writing or by electronic mail to Democratic Services no later than 10am, Thursday 21 July 2022.

CHRISTOPHER POTTER

Monitoring Officer

15 July 2022

Page 2

Interests

If there is a matter on this agenda which may relate to an interest you or your partner or spouse has or one you have disclosed in your register of interests, you must declare your interest before the matter is discussed or when your interest becomes apparent. If the matter relates to an interest in your register of pecuniary interests then you must take no part in its consideration and you must leave the room for that item. Should you wish to participate as a member of the public to express your views where public speaking is allowed under the Council's normal procedures, then you will need to seek a dispensation to do so. Dispensations are considered by the Monitoring Officer following the submission of a written request. Dispensations may take up to 2 weeks to be granted.

Members are reminded that it is a requirement of the Code of Conduct that they should also keep their written Register of Interests up to date. Any changes to the interests recorded on that form should be made as soon as reasonably practicable, and within 28 days of the change. A change would be necessary if, for example, your employment changes, you move house or acquire any new property or land.

If you require more guidance on the Code of Conduct or are unsure whether you need to record an interest on the written register you should take advice from the Monitoring Officer – Christopher Potter on (01983) 821000, email Christopher.potter@iow.gov.uk, or Deputy Monitoring Officer - Justin Thorne on (01983) 821000, email justin.thorne@iow.gov.uk.

Notice of recording

Please note that all meetings that are open to the public and press may be filmed or recorded and/or commented on online by the council or any member of the public or press. However, this activity must not disrupt the meeting, and if it does you will be asked to stop and possibly to leave the meeting. This meeting may also be filmed for live and subsequent broadcast (except any part of the meeting from which the press and public are excluded).

If you wish to record, film or photograph the council meeting or if you believe that being filmed or recorded would pose a risk to the safety of you or others then please speak with the democratic services officer prior to that start of the meeting. Their contact details are on the agenda papers.

If the press and public are excluded for part of a meeting because confidential or exempt information is likely to be disclosed, there is no right to record that part of the meeting. All recording and filming equipment must be removed from the meeting room when the public and press are excluded.

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Minutes

Name of meeting	AUDIT COMMITTEE
Date and Time	MONDAY 14 MARCH 2022 COMMENCING AT 10.00 AM
Venue	COUNCIL CHAMBER, COUNTY HALL, ISLE OF WIGHT
Present	Cllrs A Garratt (Chairman), M Lilley (Vice-Chairman), J Bacon, K Lucioni, M Oliver and R Redrup
Also Present	Cllr C Jarman Jo Cooke, Elizabeth Goodwin, David Martin, John Metcalfe, Geraint Newton, Sarah Philipsborn and Megan Tuckwell Jason Jones (Ernst and Young)

37. **Minutes**

RESOLVED:

THAT the minutes of the meeting held on 6 December 2021 be confirmed.

38. **Declarations of Interest**

Cllr Michael Lilley declared an interest as member of the Local Pension Board, and in any matters relating to employment as his wife was employed by the Isle of Wight Council.

Cllr Martin Oliver declared an interest as member of the Local Pension Board.

Cllr Karen Lucioni declared an interest as she worked for the PA noticeboard of the Isle of Wight Council.

39. **Public Question Time - 15 Minutes Maximum**

An oral question was asked by Cllr Lilley on behalf of Chris Nicholson, of Ryde, regarding when the last audit of council leased land was made. A response was given which explained that External Audit looked at this issue every year, whereas Internal Audit is not normally involved in the matter. Reasonable assurance was given by the committee that the external auditors had last carried out this inspection in September 2021. A supplementary oral question was asked regarding who oversaw the leasing of council land and the collection of associated fees. It was confirmed that Commercial Services and the Directors of Neighbourhoods and Regeneration were the responsible overseers.

40. Annual Report of the External Auditor, Ernst and Young

The External Auditors presented the Isle of Wight Council's Auditors Annual Report for the year ended 31 March 2021. It was confirmed that there were very minor changes to the draft version and that the conclusions hadn't changed. They were now waiting for set procedures to be carried out so that an order certificate could be issued. Questions were raised in relation to the discrepancies concerning car parking spaces. It was confirmed that the discrepancies were not significant and the reason for the differences had been identified within the Annual Parking Report. The correct figures needed to be updated. Questions were raised regarding Haylands Primary School and rising land prices, and whether the council should look at the valuation of all its land given the significant increases in value. The External Auditor explained that land valuations were made using a particular methodology and this was due to be included in the next evaluation cycle. It was noted that future reports should have separate sections regarding climate change, the biosphere and young people as these issues needed to be addressed in a proper fashion and a feature of every report, as it was not consistent across the Council. Discussion took place regarding the relationship between Audit and Scrutiny and the need for the two committees to work alongside each other. It was reminded that the report should be published on the Council's website.

RESOLVED:

THAT the Isle of Wight Council's Auditors Annual Report for the year ended 31 March 2021 be noted.

41. Annual Approval of the Internal Audit Plan

The Chief Internal Auditor presented the 2022/23 Internal Audit Plan for review and approval. It was stated that that the objective was to have reasonable scrutiny across the board with the Internal Audit Plan, and because of the nature of the task, they needed to align the work with External Audit, as they both had to fall in line with statutory requirements. Questions were raised regarding the Public Health partnership outcomes and risk management. The Chief Internal Auditor clarified that the review of the Internal Audit Plan did not look at the partnership arrangements nor Public Health delivery.

RESOLVED:

THAT the 2022/23 Internal Audit Plan be approved.

42. Internal Audit Progress Report

The Chief Internal Auditor presented the Internal Audit Progress Report to provide the committee with the necessary information to satisfy its remit, as set out in the committee's terms of reference in the constitution. Discussion took place regarding the audit relating to the annual governance statement and the need for up-to-date policies, as far as possible keeping pace with the council's needs, changes in legislation and government guidance. It was advised that resources were stretched on both the audit and client side and that activities should recommence in the financial new year. It was noted that that the field work regarding leisure centres had been delayed because of covid.

RESOLVED:

THAT the Internal Audit Progress Report be noted.

43. Progress Update - IT System: Technology Forge Report

The Chairman reported that the Director of Regeneration had provided a written update on progress as requested at the meeting in December 2021. It was stated that the actions set out in the Internal Audit report on the council's Technology Forge property management IT system had been completed and that the work highlighted the need to ensure the effective use of the current platform through the internal systems review. The report also brought to the service's attention the need to consider the suitability of the current provider/platform as compared to other suppliers and that the market review was underway anticipating that the current supplier contract would end in April 2022. The Chief Internal Auditor confirmed that the matter would be audited as part of the 2022-23 plan. No comments or questions were raised at this stage.

RESOLVED:

THAT the verbal update be noted.

44. The Council's Risk Profile

The Transformation Manager presented the Council's Risk Profile. Questions were raised regarding the recruitment of mental health practitioners on the Island. Recruitment was also mentioned with the suggestion that forging relationships with universities could benefit the Island by helping to tailor specific recruitment needs. The over-arching subject of climate change and its importance with respect to energy issues was discussed, and whether it should have its own section in the Council's Risk Profile. The issue of the Council's housing company and audit was questioned, and where that fell for audit purposes. School attendance was discussed but it was reported that there had been good progress in this area with attendance figures during the pandemic being higher on the Island than the mainland.

RESOLVED:

THAT the Strategic Risks of the Council, as set out in paragraphs 15-20 and Appendix 1 be approved.

45. Annual Approval of Treasury Management Strategy

The Pension Fund and Treasury Management Accountant presented the Treasury Management Strategy Statement 2022/23. It was stated that there was nothing major to add as there had been no real changes to the main areas that the strategy covered. There had been a reduction of net debt, which was seen as positive, but there is an expectation of interest rate rises, which would have a knock-on effect if the Council ended up needing to borrow money. Questions were raised in relation to interest rates in response to the situation in Ukraine. It was confirmed that the Council had no exposure in Russian investments regarding its pension portfolio.

RESOLVED:

THAT the Treasury Management Strategy Statement 2022/23 be adopted.

46. **Workplan**

Consideration was given to the Committee's workplan for 2021-23. Cllr Lilley asked if the risk around fuel and the inflation could be looked at as well as land value and leases.

RESOLVED:

THAT the workplan be noted.

47. **Member's Question Time**

Cllr Lilley asked an oral question in relation to rental income and leases, and why was the Council not charging rent on some of its leased land which had a value. It was explained that there were several reasons why this was the case including historical agreements, but it was concluded that the committee would come back to this issue at a later date.

CHAIRMAN

Isle of Wight Council Audit planning report

Year ended 31 March 2022

July 2022

Page 9

1 July 2022



Isle of Wight Council
County Hall
High Street
Newport, Isle of Wight
PO30 1UD

Dear Audit Committee Members

Outline audit planning report

We are pleased to attach our Outline Audit Plan which sets out how we intend to carry out our responsibilities as auditor. The purpose of this report is to provide you with a basis to review our approach and scope for the 2021/22 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, auditing standards and other professional requirements. It also aims to ensure that our audit is aligned with the Committee's service expectations. We have not yet completed our detailed planning procedures and any changes in our risk assessment will be communicated to the Committee at the earliest opportunity.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 25 July 2022 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Helen Thompson

For and on behalf of Ernst & Young LLP

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Contents

01	Overview of our 2021/22 audit strategy	02	Audit risks	03	Value for Money risks	04	Audit materiality	05	Scope of our audit
									
	06	Audit team	07	Audit timeline	08	Independence	09	Appendices	

Page 11

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Isle of Wight Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Isle of Wight Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Isle of Wight Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



Page 12

01

Overview of our 2021/22 audit strategy



Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud risk/ Significant risk	No change in risk or focus.	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Misstatements due to fraud or error	Fraud risk	No change in risk or focus.	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Valuation of Land and Buildings (L&B)	Significant risk	Increased risk to significant	The value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and market fluctuations. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. Furthermore, the Council has appointed a new external valuer for operational L&B for 2021/22.
Valuation of Investment Property (IP)	Inherent risk	Risk reduced this year	The fair value of IP represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and market fluctuations. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. Due to the nature of the Council's IP portfolio, no changes in the valuer and no issues identified in prior years we have reduced the risk from significant to higher inherent risk.

Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Accounting treatment for infrastructure assets	Inherent risk	New risk for 2021/22	The value of infrastructure non-current assets is material in the financial statements. Once an item of property, plant and equipment has been recognised and capitalized, the Council may incur further costs on that asset at a later date. The accounting treatment requires such subsequent expenditure to be capitalized to the value of the asset where these costs meet the recognition criteria. Where the subsequent expenditure represents the replacement of a component, the old component must be written out of the balance sheet. There is a need for the Council to ensure that it has recognised and accounted for such subsequent expenditure appropriately. CIPFA is currently considering potential amendments to the Local Authority Code of Accounting Practice in this area. The level of risk associated with this balance may increase once CIPFA has concluded its consideration of the Code.
Pension Liability Valuation	Inherent risk	No change in risk or focus.	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme for which it is also the administering body. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
PFI Accounting	Inherent risk	No change in risk or focus	The Council has one PFI arrangement, which is material to our audit. PFI accounting is a complex area, and a detailed review of these arrangements was undertaken by our internal specialist when the PFI was introduced. We will review the accounting entries and disclosures in relation to PFI in detail in 2021/22, with a focus on any significant changes since the specialist's review.

Overview of our 2021/22 audit strategy

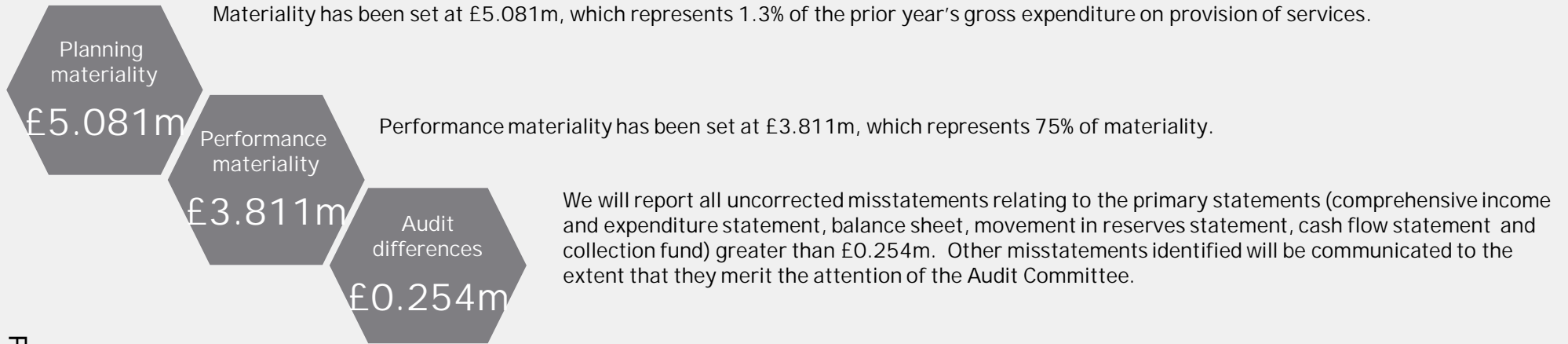
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Going Concern Disclosure	Area of focus	No change in risk or focus	CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

Overview of our 2021/22 audit strategy

Materiality



Overview of our 2021/22 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Isle of Wight Council give a true and fair view of the financial position as at 31 March 2022 and of the income and expenditure for the year then ended; and
- Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on value for money in Section 03.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Page 17
- Strategic, operational and financial risks relevant to the financial statements;
 - Developments in financial reporting and auditing standards;
 - The quality of systems and processes;
 - Changes in the business and regulatory environment; and,
 - Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA is aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the ISA 540 (revised) and the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Isle of Wight Council's audit, we will discuss these with management as to the impact on the scale fee.

Effects of climate-related matters on financial statements and value for money arrangements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Overview of our 2021/22 audit strategy

Value for money conclusion

We include details in Section 03 but in summary:

- We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, and to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- We will provide a commentary on the Council's arrangements against three reporting criteria:
 - Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
 - Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
 - Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Page 18 ➤ The commentary on VFM arrangements will be included in the Auditor's Annual Report.

Timeline

In April 2020, the Ministry of Housing, Communities and Local Government established regulations to extend the target date for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years).

In December 2021, the Department for Levelling Up, Housing and Communities (DLUHC) announced proposals to extend the deadline for the publication of audited accounts to 30 November for 2021/22.

As reflected in our timeline in section 6 of this report, we are unable to meet the 30 November publication date due to resourcing constraints.



Page 19



02 Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

<p>Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure*</p>	<p>What is the risk?</p>	<p>What will we do?</p>
<p>Financial statement impact</p>	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> • Test PPE additions using lowered testing thresholds, to ensure they are appropriately supported by documentary evidence, and that the expenditure incurred and capitalised is clearly capital in nature; and • Seek to identify and understand the basis for any significant journals transferring expenditure from non-capital codes to PPE additions or from revenue to capital codes on the general ledger at the end of the year.
<p>We have assessed that the risk of fraud in revenue and expenditure recognition is most likely to occur through the inappropriate capitalisation of revenue expenditure. This would have the impact of reducing revenue expenditure and increasing additions to Property, Plant and Equipment.</p> <p>The value of PPE additions in 2020/21 was £23m.</p> <p>The Council's forecast 2021/22 capital programme expenditure for the year is 28m.</p>	<p>We have assessed that the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure, as there is an incentive to reduce expenditure which is funded from Council Tax.</p>	

Page 20

Our response to significant risks (continued)

<p>Misstatements due to fraud or error*</p>	<p>What is the risk?</p>	<p>What will we do?</p>
<p>Page 21</p>	<p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p> <p>We have considered the areas in which management could seek to override controls at Isle of Wight Council, and this had fed into our consideration of the risk of fraud in revenue and expenditure recognition as set out on page 12.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Identify fraud risks during the planning stages. • Enquire of management about risks of fraud and the controls put in place to address those risks. • Understand the oversight given by those charged with governance of management's processes over fraud. • Consider the effectiveness of management's controls designed to address the risk of fraud. • Determine an appropriate strategy to address those identified risks of fraud. • Perform mandatory procedures regardless of specifically identified fraud risks, including: <ul style="list-style-type: none"> • Testing of journal entries and other adjustments in the preparation of the financial statements; • Considering accounting estimates for management bias; and • Reviewing the basis for any identified significant unusual transactions.

Our response to significant risks (continued)

Valuation of Land and Buildings

What is the risk?

The value of other land and buildings represents a significant balance in the Authority's accounts and is subject to valuation changes, impairment reviews and market fluctuations which carries a high degree of estimation uncertainty. Management is required to make material judgements and apply estimation techniques to calculate the year-end balance recorded in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

The Council has appointed a new external valuer for 2021/22 with no prior experience of the Council's asset base. This further increases the level of risk. If land and buildings are incorrectly valued this could have the impact of understating or overstating the carrying value of assets and income and expenditure by a material amount.

Page 22

Financial statement impact

The value of other land and buildings in the 2020/21 audited accounts at 31 March 2021 was £262 million.

What will we do?

- Consider the work performed by the Authority's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample test key asset information used by the valuers in performing their valuation and challenge the key assumptions used by the valuer.
- Test accounting entries to ensure that they have been correctly processed in the financial statements.
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We will also consider if there are any specific changes to assets that have occurred and whether these have been communicated to the valuer.
- Review assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated.
- Ensure that appropriate disclosure has been made in the financial statements concerning any the material uncertainties disclosed by the valuer.
- If we deem necessary, obtain input from EY Real Estates, our internal specialists on asset valuations, including inputs on market sentiment and how it has been reflected in the valuations.

Other areas of audit focus

What is the risk/area of focus?

Valuation of Investment Property

The value of Investment Properties represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and market fluctuations. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Page 23

Accounting for infrastructure assets

The gross cost of infrastructure non-current assets is material in the financial statements. Once an item of property, plant and equipment has been recognised and capitalized, the Council may incur further costs on that asset at a later date. The accounting treatment requires such subsequent expenditure to be capitalized to the value of the asset where these costs meet the recognition criteria. Where the subsequent expenditure represents the replacement of a component, the Local Authority Accounting Code of Practice requires the old component to be written out of the balance sheet. There is a need for the Council to ensure that it has recognised and accounted for such subsequent expenditure appropriately.

CIPFA is currently consulting on potential changes to this area of the Code. Our audit procedures may have to be varied if the consultation results in changes.

What will we do?

We will:

- Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample test key asset information used by the valuers in performing their valuation and challenge the key assumptions used by the valuer.
- Consider the annual cycle of valuations to ensure that all investment properties have been valued annually.
- Test accounting entries have been correctly processed in the financial statements.
- If we deem necessary, obtain input from EY Real Estates, our internal specialists on asset valuations for Investment Properties, including inputs on market sentiment and how it has been reflected in the estimated rental values/yields.

We will:

- Discuss the procedures applied by the Council to ensure the subsequent capital spend is recognised in accordance with the Code, i.e., where the subsequent expenditure concerns the replacement of a part/component, what procedures are performed to identify and derecognise the carrying amount of the old part/component (and any associated accumulated depreciation).
- Obtain evidence to match the subsequent expenditure to the carrying amount of the replaced part or component that is being derecognised.
- If the carrying amount of the replaced part or component cannot be identified, test the Council's use of the cost of the replacement as a proxy for the deemed carrying amount of the replaced part, ensuring the calculation appropriately adjusts the cost for depreciation and impairment.
- Test accounting entries have been correctly processed in the financial statements.

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
<p><u>Pension Liability Valuation</u> The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme, for which the Council is also the administering body. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Pension Fund.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Liaise with the auditor of Isle of Wight Council Pension Fund (also EY), to obtain assurances over the information supplied to the actuary in relation to Isle of Wight Council. • Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team. • Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. <p>We will consider outturn information available at the time we undertake our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.</p> <p>We will engage our internal pensions specialists to undertake an auditor's estimate of the gross liability.</p>
<p><u>PFI accounting</u> The Council has one PFI arrangement, which is material to our audit. PFI accounting is a complex area, and a detailed review of these arrangements was undertaken by our internal specialist when the PFI was introduced. We will review the accounting entries and disclosures in relation to PFI in detail in 2021/22, with a focus on any significant changes since the specialist's review.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Review assurances brought forward from prior years regarding the appropriateness of the PFI financial model. • Review the PFI financial model for any significant changes, and if identified consider engaging relevant experts to review the model to ensure it is still working as expected. • Ensure the PFI accounting model has been updated for any service or other agreed variations and confirm consistency of the current year model with prior year brought forward assurances. • Agree outputs of the model to the accounts, including balances and disclosures for assets, liabilities, and expenditure, and review the completeness and accuracy of disclosures.

Other areas of audit focus (continued)

What is the risk/area of focus?

Going concern

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

What will we do?

We will be seeking a documented and detailed consideration to support management's assertion regarding the going concern basis and particularly with a view whether there are any material uncertainties for disclosure.

We will review your going concern disclosures within the financial statements under IAS1, and associated financial viability disclosures within the Narrative Statement. We expect you to disclose any material uncertainties that do exist.

These disclosures should also include the process that has been undertaken for revising financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions including but not restricted to the use of reserves, and key assumptions (e.g. assumed duration of Covid-19 impact on the Council's finances).

Our audit procedures to review these will include consideration of:

- Current and developing environment;
- Liquidity (operational and funding);
- Mitigating factors;
- Management information and forecasting; and
- Sensitivities and stress testing.



03

Value for Money Risks





Value for Money

Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

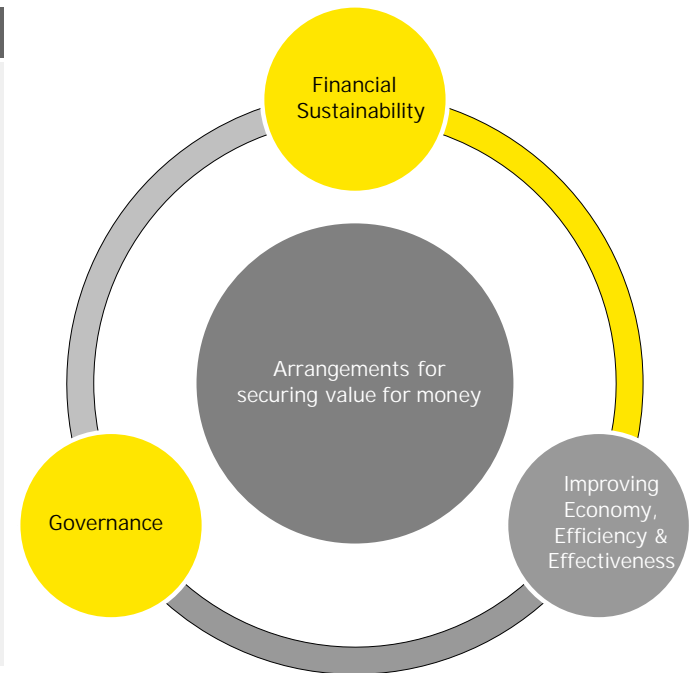
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor responsibilities

Under the NAO Code of Audit Practice we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.





Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Council's arrangements, we are required to consider:

- The Council's governance statement;
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies; and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Page 28
- Exposes – or could reasonably be expected to expose – the Council to significant financial loss or risk;
 - Leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on the Council's reputation;
 - Leads to – or could reasonably be expected to lead to – unlawful actions; or
 - Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.



Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit Committee.

Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the commentary on arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2021/22 VFM planning

Our assessment for the Council of the risk of significant weaknesses in the arrangements supporting each of the specified reporting criteria is still in progress. Our assessment to date has focused on a combination of:

- Cumulative audit knowledge and experience.
- Review of Council committee reports,
- Review of other documentary evidence available on the Council's website.
- Consideration of financial and performance reporting and outcomes for the year.
- Regular engagement with Council management.

To date we have not identified a risk of significant weakness.



04

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2021/22 has been set at £5.081m. This represents 1.3% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.

Page 31



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £3.811m which represents 75% of planning materiality. The rationale for using 75% is based on the anticipation of identifying few or no errors during the audit. This expectation has been built on our experience of the Council in prior years.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.

Materiality

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- Remuneration disclosures including councillor allowances: we will agree all disclosures back to source data, and councillor allowances to the agreed and approved amounts.
- Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

We have set a separate materiality of £2.5k for remuneration disclosures, related party transactions, members' allowances and exit packages, which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to these areas. This specific materiality is based on 1% of our audit differences threshold.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- whether the financial statements give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and
- whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements; and
- where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the Council's audited financial statements for the relevant reporting period in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

As outlined in Section 03, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2021/22 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will regularly meet with the Chief Internal Auditor, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our audit procedures, where they raise issues that could have an impact on the financial statements.



06

Audit team



Audit team

Audit team structure:

Helen Thompson
Partner*

Jason Jones
Manager

Marco Buys
Senior

Working together with the Council

We are working together with officers to identify continuing improvements in communication and processes for the 2021/22 audit.

We will continue to keep our audit approach under review to streamline it where possible.

Specialists (as required)

- EY Real Estates
- Actuaries

* Key Audit Partner

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The area where either EY or third party specialists provide input for the current year audit is:

Area	Specialists
Valuation of Land and Buildings	EY internal valuations team Wilks, Head and Eve – Council’s external valuer of land and buildings Avison Young – Council’s external valuer of investment property
Pensions disclosure	EY internal pensions specialist PwC as consulting actuary appointed by the NAO Hymans Robertson – Actuary to Isle of Wight Council Pension Fund
Business Rates appeals provision	Analyse Local – Council’s external valuer of appeals provision

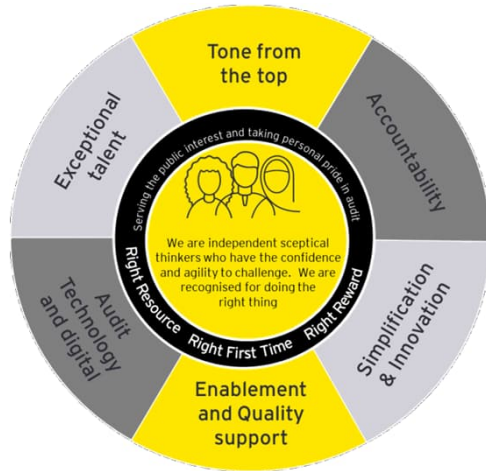
In accordance with Auditing Standards, we will evaluate each specialist’s professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council’s business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist’s findings are properly reflected in the financial statements.

Developing the right Audit Culture

In July 2021, EY established a UK Audit Board (UKAB) with a majority of independent Audit Non-Executives (ANEs). The UKAB will support our focus on delivering high-quality audits by strengthening governance and oversight over the culture of the audit business. This focus is critical given that audit quality starts with having the right culture embedded in the business.



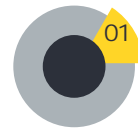
Page 39

Our audit culture is the cement that binds together the building blocks and foundation of our audit strategy. We have been thoughtful in articulating a culture that is right for us: one that recognises we are part of a wider, global firm and is clear about whose interests our audits serve.

There are three elements underpinning our culture:

1. Our people are focused on a common purpose. It is vital we foster and nurture the values, attitudes and behaviours that lead our people to do the right thing.
2. The essential attributes of our audit business are:
 - Right resources – We team with competent people, investing in audit technology, methodology and support
 - Right first time – Our teams execute and review their work, consulting where required to meet the required standard
 - Right reward – We align our reward and recognition to reinforce the right behaviours

3. The six pillars of Sustainable Audit Quality are implemented.



Tone at the top

The internal and external messages sent by EY leadership, including audit partners, set a clear tone at the top - they establish and encourage a commitment to audit quality



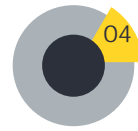
Exceptional talent

Specific initiatives support EY auditors in devoting time to perform quality work, including recruitment, retention, development and workload management



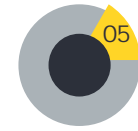
Accountability

The systems and processes in place help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition



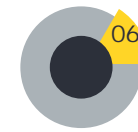
Audit technology and digital

The EY Digital Audit is evolving to set the standard for the digital-first way of approaching audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality



Simplification and innovation

We are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit



Enablement and quality support

How EY teams are internally supported to manage their responsibility to provide high audit quality

A critical part of this culture is that our people are encouraged and empowered to challenge and exercise professional scepticism across all our audits. However, we recognise that creating a culture requires more than just words from leaders. It has to be reflected in the lived experience of all our people each and every day enabling them to challenge themselves and the companies we audit.

Each year we complete an audit quality culture assessment to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to our audit quality culture of the future. We action points that arise to ensure our culture continues to evolve appropriately.

2021 Audit Culture Survey result

A cultural health score of 78% (73%) was achieved for our UK Audit Business

We bring our culture alive by investing in three priority workstreams:

- Audit Culture with a focus on professional scepticism
- Adopting the digital audit
- Standardisation

This investment has led to a number of successful outputs covering training, tools, techniques and additional sources. Specific highlights include:

- Audit Purpose Barometer
- Active Scepticism Framework
- Increased access to external sector forecasts
- Forensic risk assessment pilots
- Refreshed PLOT training and support materials, including embedding in new hire and trainee courses
- Digital audit training for all ranks
- Increased hot file reviews and improved escalation processes
- New work programmes issued on auditing going concern, climate, impairment, expected credit losses, cashflow statements and conducting effective group oversight
- Development of bite size, available on demand, task specific tutorial videos

“A series of company collapses linked to unhealthy cultures.....have demonstrated why cultivating a healthy culture, underpinned by the right tone from the top, is fundamental to business success.”

Sir John Thompson
Chief Executive of the FRC



07 Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2021/22. The final timetable will depend on our ability to obtain sufficient, appropriate audit evidence to support our audit opinion

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
	June/July	Audit Committee	Outline Audit Plan
	August		
	September	Audit Committee	Audit Plan update (if required)
Planning:	October		
Risk assessment and setting of scopes. Walkthrough of key systems and processes	November		
Year end audit Audit Completion procedures	November/December	Audit Committee	Audit progress update
Year end audit Audit Completion procedures	January/February		
	March	Audit Committee	Audit Results Report Audit opinion and completion certificate Annual Auditor's Report including commentary on VFM

Page 41



Page 42



08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<p data-bbox="91 730 129 852" style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 43</p> <ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit/additional services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Helen Thompson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we have an investment in the Council; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

When the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.
There are no other threats at the date of this report.

Partner rotation

Engagement lead appointments are subject to rotation every 5 years with any extensions subject to approval by Public Sector Audit Appointments Ltd (PSAA). Helen Thompson has been the engagement lead for Isle of Wight Council for the past 6 years and 2021/22 will be the seventh year. Due to the significant changes to the VFM approach this year, the firm requested approval from PSAA for the 2 year extension to engagement lead appointments. This has been approved by PSAA and this committee and no perceived independence threats were identified.

Page 45
EY Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021:

https://www.ey.com/en_uk/about-us/transparency-report-2021



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Levelling Up, Housing and Communities.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2021/22	Scale fee 2021/22	Final Fee 2020/21
	£	£	£
PSAA Scale Fee	98,602	98,602	98,602
2020/21 fee variation determined by PSAA (Note 1)	-	-	68,862
Additional work required for going concern and Covid-considerations (2)	4,000	N/A	-
Additional work required for PPE valuation (2)	9,000	N/A	-
Additional specific work in relation to Pension Fund IAS 19. We will engage with our internal pensions specialists to undertake an auditor's estimate of the gross liability (2)	1,500	N/A	-
Additional work on to investigate correspondence received from the public in relation to business rates and floating bridge (2)		N/A	-
Reclassification of prior year figures			-
PSAA pre-approved additional fee for VFM and ISA540 (3)	14,400	N/A	-
<i>Scale fee plus in-year variations</i>	<i>127,502</i>	<i>98,602</i>	<i>167,464</i>
Scale fee rebasing (4)	51,627	51,627	-
Total fees	179,129	150,229	167,464

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ The production of materially accurate draft accounts
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

The outline timetable on page 33 is contingent on the above factors

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

All fees exclude VAT

Notes:

See over page


 Appendix A




Notes to fee table

- (1) In order to meet regulatory and compliance audit requirements not present in the market at the time of our most recent bid to PSAA, we assessed that the recurrent cost of additional requirements to carry out our audit should increase by £51,627. We also submitted an in-year fee variation of £40,787. PSAA has determined the total fee variation across both elements for 2020/21 as £68,862. We expect similar costs in nature in 2021/22 and subsequent years. However, PSAA has stated that this will need to be determined each year, see (4) below
- (2) During 2020/21 we undertook additional work to address specific risks identified. For 2021/22 we have included an estimate of this fee where we expect similar additional work to be performed.
- (3) PSAA communicated a range of fees in August 2021 for the new requirements of the 2020 Code of Audit Practice, and the revised International Standard of Auditing 540 on Estimates. In the absence of further information, we have rolled this forward for 2021/22 at the bottom of the communicated range.
- (4) We remain in discussion with PSAA about increasing the 2021/22 scale fee to reflect the additional work auditors are required to do to meet regulatory requirements. This was previously communicated in 2019/20, and in our 2020/21 Auditors Annual Report.

Required communications with the Audit Committee




We have detailed the communications that we must provide to the Audit Committee.

 Our Reporting to you

Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report – July 2022
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report – March 2023 Auditor's Annual Report – March 2023




Page 50

Required communications with the Audit Committee (continued)





		 Our Reporting to you
Required communications	 What is reported?	 When and where
Page 50	Going concern Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including: <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Audit results report – March 2023
	Misstatements <ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	Audit results report – March 2023
	Subsequent events <ul style="list-style-type: none"> • Enquiries of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements 	Audit results report – March 2023
	Fraud <ul style="list-style-type: none"> • Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit Committee responsibility 	Audit results report – March 2023

Appendix B

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Related parties	<ul style="list-style-type: none"> • Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	Audit results report – March 2023
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit Planning Report July 2022 and Audit results report – March 2023

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
External confirmations	<ul style="list-style-type: none"> Management’s refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report – March 2023
Consideration of laws and regulations	<ul style="list-style-type: none"> Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	Audit results report – March 2023
Internal controls	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit 	Audit results report – March 2023
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report – March 2023
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – March 2023
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor’s report 	Audit results report – March 2023 Auditor’s Annual Report – March 2023
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Planning Report July 2022 and Audit Results Report March 2023
Value for Money	<ul style="list-style-type: none"> Risks of significant weakness identified in planning work Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses. 	Audit planning report July 2022 Audit results report – March 2023 Auditor’s Annual Report – March 2023

Additional audit information

Objective of our audit

Our objective is to form an opinion on the Council's financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. The audit does not relieve management or the Audit Committee of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Additional audit information (continued)

Other required procedures during the course of the audit (continued)

Procedures required by the Audit Code	<ul style="list-style-type: none"> • Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement. • Examining and reporting on the consistency of consolidation schedules or returns with the Council’s audited financial statements for the relevant reporting period
Other procedures	<ul style="list-style-type: none"> • We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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ED None

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Isle of Wight Pension Fund Audit planning report

Year ended 31 March 2022

July 2022

Page 57

1 July 2022



Isle of Wight Council
County Hall
High Street
Newport, Isle of Wight
PO30 1UD

Dear Audit Committee Members

Outline audit planning report

We are pleased to attach our Outline Audit Plan which sets out how we intend to carry out our responsibilities as auditor. The purpose of this report is to provide you with a basis to review our approach and scope for the 2021/22 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the auditing standards and other professional requirements. It also aims to ensure that our audit is aligned with the Committee's service expectations. We have not yet completed our detailed planning procedures but any changes in our risk assessment will be communicated to the Committee at the earliest opportunity.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Pension Fund, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 25 July 2022 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Helen Thompson

For and on behalf of Ernst & Young LLP

Enc

Contents



Page 59

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Isle of Wight Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Isle of Wight Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Isle of Wight Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



Page 60

01

Overview of our 2021/22 audit strategy



Overview of our 2021/22 audit strategy

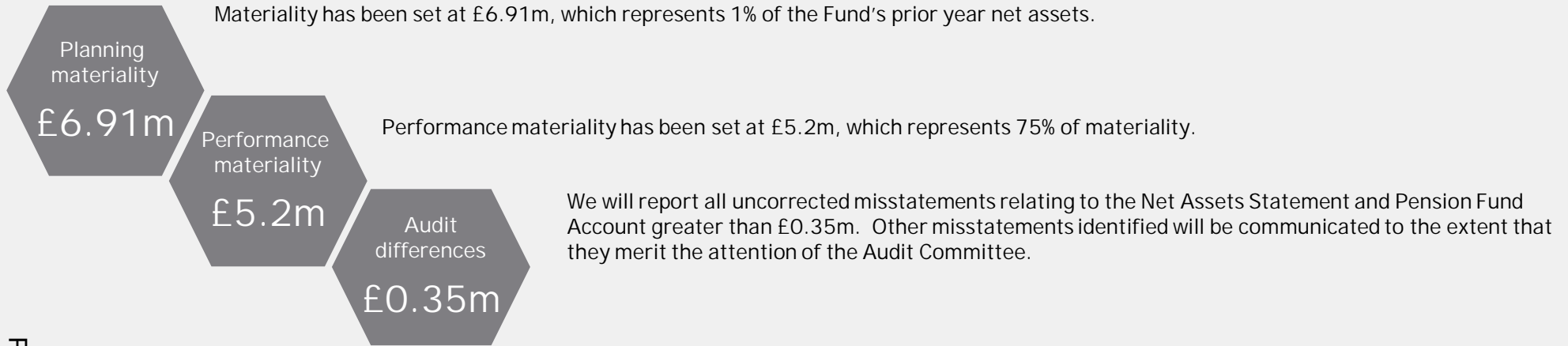
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk of focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. In addition to our overall response, we consider where these risks may manifest themselves and identify separate fraud risks as necessary below.
Risk of manipulation of investment valuation and income	Fraud risk	No change in risk of focus	Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. Our judgement is the significant risk at the Pension Fund relates to the manipulation of investment valuation and income.
Valuation of private debt (Level 3 Fair Value hierarchy)	Significant risk	No change in risk of focus	Investments at Level 3 are those where at least one input that could have a significant effect on the asset's valuation is not based on observable market data. Significant judgements are made by the investment managers or administrators to value these investments whose prices are not publically available. Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.
Going Concern: Compliance with ISA 570	Area of focus	No change in risk of focus	There is a presumption that the Fund will continue as a going concern for the foreseeable future. However, the Fund is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 throughout 2021/22, there is a need for the Fund to ensure it's going concern assessment, including its supporting cashflow forecast, is thorough and appropriately comprehensive. The Fund is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment, and in particular highlights any material uncertainties it has identified.

Overview of our 2021/22 audit strategy

Materiality



Overview of our 2021/22 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Isle of Wight Pension Fund give a true and fair view of the financial position as at 31 March 2022 and of the income and expenditure for the year then ended.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

Page 6
Considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Pension Fund.

Taking the above into account, and as articulated in this outline audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of complex investments, the valuation of pension obligations, and the introduction of new accounting standards. Therefore to the extent any of these or any other risks are relevant in the context of Isle of Wight Pension Fund's audit, we will discuss these with management as to the impact on the scale fee.

Timeline

In April 2020, the Ministry of Housing, Communities and Local Government established regulations to extend the target date for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years).

In December 2021, the Department for Levelling Up, Housing and Communities (DLUHC) announced proposals to extend the deadline for the publication of audited accounts to 30 November for 2021/22.

As reflected in our timeline in section 6 of this report, we are unable to meet the 30 November publication date due to resourcing constraints. The Fund has reported to the Local Government Association that it will be in breach of the requirement to publish its annual report and accounts by 1 December. The Fund has recorded this on their breaches log, reported to both committee and board, and have determined this is not materially significant to report to the Pensions Regulator.



02

Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

<p>Misstatements due to fraud or error*</p>	<p>What is the risk?</p> <p>As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.</p>	<p>What will we do?</p> <p>We will undertake our standard procedures to address fraud risk, which include:</p> <ul style="list-style-type: none"> • Inquiry of management about risks of fraud and the controls put in place to address those risks. • Understanding the oversight given by those charged with governance of management’s processes over fraud. • Consideration of the effectiveness of management’s controls designed to address the risk of fraud. <p>Performing mandatory procedures regardless of specifically identified fraud risks, including:</p> <ul style="list-style-type: none"> • Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. • Assessing accounting estimates for evidence of management bias. • Evaluating the business rationale for significant unusual transactions. <p>In addition to our overall response, we consider where these risk may manifest themselves and identify separate fraud risks as necessary below.</p>
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Our response to significant risks (continued)

Risk of manipulation of investment valuation and investment income *

Financial statement impact

Manipulation of investment valuation and investment income would increase the net value of pension fund assets, and increase the investment income recognised in year.

Total net assets of the Fund for 2020/21:
£690,697k

Total investment income of the Fund in 2020/21:
£19,112k

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

From our risk assessment, we have assessed that the risk manifests itself through the manipulation of investment valuation and investment income.

What will we do?

Our approach will focus on:

- ▶ For significant investments we will reconcile the investment value to both the fund manager and custodian reports. Where appropriate or necessary we will examine the underlying support for the investment value (i.e. quoted market price)
- ▶ Journal testing – we will use our testing of journals to identify high risk transactions, such as items posted to investment income outside the normal monthly process.

Our response to significant risks

Valuation of complex Investments (Level 3 Fair Value hierarchy)

Financial statement impact

As at 31 March 2022, Isle of Wight Pension Fund has invested \$31 million (£23.6 million) in private debt and €9.4 million (£7.7 million) in infrastructure.

These investments are new for 2020/21 following the change in investment strategy and more complex to value.

What is the risk?

Investments at Level 3 are those where at least one input that could have a significant effect on the asset's valuation is not based on observable market data.

Significant judgements are made by the Investment Managers or administrators to value these investments whose prices are not publically available. The material nature of Investments means that any error in judgement could result in a material valuation error.

Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.

What will we do?

Our approach will focus on:

- Reviewing the latest available audited accounts for the relevant funds and ensuring there are no matters arising that highlight weaknesses in the fund's valuation.
- Where the latest audited accounts are not as at 31 March 2022, performing analytical procedures and checking the valuation output for reasonableness against our own expectations.
- Testing accounting entries have been correctly processed in the financial statements.
- Reviewing the disclosures in the financial statements are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

If necessary, our internal valuation specialists will support our work in this area.



Audit risks

Other areas of audit focus

What is the risk/area of focus?

Going Concern: Compliance with ISA 570

There is a presumption that the Fund will continue as a going concern for the foreseeable future. However, the Fund is required to carry out a going concern assessment that is proportionate to the risks it faces. There is a need for the Fund to ensure its going concern assessment, including its cashflow forecast, is thorough and appropriately comprehensive.

The Fund is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

What will we do?

We will:

- Challenge management's identification of events or conditions impacting going concern.
- Test management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Review the Fund's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.
- Undertake a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.
- Challenge the disclosure made in the accounts in respect of going concern and any material uncertainties.



03

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2021/22 has been set at £6.91m. This represents 1% of the Pension Fund's prior year net assets. It will be reassessed throughout the audit process. This basis is consistent with 2020/21. For Isle of Wight Pension Fund, the Net Asset Statement, which discloses the value of the investments held by the scheme, is the most appropriate measure rather than the Fund Account. Assets are key, as they cover the liabilities of the fund and generate significant income. Use of net assets as the measure of materiality is EY standard practice for pension funds

Page 70



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £5.2m which represents 75% of planning materiality. We apply 75% when it is not an initial audit and we have a sound understanding of the entity and past experience with the engagement indicates that a higher risk of misstatement is unlikely.

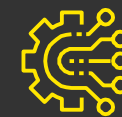
Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the fund account and the net assets statement that have an effect on returns or that relate to expenditure.

Other uncorrected misstatements, such as reclassifications and misstatements in statements or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.



04

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Pension Fund's financial statements:

1. Financial statement audit

Our objective is:

- To form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).
- To form an opinion on the consistency of the pension fund financial statements within the pension fund annual report with the published financial statements of Isle of Wight Council.

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2021/22 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will regularly meet with the Chief Internal Auditor, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit work, where they raise issues that could have an impact on the financial statements.



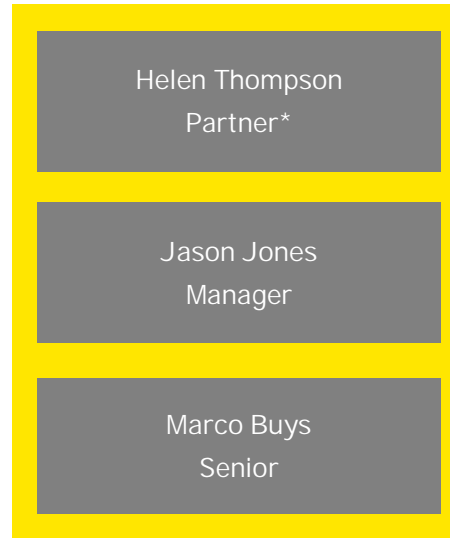
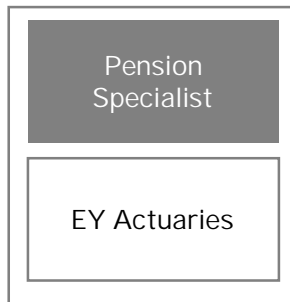
05

Audit team



Audit team

Audit team structure:



Working together with the Pension Fund

We are working together with officers to identify continuing improvements in communication and processes for the 2021/22 audit.

We will continue to keep our audit approach under review to streamline it where possible.

* Key Audit Partner

Page 75

Audit team changes

Key changes to our team.



Jason Jones, Engagement Manager

- Jason takes over from Jack Dunkley as the Engagement Manager.
- Jason has significant public sector audit experience of over 10 years, with a portfolio of Health Sector bodies, Local Authorities and Local Government Pension Fund audits and is also the engagement manager for Isle of Wight Council.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The area where either EY or third party specialists provide input for the current year audit is:

Area	Specialists
Pensions Valuation	Hymans Robertson (management specialist), EY Actuaries (auditor specialist)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Pension Fund's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

Developing the right Audit Culture

In July 2021, EY established a UK Audit Board (UKAB) with a majority of independent Audit Non-Executives (ANEs). The UKAB will support our focus on delivering high-quality audits by strengthening governance and oversight over the culture of the audit business. This focus is critical given that audit quality starts with having the right culture embedded in the business.



Page 77

Our audit culture is the cement that binds together the building blocks and foundation of our audit strategy. We have been thoughtful in articulating a culture that is right for us: one that recognises we are part of a wider, global firm and is clear about whose interests our audits serve.

There are three elements underpinning our culture:

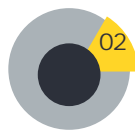
1. Our people are focused on a common purpose. It is vital we foster and nurture the values, attitudes and behaviours that lead our people to do the right thing.
2. The essential attributes of our audit business are:
 - Right resources – We team with competent people, investing in audit technology, methodology and support
 - Right first time – Our teams execute and review their work, consulting where required to meet the required standard
 - Right reward – We align our reward and recognition to reinforce the right behaviours

3. The six pillars of Sustainable Audit Quality are implemented.



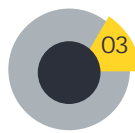
Tone at the top

The internal and external messages sent by EY leadership, including audit partners, set a clear tone at the top - they establish and encourage a commitment to audit quality



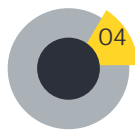
Exceptional talent

Specific initiatives support EY auditors in devoting time to perform quality work, including recruitment, retention, development and workload management



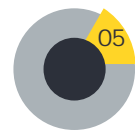
Accountability

The systems and processes in place help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition



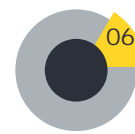
Audit technology and digital

The EY Digital Audit is evolving to set the standard for the digital-first way of approaching audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality



Simplification and innovation

We are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit



Enablement and quality support

How EY teams are internally supported to manage their responsibility to provide high audit quality

A critical part of this culture is that our people are encouraged and empowered to challenge and exercise professional scepticism across all our audits. However, we recognise that creating a culture requires more than just words from leaders. It has to be reflected in the lived experience of all our people each and every day enabling them to challenge themselves and the companies we audit.

Each year we complete an audit quality culture assessment to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to our audit quality culture of the future. We action points that arise to ensure our culture continues to evolve appropriately.

2021 Audit Culture Survey result

A cultural health score of 78% (73%) was achieved for our UK Audit Business

We bring our culture alive by investing in three priority workstreams:

- Audit Culture with a focus on professional scepticism
- Adopting the digital audit
- Standardisation

This investment has led to a number of successful outputs covering training, tools, techniques and additional sources. Specific highlights include:

- Audit Purpose Barometer
- Active Scepticism Framework
- Increased access to external sector forecasts
- Forensic risk assessment pilots
- Refreshed PLOT training and support materials, including embedding in new hire and trainee courses
- Digital audit training for all ranks
- Increased hot file reviews and improved escalation processes
- New work programmes issued on auditing going concern, climate, impairment, expected credit losses, cashflow statements and conducting effective group oversight
- Development of bite size, available on demand, task specific tutorial videos

“A series of company collapses linked to unhealthy cultures.....have demonstrated why cultivating a healthy culture, underpinned by the right tone from the top, is fundamental to business success.”

Sir John Thompson
Chief Executive of the FRC



06 Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2021/22. The final timetable will depend on our ability to obtain sufficient, appropriate audit evidence to support our audit opinion

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
	June/July	Audit Committee	Outline Audit Plan
	August		
	September	Audit Committee	Audit Plan update (if required)
Planning:	October		
Risk assessment and setting of scopes. Walkthrough of key systems and processes	November		
Year end audit Audit Completion procedures	November/December	Audit Committee	Audit progress update
Year end audit Audit Completion procedures	January/February		
	March	Audit Committee	Audit Results Report Audit opinions and completion certificates



Page 80



07

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<p data-bbox="91 730 129 847">Page 81</p> <ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit/additional services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Helen Thompson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Pension Fund. Examples include where we have an investment in the Pension Fund; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

When the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Pension Fund. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.
There are no other threats at the date of this report.

EY Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021:
https://www.ey.com/en_uk/about-us/transparency-report-2021



08

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Levelling Up, Housing and Communities.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2021/22	Scale fee 2021/22	Final Fee 2020/21
	£	£	£
PSAA Scale Fee	16,235	16,235	16,235
2020/21 fee variation determined by PSAA (Note 1)	-	-	18,275
Valuation of Level 3 investments (2)	4,000 – 5,000	N/A	-
PSAA pre-approved additional fee for ISA540 (3)	1,900	N/A	-
<i>Scale fee plus in-year variations</i>	<i>22,135 – 23,125</i>	<i>16,235</i>	<i>34,510</i>
Scale fee rebasing (1) (4)	40,956	40,956	-
Total fees	63,091	57,191	34,510

All fees exclude VAT

Notes:

See over page

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ The production of materially accurate draft accounts
- ▶ Our accounts opinion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Pension Fund; and
- ▶ The Pension Fund has an effective control environment.

The outline timetable on page 23 is contingent on the above factors

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

 Appendix A

Notes to fee table

(1) In order to meet regulatory and compliance audit requirements not present in the market at the time of our most recent bid to PSAA, we assessed that the recurrent cost of additional requirements to carry out our audit should increase by £40,956. We also submitted an in-year fee variation of £5,869. PSAA has determined the total fee variation across both elements for 2020/21 as £18,275. We expect similar costs in nature in 2021/22 and subsequent years. However, PSAA has stated that this will need to be determined each year, see (4) below.


(2) As detailed in the body of the report the pension fund has made a new investments in private debt and infrastructure. Above is our initial estimate of the additional cost to the audit in reviewing these investments.




(3) PSAA communicated a range of fees in August 2021 for the revised International Standard of Auditing 540 on Estimates. In the absence of further information, we have rolled this forward for 2021/22.

(4) We remain in discussion with PSAA about increasing the 2021/22 scale fee to reflect the additional work auditors are required to do to meet regulatory requirements. This was previously communicated in 2019/20, and in our 2020/21 Auditors Annual Report for the Council.

Required communications with the Audit Committee




We have detailed the communications that we must provide to the Audit Committee.

 Our Reporting to you





Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report – July 2022
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report – March 2023 Auditor's Annual Report – March 2023

Page 9





Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Page 88	Going concern Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including: <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Audit results report – March 2023
	Misstatements <ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	Audit results report – March 2023
	Subsequent events <ul style="list-style-type: none"> • Enquiries of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements 	Audit results report – March 2023
	Fraud <ul style="list-style-type: none"> • Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit Committee responsibility 	Audit results report – March 2023

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	<ul style="list-style-type: none"> • Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	Audit results report – March 2023
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit Planning Report July 2022 and Audit results report – March 2023

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
External confirmations	<ul style="list-style-type: none"> Management’s refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report – March 2023
Consideration of laws and regulations	<ul style="list-style-type: none"> Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	Audit results report – March 2023
Internal controls	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit 	Audit results report – March 2023
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report – March 2023
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – March 2023
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor’s report 	Audit results report – March 2023 Auditor’s Annual Report – March 2023
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Planning Report July 2022 and Audit Results Report March 2023

Additional audit information

Objective of our audit

Our objective is to form an opinion on the Pension Fund's financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. The audit does not relieve management or the Audit Committee of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Fund's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Pension Fund to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Additional audit information (continued)

Other required procedures during the course of the audit (continued)

Procedures required by the Audit Code	<ul style="list-style-type: none"> • Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement. • Examining and reporting on the consistency of consolidation schedules or returns with the Pension Fund’s audited financial statements for the relevant reporting period
Other procedures	<ul style="list-style-type: none"> • We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

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Purpose: For Noting

Committee report

Committee	AUDIT COMMITTEE
Date	25 JULY 2022
Title	INTERNAL AUDIT ANNUAL REPORT 2021-22
Report of	CHIEF INTERNAL AUDITOR

EXECUTIVE SUMMARY

1. The Internal Audit Annual Report and Opinion for 2021/22 is attached as Appendix A. The purpose of this reporting is to inform the council's Annual Governance Statement (AGS) and provide the committee with the necessary information to satisfy their remit, as set out in the committee's terms of reference in the constitution.
2. The work to inform the annual report and opinion undertaken has been performed in accordance with the agreed Internal Audit Plan for 2021/22. The results of the work performed allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that Internal Audit can provide is reasonable assurance that there are no major weaknesses in the system of internal control.
3. The committee is asked to note the report, seeking any clarifications necessary to satisfy their remit.

RECOMMENDATION

- | |
|--|
| 4. The Audit Committee notes the report of Internal Audit. |
|--|

BACKGROUND

5. The Annual Report and Opinion for 2020/21 was presented to Audit Committee in July 2021. During the course of 2021/22 periodic reporting has been provided to Audit Committee, regarding progress with and high-level conclusions from the 2021/22 programme of reviews.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

6. Internal Audit is a statutory function, responsible for providing independent assurance over all areas of the council.

Responding to climate change and enhancing the biosphere

There are no direct impacts within this report that will affect this corporate priority.

Economic Recovery and Reducing Poverty

There are no direct impacts within this report that will affect this corporate priority.

Impact on Young People and Future Generations

There are no direct impacts within this report that will affect this corporate priority.

Corporate Aims

7. As above.

CONSULTATION

8. Consultation takes place with the senior management team, both to inform the content of the annual Internal Audit programme of reviews and in year, to ensure that the work of Internal Audit is continuously aligned with the need of the council. Consultation also takes place with relevant managers for individual reviews, both to inform review scope and to confirm the accuracy of audit findings.

FINANCIAL / BUDGET IMPLICATIONS

9. There are no direct financial implications audit are carried out within the approved budget.

LEGAL IMPLICATIONS

10. The council has an obligation under Regulation 5 of the Account and Audit Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

EQUALITY AND DIVERSITY

11. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. It is considered that there are no direct equality and diversity implications of this report for any of the protected groups.

RISK MANAGEMENT

12. Risks associated with issues identified through the work of Internal Audit are clearly identified in all audit reports, regularly presented in summary form to Audit Committee.

APPENDICES ATTACHED

13. Appendix 1 – Internal Audit Annual Report and Opinion

Contact Point: Elizabeth Goodwin, Chief Internal Auditor
☎ 821000 e-mail Elizabeth.Goodwin@portsmouthcc.gov.uk

CHRIS WARD
Director of Finance and Section 151 Officer

CLLR ANDREW GARRATT
Chairman of the Audit Committee

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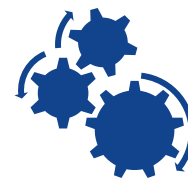


ISLE *of*
WIGHT
COUNCIL

**Isle of Wight Council
Annual Audit Report
2021/22**



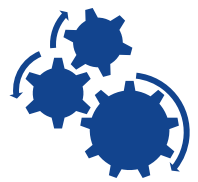
Elizabeth Goodwin, Chief Internal Auditor



Contents

3	Background
5	Annual Opinion for 2021/22
6	Comparative 2020/21 & 2021/22 Audit Assurance Levels
7	2021/22 Audit Assurance by Directorate
8	Key Areas of Concern
9	Comparative 2020/21 & 2021/22 Exception Risk Rankings
10	2021/22 Follow Up Analysis
11	2021/22 Full Audits
12	2021/22 Follow-up Audits
14	2021/22 Grant Audits
15	Counter Fraud & Audit Unplanned Reactive Work
17	Quality Assurance
19	Public Sector Internal Audit Standards





Background

Public Sector Internal Audit Standards

1.1 On 1st April 2013 the *Public Sector Internal Audit Standards (PSIAS, the Standards)* were formally adopted in respect of local government across the United Kingdom. The *PSIAS* apply to all internal audit providers, whether inhouse, shared services or outsourced. The *PSIAS* were revised from 1st April 2016, to incorporate the *Mission of Internal Audit* and *Core Principles for the Professional Practice of internal Auditing*.

1.2 The *Accounts and Audit Regulations 2015 Section 5*, define the requirement for an internal audit function within local government, stating that:

A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance

1.3 The responsibility for maintaining an adequate and effective system of internal audit within Isle of Wight Council lies with the Director of Finance (Section 151 Officer).

1.4 The Chief Internal Auditor is responsible for effectively managing the internal audit activity, in accordance with the definition of internal auditing, the *Code of Ethics* and the *Standards*.

1.5 In accordance with the *PSIAS* the definition of internal auditing is:

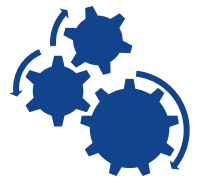
Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes

1.6 In addition the Chief Internal Auditor will provide an Annual Internal Audit Opinion, based on an objective assessment of the Authority's framework of governance, risk management and control.

1.7 The Annual Internal Audit Opinion must incorporate:

- The Opinion;
- A summary of the work that supports the Opinion; and
- A statement on conformance with *PSIAS* and the results of the quality assurance and improvement programme.



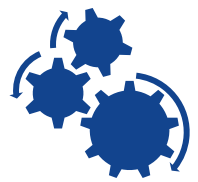


- 1.8** An annual self-assessment is carried out, as part of PSIAS. The assessment for 2021/22 confirmed that the Isle of Wight Council Internal Audit Service is compliant with requirements.

Statement of Organisational Independence

- 1.9** The Internal Audit Section has no operational responsibilities for any financial systems, including system development and installation.
- 1.10** The Chief Internal Auditor is free from interference, although has due regard for the Authority's key objectives and risks and consults with Members and Officers charged with governance, when setting the priorities of the annual audit plan, for example, in determining the scope and objectives of work to be carried out and in performing the work and communicating the results of each audit assignment. There must be and is no compromise on the ability of Internal Audit to provide an independent assurance on the control framework.
- 1.11** The Internal Audit Section has free and unfettered access to the Section 151 Officer, Chief Executive, Monitoring Officer the Leader of the Council, and the Chair of the Audit Committee.





Annual Opinion for 2021/22

- 2.1** With effect from the 1st April 2019 and in partnership with Portsmouth City Council an in-house team to provide audit service has been established. The team currently consists of an Audit Manager and one Senior Auditor. The service is provided by a combination of the in-house provision and colleagues from Portsmouth City Council overseen by a shared Chief Internal Auditor employed by Portsmouth City Council. Specific COVID 19 assurance work has been performed by Audit and Counter Fraud, where overall 'Reasonable Assurance' has been attributed that the Governance framework remained effective despite significant pressures on the Authority.
- 2.2** Over the course of 2021/22 Internal Audit has completed 55 reviews out of a revised 55 review plan. These include a combination of full audits, follow up reviews and grant verification.

No audit has resulted in a 'no assurance' opinion and only three areas have been rated as 'limited assurance'. In addition, there has been improvement noted relating to the implementation of agreed actions, as evidenced in follow up reviews, where actions have been closed in a timely manner. All of these results indicate a stable internal control framework.

The types of issues identified through 2021/22 are consistent with those identified during 2020/21, for example governance, management reporting, and general compliance are common themes, although all show an improvement from the previous year.

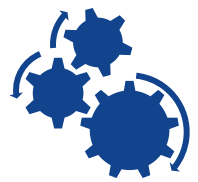
The overall annual opinion will therefore remain at '**reasonable assurance**'.

- 2.3** Four audit opinion levels are in place, and these are: no assurance, limited assurance, reasonable assurance and full assurance. Where there are mainly medium or low risk exceptions the annual audit opinion would be reasonable or full assurance. As a result of the findings identified the audit opinion for 2021/22 is **Reasonable Assurance**.

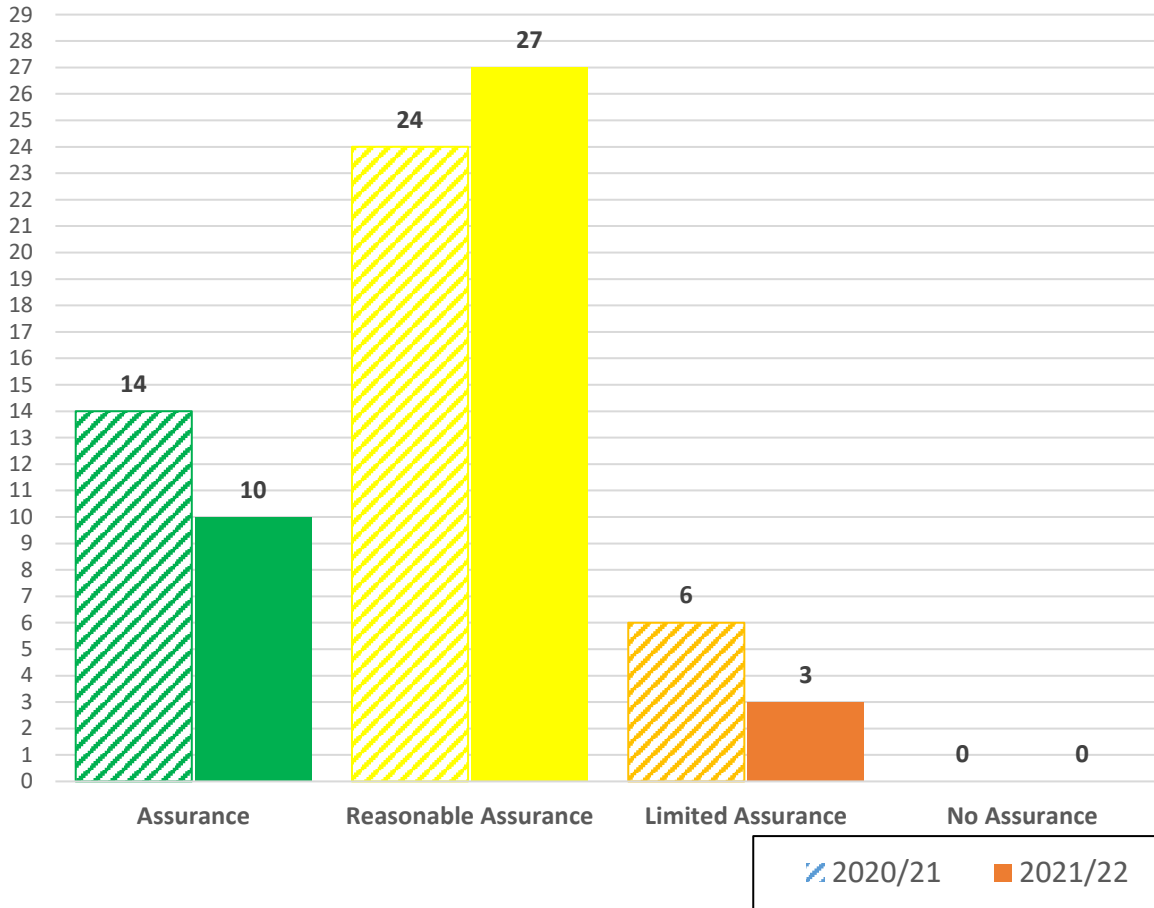


- 2.4** Any significant corporate weaknesses and agreed actions will be reflected in the Annual Governance Statement. The impact of the Internal Audit work for 2021/22 may affect that year's work for External Audit. It may also inform their work for 2022/23 and where they consider there are weaknesses in control that could materially affect the accounts, they may need to carry out further work to gain the necessary audit assurance required for a true and fair view of the financial position and compliance with professional codes of practice.





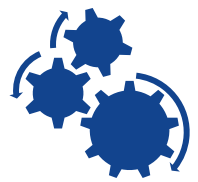
Comparative 2020/21 & 2021/22 Audit Assurance Levels



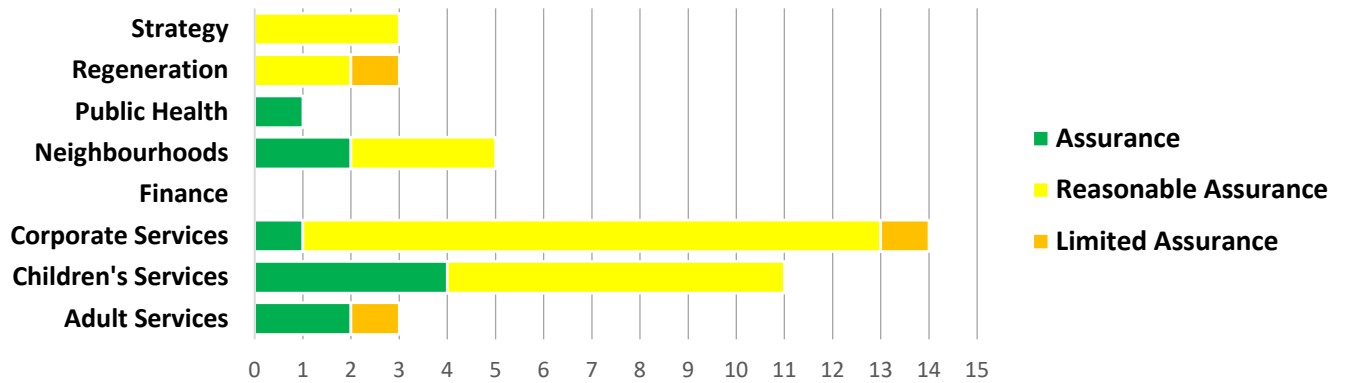
	2020/21	2021/22
Assurance	14	10
Reasonable Assurance	24	27
Limited Assurance	6	3
No Assurance	0	0
TOTAL	44	40*

**As per the 2020/21 Annual Report grant verification reviews are excluded from the figures above. For context the number of grants requiring review and sign off by Internal Audit has increased from ten in 2020/21, to 15 in 2021/22.*





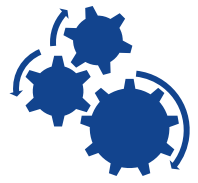
2021/22 Audit Assurance by Directorate



	Assurance	Reasonable Assurance	Limited Assurance	No Assurance	TOTAL
Adult Services	2	0	1	0	3
Children's Services	4	7	0	0	11
Corporate Services	1	12	1	0	14
Finance	0	0	0	0	0
Neighbourhoods	2	3	0	0	5
Public Health	1	0	0	0	1
Regeneration	0	2	1	0	3
Strategy	0	3	0	0	3
TOTAL	10	27	3	0	40*

**As per the 2020/21 Annual Report grant verification reviews are excluded from the figures above. For context the number of grants requiring review and sign off by Internal Audit has increased from ten in 2020/21, to 15 in 2021/22.*





Key Areas of Concern

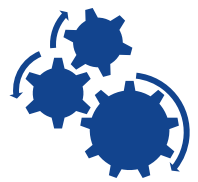
5.1 During 2021/22 no reviews have resulted in **no assurance** reports; high risk exceptions, from audits rated limited assurance, are summarised below:

1. **Asbestos** Operationally the Council has a central team, who effectively 'leads' on managing the Council's asbestos safety arrangements, including ensuring any remedial works necessary are carried out. However, documentation is both overdue a review and incorrect, regarding which officers/postholders are responsible for different elements of asbestos safety, for example carrying out regular inspections of asbestos where present. This includes Council's 'let' buildings, where it is unclear what tenants are responsible for. There is also a general lack of formality from an oversight perspective, for example ensuring that senior officers have the information they need to positively assert that asbestos is effectively managed.
2. **Deprivation of Liberty (DOLs)** DOLs are a legislative mechanism, used when individuals are deprived of their liberty, in order to provide care or treatment. The main issue identified by Internal Audit is the failure of the Council to meet statutory timescales in 95% of instances. A range of other issues were also identified, including out of date documentation and a waiting list of applications. For context delays in processing DOLs is a widespread issue, with a backlog nationally of 119,740; comparative figures published by NHS Digital actually show that the Isle of Wight Council is generally performing better than its peers in this area.
3. **Technology Forge** Technology Forge is the IT system used to manage the Council's property portfolio. This audit focussed on the 'technical' management of the system, for example administering users and applying changes to the system. Gaps were identified in segregation of duties, potentially meaning that unauthorised changes could be made to property information, which could not be attributed to a specific user. Other weaknesses were identified in change testing, business continuity arrangements and the relationship with the system vendor, for example the absence of a written contract.

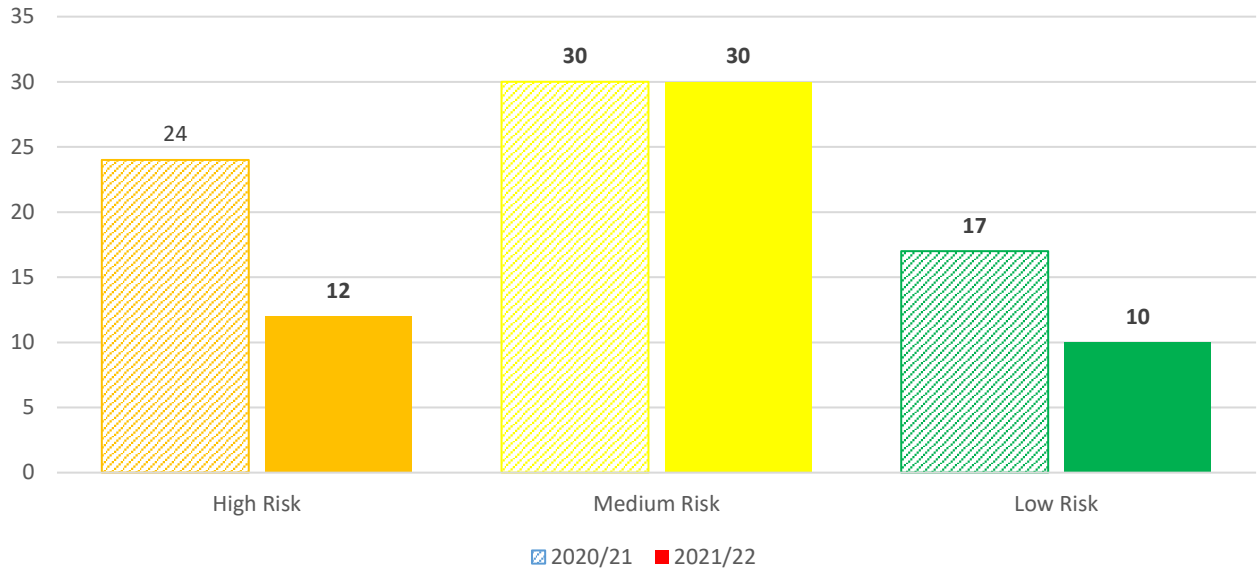
5.2 Follow up reviews to ascertain the current position for audits where medium or high-risk exceptions have been raised during 2021/22, including all of the areas summarised above, will be performed during 2022/23. Until this work is completed these will remain areas of concern.

5.3 During 2021/22 Internal Audit carried out follow-up reviews on all areas where one or more high risk exception was raised during 2020/21. While progress implementing actions has improved from 2020/21 (despite the impact of COVID 19) there are still areas where not all actions are fully implemented at the point of follow-up. Consequently, to ensure all actions are fully implemented, Internal Audit will continue the approach established in prior years, with second follow-ups carried out where this is the case.





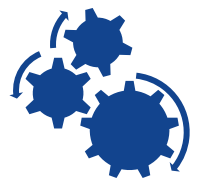
Comparative 2020/21 & 2021/22 Exception Risk Rankings



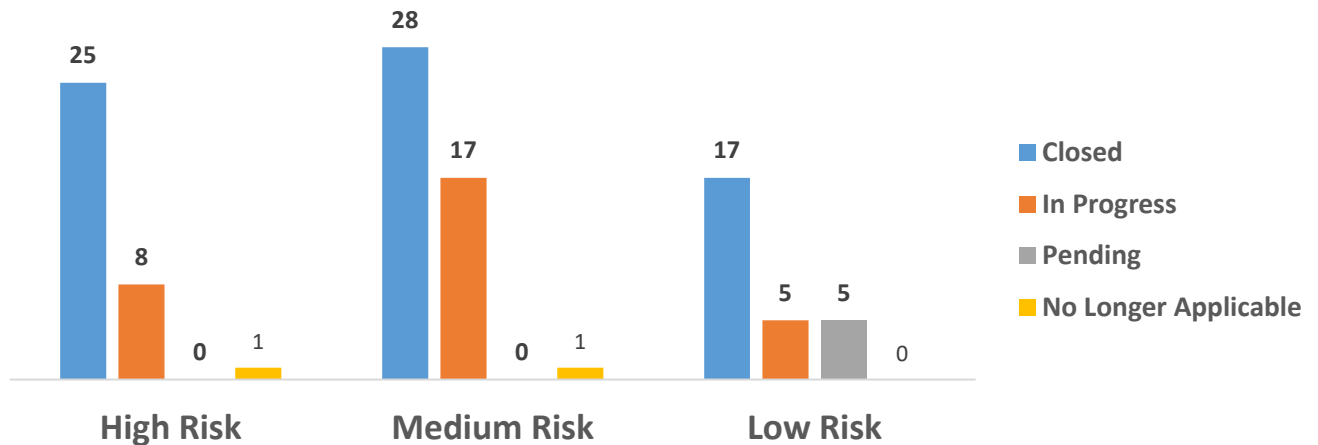
	2020/21	2021/22
Critical Risk	0	0
High Risk	24	12
Medium Risk	30	30
Low Risk	17	10
TOTAL	71	52*

** The increased number of grants requiring review and sign off by Internal Audit in 2021/22 (15 vs 10 in 2020/21) has impacted the number of reviews focussed on Internal Audit's core assurance role. This has resulted in a reduced number of findings being raised in 2021/22, as identified above.*





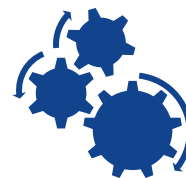
2021/22 Follow Up Analysis



	Closed	In Progress	Pending	No Longer Applicable	TOTAL
Critical Risk	0	0	0	0	0
High Risk	25	8	0	1	34
Medium Risk	28	17	0	1	46
Low Risk	17	5	5	0	27
TOTAL	70	30	5	2	107

The Internal Audit Service follows up all audits where at least one high risk exception has been raised. These audits are followed up in the next financial year to allow for agreed actions to be sufficiently implemented. Any critical risk exceptions are followed up within 3 months due to the potential severity of the risks identified. The overall position of the 107 exceptions followed up through 2020/21 shows that 67% have been closed or are no longer applicable, with 33 % pending or in progress.

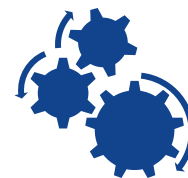




2021/22 Full Audit Summary

Audit	Directorate	Status	Assurance Level	Comments
Deprivation of Liberty (DOLs)	Adult Services	Final	Limited	
Early Years	Children's Services	Final	Reasonable	
Barnardo's Contract: Early Help	Children's Services	Final	Reasonable	
Arreton St George School	Children's Services	Final	Assurance	
Broadlea School	Children's Services	Final	Reasonable	
Accounts Payable (AP)	Corporate Services	Final	Reasonable	
Accounts Receivable (AR)	Corporate Services	Final	Reasonable	
Bank and Cash	Corporate Services	Final	Reasonable	
Payroll	Corporate Services	Final	Reasonable	
Workforce Development (including Wellbeing)	Corporate Services	Final	Reasonable	
Technology Forge (IT System)	Corporate Services	Final	Limited	
Fleet/Hire Cars	Corporate Services	Final	Reasonable	
School Financial Management Standard (SFVS)	Children's Services	Final	Reasonable	
COVID Assurance	Finance	Final	Reasonable	
Asbestos	Regeneration	Final	Limited	
Risk Management	Strategy & Corporate	Final	Reasonable	
Annual Governance Statement (AGS)	Strategy & Corporate	Final	Reasonable	





2021/22 Follow-up Audit Summary

Audit	Directorate	Status	Assurance Level	Comments
Deputyships/ Appointeeships	Adult Services	Final	Assurance	
Direct Payments	Adult Services	Final	Assurance	
Beaulieu House	Children's Services	Final	Reasonable	
Children with Disability	Children's Services	Final	Reasonable	
Home to School Transport	Children's Services	Final	Reasonable	
Bembridge	Children's Services	Final	Assurance	
Wroxall	Children's Services	Final	Assurance	
Greenmount	Children's Services	Final	Assurance	
Council Digital Strategy	Corporate Services	Final	Reasonable	
Insurance	Corporate Services	Final	Reasonable	
Pension Administration	Corporate Services	Final	Reasonable	
Agency Contract Monitoring	Corporate Services	Final	Reasonable	
Freedom of Information (FOI)/Subject Access Requests (SARs)	Corporate Services	Final	Reasonable	
Modern Slavery	Corporate Services	Final	Reasonable	
Leisure Centres	Neighbourhoods	Final	Reasonable	
Homes in Multiple Occupancy (HMOs)	Neighbourhoods	Final	Reasonable	
Public Health Outcomes	Public Health	Final	Assurance	
School Landlord Responsibility	Regeneration	Final	Reasonable	

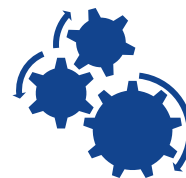




During 2021/22 a number of areas were followed up for a second time, due to action not being complete at first follow-up; these areas are listed below.

Audit	Directorate	Status	Assurance Level	Comments
Social Media	Corporate Services	Final	Assurance	
Beach Huts	Neighbourhoods	Final	Assurance	
Water Safety	Neighbourhoods	Final	Assurance	
Public Health Funerals (Community)	Neighbourhoods	Final	Reasonable	
Asset Management	Regeneration	Final	Reasonable	

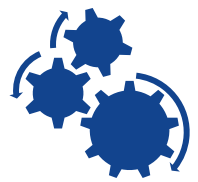




2021/22 Grant Audit Summary

Audit	Directorate	Status	Assurance Level	Comments
Rough Sleeping Initiative	Adult Services	Final	Assurance	
Homelessness Prevention Grant	Adult Services	Final	Assurance	
Bus Subsidy	Neighbourhoods	Final	Assurance	
Disabled Facilities	Neighbourhoods	Final	Assurance	
Local Transport Capital Funding	Neighbourhoods	Final	Assurance	
Supporting Families	Children's Services	Final	Assurance	
Income Compensation	Finance	Final	Assurance	
Green Homes Grant 1	Neighbourhoods	Final	Assurance	
Lifeline Grant	Finance	Final	Assurance	
Test and Trace Support Grant	Corporate Services	Final	Assurance	
USAC Interreg Project Part 1	Finance	Final	Assurance	
USAC Interreg Project Part 2	Finance	Final	Assurance	
Additional Dedicated Home 2 School Tranche	Neighbourhoods	Final	Assurance	
HIV Prep Pre Exposure	Public Health	Final	Assurance	





Counter Fraud & Audit Unplanned Reactive Work

11.1 A summary has been provided of Counter Fraud and Audit reactive work conducted during the 2021/22 year.

Blue Badge Misuse and Fraud

11.2 In June 2021 training was provided to the IOW Council Parking Officers to address the issue of Blue Badge misuse and fraud on the Isle of Wight. Counter Fraud have worked with the Isle of Wight Blue Badge Team to introduce a process for referring criminal cases for investigation. As a result of the training one case has been passed through to the Counter Fraud Team. The decision was taken that as it was a first offence a Formal Caution would be administered in place of a prosecution.

Adult Social Care Direct Payment

11.3 Over the years two Adult Social Care Direct payment have been investigated and are awaiting prosecution. Invoices have been raised totalling £91,539.64. There are an additional three new cases undergoing preliminary investigations.

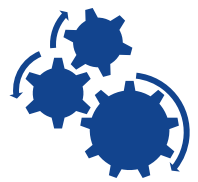
Council Tax & Single Persona Discount Fraud

11.4 One joint investigation is currently with the Criminal Prosecution Service awaiting prosecution. In addition, there are four open Council Tax & Single Persona Discount Fraud under investigation. Regarding the previous 42 IOW joint working case report in the previous year. At the beginning of Covid, the DWP had disbanded the Fraud Teams, and redeployed the Officers to assist with the high demand of new benefit applications. This has meant that there has been no DWP Fraud Service since Covid began and the DWP is only now beginning to resume some fraud investigation. Unfortunately, this has meant that the IOW Council have been informed that the open cases have been closed and cannot be pursued as the Summary Offences relating to these cases will now 'Time Barred' due to Delay.

Ongoing NFI

11.5 Counter Fraud and Audit are responsible for the management and administration of the Authority's participation in the National Fraud Initiative (NFI), which is a mandatory scheme in which multiple data sets are uploaded and analysed. The results are then presented back to the Council for investigation. NFI does not run in financial years but spans a period of 18 months, therefore the data included in this report relates to results the Isle of Wight Council received in 2021/22. As of June 2022, the Isle of Wight Council had received 4,850 'matches' for investigation. Responsibility for investigating the referrals is split across multiple teams; to date, the Council has investigated and closed 4,275 matches.

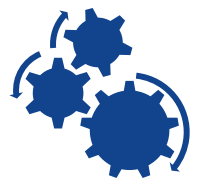




Money Laundering

11.6 Counter Fraud are responsible for the monitoring and investigation of any suspected money laundering cases presented to the council. The Isle of Wight's policy outlines that any cash payment received over £10,000 will be investigated. During 2021/22 no instances of suspected money laundering have been investigated at the Isle of Wight. This is likely to be due to low levels of cash handling, or no money laundering happening.





Quality Assurance

12.1 As part of the *Public Sector Internal Audit Standards* the Chief Internal Auditor is required to maintain a quality assurance and improvement programme (QA&IP) that covers all aspects of the internal audit activity. This QA&IP must include both internal and external assessments, which are detailed below under section 10.

In addition to this, quality and improvement requirements are assessed by means of:

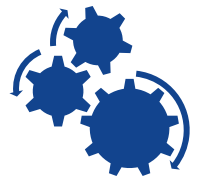
- Sign off by the Chief Internal Auditor or Deputy of all key stages of an audit, for example the scope of work and level of testing to be performed, the conclusion of the work and opinion formed followed by a review of the draft and final reports.
- Weekly or bi-weekly 1:1s with all members of staff, within Internal Audit and colleagues who undertake Counter Fraud activities.
- Annual performance reviews of all staff, including the identification and provision of training. The majority of training needs are provided by a combination of external professional studies, supporting by in-house provisions and mentoring.
- All staff above Auditor level are required to undertake professional training or have achieved an education level of degree or above. For those that have completed professional studies as part of their professional body membership, they must complete the required Continuous Professional Development.
- An annual skills gap analysis across the team, (this includes the wider team) to determine specific potential shortages or gaps. Whilst no major gaps are noted at present, historical gaps in areas such as project auditing, contract auditing and IT auditing have been identified following the departure of employees (including retirement). These shortfalls have been addressed by specified recruitment, bespoke training or if required short term, by means of additional sign off/ mentoring of staff. Areas requiring improvement for this year's assessments are noted below, Skills Gap Analysis Results (12.2).
- All staff complete an annual declaration of interests including a nil return, to avoid any impingement on independence or conflict of interest.
- Feedback has been received during 2021/22 from key stakeholders, all feedback supported the quality assurance assessment reflecting that the service provided complies with *PSIAS* criteria.

Skills Gap Analysis for 2021/22

12.2 Essential Areas: where greater coverage of skills is needed moving forward:

- *Auditing, Specialist IT Auditing skills:* these are limited within the overall service (Partnership) with only two officers currently qualified. To address this shortfall, professional training will continue for a third officer and use will also be made of

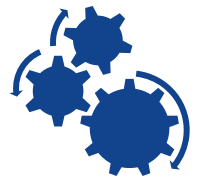




resources employed elsewhere under the various partnerships and shared service arrangements.

- *Counter Fraud skills:* whilst there are three officers qualified in Counter Fraud (CF) and investigative practice these resources are limited. The vacant post for a fourth officer has been successfully filled. These resources are employed within the wider partnership, not directly by the Isle of Wight Council. There has been a significant increase in investigating and counter fraud work which has placed this area of the service under extreme pressure.
- *Qualified Accountants:* the final area to note is in relation to the level of qualified auditors, specifically 'accountancy qualified'. Following the retirement of three officers within the partnership a gap has emerged representing a shortfall in this area. One implication is the ability to verify certain grant work, where the accounting qualification is restricted. Recruitment is in the process of taking place and further discussions will be held with the s151 officer to review the arrangements moving forward relating to both the accountancy qualifications and counter fraud skills.





Public Sector Internal Audit Standards

- 13.1** Under the *Public Sector Internal Audit Standards (PSIAS, the Standards) Standard 1310* requires that, as part of the quality assurance and improvement programme internal and external assessments (of conformance with the *PSIAS*) must be undertaken. *Standard 1311* allows for periodic self-assessments, which for Portsmouth City Council has been carried out each year since the standards were introduced. The results of the self-assessments have been communicated annual alongside the annual audit opinion to this committee.
- 13.2** *Standard 1312* requires that an external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Standards state that a qualified assessor demonstrates competence in two areas; the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. An independent assessor means not having an actual or perceived conflict of interest and not being part of, or under the control of, the organisation to which the internal audit activity belongs. During 2017/18 an external assessment was undertaken on Portsmouth City Council's Internal Audit & Counter Fraud Service. A second external assessment is planned for the financial year 2022/23.



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Committee report

Committee	AUDIT COMMITTEE
Date	25 JULY 2022
Title	INTERNAL AUDIT PROGRESS REPORT
Report of	CHIEF INTERNAL AUDITOR

EXECUTIVE SUMMARY

1. Internal Audit provide periodic, summary in-year reporting to the Audit Committee regarding progress with the Annual Internal Audit Plan. The purpose of this reporting is to provide the committee with the necessary information to satisfy their remit, as set out in the committee's terms of reference in the constitution.
2. The committee is asked to note the report, seeking any clarifications necessary to satisfy their remit, either with Internal Audit regarding the findings of individual reports, or from line management regarding the progress of remedial action.

RECOMMENDATION

3. The Audit Committee notes the report of Internal Audit.

BACKGROUND

4. The last Internal Audit Progress Report was presented to Audit Committee in March 2022. The report presented to the July 2022 committee meeting summarises the results of audits finalised between March 2022 and July 2022.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

5. Internal Audit is a statutory function, responsible for providing independent assurance over all areas of the council.

Responding to climate change and enhancing the biosphere

There are no direct impacts within this report that will affect this corporate priority.

Economic Recovery and Reducing Poverty

There are no direct impacts within this report that will affect this corporate priority.

Impact on Young People and Future Generations

There are no direct impacts within this report that will affect this corporate priority.

Corporate Aims
As above.

CONSULTATION

6. Consultation takes place with the senior management team, both to inform the content of the annual Internal Audit programme of reviews and in year, to ensure that the work of Internal Audit is continuously aligned with the need of the council. Consultation also takes place with relevant managers for individual reviews, both to inform review scope and to confirm the accuracy of audit findings.

FINANCIAL / BUDGET IMPLICATIONS

7. There are no direct financial implications audit are carried out within the approved budget.

LEGAL IMPLICATIONS

8. The council has an obligation under Regulation 5 of the Account and Audit Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

EQUALITY AND DIVERSITY

9. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. It is considered that there are no direct equality and diversity implications of this report for any of the protected groups.

RISK MANAGEMENT

10. Risks associated with issues identified through the work of Internal Audit are clearly identified in all audit reports, regularly presented in summary form to Audit Committee.

APPENDICES ATTACHED

11. Appendix 1 – Internal Audit Progress Report July 2022
12. Appendix 2 – Limited Assurance Report (Asbestos)
13. Appendix 3 – Limited Assurance Report (Deprivation of Liberty Safeguards (DoLS))

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CHRIS WARD
Director of Finance and Section 151 Officer

CLLR ANDREW GARRATT
Chairman of the Audit Committee



Internal Audit Progress Report 1 June 2022

Elizabeth Goodwin, Chief Internal Auditor



1. Introduction

Internal Audit is a statutory function for all local authorities. The Isle of Wight Council's Internal Audit service has an in-house team and a shared Chief Internal Auditor with Portsmouth City Council (PCC). The in-house audit team is supported by audit and counter fraud staff from PCC under a collaborative working arrangement.

The requirement for an Internal Audit function in local government is detailed within the Accounts and Audit Regulations 2015 as to:

Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance

The standards for 'proper practices' are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

2. Purpose of report

The purpose of this report is to update the Audit Committee on the progress of the 2021/22 Audit Plan as at 1 June 2022 and to highlight any significant risk exposure and control issues, including fraud and governance risks.



3. Assurance Levels

Internal Audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives for the area under review.

Assurance Level	Description / Examples
Assurance	<i>No issues or minor improvements noted within the audit but based on the testing conducted, assurance can be placed that the activity is of low risk to the Authority</i>
Reasonable Assurance	<i>Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority</i>
Limited Assurance	<i>Control weaknesses or risks were identified which pose a more significant risk to the Authority</i>
No Assurance	<i>Major individual issues identified or collectively a number of issues raised which could significantly impact the overall objectives of the activity that was subject to the Audit</i>

Audits rated No Assurance are reported in their entirety to Audit Committee along with Director's comments



4. Exception Risk Ranking

The following table outline the exceptions raised in audit reports, reported in priority order and are broadly equivalent to those previously used.

Priority Level	Description
Low Risk (Improvement)	<i>Very low risk exceptions or recommendations that are classed as improvements that are intended to help the service fine tune its control framework or improve service effectiveness and efficiency. An example of an improvement recommendation would be making changes to a filing system to improve the quality of the management trail.</i>
Medium Risk	<i>These are control weaknesses that may expose the system function or process to a key risk but the likelihood of the risk occurring is low.</i>
High Risk	<i>Action needs to be taken to address significant control weaknesses but over a reasonable timeframe rather than immediately. These issues are not 'show stopping' but are still important to ensure that controls can be relied upon for the effective performance of the service or function. If not addressed, they can, over time, become critical. An example of</i>
Critical Risk	<i>Control weakness that could have a significant impact upon not only the system function or process objectives but also the achievement of the Council's objectives in relation to: The efficient and effective use of resources, The safeguarding of assets, The preparation of reliable financial and operational information, Compliance with laws and regulations</i>

Any critical exceptions found will be reported in their entirety to the Audit Committee along with Director's comments



5. Follow-up Action Categorisation

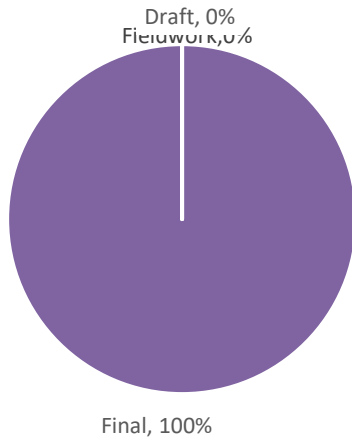
The following table outlines the follow up categories used to describe the outcome of follow up testing completed.

Follow Up Categories	Description
Open	<i>No action has been taken on agreed action.</i>
Pending	<i>Actions cannot be taken at the current time but steps have been taken to prepare.</i>
In Progress	<i>Progress has been made on the agreed action however they have not been completed.</i>
Implemented but not Effective	<i>Agreed action implemented but not effective in mitigating the risk.</i>
Closed: Verified	<i>Agreed action implemented and risk mitigated, verified by follow up testing.</i>
Closed: Not Verified	<i>Client has stated action has been completed but unable to verify via testing.</i>
Closed: Management Accepts Risk	<i>Management have accepted the risk highlighted from the exception.</i>
Closed: No Longer Applicable	<i>Risk exposure no longer applicable.</i>



6. Audit Plan Progress

Status Overall



Status (including follow-ups)	Audits
Pending	0
Fieldwork	0
Draft	0
Final	54
TOTAL	54

There were 66 reviews set out in the Audit Plan for 2021/22. There have been a number of changes to the originally proposed plan, primarily related to additional grants requiring certification by Internal Audit and consequent reductions in planned audit activity elsewhere. The current number of planned audits (full, follow-up and grant certification) is 55 more detail is provided in section nine of this report.

All reviews currently included in the 2021/22 programme of work are included in summary information on this page. Detail regarding changes to the Audit Plan (not previously reported) is provided in the 'Audit Status' section, later in this report.

This level of coverage represents an increase from the coverage provided prior to the partnership with Portsmouth City Council (PCC) and is appropriate for the size and range of responsibilities held by the Isle of Wight Council.



7. Audits in Period

Summaries for reports rated 'reasonable assurance' or better are provided below.

Homelessness Prevention Grant				Overall Assurance Level
Exceptions Raised				
Critical	High	Medium	Low	Assurance
0	0	0	0	

Assurance Level by Scope Area	
Achievement of strategic objectives	NAT
Compliance with Policies, Laws & Regulations	Assurance
Safeguarding of Assets	NAT
Effectiveness and Efficiency of Operations	NAT
Reliability and Integrity of Data	NAT

Testing was performed to provide independent assurance that the return submitted was supported with relevant evidence and could be traced back to original source data.

Protect & Vaccinate				Overall Assurance Level
Exceptions Raised				
Critical	High	Medium	Low	Assurance
0	0	0	0	

Assurance Level by Scope Area	
Achievement of strategic objectives	NAT
Compliance with Policies, Laws & Regulations	Assurance
Safeguarding of Assets	NAT
Effectiveness and Efficiency of Operations	NAT
Reliability and Integrity of Data	NAT

Testing was performed to provide independent assurance that the return submitted was supported with relevant evidence and could be traced back to original source data.



Accounts Receivable (AR)

Exceptions Raised

Critical	High	Medium	Low
0	2	1	1

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by the 30th September 2022

Assurance Level by Scope Area

Achievement of strategic objectives	NAT
Compliance with Policies, Laws & Regulations	Assurance
Safeguarding of Assets	NAT
Effectiveness and Efficiency of Operations	Assurance
Reliability and Integrity of Data	NAT

The most significant issue identified relates to a lack of robustness in how debts to the Council are pursued, including failing to consistently follow aged debt process steps consistently and limited oversight of overdue invoices. For context the SAP finance system shows £4.4m of overdue invoices, running from 2009 up to October 2021. Other issues were identified regarding delays in revoking SAP system access when staff leave the authority and delays in issuing initial invoices.

Bank and Cash

Exceptions Raised

Critical	High	Medium	Low
0	0	4	1

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by the 31st December 2022

Assurance Level by Scope Area

Achievement of strategic objectives	Reasonable Assurance
Compliance with Policies, Laws & Regulations	Reasonable Assurance
Safeguarding of Assets	Reasonable Assurance
Effectiveness and Efficiency of Operations	Reasonable Assurance
Reliability and Integrity of Data	NAT

A range of medium risk issues were identified: documentation which needs to be reviewed, most importantly the core Financial Procedure Rules, which have not been updated since 2016; delays in completing an annual compliance report, a requirement in order to meet the Payment Card Industry Data Security Standards (PCI DSS) expectations and a range of issues relating to how cash is managed, for example breaches of the £1000 insurance limit for storage of cash in safes, most significantly regarding car parking income.



COVID Assurance

Exceptions Raised

Critical	High	Medium	Low
n/a	n/a	n/a	n/a

Overall Assurance Level

Reasonable Assurance

Assurance Level by Scope Area

Achievement of strategic objectives	NAT
Compliance with Policies, Laws & Regulations	Reasonable Assurance
Safeguarding of Assets	NAT
Effectiveness and Efficiency of Operations	NAT
Reliability and Integrity of Data	NAT

During the course of the Covid-19 Pandemic Internal Audit carried out 13 additional pieces of assurance work. The majority of these covered specific grants, which have been individually reported to Audit Committee over the last two years. However, there are a number of further assurance activities, for example covering how loan equipment, to support home working, was managed by the Council and how procurement arrangements were maintained etc No significant issues were identified and therefore Reasonable Assurance was provided overall.



Follow-up Audits in Period

Updates are provided below for follow-up activity, finalised since the last meeting of the Audit Committee in March 2022.

Council Digital Strategy				Original Assurance Level	Follow-up Level
Original Exceptions Raised				Limited Assurance	Reasonable Assurance
Critical	High	Medium	Low		
0	5	1	0		

Issues identified through the original audit regarding how the Project was being 'run' have been substantively addressed.

1	High	<p>Scope, Planning & Progress</p> <p>A comprehensive and credible plan is now in place for the initiative. Funding has been approved for current planned work and senior management have receiving up to date information on progress, to enable them to make informed decisions.</p>	Closed
2	High	<p>Resourcing</p> <p>Project resourcing has been enhanced, most notably by Project Management moving to the Organisational Development Team (who are best able to offer support in this area). However, while efforts are ongoing, it has not been possible to recruit extra resource to the Software Development Team.</p>	In Progress
3	High	<p>Governance/Project Management</p> <p>Corporate templates are now being used for project planning and reporting. Highlight reports include financial performance and the Project Board is attended by the finance business partner, to provide financial support.</p>	Closed
4	High	<p>Accessibility</p> <p>Due to the scale of the work required 12 months' funding for a senior post to lead work in this area has been approved. While complementary to the website initiative, this will be led from outside of the Project.</p>	No Longer Applicable
5	High	<p>Publishing Legally Required Information</p> <p>A report, summarising completed and planned work to ensure the Council publishes all information it is legally required to publish, was provided to Internal Audit. The Project Sponsor has confirmed that this has been presented to Project Board and signed off as fit for purpose.</p>	Closed
6	Medium	<p>Stakeholders/Engagement</p> <p>A copy of the final Engagement Plan, setting off completed and planned engagement with stakeholders, signed off by Project Board was provided to Internal Audit.</p>	Closed



Leisure Centres

Original Exceptions Raised				Original Assurance Level	Follow-up Level
Critical	High	Medium	Low	Reasonable Assurance	Reasonable Assurance
0	0	2	1		

Progress is being made, regarding addressing the issues identified through audit review.

1	Medium	Cash and Bank Processes Operation at the Fairway site has ceased.	No Longer Applicable
2	Low	Marketing Expenditure Minimal marketing, due to COVID19; not possible to progress action, to evidence the effectiveness of marketing spend, due to reduced attendance.	In Progress
3	Medium	Private Hire Arrangements Processes, regarding fees, charging and banking, have been enhanced. However, it has not been possible to complete audit testing, to confirm processes are effective, due to the low levels of hiring.	In Progress

Public Health Funerals (Community)

Original Exceptions Raised				First Follow-up Level	Second Follow-up Level
Critical	High	Medium	Low	Reasonable Assurance	Reasonable Assurance
0	3	0	0		

Progress is being made in all areas.

1	High	Adequate Records of Property Searches Appropriate processes, with records kept, are now in place regarding searches of deceased individuals' properties.	Closed
2	High	Security and Disposal of Items First follow-up confirmed that documentation had been updated, regarding the security and disposals of deceased individuals' possessions. Second follow-up identified that review of items held is planned, but had not occurred.	In Progress
3	High	Procurement Process Tendering is complete, with an appropriate contract in place with a funeral director.	Closed



Public Health Outcomes

Original Exceptions Raised				Original Assurance Level	Follow-up Level
Critical	High	Medium	Low	Limited Assurance	Assurance
0	3	1	0		

All agreed actions have either been addressed or are in the process of being addressed.

1	High	Public Health Outcomes, from Contracted Services Internal Audit has been informed that funding levels and outcomes to be achieved have been agreed with individual directors.	Closed
2	High	Outcome Reporting to Corporate Management Team (CMT) High level delivery of outcomes is periodically reported to CMT.	Closed
3	High	Evidence of Outcome Delivery Detailed reporting of outcome achievement by services delivered by the wider Council is monitored by the Public Health Service Board.	Closed
4	Medium	Outcome Reporting, against Service Level Agreements (SLAs) Appropriate targets, linked to public health outcomes, are specified in SLAs, with regular highlight reporting provided to Public Health.	Closed

School Landlord Responsibility

Original Exceptions Raised				Original Assurance Level	Follow-up Level
Critical	High	Medium	Low	Limited Assurance	Reasonable Assurance
0	4	0	0		

A more effective and robust approach is in place, to ensure that schools are meeting their landlord responsibilities, with senior management kept apprised of the current position.

1	High	Overarching Plan A timeline for evidence requests to schools, covering all areas of 'landlord responsibilities', is in place, with good progress being made sourcing information.	Closed
2	High	Risk Management An annual assurance report covering school landlord responsibilities was presented to CMT by the Director of Resources in January 2022. Operational risk registers are in the process of being implemented within the directorate.	In Progress
3	High	Sufficiently Timely Progress Progress is being made, ensuring schools have appropriate arrangements for building safety in place and CMT have been provided with up to date information regarding progress.	Closed
4	High	Oversight System Design/Reporting A robust escalation process is in place and schools are being pursued more robustly, to ensure they provide satisfactory evidence of compliance with their landlord responsibilities.	In Progress



8. Audit Status

The table below summarises audit status including detail regarding audits now scheduled, either where the area of focus had not been confirmed at the time the 2021/22 Audit Plan was produced or where changes have been made subsequently, for example to respond to service requirements, in year.

Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Adult Services							
Deprivation of Liberty (DOLs)	■				Final	Limited	
Deputyships/ Appointeeships		■			Final	Assurance	Reported in March 2022.
Direct Payments		■			Final	Assurance	Reported in December 2021.
Rough Sleeping Initiative				■	Final	Assurance	Reported in December 2021.
Homelessness Prevention Grant				■	Final	Assurance	Included in this report.
Children's Services							
Early Years	■				Final	Reasonable	Reported in March 2022.
Supporting Families				■	Closed	Assurance	Work completed across the year for each submission
Barnardo's Contract: Early Help	■				Final	Reasonable	Reported in September 2021.
Arreton St George School	■				Final	Assurance	Reported in December 2021.
Broadlea School	■				Final	Reasonable	Reported in March 2022.
Beaulieu House		■			Final	Reasonable	Reported in March 2022.
Children with Disability		■			Final	Reasonable	Reported in December 2021.
Home to School Transport		■			Final	Reasonable	Reported in March 2022.
Bembridge		■			Final	Assurance	Reported in September 2021.
Wroxall		■			Final	Assurance	Reported in September 2021.
Greenmount		■			Final	Assurance	Reported in March 2022.



Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Corporate Services							
Accounts Payable (AP)	■				Final	Reasonable	Reported in March 2022.
Accounts Receivable (AR)	■				Final	Reasonable	Included in this report.
Bank and Cash	■				Final	Reasonable	Included in this report.
Test and Trace Support Grant				■	Final	Assurance	Reported in December 2021.
Payroll	■				Final	Reasonable	Reported in March 2022.
Workforce Development (including Wellbeing)	■				Final	Reasonable	Reported in December 2021.
Technology Forge (IT System)	■				Final	Limited	Reported in December 2021.
Fleet/Hire Cars	■				Final	Reasonable	Reported in March 2022.
Council Digital Strategy		■			Final	Reasonable	Included in this report.
Insurance		■			Final	Reasonable	Reported in March 2022.
Pension Administration		■			Final	Reasonable	Reported in December 2021.
Agency Contract Monitoring		■			Final	Reasonable	Reported in March 2022.
Freedom of Information (FOI)/Subject Access Requests (SARs)		■			Final	Reasonable	Reported in September 2021.
Modern Slavery		■			Final	Reasonable	Reported in September 2021.
Paris (IT System)			□		Suspended		Audit included additional elements, covering progress sourcing successor IT system. Due to delays with this project audit rescheduled to 2022/23.
IT Follow-Up			□		Suspended		Due to delays progressing enhancements to IT infrastructure audit rescheduled to 2022/23, to enable review of



Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
							enhancements to be included in audit scope.
Social Media			■		Final	Assurance	Reported in March 2022.
Finance							
School Financial Management Standard (SFVS)	■				Final	Reasonable	Reported in September 2021.
COVID Assurance	■				Final	Reasonable	Included in this report.
Income Compensation				■	Final	Assurance	Reported in September 2021.
Lifeline Grant				■	Final	Assurance	Reported in September 2021.
USAC Interreg Project Part 1				■	Final	Assurance	Reported in March 2022.
USAC Interreg Project Part 2				■	Final	Assurance	Additional grant, requiring certification by Internal Audit. Included in this report.
Neighbourhoods							
CCTV			□		Suspended		Rescheduled to 2022/23
Additional Dedicated Home 2 School Tranche				■	Final	Assurance	Reported in December 2021.
Bus Subsidy				■	Final	Assurance	Reported in December 2021.
Leisure Centres		■			Final	Reasonable	Included in this report.
Disabled Facilities				■	Final	Assurance	Reported in December 2021.
Green Homes Grant 1				■	Final	Assurance	Reported in December 2021.
Local Transport Capital Funding				■	Final	Assurance	Reported in December 2021.
Homes in Multiple Occupancy (HMOs)		■			Final	Reasonable	Reported in December 2021.
Beach Huts			■		Final	Assurance	Reported in September 2021.
Water Safety			■		Final	Assurance	Reported in September 2021.



Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Public Health Funerals (Community)			■		Final	Reasonable	Included in this report.
Public Health							
Public Health Outcomes		■			Final	Assurance	Included in this report.
HIV Prep Pre Exposure				■	Final	Assurance	Reported in September 2021.
Protect & Vaccinate				■	Final	Assurance	Additional grant sign off added to the plan March 2022. Included in this report.
Regeneration							
Asbestos	■				Final	Limited	Included in this report.
School Landlord Responsibility		■			Final	Reasonable	Included in this report.
Asset Management			■		Final	Reasonable	Reported in September 2021.
Strategy & Corporate							
Risk Management	■				Final	Reasonable	Reported in March 2022.
Annual Governance Statement (AGS)	■				Final	Reasonable	Reported in March 2022.



ISLE *of*
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COUNCIL

Asbestos
IWC-2122-041

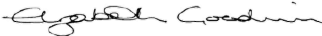
Limited Assurance

Author Geraint Newton

Version Final

Dated 08/06/2022

Recipient(s) Christopher Ashman, Director of Regeneration, Graeme Haigh, Senior Property Manager, David Watts, Principal Officer, Nick Wright, Health and Safety Adviser, Tricia Stillman, Commercial Activities Manager

Approved by Elizabeth Goodwin, Chief internal Auditor 

Contents

Page 138

Executive Summary	Page 3
Assurance Levels	Page 5
Objectives & Scope	Page 6
Exceptions	Page 7
Exception Ratings	Page 14

	Executive Summary
	Assurance Levels
	Objectives & Scope
	Exceptions
	Exception Ratings

Executive Summary

This audit reviewed the Council's arrangements to ensure the safety of its properties in relation to Asbestos. Most importantly that it has current surveys showing where asbestos is and is managing the risk appropriately.

Achievement of the Council's Strategic Objectives

Reasonable Assurance

Asbestos Policy (medium risk): while the Council's Asbestos Policy dates from 2011 (predating the latest 2012 legislation) this is substantively still fit for purpose. However, it does need to be updated, both to reflect the current legislation and to ensure that operational arrangements are realistic and accurate, for example regarding Property Liaison Officer (PLO) responsibilities (see below).

Safeguarding of Assets

Reasonable Assurance

Property Liaison Officers (PLOs) (high risk): PLOs are identified as responsible for elements of asbestos management in the Asbestos Management Policy identified above. However, there are gaps in the Council's PLO register, both in terms of having officers in place and these being 'appropriate'. A survey of PLOs carried out by Internal Audit confirms that the expectations of the Asbestos Management Policy are not being consistently met by PLOs. Regarding the Council's let property portfolio (as covered below) no guidance has been shared with lessees (effectively fulfilling the PLO role), nor is there any oversight, to confirm that lessees have appropriate arrangements in place.

Effectiveness and Efficiency of Operations

Limited Assurance

Asbestos Surveys (high risk): the register provided to Internal Audit lists 95 pre 2000 properties, which may contain asbestos. While the majority of surveys are over 15 years old (mostly carried out in 2004/05) additional surveys are commissioned when any works which may disturb undocumented asbestos are proposed. Sample testing of 25 pre 2000 properties and 10 properties where work has been proposed in the preceding 12 months confirmed that all required surveys had been carried out.

However, it is not completely clear who is responsible for asbestos management for the Council's wider property estate, both the properties on the register provided for this audit (applicable to the 51 properties not identified as current, operational buildings) and the let portfolio (managed by staff within Regeneration and Neighborhoods). For clarity these are largely but not wholly let on a 'full repairing basis'. This is understood by the Council to include asbestos management but this is not explicitly identified in leases and may not be known to lessees.

Operational Arrangements/Site Monitoring (high risk): while the Asbestos Management Policy identifies that PLOs are responsible for site management plans, including monitoring asbestos, effectively this is covered by staff within Property Services. Internal Audit checked 25 of the properties known to contain asbestos and all but three had been inspected within the last 12 months (three were inspected in 2019). Where issues were identified through

inspections Internal Audit also confirmed that appropriate remedial actions had been carried out in all instances. However, Property Services' approach (effectively site management plans) is not documented, nor is there a documented schedule of upcoming monitoring visits.

Oversight (medium risk): while registers and supporting documentation (substantively documenting the current position regarding asbestos management for the Council's property portfolio) are available to senior management no formal reporting/oversight is in place. For context examples were given during this review where issues regarding senior management support had been escalated during the preceding 12 months.

Completion of the audit

Limited Assurance

Three high and two medium risk findings have been raised as a result of audit testing. While at the 'operational' level the Council is monitoring the asbestos in the buildings it occupies and addressing any deterioration identified there is significant ambiguity as to where responsibilities lie. This is applicable across the areas reviewed, from the responsibilities identified for the PLOs in the overarching Policy, to the assumptions made as to what lessees are responsible for. This increases the risk that there will be gaps in arrangements. This area is consequently rated limited assurance.

Internal Audit is aware that asbestos management and a number of other areas covered in the 2021/22 audit plan have a key dependency on a single long serving and highly experienced member of staff. For context historically the areas now covered by this single staff member were devolved across a number of teams, subsequent to several restructures over the last 10 years no longer in place. While capacity is not routinely included in audit scopes there is sufficient evidence from in year fieldwork to flag this as a concern, cutting across both reactive maintenance and planned property work. A review to evaluate the individual's role may provide guidance and direction to resolving the capacity issue.

Please be aware that summaries of all exceptions are routinely reported to the Audit Committee who may call in any Audit report they wish. Where any critical exceptions are found and/or the audit receives an overall level of 'no assurance' these will be reported in their entirety to the Audit Committee along with the director's comments. These exceptions may also be reported to the relevant portfolio holder.

Assurance Levels

The overall assurance is given on the activity that has been audited.

These levels are based on the areas tested within the audit as noted with the Objectives & Scope.

Levels	Description / Examples
Assurance	No issues or minor improvements noted within the audit but based on the testing conducted, assurance can be placed that the activity is of low risk to the Authority.
Reasonable Assurance	Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority.
Limited Assurance	Control weaknesses or risks were identified which pose a more significant risk to the Authority.
No Assurance	Major individual issues identified or collectively a number of issues raised which could significantly impact the overall objectives of the activity that was subject to the Audit.

Objectives and Scope

Achievement of organisation's Strategic Objectives

- An appropriate Policy is in place, clearly identifying the Council's responsibilities.

Compliance with Policies, Laws and Regulations

- The Council's Policy is regularly reviewed and references the most recent legislation.
- Prior to any work being carried out on Council buildings additional asbestos surveys are carried out, as necessary. Where asbestos requires removal appropriate, licensed contractors are used.

Safeguarding of Assets

- The Council has a list of all properties where it is responsible for asbestos safety (whether occupied by the Council or third parties), including who is responsible for each property.

Effectiveness and Efficiency of Operations

- The Council has implemented operational arrangements to meet its obligations, as identified in Policy, including:
 - Appropriate records covering the compliance levels for each property, including recent Asbestos Surveys.
 - Risk assessments and management plans for each property based on Asbestos Surveys.
 - A regime of regular checks, to ensure that appropriate arrangements are in place for each property.
- The Council has a clear 'response' process in place, which has been shared with those responsible for the safety of individual buildings/tenants.
- Any issues identified at individual properties are used to inform management of the wider portfolio, to minimise the likelihood of issues reoccurring.
- Appropriate reporting and oversight are in place.

Exceptions

IWC-2122-041-001 Asbestos Policy

Medium

Achievement of the Council's strategic objectives

Exception

Strategic level expectations/arrangements regarding Asbestos Management are set out in the Council's Management of Asbestos Policy. While this substantively in line with current 'duty holder' responsibilities as set out by the Health and Safety Executive (HSE) it was last reviewed in 2011, predating the last revision to the Control of Asbestos Regulations in 2012.

For context this is known to the Council and revision of the Policy is planned. Associated with this the expectations of Property Liaison Officers (PLOs) may not be realistic in all instances; this is covered more fully in a separate finding, specific to PLOs.

Risks and Consequences

Specific responsibilities identified within the Policy are neither accurate nor being complied with. Potentially this could lead to assumptions being made regarding who is doing what, with consequent gaps in mechanisms being operated effectively.

Agreed Action

Review and revise Asbestos Policy as planned.

Person Responsible / Action by Date

Nick Wright, Health and Safety Adviser,
October 2022

IWC-2122-041-002

Asbestos Surveys

High

Effectiveness and Efficiency of Operations

Exception

In the Property Register provided to Internal Audit there are 95 properties, identified as requiring asbestos surveys (buildings built prior to 2000).

The biggest ‘category’ on the Register is buildings occupied/used by the Council (44 currently occupied, operational buildings) but the wider portfolio is complex, with some sites subdivided and let to different organisations on different terms. For many of these it is not clear exactly who is responsible for asbestos safety and it is possible that the Council is responsible for some elements, for example having surveys in place but that building occupants are responsible for others, for example local monitoring.

The second largest ‘category’ is properties let on ‘full repairing leases’ (17 properties). While this is understood by the Council to include responsibility for asbestos safety this requirement is not explicitly identified in lease terms. This lease type is also used to lease the Council’s wider portfolio, both by the Regeneration and Neighborhoods directorates. This wider portfolio is diverse, including everything from grazing land to beach huts, the vast majority of which will not require any asbestos safety arrangements. For context ‘full repairing leases’ may even increase the risk of unknown asbestos being disturbed, if building occupants were to carry out their own repairs, without prior surveys being carried out.

A sample of 25 buildings from the Property Register was reviewed (selected from the 95 pre 2000 properties, where surveys are required; including all care homes and leisure centres), confirming that asbestos surveys are in place. While the majority of surveys were carried out in 2004/05 Internal Audit notes that further surveys are commissioned when any changes are proposed to individual buildings.

A separate list of ten buildings where works have either been carried out in the preceding 12 months, or where works have been proposed in the last 12 months was also reviewed. In all instances surveys have been carried out, although in the majority of instances work on site has yet to start. Surveys are provided to contractors engaged by the Council to carry out works and standard terms were reviewed, confirming that they are responsible for asbestos removal and are required to use approved contractors.

Risks and Consequences

Where it is not clear who is responsible for asbestos safety it is possible that assumptions are made and that there are gaps in asbestos strategy arrangements; this also applies to properties let on a full repairing lease basis.

Agreed Action

Person Responsible / Action by Date

- | | |
|--|--|
| <ol style="list-style-type: none"> 1. Confirm who is responsible for asbestos safety for all properties requiring asbestos safety arrangements and what each party is responsible for. Ensure this is documented for each property, with all parties in agreement.* | <ol style="list-style-type: none"> 1. Graeme Haigh, Senior Property Manager, October 2022 for higher risk; ongoing for lower. |
|--|--|

2. Where leases are let on a full repairing basis carry out a one-off exercise to ensure that all lessees of buildings built prior to 2000 are aware of their responsibilities, where applicable.
3. Where buildings are let on a full repairing basis in future ensure that this requirement is highlighted to lessees when leases are entered into.

2. Graeme Haigh, Senior Property Manager, Tricia Stillman, Commercial Activities Manager, October 2022.
3. Graeme Haigh, Senior Property Manager, October 2022.

** This is an ongoing and significant task. Done on a risk basis, focusing on confirming where higher risk asbestos is present and ensuring suitable arrangements are in place for these sites within 12 months.*

Safeguarding of Assets
Exception

A list of 140 properties for which the Council is responsible was provided to Internal Audit (this list is longer than the 95 properties identified under finding two, as only properties built prior to 2000 have any asbestos related responsibilities associated with them). There are a number of properties on this list where who is responsible 'onsite' is unclear, in part duplicating the gaps identified under finding two regarding asbestos responsibilities (only properties built prior to 2000 have any asbestos related responsibilities associated with them). As set out in finding two, where this is the case, the Council needs to confirm if it has asbestos related responsibilities. Once confirmed that the Council is responsible gaps, as set out below, need to be addressed.

For properties directly occupied by the Council each property has a Property Liaison Officer (PLO). For County Hall there is a specific Premises Team and for sites such as care homes and leisure centres there are specific officers who have property management as part of their core jobs. However, for other sites the PLO defaults to other officers onsite, on top of their existing responsibilities; this is unlikely to be realistic. It is also likely that arrangements have deteriorated during the widespread homeworking linked to COVID19, with PLOs not being recently 'onsite'.

For properties the Council does not directly occupy but where it has some responsibility for asbestos management the 'local' person responsible implicitly defaults to the contact held by the Council for the property. No specific guidance has been shared by the Council with these individuals nor is there any oversight of their local operation of asbestos safety arrangements by the Council.

For context PLO responsibilities regarding asbestos are set out in the Asbestos Management Policy identified in finding one and all PLOs have access to an MS Teams share, with asbestos related documentation for each property. However, this has not been promoted/highlighted to them nor have they been provided with training.

Note: the above needs to be read in conjunction with the subsequent finding, on operational arrangements/site monitoring.

Risks and Consequences

If it is not clear who is responsible for asbestos safety arrangements at each site it is likely that these will not be consistently and correctly carried out. This is equally true if the Council has unrealistic expectations of officers without the time or skillset to satisfy the PLO job role.

Agreed Action
Person Responsible / Action by Date

- | | |
|--|--|
| 1. Where required identify appropriate PLOs for all properties directly occupied by the Council. | 1. Kieran Tarrant, Facilities & Fleet Manager October 2022 |
| 2. For non-Council occupied buildings (once the Council's actual responsibilities are confirmed, as covered in finding two) ensure that the Council meets its requirements, for example ensuring surveys are in place and implement oversight, to ensure that any local responsibilities are being met (see finding five). | 2. David Watts, Principal Officer, December 2022, (dependent on finding two) |
| 3. Share generic operational plan once finalised and subset of responsibilities to sit with PLOs (see finding four). | |

4. Provide and require appropriate asbestos training for PLOs. For context there is an 'awareness' course available in the Council' online training system, however this is not currently visible to staff.
 5. Schedule quarterly Teams Calls for PLOs (forum to share Isle of Wight Council specific requirement, i.e., not covered by generic training identified in four, above).
-

3/4/5. David Watts, Principal Officer,
October 2022

Effectiveness and Efficiency of Operations

Exception

The majority of buildings built prior to 1990 will have at least some asbestos present, with lower levels possible for buildings built up to 2000. However, in most instances this is at a very low level, most commonly asbestos mixed with other materials in floor tiles, acoustic pads under sinks and mixed in with cement, for example in roofing. If undisturbed these are considered low risk.

Higher risk presence of asbestos, for example insulation containing a high proportion of asbestos, is known to be present in a small number of buildings but has largely been removed, most recently as part of the County Hall refurbishment. Again, if undisturbed these are considered low risk.

All buildings containing asbestos are required to have 'site management plans' in place. In main these consist of signage and periodic monitoring, to confirm that any asbestos present has not been disturbed (as above, most sites where asbestos is present are considered low risk). The Council does not have documented asbestos management plans in place for any of its buildings, although a generic operational plan is planned. This is planned to identify the 'risk' associated with different types of asbestos and document appropriate arrangements, based on the associated risk.

Linked to the above a sample of 25 properties known to contain asbestos was reviewed and all bar three had been inspected by the central property team (based on the asbestos surveys identified in finding two), to check the condition of known asbestos (the three sites not visited in the last 12 months were all visited in 2019). Of these seven identified some degradation of known asbestos, for example broken floor tiles. In all instances the Council was able to provide evidence that remedial work had been carried out.

For context local asbestos arrangements are also covered by periodic checks by the Health and Safety Team. However, this Team has been heavily involved in the Council's COVID19 response and no site inspections have been carried out in the preceding 12 months.

Risks and Consequences

At a granular level issues with asbestos/release of fibers, may not be detected and remediated at the earliest opportunity. As with other areas covered within this report the lack of clarity regarding who is responsible for what increases the risk that assumptions will be made and makes it more difficult for the Council to assert that it has clear and robust arrangements in place.

Agreed Action

Person Responsible / Action by Date

- Finalise generic site management plans and implement these, appropriate to the risk level of the asbestos present in different properties. As part of this identify a realistic set of limited responsibilities, to sit with PLOs. David Watts, Principal Officer, October 2022
- Supporting generic management plans schedule reviews in advance (an extra column in the property management spreadsheet), ensuring all sites are visited at least annually.

IWC-2122-041-005 | Oversight

Medium

Effectiveness and Efficiency of Operations

Exception

The Property Register identifies the asbestos related status of properties, although there are gaps which need to be addressed, as covered in finding two. This is on the property network share and is available to senior management, as are the individual folders for each property.

However, in terms of ‘oversight’ this is by exception only, with issues only escalated when deemed necessary by the core team substantively responsible for asbestos safety. No minutes were available for management meetings, evidencing oversight of asbestos arrangements.

Ultimately senior management is responsible for ensuring the asbestos safety of the Council’s building portfolio. At a minimum they need to be provided with sufficient, concise reporting to enable them to be confident that:

1. Asbestos surveys are carried out, in advance of any works which could potentially disturb asbestos.
2. Appropriate asbestos management plans are in place and operating correctly, primarily periodic monitoring; any issues identified through monitoring have been addressed.
3. Staff (PLOs) charged with asbestos related responsibilities have the correct skillset, evidence through completion of training.
4. Any potential exposure to asbestos has been correctly responded to (set out in the Council’s Health and Safety Manual (under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR)).

Risks and Consequences

Senior management making incorrect assumptions regarding the asbestos compliance status of the Council’s buildings. Potentially serious issues remaining unaddressed, senior management unaware of associated risk and unable to intervene to expediate timely remediation.

Agreed Action

Person Responsible / Action by Date

Implement periodic, concise reporting (quarterly), confirming that one to four in the finding body above are fully compliant, with a list of exceptions where these are not the case, with planned remediations and completion dates.	David Watts, Principal Officer, October 2022
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Exception Ratings

The following tables outline the exceptions from the recent audit and are reported in priority order. Internal Audit report regularly to the Audit Committee on findings and management actions. However, in accordance with agreed protocols, all critical exceptions are brought to the attention of the Committee.

Priority Level	Description
Critical Risk	<p>Control weakness that could have a significant impact upon not only the system function or process objectives but also the achievement of the organisation’s objectives in relation to:</p> <ul style="list-style-type: none"> • The efficient and effective use of resources. • The safeguarding of assets. • The preparation of reliable financial and operational information. • Compliance with laws and regulations. <p>And corrective action needs to be taken immediately.</p>
High Risk	<p>Action needs to be taken to address significant control weaknesses but over a reasonable timeframe rather than immediately. These issues are not ‘show stopping’ but are still important to ensure that controls can be relied upon for the effective performance of the service or function. If not addressed, they can, over time, become critical. An example of an important exception would be the introduction of controls to detect and prevent fraud.</p>
Medium Risk	<p>These are control weaknesses that may expose the system function or process to a key risk but the likelihood of the risk occurring is low.</p>
Low Risk (improvement)	<p>Very low risk exceptions or recommendations that are classed as improvements that are intended to help the service fine tune its control framework or improve service effectiveness and efficiency. An example of an improvement recommendation would be making changes to a filing system to improve the quality of the management trail.</p>

Page 150



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Deprivation of Liberty Safeguards (DoLS) IWC-21-22-040

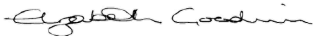
Limited Assurance

Author Amy Pyner, Internal Auditor

Version Final

Dated 06/06/2022

Recipient(s) Wendy Perera, Interim Chief Executive; Laura Gaudion, Director Adult Social Care; Mark Howe, Assistant Director; Maria Blazekova, Service Manager; Ginny Smith, Group Manager - DoLS,

Approved by Elizabeth Goodwin, Chief Internal Auditor 

Contents

Page 152

Executive Summary	Page 3
Assurance Levels	Page 7
Objectives & Scope	Page 8
Exceptions	Page 9
Exception Ratings	Page 16

	Executive Summary
	Assurance Levels
	Objectives & Scope
	Exceptions
	Exception Ratings

Executive Summary

The Deprivation of Liberty Safeguards (DoLS) are a provision of the Mental Capacity Act enacted in April 2009. When a care home or a hospital (Managing Authority) believes that it is necessary for a person to be deprived of their liberty in order to give them care or treatment, they must apply to their local authority (the Supervisory Body) to authorise this.

The Supreme Court judgement of 19 March 2014 in the case of Cheshire West clarified an ‘acid test’ for what constitutes a deprivation of liberty. The court found that an individual is deprived of their liberty if all three of the following elements are present:

- They lack the capacity to consent to their care/ treatment arrangements.
- They are under continuous supervision and control.
- They are not free to leave.

The Isle of Wight Council DoLS team must commission all required assessments, scrutinise their content and, when in agreement, authorise applications. Authorisations can be put in place for a maximum of one year and need to be reviewed and renewed if they are required for a longer period. The DoLS Code of Practice prescribes timescales for the completion of assessments. During the Covid-19 period, assessments continued to take place, however, these were conducted remotely where possible (based on the professional judgement of the assessors using the basis for referral). Since 2016, the local demand for DoLS assessments averages 710 per year. Nationally, since 2014, applications have increased each year by 13.9%.

Compliance with Policies, Laws and Regulations

Limited Assurance

Two High Risk, One Medium Risk and One Low Risk exceptions have been raised under this heading.

Availability of Policies and Procedures

The DoLS Code of Practice recommends that Supervisory Bodies have ‘documented procedures’ in place which detail the administrative process to be followed. The published DoLS policy (2015), equality impact assessment (2015) and flowchart (2018) have become out of date. New versions are currently in progress and are nearing completion. (Low Risk Exception 1).

Compliance with Timescales for Processing DoLS Applications

During 2020-21, the service received a total of 795 applications; 61.6% of these were marked as urgent, with 38.4% being standard (Source: NHS Digital). Audit testing has found low levels of compliance regarding the timeliness of processing applications, (High Risk Exception 2).

Review of the DoLS Code of Practice established the following statutory timescales for the administration of DoLS referrals:

- Urgent authorisations should only be in place for seven calendar days, with a standard assessment and authorisation completed within this time. A further extension of seven days can be applied.

- Standard authorisations should be processed within 21 calendar days.

Data for referrals between 1st April 2021 to 11th October 2021 was analysed to ensure that the service is meeting its obligations for timely authorisation. 448 referrals had been received during this period, with 83 authorisation dates recorded against this population (19% of the population had been authorised).

NHS Digital statistics show the proportion of standard applications completed within the statutory timeframe nationally was 24% in 2020-21, whilst the average length of time for all completed applications was 148 days. Locally, assessments completed within the statutory timeframe is below the national average, audit testing concluded this figure to be 5%, only two urgent and two standard applications had been approved within statutory timescales. However, testing did find that the overall average length of time to complete assessments was considerably better than the national average, at 63 days. Only one application was found to exceed the national average, whilst 50% of the population fell within 56 and 103 days.

As is the case nationally, the ongoing delays to complete assessments and inability to meet demand has resulted in a waiting list. Ongoing triage and monitoring takes place with the waiting list being tackled in conjunction with new applications, this impacts on the time available to process new requests and has contributed to the non-compliance with timescales outlined in the testing above. The current triage method is the nationally accepted ADASS model which prioritises cases on person centred risks and needs rather than to prescribed timescales.

Authorisations

No exceptions have been raised relating to authorisations.

Sample testing of 10/83 (12%) authorised DoLS took place. Testing sought to ascertain levels of compliance with the following controls:

- The duration of the DoLS does not exceed 12 months and is no longer than recommended by the Best Interest Assessor.
- A Relevant Persons Representative (RPR) is appointed.
- All assessments are in place; with a segregation of duties between the Mental Health Assessment and the Best Interests Assessment.

Sample testing confirmed that all cases were compliant with the above. Additionally, all cases had detailed decision making evidence recorded, and the authorisation had been granted by an Officer who had not conducted either the Mental Capacity or Best Interest Assessments, in compliance with the DoLS code of practice.

Data Monitoring

One high risk exception has been raised relating to the waiting list of 503 applications, which is a significant risk for the service. Whilst interventions have taken place to reduce the waiting list, there is no documented strategy or action plan which sets out how this can be addressed in its entirety. (High Risk Exception 3).

Data is collated and reported monthly to ASC Leadership. The monthly data monitoring report was found to be clear and well presented, however, it omits to specify compliance with timescales by not clearly demonstrating in year authorisations vs referrals, instead presenting cumulative data covering all years with outstanding referrals.

Most significantly, the data monitoring information demonstrates a waiting list of 503 applications, dating back to financial year 2019-20.

At September 2021:

- 80 outstanding for 2019-20
- 194 outstanding for 2020-21
- 232 overdue for the current year to date

The Isle of Wight is not unique in holding a long pending list and was placed in the 51st to 75th percentile for the number of applications not completed in England. NHS Digital estimates the waiting list, reported as 500 in March 2020, would take eight months to clear (based on 2020-21 authorisation numbers), this exceeds the national average of 5.9 months.

Internal Audit has been presented with papers dating back to 2019. ASC Leadership have regularly been made aware of the implications, costs, projections and available strategies to tackle this issue. As such, a range of actions to address the waiting list have taken place including use of agency support, team restructuring and additional staffing. The budget continues to be increased and in October 2021, posts were advertised to support the team further.

Commissioning of Assessments

There is no documented pay framework for assessments and a lack of transparency in the allocation of assessments (Medium Risk Exception 4).

Analysis of payments to four vendors found payments for assessments varied by vendor, between £180 and £250 per assessment with some assessors also being paid travel expenses. Currently, the service operates on a 'spot purchase' method to select and allocate assessors. Internal Audit could not identify a documented or consistent method for the selection of assessors. Prior to the Internal Audit review, payments to one assessor were found to have exceeded a procurement threshold of £10,000. The DoLS Group Manager is currently working with the Procurement Team to regularise these types of payment and develop an appropriate pay framework.

In the absence of a formal framework, Internal Audit examined the recruitment screening and training records held for the external assessors. Three out of six S12 doctors (50%) and seven out of eleven Best Interest Assessors (64%) records were assessed to ensure they were qualified and met all criteria to complete the roles. Full compliance was found, with all being subject to the provision of current insurance, ongoing professional membership, two years post qualifying experience, annual refresher training and a DBS check.

Safeguarding of Assets

Reasonable Assurance

One medium risk exception is raised under this heading.

Data Storage

Testing relating to the external assessors' records found that full DBS certificates and superseded information is retained which is not compliant with GDPR principles. The Group Manager has arranged for a meeting with HR to regularise the information stored. (Medium Risk Exception 5).

Effectiveness and Efficiency of Operations

Assurance

No exceptions are raised under this heading.

Budget Monitoring

The DoLS budget for 2021-22 is £508,761, plus a £250,000 contingency (total budget £758,761). Routine budget monitoring takes place. The Senior Accounting Technician for the service expects an underspend in the region of £40,000 this financial year. The service was successful in agreeing a carry forward of previous year underspend to support work towards the waiting list. It is very likely this will be continued for any underspend in the current year. The service has requested an additional £250,000 to support the recruitment of an extra BIA and Consultant Practitioner (At the time of auditing, it is noted these vacancies are currently advertised).

Completion of the Audit

Limited Assurance

Further to the supreme court judgement in 2014, referrals for DoLS assessments increased considerably. This has presented itself locally in a year-on-year increase to the waiting list as supply cannot meet demand. The recurring requirement for DoLS means that even completed assessments will usually require further intervention within a one-year period. Internal Audit has established that whilst movement takes place to reduce the waiting list, this is at the expense of prioritising low-risk new referrals, and as such, delivery to timescale is scarce.

Of the authorisations reviewed however, Internal Audit is satisfied that assessments are conducted by appropriately qualified and suitable personnel, are well recorded within designated systems and meet the professional approval standards of the authoriser. Five exceptions have been raised.

Please be aware that summaries of all exceptions are routinely reported to the Audit Committee who may call in any Audit report they wish. Where any critical exceptions are found and/or the audit receives an overall level of 'Limited Assurance' or less, these will be reported in their entirety to the Audit Committee along with the director's comments. These exceptions may also be reported to the relevant portfolio holder.

Assurance Levels

The overall assurance is given on the activity that has been audited. These levels are based on the areas tested within the audit as noted with the Objectives & Scope.

Levels	Description / Examples
Assurance	No issues or minor improvements noted within the audit but based on the testing conducted, assurance can be placed that the activity is of low risk to the Authority.
Reasonable Assurance	Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority.
Limited Assurance	Control weaknesses or risks were identified which pose a more significant risk to the Authority.
No Assurance	Major individual issues identified or collectively a number of issues raised which could significantly impact the overall objectives of the activity that was subject to the Audit.

Objectives and Scope

The objectives of this review were as follows:

Compliance with Policies, Laws and Regulations

- Any policies and procedures relating to Deprivation of Liberty Safeguards (DoLS) are current, adequate and accessible by all staff. Testing will include a review of the policies and procedures in place to ensure staff are made aware of their responsibilities.
- All requests for DoLS Assessments are processed in accordance with the required timescales. Testing will review a sample of referrals received in the last six months to ensure that they have been completed within the expected timescales.
- Authorisations are made based on the criteria set out by the safeguards and are supported by the evidence on which the decision is based. Testing will review a sample of authorised cases to ensure authorisation decisions are adequately documented.
- Individual cases are monitored so that the authorised timeframe is not exceeded without further authorisation. Testing will review the monitoring arrangements in place to ensure they are effective.
- The procurement of personnel to conduct DoLS assessments (where applicable) is compliant with the Council's Contract Standing Orders.

Safeguarding of Assets

- Sensitive information is accessed, shared, held and deleted securely. Testing will ascertain the processes in place for the secure processing and retention of sensitive information.

Effectiveness and Efficiency of Operations

- The budget for the DoLS is regularly monitored and any variation is escalated accordingly. Budgetary data for the last financial year (2020-2021), will be analysed.

Exceptions

IWC-2122-040-001 | Availability of Policies and Procedures

Low

Achievement of the Council's strategic objectives

Exception

Policies and procedures available on the website are out of date.

The following key documents were available on the intranet:

- DOLS policy - dated May 2015.
- Flowchart - dated April 2018
- EIA - dated May 2015

A new DoLS policy, equality impact assessment and process flowchart are currently being developed and are nearing completion. They have been signed off by legal services and are having external links added/verified (as at October 2021), at which point they will be approved by ASC leadership. Upon approval, they will be added to the intranet and be available on the services Microsoft Teams site.

Risks and Consequences

Without appropriate supporting policies and procedures, incorrect practices may be adopted which are not compliant with the principles of DoLS, increasing the risk of financial penalties imposed on the Council.

Agreed Action

Finalise the DOLS policy and associated documents, uploading this to the Intranet to ensure accessibility to information for relevant personnel.

Person Responsible / Action by Date

Group Manager, DOLS / May 2022

Achievement of the Council's strategic objectives**Exception**

Compliance with timeliness of processing is currently operating at around 5%, with only 4/83 authorisations taking place within legislative timescales. The service has been unable to complete assessments within deadlines resulting in an assessment backlog dating back to 2019, totalling 503 at 2020-21-year end; of these, 314 are marked as priority 1 (Covered further under data monitoring).

During 2020-21, the service received a total of 795 applications; 61.6% of these were marked as urgent, with 38.4% being standard (Source: NHS Digital). The service operates a risk-based prioritisation of applications, using ADASS approved templates to triage applications. This risk-based approach is predicated on the expectation that low priority cases are unlikely to attract challenge and any successful challenge would result in nominal damages. To date, no challenges have been received for delayed assessments or decisions. This approach enables the team to prioritise the entire caseload and fulfil cases based on the needs of individuals, but this impacts on the delivery of lower-priority new referrals and renewals.

Review of the DoLS Code of Practice established the following statutory timescales for the administration of DoLS referrals:

- Urgent authorisations should only be in place for seven calendar days, with a standard assessment and authorisation completed within this time. A further extension of seven days can be applied.
- Standard authorisations should be processed within 21 calendar days.

Data for referrals between 1st April 2021 to 11th October 2021 was analysed to ensure that the service is meeting its obligations for timely authorisation. 448 referrals had been received during this period, with 83 authorisation dates recorded against this population (19% of the population had been authorised).

20/83 were urgent authorisations. On average, it took 21 days to allocate a BIA to these assessments. Once allocated, it took an average of 34 days to complete through to authorisation.

63/83 were standard authorisations. On average, it took 29 days to allocate a BIA. Once allocated, it took an average of 37 days to complete through to authorisation.

Using the above figures, compliance with timeliness of processing is currently operating at around 5%, with only 4/83 authorisations taking place within legislative timescales.

Risks and Consequences

Failure to comply with legislation resulting in potential penalties.

Agreed Action

Person Responsible / Action by Date

The service will generate and agree a plan to reduce the length of time to process and authorise applications, to improve overall compliance with statutory deadlines, including:

- A plan to grow the team, introducing KPIs for the number of weekly completed assessments
- The Group Manager will liaise with the Business Information Team, regarding the future provision of team statistics, which also supports wider team resilience for the pending retirement of key personnel who currently generate this data, this should include the development of monitoring statistics to demonstrate the current financial year position of
 - referrals in / authorisations out
 - adherence to statutory time frames.

Group Manager, DOLS / August 2022

Compliance with Policies, Laws and Regulations

Exception

A waiting list of 503 applications was identified. Evidence of appropriate escalation of this issue to cabinet level was weak. Whilst interventions have taken place to reduce the waiting list, there is no documented strategy or action plan specific to this purpose.

Data is collated and reported monthly to ASC Leadership. Data is also supplied directly to NHS Digital allowing annual data comparison with other authorities. The monthly data monitoring report was found to be clear and well presented, however, it omits to specify compliance with timescales by not clearly demonstrating in year authorisations vs referrals, instead presenting cumulative data covering all years with outstanding referrals.

Most significantly, the data monitoring information shows a waiting list of of 503 applications, dating back to financial year 2019-20.

At September 2021:

- 80 outstanding for 2019-20
- 194 outstanding for 2020-21
- 232 overdue for the current year to date

NHS Digital estimated the backlog, reported as 500 in March 2020, would take eight months to clear (based on 2020-21 authorisation numbers), exceeding the national average of 5.9 months.

Nationally, challenges have been made and upheld by the Ombudsman relating to delayed decision making, resulting in financial penalties for injustices caused. Limited data was supplied to show that this issue has been escalated to the appropriate cabinet member outlining the impact/likelihood of this risk materialising and no documented action plan or strategy currently exists to support the clearing of the backlog. ADASS approved risk based triage takes place to manage and prioritise cases as effectively as possible.

Risks and Consequences

Failure to comply with legislation resulting in potential penalties.

Failure to keep the appropriate cabinet member fully informed, preventing high level scrutiny and strategising.

Agreed Action

An action plan will be developed to reduce the waiting list. The action plan will be regularly monitored and updated showing progress against agreed strategies.

Person Responsible / Action by Date

Group Manager, DOLS / August 2022

Service Manager, DOLS / May 2022

Due to the high risk of challenge, which may result in financial penalty, the appropriate cabinet member should be informed, allowing them the opportunity to oversee and support strategies to reduce this risk exposure.

Compliance with Policies, Laws and Regulations

Exception

Compliant procurement practices are not currently in place, due to the lack of a documented pay framework for assessments and a lack of transparency in the allocation of assessments.

The DoLS team procures the services of Section 12 Assessors (Doctors), Independent Best Interest Assessors (BIA) and Independent Mental Capacity Advocates (IMCA) as required, a list of these professionals is held by the team to 'spot purchase' as needed. The DoLS Group Manager explained that selection is based on various criteria including client location, contractor availability and case complexity however, no documented pay framework or selection criteria is available.

Analysis of payments to four vendors found payments for assessments varied by vendor, between £180 and £250 per assessment with some also being paid travel expenses.

Vendors invoice the team for assessments completed, this was confirmed within SAP where purchase orders and good received notices were correctly present for each vendor payment inspected. Prior to the Internal Audit review, payments to one assessor were found to have exceeded a procurement threshold of £10,000. The DoLS Group Manager is currently working with the Procurement Team to regularise these types of payment and develop an appropriate pay framework.

In the absence of a suitable framework, Internal Audit examined the recruitment screening and training records held for the external assessors. Three out of six S12 doctors (50%) and, seven out of eleven of Best Interest Assessors (64%), records were inspected to ensure they were suitably qualified for the roles. Full compliance was found, with all being subject to the provision of current insurance, ongoing professional membership, two years post qualifying experience, annual refresher training and a DBS check.

Risks and Consequences

Due to the lack of openness, transparency, and consistency in the selection of assessors and the amounts paid, the Local Authority is at risk of accusations of bias and favouritism.

Agreed Action **Person Responsible / Action by Date**

Continue to work with Procurement until an agreed framework is in place for the selection and payment of external assessors.	Group Manager, DOLS / May 2022
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Page 164

IWC-2111-040-005 | Data Storage

Medium

Safeguarding of Assets

Exception

Data Storage

Testing relating to external assessors' records found that full DBS certificates and superseded information is retained. The Group Manager has arranged for a meeting with HR to regularise the information stored, which is currently not compliant with GDPR principles.

The service holds a shared corporate drive with access restricted to relevant personnel. This is set up as part of the recruitment process and through liaison with IT as needed. In addition to shared spreadsheets, the service inputs data into Paris, access to which is set up at user level with the agreement of management and suitable IT training. Access to data is therefore suitably restricted to required personnel.

Risks and Consequences

Failure to comply with legislation resulting in potential penalties.

Agreed Action

Further to advice from HR, ensure records are cleansed and contain only relevant, up to date information.

Person Responsible / Action by Date

Group Manager, DOLS / May 2022

Exception Ratings

The following tables outline the exceptions from the recent audit and are reported in priority order. Internal Audit report regularly to the Audit Committee on findings and management actions. However, in accordance with agreed protocols, all critical exceptions are brought to the attention of the Committee.

Priority Level	Description
Critical Risk	<p>Control weakness that could have a significant impact upon not only the system function or process objectives but also the achievement of the organisation’s objectives in relation to:</p> <ul style="list-style-type: none"> • The efficient and effective use of resources. • The safeguarding of assets. • The preparation of reliable financial and operational information. • Compliance with laws and regulations. <p>And corrective action needs to be taken immediately.</p>
High Risk	<p>Action needs to be taken to address significant control weaknesses but over a reasonable timeframe rather than immediately. These issues are not ‘show stopping’ but are still important to ensure that controls can be relied upon for the effective performance of the service or function. If not addressed, they can, over time, become critical. An example of an important exception would be the introduction of controls to detect and prevent fraud.</p>
Medium Risk	<p>These are control weaknesses that may expose the system function or process to a key risk but the likelihood of the risk occurring is low.</p>
Low Risk (improvement)	<p>Very low risk exceptions or recommendations that are classed as improvements that are intended to help the service fine tune its control framework or improve service effectiveness and efficiency. An example of an improvement recommendation would be making changes to a filing system to improve the quality of the management trail.</p>



Committee report

Committee	AUDIT COMMITTEE
Date	25 JULY 2022
Title	ANNUAL GOVERNANCE STATEMENT 2021-22
Report of	INTERIM CHIEF EXECUTIVE

EXECUTIVE SUMMARY

1. This report provides Councillors with details of the statutory requirements under the Accounts and Audit Regulations 2015 to undertake an annual review of the effectiveness of the council's system of internal control and the considerations that Councillors need to take into account when reviewing the content of the review completed for 2021-22
2. The annual governance statement for 2021-22 is located at Appendix 1, together with Addendum A: The Isle of Wight Council's governance framework. Councillors are now asked to approve the statement in readiness for signing by the leader of the council and chief executive and submission with the annual accounts for 2021-22.

RECOMMENDATION

3. Option 1 – Audit Committee agree the content of the draft annual governance statement 2021-22 and confirm this as the Final version for publication.
4. Option 1 is recommended on the basis this report provides Councillors with details of the statutory requirements under the Accounts and Audit Regulations 2015, including the need to undertake an annual review of the effectiveness of the council's system of internal control. The report provides the Councillors with the evidence they need to consider when reviewing the content of the review completed for 2021-22.

BACKGROUND

5. The council follows guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) as to what the annual governance statement should address. The council's leader and chief executive are required to sign the final statement before it is published alongside the annual accounts. When making the statement, it is important that any weaknesses are identified, and corrective actions are also developed to address those weaknesses.

6. The Chair of Audit Committee was provided with a draft annual governance statement for consideration and to highlight any further items or concerns that needed inclusion within the final document prior to presentation at the Audit Committee Meeting.
7. The final annual governance statement for 2021-22 and its associated addendum are now set out at Appendix One for further consideration and approval by the committee.

THE COMMITTEE'S ROLE IN RELATION TO THE ANNUAL GOVERNANCE STATEMENT

8. The Audit Committee plays an important part in the process of developing the council's annual governance statement, which stems from its role and core activities throughout the year, including:
 - its understanding of the robustness of the regime of internal control throughout the council because it receives reports from both internal and external auditors.
 - its review of the strategic and other risks of the council and the annual report it receives on the council's risk management arrangements.
 - receiving regular updates on issues which have been identified previously in reviews of governance.
 - receiving reports on the extent of fraud and other irregularity and on the level of whistleblowing activity.
 - receiving reports on procurement and treasury management activity.
 - receiving an annual opinion report on the adequacy of control operating within the council from the council's head of internal audit
 - reviewing the committee's core functions (which is specifically included within the scope of the annual governance statement)
9. The committee is well placed therefore to reach its own assessment of the quality of governance that operates within the council supported by the assessment that has been undertaken by council staff.
10. The action plan contained within the annual governance statement aims to address the governance issues highlighted thus far that are considered necessary to contribute to further strengthening the council's corporate governance arrangements

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

11. Corporate governance has far reaching implications for the effectiveness of the council and as such underpins the effective delivery of all the council's stated priorities. Good governance means the following.
 - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
 - Ensuring openness and comprehensive stakeholder engagement.
 - Defining outcomes in terms of sustainable economic, social, and environmental benefits.
 - Determining the interventions necessary to optimise the achievement of intended outcomes.
 - Developing the council's capacity, including the capability of its leadership and the individuals within it.
 - Managing risk and performance through robust internal control and strong public financial management.
 - Implementing good practices in transparency, reporting and audit to deliver effective accountability.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

12. The content of this report does not directly impact upon any of the corporate priorities outlined in the [Corporate Plan 2021 – 2025](#) and underpins the core value of being fair and transparent.

CONSULTATION

13. Internal consultation has taken place in developing the statement using a self-assessment survey. Internal audit designed the survey to assess the service area knowledge and compliance with all aspects of the governance framework. This was completed by directors and service leads from all areas of the council along with those lead departments who have responsibility for the issues, systems and processes set out in Appendix 1, the chief internal auditor and the council's Corporate Management Team.

FINANCIAL / BUDGET IMPLICATIONS

14. There are no direct financial implications of the council reviewing its governance arrangements and publishing the annual governance statement itself. However, action plans to address any weaknesses identified could involve extra cost and may in some circumstances be significant. Conversely action plans could also lead to financial savings being secured. It is considered that all the activities set out in the action plan contained within the annual governance statement can be achieved from within existing resources.

LEGAL IMPLICATIONS

15. The council is required by the Accounts and Audit Regulations 2015 to:

- carry out a review of the effectiveness of its system of internal control.
- have the findings of the review considered by a committee or by Councillors of the authority.
- approve an annual governance statement on the results of the review in advance of the approval of the statement of accounts.
- ensure that the statement accompanies the council's statement of accounts (when published).

EQUALITY AND DIVERSITY

16. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.

17. There is no impact on any of the protected characteristics arising from this report.

PROPERTY IMPLICATIONS

18. There are no property implications arising from this report.

OPTIONS

19. Option 1 – To agree the content of the draft annual governance statement 2021-22 and confirm as the Final version for publication.
20. Option 2 – To note the content of the annual governance statement and make recommendations for further matters to be considered in the preparation of the final statement in readiness for publication alongside the annual accounts

RISK MANAGEMENT

21. It is a legal requirement under the Accounts and Audit Regulations 2015 to undertake a review of the effectiveness of the council's corporate governance arrangements and to seek approval of the resulting statement from a committee to enable its publication alongside the council's statement of accounts. Failure to approve the statement, with or without any proposed amendments will mean the council is in breach of its statutory duty.
22. The key risk associated with the council's proposed governance statement is that it does not accurately reflect that the corporate governance arrangements are consistent with the national code of practice and that full consideration has been given to afford the assurance to the committee. This could result in significant weaknesses going unreported and, critically, unaddressed. However, a significant amount of work has been undertaken to assess and review evidence available and this has been subject to review by Internal Audit, Corporate Management and other key stakeholders in order to mitigate against this. Presentation of the AGS in draft format to this committee for scrutiny is a further mitigating factor

EVALUATION

23. Option 1 is recommended on the basis this report provides Councillors with details of the statutory requirements under the Accounts and Audit Regulations 2015, including the need to undertake an annual review of the effectiveness of the council's system of internal control.
24. The report provides the Councillors with the evidence they need to consider when reviewing the content of the review completed for 2021-22.

APPENDICES ATTACHED

25. Appendix 1 – Annual Governance Statement 2021-22

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WENDY PERERA
*Interim Chief Executive
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COUNCILLOR CHRISTOPHER JARMAN
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Isle of Wight Council

Annual Governance Statement

2021-22

Contents:

	Page Number
1. Introduction	3
2. The council's responsibilities	4
3. The purpose of a governance framework	5
4. The Isle of Wight's governance framework	5
5. Assessment of the longer term disruption and consequences arising from the coronavirus pandemic	12
6. Financial Management Code 2019	12
7. The annual review of effectiveness	13
8. Governance issues and action plan	15
Addendum A: Local governance framework	

1. Introduction

Governance within an organisation in its simplest form is about who has authority to act, who can take decisions and how the organisation is kept accountable for the decisions it makes. These basic principles are translated into processes that facilitate the making and implementing of decisions. This is not about making “correct” decisions but about having processes in place that assist with making the best possible decisions and ultimately better outcomes being secured. It can be said that good decision making processes and therefore good governance share several characteristics which include:

- **Good governance is accountable** – local government has an obligation to report, explain and be answerable for the consequences of decisions it has made on behalf of the communities it represents.
- **Good governance is transparent** – people should be able to follow and understand the decision-making process. This means that they will be able to clearly see how and why a decision was made, what information, advice and consultation was considered together with any risks identified, mitigating actions and legislative requirements (where relevant) were taken into account.
- **Good governance follows the rule of law** – which means that decisions are consistent with relevant legislation or common law and are within the powers of the council to act.
- **Good governance is responsive** – local government should always seek to serve the needs of all its communities and the priorities identified by them (as reflected in the council’s Corporate Plan), while balancing competing interests in a timely, appropriate and responsive manner.
- **Good governance is equitable and inclusive** – a community’s wellbeing stems from all of its councillors feeling that their interests have been considered by the council in its decision making process. This means that all groups, particularly the most vulnerable, should have opportunities to participate in the process.
- **Good governance is effective and efficient** – local government should implement decisions and follow processes that make the best use of available resources and time to ensure the best possible outcomes are secured against its agreed priorities.
- **Good governance is participatory** – anyone affected by or interested in a decision should have the opportunity to participate in the process for making that decision. This might be by being provided with information, asked for their opinion or given the opportunity to make recommendations to be taken into consideration.

In order to evaluate good governance in practice, there is a statutory requirement under the Accounts and Audit (England) Regulations 2015 for every local authority to prepare and publish an annual governance statement. This provides members of the public with an open assessment of how effective the council’s governance arrangements are considered to be against a code of corporate governance entitled “Delivering Good Governance in Local Government 2016”. This document is published by CIPFA/SOLACE as recognised national lead bodies for public services.

The code takes into account the characteristics of good governance set out above and translates them into specific core activities, including how a council:

- Upholds high standards of conduct and behaviour
- Engages with local people and other stakeholders to ensure robust public accountability
- Creates and implements a vision for the local area
- Determines the interventions necessary to optimise the achievement of agreed outcomes
- Develops the capacity and capability of councillors and council staff to be effective
- Takes informed and transparent decisions that are subject to effective scrutiny and risk management
- Has councillors and council staff that work together to achieve a common purpose

This document therefore provides:

- An overview of the Isle of Wight Council's governance arrangements in place against the core activities set out in the code of corporate governance and characteristics of good governance set out above, underpinned by an honest self-assessment of their effectiveness for the period 2021/22
- An action plan for the coming year to address any identified areas of concern,
- A report on progress made against those areas highlighted for improvement in its 2020/21 annual governance statement.
- Analysis and feedback from the new self-assessment survey undertaken by the council's internal audit team.

In its preparation, the statement contained within this document, covers the council's significant corporate systems, processes and controls that are designed to ensure that:

- Laws and regulations are complied with
- Council policies are implemented in practice
- Required processes are adhered to
- High quality services are delivered efficiently and effectively
- The council's values and ethical standards are met
- Performance and financial statements and other published information are accurate and reliable
- Human, financial and other resources are managed efficiently and effectively

2. The Council's responsibilities

As a public body, the council is responsible for carrying out its business in line with the law and proper standards and ensures that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. There is also a duty under the Local Government Act 1999 to make arrangements to secure

continuous improvement in the way the council's functions are exercised, having regard to a combination of economy, efficiency and effectiveness. To do this, there must be in place a robust set of arrangements for the governance of its affairs and in facilitating the effective delivery of its functions, including arrangements for the management of risk and for dealing with any issues that may arise from them.

3. The purpose of a governance framework

To assist with the delivery of good governance, each council has a local governance framework that brings together all the relevant legislative requirements, governance principles and activities (as described above), corporate strategies and policies, business systems, management processes together with an operating culture and set of values upon which business is conducted. The quality of these arrangements underpins the level of trust in public services and is fundamental to the delivery of the council's statutory and democratic obligations. A governance framework therefore allows the council to be clear about how it discharges its responsibilities.

A system of 'internal control', designed to give assurance of operational effectiveness, is a significant part of operating the council's governance framework and is also designed to assist with the management of risks to a tolerable level. However, it is important to note that it is not possible to eliminate all risks and can only serve to demonstrate reasonable assurance of effectiveness. The management of risk is an ongoing process designed to identify and prioritise the risks associated with the achievement of the council's key priorities, policies, aims and objectives, to evaluate the likelihood of those risks occurring and to manage their impact should they happen.

4. The Isle of Wight Council's governance framework

The Isle of Wight Council's local governance framework is designed to be consistent with the CIPFA/SOLACE Delivering Good Governance in Local Government code of practice. The framework summarises the council's internal arrangements that have been put in place to ensure that there is effective governance and includes hyperlinks to supporting documentation and can be found at Appendix A to this document.

The overarching aim of good governance is to ensure that the council achieves its intended priority outcomes while acting in the public interest at all times. The following text provides a high level overview of the key elements of the structures and processes in practice that form an essential part of the council's governance framework against the code of practice and each of the governance indicators and their descriptors of what good governance should look like.

Strategic partnerships are becoming an increasingly important element of the council's corporate growth strategies helping pool knowledge and resources to deliver better outcomes for the island population and its visitors. Whether this be by direct service provision in partnership, by alternative innovative service delivery mechanisms or simply by exerting influence to deliver better social value outcomes as well as value for money. The governance framework is taken into account when

considering significant partnerships approaches and the governance arrangements for the partnerships developed and reviewed to ensure they meet the requirements of the specific partnership.

The local delivery arrangements are identifying strategic issues and opportunities to challenge some of the current approaches to delivery and investment. We are seeking to better align planned investment expenditure to key corporate priorities to accelerate improvement opportunities. An example of this is through the current activity being formalised via the accelerated development of the Isle of Wight Integrated Care Partnership (ICP) that will seek to align strategic needs around the health and social care local system needs in accordance with the new legislation permitting such arrangements. Areas of joint commissioning and provider committees seek to align to shared governance arrangements and funding agreements.

Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law:

The council's constitution sets out how it conducts its business, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the council to determine. The constitution is divided into 6 main parts, with a number of sub sections that set out the basic rules governing the council's business with more detailed procedures and codes of practice provided in support of their delivery. The constitution is updated at least annually, usually at Annual Council and may be updated more frequently if there are changes in any legislation affecting the contents of the constitution.

- There is a code of conduct for councillors and council staff which sets out the expected behaviour and standards to be adhered to.
- The Monitoring Officer is a statutory function and ensures that the council, its staff and councillors maintain the highest possible standards of conduct in all they do. The designated Monitoring Officer for the Isle of Wight Council is the Assistant Director of Corporate Services and holds responsibility for monitoring and reviewing the operation of the council's constitution, ensuring compliance with established policies, procedures, laws and regulations and for reporting any actual or potential breaches of the law or maladministration to the Full Council and/or Cabinet.
- The council is committed to achieving the highest possible standards of openness and accountability. It has in place a "whistleblowing policy" which reflects the legal framework and obligation to enable staff or those delivering services on behalf of the council, without recrimination, to raise concerns about conduct that may be unlawful, of financial malpractice, presents a danger to the public or the environment, affects the general welfare of the public or integrity of public services. The policy sets out how to report a concern and what action to take together with details of how concerns will be investigated and the protections afforded to whistle-

blowers as well as the provision of access to an independent “hotline” reporting facility. Reported concerns are reviewed annually by the Audit Committee.

- As part of the council’s commitment to the safeguarding of public funds, there is an “anti-fraud, bribery and corruption” policy and strategy that sets out the process to be followed where there is suspicion of financial irregularity.
- The Section 151 Officer is a statutory function that requires a member of staff who must be appropriately qualified to be responsible for the financial administration of the council. The designated Section 151 officer for the Isle of Wight Council is the Director of Finance.
- There is a complaints procedure for dealing with any complaints related to the delivery of council services which is available on the council’s website. If complainants remain dissatisfied, they have the right to refer the matter to the Local Government and Social Care Ombudsman (LGSCO) and complainants are informed of this right. The monitoring and learning gained from complaints is reported through the council’s performance report to Cabinet. In accordance with legislation there are also separate procedures in place for complaints relating to Children’s services and Adult Social Care. Complaints about councillors are dealt with under the councillor’s code of conduct.

Principle 2: Ensuring openness and comprehensive stakeholder engagement:

- The council recognises that effective community engagement is an essential contribution to strong corporate governance. A variety of ways to engage with its communities and stakeholders are utilised to assist. The “[Modern Gov](#)” section of the council’s website provides access to the published forward plan which provides an indication of future reports that are to be considered together with agendas and minutes of all public committees. This ensures that people know what decisions the council is planning to take as well as the decisions taken. It provides access to a facility for making general complaints about council services and about councillors where their conduct is in question. The process to follow is set out clearly. There is also a facility for e-petitions to be launched and submitted on matters that are important to local people.
- The [Isle of Wight Council Homepage](#) provides information on latest news and updates on council services; [Current Consultations](#) where residents and stakeholders can voice their opinions and assist with shaping service delivery together with a range of information that is available for the public scrutiny in accordance with the code of recommended practice for local authorities on data transparency.
- There is a strong focus on youth participation and the [Isle of Wight Youth Council](#) provides opportunity for young people to influence how services are delivered, highlight issues that need to be reviewed and to help shape public services for our communities.

- The council operates a Corporate Scrutiny Committee whose remit is to review and challenge the policy decisions that are taken by Cabinet. Scrutiny is supported by three policy and scrutiny panels (Health and Social Care, Children's Services, Education and Skills, Neighbourhoods and Regeneration) who provide assistance to Cabinet in the development of council policy together with a review of any matter relating to these specific service areas. They assess how the council is performing and see whether they are providing the best possible, cost effective services for the Island's communities. In addition, there is an Audit Committee whose specific remit is to review the council's financial and non-financial performance as well as to receive reports that deal with issues that are essential for good governance. Each committee has its own terms of reference.

Principle 3: Defining outcomes in terms of sustainable economic, social and environmental benefits:

- The council's corporate plan is the key strategic document that sets out its vision and ambitions for the Island. The plan sets out the priorities, the outcomes that are expected to be achieved, what it will do to deliver them and what measures it will use to monitor progress against their successful achievement. The corporate plan is underpinned by a number of directorate plans prepared by directors that include the operational detail for core business that must be delivered, plans for improvement, development or change, financial planning, key risks and their management/mitigation as performance measures and monitoring arrangements.
- Quarterly reporting on progress against the delivery of agreed priorities and outcomes is undertaken by Cabinet and which is also available to the scrutiny committee for review.
- Central to the delivery of the corporate plan is the council's medium term financial strategy which plays a pivotal role in translating ambitions into action. The strategy focuses on determining the overall financial position for the council and takes into account any major issues affecting the council's finances. It forms the basis for developing the overall budget and any contingencies that need to be put in place for any unavoidable service pressures that may arise and the ongoing impact of COVID-19.
- It is a requirement for all committee reports to assess against the council's obligations within the Corporate Plan in relation to "Responding to Climate Change and Enhancing the Biosphere". There is a requirement to report on "Economic Recovery and Reducing Poverty" and also on the "Impact on Young People and Future Generations". As part of the call over process key council staff responsible for these outcomes are given sight of all papers for comment, every decision taken must have regard to these key areas.

Principle 4: Determining the interventions necessary to optimise the achievement of intended outcomes:

- Underpinning the delivery of the corporate plan are a series of directorate plans that translate the council's priorities and outcomes expected to be achieved into operational service delivery activities. Each of the directorate plans has a suite of performance measures that enable critical delivery requirements to be tracked and monitored. The directorate plans now include a section that identifies the workforce resources required to deliver the outcomes required. These plans are used by HR to support services in their recruitment, retention and succession planning which enable the council to develop and maintain an effective workforce.

To allow the transition of the council's priorities into their most granular form, the council also operates a "personal performance management framework" through which staff and managers agree individual performance objectives that play an important part in achieving the overall desired outcomes. These objectives are also supported by any relevant learning and development required to successfully achieve them.

Monitoring of progress against targets is undertaken on a number of levels, from strategic quarterly performance reporting to Cabinet, to service boards that measure performance against agreed business plans to regular 1:1s between managers and staff to review operational and day to day business performance.

The council also has a robust decision-making framework in place that requires all reports to be subject to the corporate "call over" clearance process prior to publication. This process was reviewed and strengthened in 2021. All reports follow a standard template that provides the decision maker with all the relevant information and advice necessary to make an informed decision. Reports provide background information; details of the issue under consideration and includes options open to the decision maker together with the pros and cons of each of those options to provide a recommended course of action if required.

Professional advice in respect of any considerations of a legal, financial, equality, risk, economic recovery and poverty, impact on young people and future generations, and the UNESCO biosphere and climate & environmental impacts are clearly set, out as is any consultation that has been undertaken to assist with the decision.

- The council's Corporate Scrutiny Committee scrutinises items on the council's forward plan and acts in the capacity of critical friend to the Cabinet prior to decisions being taken. Scrutiny meetings are held in public where members of the public can ask questions orally or submit questions in writing to the committee.

Principle 5: Developing the council's capacity, including the capability of its leadership and the individuals within it:

- The council operates a robust interview and selection process to ensure that offers of appointment are based upon securing the right level of skills and experience to fulfil the role. If working with children and/or vulnerable adults the necessary clearance checks are undertaken prior to appointment. There is a

corporate induction programme that welcomes new staff into the council, assisting with understanding of the council's priorities and ambitions as well as the prevailing culture and expected standards of behaviour. It provides a wide range of information on how the council operates and the key policies that new starters need to be aware of.

- There is a corporate core learning and development programme that sets out a number of required activities for new staff to complete and for existing staff to receive by way of updates. There is also a core learning and development programme for managers designed to ensure they are fully conversant with their people management responsibilities. These learning programmes have been included in the council's Learning Hub which enables staff to undertake and record training events, and managers to access reports on training uptake.
- There is a full complement of appointments to the corporate management team, all of whom are appropriately qualified and experienced in their field and capable of providing strong, resilient, and stable corporate leadership.
- The council has entered into a number of strategic partnerships to enable the capacity of a small unitary council to be maximised to its full potential. Strategic partnerships include the management of the council's children's services and public health with Hampshire County Council; Portsmouth City Council for the provision of a Director of Finance and Section 151 Officer and Chief Internal Auditor roles.
- There are a number of learning and development programmes in place for aspiring leaders and managers that aims to improve the council's future succession planning arrangements and which also seeks to facilitate engagement and empowerment of future talent in the development of the council's critical business priorities and intended outcomes. The Council's successful approach to the use of the Apprenticeship Levy has led to an increase in existing staff accessing development programmes which assist with succession planning.
- Newly elected councillors are provided with a comprehensive induction programme that assists with full understanding of their roles and responsibilities, political management and decision making, financial management, health and safety, information governance, safeguarding and code of conduct.
- Councillors are provided with a regular calendar of events that aims to provide a wide range of on-going learning and development in specific areas of council activity, legislative changes and personal skill development. Access to the Local Government Association Leadership Academy is afforded to cabinet members and aspiring cabinet members and other relevant external or on-line learning opportunities are made available to enable specific portfolio or areas of interest to be developed.

Principle 6: Managing risk and performance through robust internal control and strong public financial management:

- The council has in place frameworks for risk and performance management alongside the strategy and policy that sets out the framework arrangements and responsibilities for the successful delivery of agreed priorities and intended outcomes. The policy was refreshed and relaunched during 2021/22 and is intended to assist council staff at all levels in applying sound risk management and performance management principles and practice across their areas of responsibility. Risks and performance are monitored and reported to corporate management team and review is undertaken by the Corporate Scrutiny Committee.
- The Audit Committee reviews the Strategic Risk Register at each committee meeting. Tracking actions to reduce risk and the progress of mitigating actions.
- The council has two major, long term commercial contracts in place for highways and waste service delivery both of which have their own contract management team, councillor boards and delivery boards to maintain oversight and formal monitoring of performance.
- The council's financial management arrangements conform to the governance requirements of the CIPFA "statement on the role of the Chief Financial Officer in local government (2016)". The Chief Financial Officer is professionally qualified; is a member of the corporate management team; has input into all major decisions; advises Cabinet on financial matters and is responsible for ensuring that budgets are agreed in advance, are robust and that the finance function is fit for purpose. The Chief Financial Officer is the Director of Finance and Section 151 Officer.
- The council's assurance arrangements also conform to the governance requirements of the CIPFA "statement on the role of the Head of Internal Audit (Chief Internal Auditor) in public service organisations (2016)". The Chief Internal Auditor is professionally qualified and leads on the review and adequacy of the council's internal control environment. Where necessary, to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to the Chief Executive, Section 151 officer; Monitoring Officer and Councillors, especially those who serve on committees charged with governance.

Principle 7: Implementing good practices in transparency, reporting and audit to deliver effective accountability:

- The council's constitution is refreshed at least annually and sets out how decisions are made. It makes specific reference to decision making by Full Council, Cabinet and other established committees. There is also a scheme of delegations that describes the limits of responsibilities that can be delegated to the Chief Executive and chief officers (and who in turn may delegate further as appropriate).

The council is committed to openness and transparency and now publishes a significant amount of data and information in order to increase its accountability to residents. There are dedicated transparency pages on the council's website that provides access to the council's spend transactions month by month; statement of accounts; performance monitoring; councillor allowances and declarations of interest; budget consultation outcomes; workforce data and pay policy setting out the council's terms and conditions of employment; trade union facility time; councillors questions and contracts to name but a few.

- The council publishes a [Forward Plan](#) of all key decisions which are proposed to be taken and other decisions where practicable to assist in providing public transparency and confidence in decision making. All committee agendas and minutes of constituted committees are also published on the council's website and in accordance with publication timescales.
- All reports requiring a decision are considered by appropriately professionally qualified legal and finance staff prior to publication and all advice is made public within the report template. The council must also ensure that it meets its duties and obligations under the Equality Act 2010 and any proposals for changes to service delivery, projects or policies have regard to equality when being considered to better understand whether they impact on people who are protected under the Act and to assist with informed decision making.
- A Local Government Framework has been used as a basis for self-assessment and a baseline for the council's current equality and diversity provisions. An action plan has been developed to monitor progress and this is monitored through the Equality and Diversity Board which meets quarterly and reports on to the Corporate Management Team.

5. Assessment of the longer-term disruption and consequences arising from the coronavirus pandemic:

Projects and programmes that were put on hold during the pandemic have restarted with the inevitable delays planned into future project timescales.

As part of the recovery programme there was a regular meeting of the IWC Covid-19 Restoration, Recovery and Renew Group. This was where council and key partners oversaw the recovery phase from the Covid-19 outbreak and agreed the restoration and renewal of services and considered the impact on the wider community. The group focus was to develop actions to address community impacts and internal backlogs created and to ensure that services returned to normal (or new normal) as quickly as possible. The group also focused on ensuring the significant improvement to our process and procedures are maintained and developed.

The audit plan for 2021/22 was prioritised to those areas most affected by the Covid-19 response activity to ensure adequate assurance of systems and processes in the longer term.

6. Financial Management Code 2019:

A key goal of the Financial Management Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. Inevitably, the impact of Covid-19 had tested that financial resilience and will continue to do so in coming years. There are clear links between the Financial Management Code and the Governance Framework.

2020/21 was a 'shadow' year for the introduction and implementation of the Financial Management Code 2019 with full implementation during 2021/22.

A significant amount of the Code is part of the council's current and ongoing activity. In order to provide the required evidence of compliance the Section 151 Officer requested a full review to assess the level of compliance of the council's current policies, systems and processes against the new Financial Management Code. The review evidenced that the council's financial regulations policies and procedures continue to meet the code requirements.

The medium-term financial plan which started in 2016 has not changed significantly since that date. The annual budget report is the mechanism for those in year changes to be identified and actioned dependent on the priorities and plans of the council.

7. The annual review of effectiveness

The council is required to undertake, at least annually, a review of the effectiveness of its governance framework, through the internal audit assurance process and self assessment survey, including the system of internal control. The outcomes of the review are considered by the Corporate Management Team and Audit Committee (who approve the final statement). Once approved, the annual governance statement is published alongside the council's statement of accounts.

In reviewing the council's governance framework arrangements and in order to complete this assurance statement, there are a number of assurances drawn from the following sources:

- Full council, Cabinet and other key decision making committee outcomes
- Outcomes from Scrutiny committees and Audit Committee
- The Monitoring Officer, Section 151 Officer and Chief Executive
- Corporate service departments
- Internal audit report on the annual governance statement
- Internal audit annual opinion
- Internal audit self-assessment survey and report
- The Annual Governance Statement Self Assessment
- Risk, performance, and financial reports
- The Strategic Equality and Diversity board
- The Strategic Health and Safety board
- Customer complaints and feedback

- Freedom of Information requests
- Data protection and information governance issue
- Health and Wellbeing Board
- External audit reports
- External inspections and peer reviews
- Benchmarking activity
- Evaluation of progress against previously identified governance issues

This all supports the completion of a self-assessment statement which covers the key processes and systems that comprise the council's governance arrangements and is intended to identify any areas where improvement or further development is required.

8. Governance issues – Part One - Progress Against the 2020/2021 Self-Assessment

The completion of the self-assessment for 2020/21 did not highlight any significant governance failures. However, the following issues were identified as areas where improvements could be made:

	Governance issue	Actions to address the issue	Measure of success	Progress to Date
1	<p>Lack of consistent compliance with policy process legislation, further complicated by the ability to provide this assurance with the work from anywhere model.</p> <p><i>Examples of audits where this has been identified are: Digital / CCTV / Schools / Insurance / accounts receivable / accounts payable / SARS etc.</i></p>	<p>Follow up audits will revisit the areas to be actioned and will be reported through the Audit Committee and CMT.</p> <p>ACTIONS COMPLETED</p>	<p>Reduction in the number of cases and areas reported as not complying with appropriate policy and process.</p>	<p>Results from the analysis of the “full” audits completed during 2021-22 indicate significant improvement under compliance with 15/29 of areas tested achieving 'assurance'. 12/29 were rated as 'reasonable assurance' and only 2 were noted 'limited assurance' these cover DoLs and School Landlord Responsibilities.</p> <p>Following consultation with key managers across the Council an agreed set of policies/key documents, relevant to the AGS, has been identified and agreed between Internal Audit and the Organisational Intelligence Team.</p> <p>The Organisational Intelligence Team are engaging with document owners up to November 2022, to ensure they have made arrangements to review and update documentation.</p> <p>In November Internal Audit will validate policies/key documents as part of the annual AGS assurance exercise, to confirm they have been reviewed and updated.</p>

	Governance issue	Actions to address the issue	Measure of success	Progress to Date
				More widely, where specific out of date documents have been identified through individual audits, Internal Audit will confirm these have been reviewed and updated as part of scheduled follow-up work.
2	Introduction of the CiPFA Financial Management Code	<p>Review of activity and compliance with the new code. Identification of changes needed to address gaps or limitations in compliance with the FM Code.</p> <p>ACTIONS COMPLETED</p>	IWC financial policies and processes continue to meet the standards required by the CIPFA Financial Code.	<p>Self assessment review has been undertaken by the Assistant Director of Finance to assess the compliance of the council's policies, procedures and guidance following the revision of the code.</p> <p>There are very few amendments to the financial policies required. The council's systems of internal control continue to meet the code requirements.</p> <p>The financial policies themselves may change very slightly in some areas and a full update of all related policies is planned for December 2022 with an annual check planned in.</p>
3	Compliance with Risk Management Framework at service level needs to be tested	<p>Relaunch of the council's risk management framework and internal risk management system.</p> <p>Risk Management Audit</p>	<p>Service risks are reported effectively to all service boards and escalated where necessary.</p> <p>Services utilise the council's risk management system or have evidence of</p>	<p>All Directorates are making use of the IWC Risk Management Framework to some level. Where service (Directorate) Boards take place, risk is discussed.</p> <p>The majority use the IWC Risk Management System (IWRMS) except Childrens Services who use arrangements put in place by Hants CC.</p> <p>The IWC Risk Management Framework and the IWC Project Management Framework do not</p>

	Governance issue	Actions to address the issue	Measure of success	Progress to Date
		<p>AGS self-assessment survey and sample testing</p> <p>ACTIONS COMPLETED</p>	adequate alternative reporting in place	<p>mandate the use of the IWRMS so services whose work is predominantly change based (e.g. Regeneration) will use the system only tangentially.</p> <p>Actual Risk Management arrangements and progress towards implementing enhanced arrangements were reviewed as part of the 2021/22 Audit Programme.</p> <p>The findings from the review were generally positive with only two medium and one low risk exceptions raised.</p> <p>Actions agreed focussed on implanting consistent arrangements across the Council, specifically to ensure there is sufficient corporate visibility of risk across the Council and how this is being mitigated/managed.</p> <p>Internal Audit will validate that appropriate progress is being made by following up on agreed actions as part of the 2022/23 Audit Programme.</p>
4	Compliance with the council's performance management framework and links to the corporate plan	Refresh of directorate service plans and team plans to identify key areas of performance linked back to the refreshed corporate plan priorities.	Service plans reflecting the corporate priorities, feeding into team plans and down to individual performance plans.	Directorate Plans have been produced that assign all objectives from the Corporate Plan to the most appropriate directorate and detail what performance measures are in place to monitor delivery and what risks have been identified to the delivery of those objectives.

	Governance issue	Actions to address the issue	Measure of success	Progress to Date
		<p>Refresh of data book metrics and measures reported to the corporate management team and through the quarterly performance monitoring reporting to cabinet.</p> <p>ACTIONS COMPLETED</p>	<p>Effective reporting of performance against each of the corporate plan outcomes.</p>	<p>Reporting against each of the Corporate Objectives is included within the Quarterly Performance Management Report to Cabinet.</p> <p>Performance measures were reviewed as part of the transfer to a new performance management system in March 2022 and will be done so again periodically.</p> <p>Internal Audit noted in its 2021/22 AGS Report that the Performance Management Framework had been revised and did not identify any significant issues regarding how this is operating.</p> <p>Following Internal Audit's annual risk assessment (informed by above) no specific audits are scheduled for 2022/23 on Performance Management. High level arrangements for Performance Management will be reviewed as part of the annual assurance exercise of the AGS.</p>
5	<p>Post-election there will be a need to support the audit committee in the delivery of its duty.</p>	<p>Training and development support to new councillors</p> <p>Completion of the self-assessment tool for successful audit committees through CIPFA</p>	<p>Induction plans in place and completed by all councillors</p> <p>Assurance that the audit committee have been supported to understand and undertake their roles on the committee effectively.</p>	<p>A comprehensive induction programme was put in place to provide newly elected members with the information and knowledge required to fulfil their duties and responsibilities. This included specific mandatory prerequisite training requirements for those councillors nominated for the licensing and planning committees. There is a dedicated area of the council's learning management system for councillors to access a range of e-learning modules and other sources of information and support, including the LGA.</p>

	Governance issue	Actions to address the issue	Measure of success	Progress to Date
		ACTIONS COMPLETED		<p>A training needs analysis has been undertaken to identify their on-going development needs. There is also a councillor development group in place, designed to co-ordinate and develop learning activities on common matters of interest for councillors.</p> <p>The CIPFA self-assessment tool has been completed by committee members. A specific learning event is also scheduled to take place for committee members to afford continued learning in respect of the roles and responsibilities of the committee members and to enhance the effectiveness of the work of the committee.</p>

Governance issues – Part Two: Action Plan from the 2021/22 self assessment:

Over the course of 2021/22 Internal Audit has completed 54 reviews out of a revised 54 review plan. These include a combination of full audits (29), follow up reviews and grant verifications.

Across all areas of the audit plan, no audit has resulted in a 'no assurance' opinion and only three areas have been rated as 'limited assurance'. In addition, there has been improvement noted relating to the implementation of agreed actions, as evidenced in follow up reviews, where actions have been closed in a timely manner. All of these results indicate a stable internal control framework.

The types of issues identified through 2021/22 are consistent with those identified during 2020/21, for example governance, management reporting, and general compliance are common themes, although all show an improvement from the previous year.

The overall annual opinion will therefore remain at '**reasonable assurance**'.

	Governance issue	Actions to address the issue	Measure of success	Lead Person
1	An agreed set of policies/key documents, relevant to the AGS, has been identified and agreed. Some policies are not up to date or require review.	Identified policies to be reviewed and where necessary updated and re-issued	All relevant policies are up to date and meet current governance requirements. In November 2022 Internal Audit will validate policies/key documents as part of the annual AGS assurance exercise, to confirm they have been reviewed and updated.	Strategic Manager – Organisational Intelligence
2	Further embedding of the risk management framework across all service areas	Implanting of consistent arrangements across the Council, specifically to ensure there is sufficient corporate visibility of risk across the Council and how this is being mitigated/managed.	Internal Audit will validate that appropriate progress is being made by following up on agreed actions as part of the 2022/23 Audit Programme.	Strategic Manager – Organisational Intelligence

Summary

The annual assessment and review process of the council's corporate governance arrangements has identified several issues that could further enhance the current arrangements. As a result, the Isle of Wight Council will take steps to address the above identified issues to secure further assurance in the areas of most concern identified above.

Signed on behalf of Isle of Wight Council:

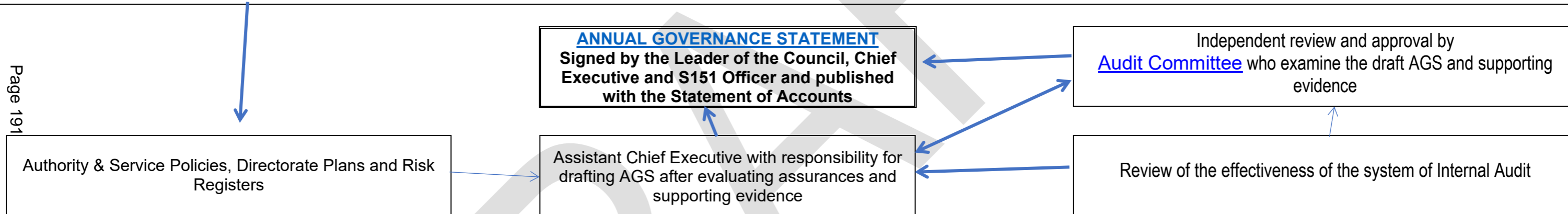
Wendy Perera
Interim Chief Executive and
Director of Strategy

Councillor Lora Peacey-Wilcox
Leader of the Council

Strategic Planning Documents	Human Resources Documents	Financial Management Documents	ICT and Legal Documents
<ul style="list-style-type: none"> • Corporate Plan 2021 to 2025 • Performance Management Framework • IWC Risk Management Framework • IWC Project Management Framework* • Forward Plan • Constitution (including Member Code of Conduct) • Complaints Policy† • Town, Parish and Community Council Protocol (16) 	<ul style="list-style-type: none"> • IWC Terms and Conditions /Contracts of Employment*† • Pay Policy • Capability Policy* • Disciplinary Policy* • Harassment & Bullying Policy† • Gifts and hospitality Guidance for staff and members • Expenses Policy • Behaviour Framework* • Equality Impact Assessment Guidance • Workforce Plan • Whistleblowing Policy • Employee Code of Conduct • Recruitment Policy & Procedure • Disclosure and Barring Service (DBS) Policy) • Equality Policy Statement & Guidance* 	<ul style="list-style-type: none"> • Medium Term Financial Plan • Treasury Management Strategy† • Income and Charging Policy*† • Anti-money laundering policy* • Anti-Fraud, Bribery and Corruption Policy* • Corporate Tax Evasion Policy • Contract Standing Orders* • Financial Regulations • Pension Fund Governance Policy • Accountable Body Policy+ • Grant Policy† • Loans Policy† • VAT Manual † • Procurement Strategy 	<ul style="list-style-type: none"> • Data Protection Policy† • GDPR - Privacy Impact Assessment* • Protective marking Policy* • Portable File Storage Policy • Corporate Retention Policy • Information Security Policy • Cloud Storage Policy • Social Media Policy*† • Electronic Communications Policy*

(*) Intranet Only
(†) Policy review underway

Page 191



Performance Management & Data Quality <ul style="list-style-type: none"> • Service Board Reports • Quarterly Performance Reports • Benchmarking Clubs • Personal Performance Management Reviews • Job descriptions • Corporate Induction • Corporate Management Team Schedule of Meetings 	Risk Management <ul style="list-style-type: none"> • Strategic Risk Register • Service Risk Registers • Project Risk and Issues Logs • Service Board Reports • Online RM Training • Classroom RM Training 	Information Governance <ul style="list-style-type: none"> • Training Programme • Department Information Guardian Meetings • Data Sharing Agreements • Information Governance Group • Information Security Group • FOI Requests • Complaints submission • Subject Access Request 	Legal and Regulatory Assurance <ul style="list-style-type: none"> • Sections of Committee Reports • Legal Advice • Equality Impact Assessments • Transparency reports • Register of interests • Whistleblowing reports • Call over processes 	Members Assurance <ul style="list-style-type: none"> • Council Meetings - Modern Council (moderngov.co.uk) • Scrutiny Committees • Cabinet • Full Council • Audit Committee • Appeals Committee • Councillor's Induction Programme • Councillor's Training Programme • Health and Wellbeing Board
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IWC Governance Framework

ADDENDUM 1A

Assurance by Directors/Heads of Service	Other Sources of Assurance (including third party)	<u>Financial Management</u>	<u>Internal Audit</u>	<u>External Audit</u>
<ul style="list-style-type: none"> • Corporate Management Team meetings • One to One meeting with CX • Monitoring Officer • Section 151 Officer • Chief Executive Officer 	<ul style="list-style-type: none"> • Regulatory body Inspections • Ombudsman Reports (2021-22) • Staff Equality and Diversity Group • Health and Safety Board • Vine Staff Newsletter • Manager's briefings • Mental Health Working Group 	<ul style="list-style-type: none"> • Statement of Accounts • Capital Programme • Service Board Reports • Treasury Management • Statutory Returns • Outturn Reports • Procurement Board 	<ul style="list-style-type: none"> • Annual Plan • Periodic Reporting to Audit Committee 	<ul style="list-style-type: none"> • Annual Plan • Annual Audit and Inspection Letter

DRAFT



Committee report

Committee	AUDIT COMMITTEE
Date	25 JULY 2022
Title	PROPERTY INVESTMENT PORTFOLIO ANNUAL REPORT
Report of	CABINET MEMBER FOR STRATEGIC FINANCE, TRANSFORMATIONAL CHANGE AND CORPORATE RESOURCES

EXECUTIVE SUMMARY

1. This report provides members of the Audit Committee with an update as at 31 March 2022 on the four mainland property investments that were purchased in 2018 and which comprise the commercial property acquisition fund.
2. If the portfolio were to be sold for the estimated market price (£41.35m), this would represent an increase since acquisition of £6.25m less costs of sale (legal and agency fees).
3. The fund increased in value between March 2021 and March 2022 by 17.97%.
4. The units are all fully let and the rent roll is currently £1,821,560 per annum.
5. The total income actually received between 1 April 2021 to 31 March 2022 was £1.64m (rounded up), whilst the Council incurred debt costs of £738k during this same period.
6. The cumulative net income (excluding debt costs) for the period 1 April 2021 to 31 March 2022 represented a net return of 4.4%.
7. The Council has a number of lease events taking place in 2022/23 which, when concluded, should increase the rent roll.
8. In addition, if negotiations with our two largest tenants prove to be successful, this should help to increase the value of the fund if, as predicted, the industrial market continues to dominate in 2022.

RECOMMENDATION

9. To note the progress of the property investment fund in the delivery of the commercial property acquisition strategy, including the total income that has been accrued by the Council.

BACKGROUND

10. The Council's medium-term financial strategy, which is designed to help improve the Council's financial sustainability, made provision for up to £100 million to be available for a commercial property acquisition fund, subject to the approval of a commercial property acquisition strategy. Full Council at its meeting on 20 September 2017 gave its approval to such a strategy. The report recommending the strategy also proposed that reports should be prepared for submission to the Audit Committee setting out the progress of the property investment fund, including the total income that has, or will, be accrued by the Council on an annual basis.
11. The strategy was used as the framework for all acquisitions and included strict criteria to determine which properties to acquire. Those criteria included the following:
- a balanced commercial property portfolio that provided long term rental returns and growth;
 - a portfolio of property assets with a view to diversification on individual assets by sector (industrial, offices and retail), location and risk;
 - core assets being the best property for the sector in an ideal location with long term income to high quality tenants;
 - all investments must initially provide income (yield) equal to, or above, the Council's required rate of return (IRR);
 - priority to be given to properties that yield optimal rental growth and a stable income;
 - protect capital invested in acquired properties; and
 - location to be dictated by opportunity to acquire investments that meet the strategy, with proximity to the Isle of Wight being a deciding factor when all other attributes are equal.
12. In 2018, the fund acquired four separate property investments comprising thirteen lettable units with nine tenants.
13. Portsmouth City Council (PCC), as commissioned by Isle of Wight Council, managed the fund until 1 April 2021, following which responsibility for management of the properties was then transferred to the Council's Property Services department.
14. The Council's investment strategy has now settled into a management phase and it is not looking to acquire additional properties on the mainland.

PROGRESS TO DATE

15. **Acquisition costs**

15.1 Including all the costs associated with purchase (Stamp Duty Land Tax, land registry fees, surveyor's fees, legal expenses, due diligence and agreed costs to PCC), the Council spent around £35.1 million on investment acquisitions.

15.2 The four investments comprise:

- Olympic Court, Salford, Greater Manchester – acquired March 2018 for £10.8m;
- Network Oxford, Littlemore, Oxford – acquired October 2018 for £10m;
- Access 4:20, Aylesford, Kent – acquired April 2018 for £8.6m; and
- Nursling Industrial Estate, Southampton – acquired November 2018 for £3.5m.

15.3 Appendix 1 is a schedule of all assets currently held within the fund.

16. **Rental income**

16.1 No tenants are currently in rental arrears and all units are fully let.

16.2 The total rent passing is £1,821,560 per annum.

16.3 Lease events in the 12-month period up to 31 March 2022 included:

- A request from Scoto Ltd (Stagecoach Group) to reconsider its current lease arrangements. The proposals were not seen to be in the Council's best interests.

16.4 The tenants currently in occupation are:

- **Olympic Court**
 - Mettler-Toledo Safeline Ltd
 - In The Style Fashion Ltd
- **Network Oxford**
 - Nedschroef Fasteners Ltd
 - Scoto Ltd (Stagecoach Group)
- **Access 4:20**
 - Eriks Industrial Services Ltd
 - Betterstore Self Storage Properties III Ltd
 - MJ Supply Ltd
 - Go Installations Ltd
- **Nursling Industrial Estate**
 - Metabo UK Ltd

16.5 Lease events in 2022/23 include the following:

- **Olympic Court**

16.6 Initial discussions have recently been opened with Mettler-Toledo Safeline Ltd (Units 500, 510, 520 & 530) about a possible lease restructuring as the leases are all due to expire in August 2024.

16.7 Discussions have now begun with In The Style Ltd (Unit 540) about its rent review in May 2022.

- **Network Oxford**

16.8 Nedschroef Fasteners Ltd (Unit 1) is keen to discuss a possible restructuring of its lease, which expires in June 2024; an agent has recently been appointed an agent to advise and negotiate.

- **Access 4/20**

16.9 Eriks Industrial Services Ltd (Unit 1) has a lease expiring in September 2022. A s25 Notice has been served on the tenant and negotiations are expected to commence within the next few months.

16.10 Betterstore Self Storage Properties III Ltd (Units 2 & 3) has two leases due for review in October 2022; an agent will shortly be appointed to advise and negotiate.

16.11 MJ Supply Ltd (Unit 4) took a 5-year lease in April 2022. The tenant was granted a rent-free period and, in view of the 'tired' condition of the unit, a 'schedule of condition' was agreed, which requires it to be returned in no better/worse condition than at the beginning of the lease.

16.12 Go Installations Ltd (Unit 5) has a lease that expired in June 2020. The tenant is 'holding over' under the Landlord & Tenant Act 1954. An amicable and appropriate settlement is currently being sought that should recognise the interests of both parties, whilst also having regard to the negative impact the pandemic has had on the tenant's business.

17. **Strategy**

17.1 With a stop on acquisition activity, the immediate focus for the portfolio is continued cash-flow security and debt management. A careful and considered management approach is central to all ongoing and future lease events (mainly rent reviews and lease renewals) to avoid protracted and costly court procedures and potential void risks.

17.2 Continuing to hold and actively manage these assets in the short to medium term whilst the wider implications associated with the economy are monitored is of utmost importance. In doing so, this should protect the Council's revenue position and allow the maximum opportunity for the revision of the investment strategy as appropriate.

18. Investment market

- 18.1 The demand for space from the UK's industrial and logistics sectors hit another record high in 2021 of 78.0 million sq ft, surpassing 2020's previous high by 29% (Source: Lambert Smith Hampton "ILM 2022"). The impact of the pandemic has been to fast forward structural change which, when combined with a more general recovery in the wider UK economy, has helped to fuel an insatiable appetite from both occupiers and investors alike.
- 18.2 This 'race for space' has also led to unprecedented rates of rental growth over the past 12 months, with prime headline rents rising in 2021 by 15% on average across UK markets (Source: Lambert Smith Hampton "ILM 2022").
- 18.3 Whilst the record-breaking return in 2021 for industrial property may not be repeated in 2022, the sector is expected to continue to dominate with a predicted return of over 16% (Source: Gerald Eve "In Brief March 2022") as the continued weight of global capital comes under pressure to be invested before yields dip that final bit further and debt financing becomes more expensive.
- 18.4 Although recent headlines have focused on the impact of high inflation on households, rising costs are a broad trend also impacting stakeholders across the industrial and logistics sector. In this environment, landlords should be mindful of these risks on the occupier market (Source: Lambert Smith Hampton "ILM 2022").

19. Resources

- 19.1 The fund is being managed within IWC's existing resources.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

20. The financial performance of the mainland portfolio helps to ensure the Council can meet its stated aspiration to keep the Isle of Wight Council solvent and take all the measures we can to improve the financial position of the Council.
21. **Keep the Isle of Wight Council solvent and take all the measures we can to improve the financial position of the council**
- Refresh the council's commercial strategy and approach towards securing investment and income generation opportunities. Refresh the council's procurement strategy to enhance our approach to social value, environmental sustainability and 'Think Local'.
22. **Responding to climate change and enhancing the biosphere**
- 22.1 The Council will consider all opportunities to improve the efficiency of these buildings as and when they become available to let and the opportunity arises.

23. Economic Recovery and Reducing Poverty

23.1 The Council will try to provide as much support as it can to any tenants who have experienced financial difficulties arising from the pandemic.

24. Impact on Young People and Future Generations

24.1 The report is not expected to have an effect on young people or future generations.

25. Corporate Aims

25.1 Corporate Aims

We will aim to spend and invest as much council money on the Island as is possible

It is a key aspiration of the Council to spend and invest as much money on the Island as is possible. The mainland portfolio currently provides a significant income stream and opportunities for capital appreciation that cannot be quickly replicated on the Island. The performance of the mainland investments is compared with Island-based opportunities to ensure maintaining investments away from the Island is not at the expense of the island.

CONSULTATION

No consultation has taken place as the report is intended to provide Members of the Audit Committee with an overall summary of progress in the delivery of the Council's commercial property acquisition strategy up to 31 March 2022.

FINANCIAL / BUDGET IMPLICATIONS

26. Capital growth

26.1 The primary objective for the Council is to protect its capital base where possible, maximise income and create a long-term sustainable income stream. As the fund matures over the coming years and rental income grows, the impact of initial acquisition costs on overall performance should decrease.

26.2 The fund is valued annually on 31st March by an external firm of professional property valuers. Capital values are now measurable for the whole portfolio year-on-year from 1 April 2021 to 31 March 2022.

External Valuations 2018 - 2022

	March 2018 Value (£m)	March 2019 Value (£m)	March 2020 Value (£m)	March 2021 Value (£m)	March 2022 Value (£m)	Percentage +/- between 2021 and 2022
Olympic Court	£10.8	£10.97	£10.97	£11.75	£13.675	+16.38%

Network Oxford	Not yet purchased	£10.0	£10.0	£10.2	£12.175	+19.36%
Access 4:20		£8.625	£8.625	£9.1	£10.7	+17.58%
Nursling, Southampton	Not yet purchased	£3.5	£3.5	£4.0	£4.8	+20.00%
TOTAL		£19.425	£33.095	£35.05	£41.35	+17.97% (average)

26.3 The current fund value of £41.35m represents an increase of 25.68% over the initial purchase price of £32.9m (not including acquisition costs).

26.4 The purchase price, including acquisition costs of £2.2m, was £35.1m.

26.5 If the portfolio were to be sold for the estimated market price (£41.35m), this would represent an increase of £6.25m less costs of sale (legal and agency fees).

27. Rental Income (Gross Return)

27.1 The total income received for the period 1 April 2021 to 31 March 2022 was £1.64m (rounded up).

27.2 Based on the acquisition price, the gross return up to 31 March 2021 was 5.08% and up to 31 March 2022 it was 4.66%.

28. Rental Income (Net Return)

28.1 The cumulative net income (excluding debt costs) to the council for the year to 31 March 2022 amounts to £5.71m, which represents income of £6.40m less costs of £0.39m. For the period between 1 April 2021 and 31 March 2022 this represents a net return of 4.4%.

28.2 The Council incurred costs of £94k, which includes the services provided by managing agents of £10k. Other operating costs incurred were £84k. The Council incurred debt costs of £738k for the financial year ending 31 March 2022.

28.3 The reserve balance as at 31 March 2022 is £1.25m. This reserve will be used to fund potential future lost rental income and future property related costs.

28.4 The net return (including debt costs) for 2021/22 was £807k, which represents a net yield of 2.3%.

LEGAL IMPLICATIONS

29. The council is empowered to buy and sell land pursuant to section 120 of the Local Government Act 1972. Section 1 of the Local Government Act 2003 provides a power to the council to borrow for the purposes of any enactment.
30. In order to lawfully implement the investment strategy, each proposal (including the funding strategy for purchases) was reviewed as part of a decision to purchase and tested for both value for money and regulatory compliance. All acquisitions were reviewed by, or on behalf of, IWC to be able to maintain oversight of the transactions being completed.

EQUALITY AND DIVERSITY

31. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 and to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups, as well as foster good relations between people who share a protected characteristic and those who do not share it.
32. The protected characteristics are: age; disability; gender reassignment; marriage/civil partnership; pregnancy/ maternity; race, religion and/or belief; and sex/sexual orientation. It is not considered that the content of this report has any impact on any of the protected characteristics.

RISK MANAGEMENT

33. All commercial property investments carry a risk. However, the commercial property investment strategy ensured that any risk was minimised in return for an appropriate level of financial gain. There are clear protocols, authorisation processes (overseen by the Director of Finance/Section 151 Officer) and due diligence checks in place that allowed for risks associated with the various acquisitions to be fully evaluated prior to sale completion. These protocols and processes will continue to be reviewed.

EVALUATION

34. Full Council agreed the commercial property acquisition strategy in line with the medium-term financial strategy in order to secure an income stream that would contribute to the overall aim of future financial sustainability of the Island's public services.

APPENDICES ATTACHED

Appendix 1: Schedule of assets held.

BACKGROUND PAPERS

35. Full Council 20 September 2017 – Commercial Property as Investment – Paper C
<https://www.iow.gov.uk/Meetings/committees/mod-council/20-9-17/Paper%20C.pdf>

36. Audit Committee 3 December 2018 – Progress Report Commercial Acquisition Strategy
<https://www.iow.gov.uk/Meetings/committees/Audit%20Committee/3-12-18/PAPER%20J%20-%20Progress%20Report%20-%20Commercial%20Aquisition%20Strategy.pdf>
37. Audit Committee 30 September 2019 – Progress Report Commercial Acquisition Strategy – Paper G
<https://www.iow.gov.uk/Meetings/committees/Audit%20Committee/30-9-19/PaperG-ProgressReport-PropertyAquisitionsStrategy.pdf>
38. Audit Committee 28 September 2020 – Progress Report Commercial Acquisition Strategy
<https://iow.moderngov.co.uk/documents/s1029/Commercial%20Property%20Report.pdf>
39. Audit Committee 27 September 2021 – Progress Report Commercial Acquisition Strategy
<https://iow.moderngov.co.uk/documents/s4626/Item%207%20-%20Commercial%20Acquisition%20Progress%20Report.pdf>
<https://iow.moderngov.co.uk/documents/s4627/Item%207%20-%20Commercial%20Acquisition%20Progress%20-%20Appendix%201.pdf>

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Paul Hargreaves, Senior Estate Surveyor

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CHRIS ASHMAN
Director of Regeneration

COUNCILLOR CHRIS JARMAN
*Cabinet Member for Strategic Finance,
Transformational Change and Corporate
Resources*

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Metabo, Nursling, Southampton	Nov 18	£3.5m Vendor: Off-market Rodenhurst Estates
	<p>25,000 sq ft industrial warehouse on Nursling Industrial Estate on the outskirts of Southampton</p> <p>Let to Metabo Tools</p>	
Network Oxford	Oct 18	£10m Vendor: CBRE Investors
	<p>Modern, semi-detached warehouse built in 2008 extending to 30,136 sq ft and a 1-acre concreted yard currently occupied as a transport depot.</p> <p>Multi-let to Nedschroef and Stagecoach</p>	
Olympic Court, Manchester	March 18	£10.8m Vendor: Goldman Sachs
	<p>5 unit multi let industrial estate of 108,639 sq ft</p> <p>2 miles from Manchester City Centre</p>	
Access 4:20 Aylesford, Kent	April 18	£8.6m Vendor: Milton Property
	<p>5 unit multi let industrial estate of 50,000 sq ft</p> <p>High quality industrial warehouse units developed in 2006 close to the M20 motorway</p>	

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Committee report

Committee	AUDIT COMMITTEE
Date	25 JULY 2022
Title	TREASURY MANAGEMENT ANNUAL REPORT 2021-22
Report of	PENSION FUND & TREASURY MANAGEMENT ACCOUNTANT

EXECUTIVE SUMMARY

1. In accordance with the council's Treasury Management Strategy 2021-22, this report presents the annual report on treasury management policies, practices and activities for the year ended 31 March 2022.
2. In December 2021, the committee received the half-year progress report on treasury management activities. This report updates the previous report, and includes additional information required for the annual report.
3. The council's activities have fallen within the boundaries of the prudential indicators set for the year
4. The committee is asked to note this report and highlight any areas which may need to be addressed in the forthcoming year.

RECOMMENDATION

- | |
|--|
| 5. That the committee notes the performance for the year ended 31 March 2022 against the treasury management indicators. |
|--|

BACKGROUND

6. The council's treasury management activity is underpinned by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (the code), which requires authorities annually to produce prudential indicators and a treasury management strategy statement on the likely financing and investment activity. The code also recommends that councillors are informed of treasury management activities on a quarterly basis.

7. This report, from a template provided by the council's treasury management advisor, Arlingclose Limited, sets out a summary of the council's treasury management activities during the year to 31 March 2022, and its performance against the prudential indicators that were approved as part of the Treasury Management Strategy.
8. The code of practice defines treasury management as follows:
"The management of the council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
9. The code of practice requires that a report be provided on the actual performance of the council against the following prudential indicators at the end of each financial year and that it encompasses:
 - the revenue effect of transactions executed.
 - the risk implications for decisions made.
 - compliance on agreed policies / practices and statutory / regulatory requirements.
 - performance report.
 - compliance with the CIPFA code recommendations.
 - monitoring of treasury management indicators.
10. Detailed information on the council's performance in respect of these items is set out in Appendix 1 to this report.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

11. The council's arrangements for treasury management support effective service and project delivery across the authority, in turn supporting the key priorities set out in the [Corporate Plan 2021 – 2025](#).
12. There is a need for regular review of the Treasury Management Strategy, in line with the Corporate Plan and Medium-Term Financial Strategy, to ensure the key priorities of the council continue to be deliverable within the reduced resources available to the council.
13. The Treasury Management Strategy is reviewed and updated annually in March and approved by the Audit Committee.

Responding to climate change and enhancing the biosphere

14. The council has published a [Climate and Environment Strategy](#) and the Island has been designated as a [UNESCO Biosphere](#).
15. In addition, the council has set a target to achieve net zero emissions:
 - in its business and delivery of services by 2030;
 - across the school estate by 2035; and
 - as an island by 2040.

16. Through its treasury management activity, the council invests in a combination of money market funds, call accounts maintained by banks and in other local authorities. The council needs to review these investments in relation to their impact on the council's Climate and Environment Strategy.
17. As a result, each of the financial institutions that the council invests in has been asked to provide access to their Environmental, Social and Governance statements, and any specific statements relating to climate change.
18. The council is aiming to include all scope 1 and 3 emissions created directly by itself or indirectly (for example emissions made by our contractors, investments, or travel) in our annual carbon footprint from financial year 2021-22 onwards.
19. Investments count towards downstream scope 3 emissions which contribute towards the Council's overall carbon footprint.

CONSULTATION

20. The annual treasury management report has been considered by senior accountants within the Financial Management team, including the Director of Finance and the Assistant Director of Finance.
21. No external consultation has been undertaken.

FINANCIAL / BUDGET IMPLICATIONS

22. The council's current treasury management arrangements are conducted by council staff, with support from an external treasury management advisor, Arlingclose Limited, within existing budgets.
23. The Treasury Management Strategy includes the overall management of the council's cash flow and borrowing strategy. With interest rates having been low, it was decided to take a combination of short-term and long-term borrowing in order to balance the requirement for low interest costs and achieving cost certainty.
24. Due to continuing low interest rates, and the strategy to undertake short-term borrowing, the council has incurred lower than forecast costs of borrowing for the year, this has resulted in a net saving of £1.9m which has contributed towards the overall financial result of the council.
25. The council earned interest at an average rate of 0.10 per cent on average investment portfolio of £76.4 million. This is lower than the average rate of return than that of the other local authorities that were measured by Arlingclose Limited during 2021-22 and reflects the low-risk investments that the council held during this period.

LEGAL IMPLICATIONS

26. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 explicitly require English authorities to "have regard" to the CIPFA Code of Practice for Treasury Management.

27. Should the council not receive this report, it is in breach of the requirements set out in the code and the council's approved Treasury Management Strategy 2021-22.

EQUALITY AND DIVERSITY

28. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
29. The annual treasury management report has no implications for any of the protected characteristics.

RISK MANAGEMENT

30. Treasury management activities have a high level of risk in that they relate to transactions that can amount to several million pounds which are undertaken with external bodies. When the council has surplus monies to invest, there are risks if those organisations to whom it lends default on repayment (counterparty risk). The costs to the council of its treasury management activities are dependent on fluctuating interest rates.
31. The overall strategy of borrowing short-term and avoiding long-term debt carries the risk that, if interest rates suddenly rise, when longer term debt is eventually required, it will cost more (refinancing risk).
32. The council manages the counterparty risk by adopting a treasury management strategy which includes maintaining a limited list of organisations to which it is authorised to lend and restricting the maximum amount to be invested with each organisation, based on advice obtained from its external treasury management advisor, Arlingclose Limited.
33. The refinancing risk is mitigated by maintaining a combination of both short-term and long-term borrowing, which is regularly reviewed, based on interest rate projections provided by Arlingclose Limited.
34. It also operates protocols for maintaining financial controls. The treasury management function is reviewed by the council's internal auditors on a regular basis. The most recent review which was based on the 2019-20 transactions provided the highest level of assurance on the operation of these controls.
35. The council is obliged under section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs. Failure to comply with the code could result in adverse comments being raised by the council's external auditors.

36. The committee's overview of the council's treasury management arrangements plays an important part in the council's overall governance regime. It has an important role to play in the monitoring of treasury management activities, including overview of the risks faced by this function both internally, which are directly controllable through segregation of duties and reporting arrangements, and externally, controllable through the monitoring of counterparties and lending limits, and also regular monitoring of general economic factors.

EVALUATION

37. The council's treasury management activities for the year ended 31 March 2022 have fallen within the boundaries of the agreed strategy for 2021-22.

APPENDICES ATTACHED

38. Appendix 1 – Treasury Management Performance Report 2021/22.

BACKGROUND PAPERS

39. Treasury Management Strategy 2021-22 (Audit Committee 15 March 2021, Item 9) ([Public Pack](#))[Agenda Document for Audit Committee, 15/03/2021 10:00 \(moderngov.co.uk\)](#)
40. Treasury Management Half-yearly progress report (Audit committee, 6 December 2021, Item 7) ([Public Pack](#))[Agenda Document for Audit Committee, 06/12/2021 10:00 \(moderngov.co.uk\)](#)

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CHRIS WARD
*Director of Finance
and Section 151 Officer*

COUNCILLOR CHRIS JARMAN
*Cabinet Member for Strategic Finance,
Transformational Change and Corporate
Resources*

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Treasury Management Performance Report 2021/22

Introduction

In February 2011 the council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the council to approve treasury management semi-annual and annual reports.

The council's treasury management strategy for 2021/22 was approved at the audit committee meeting on 14 March 2022. The council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the council's treasury management strategy.

Treasury risk management at the council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the council to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

The Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full council covering capital expenditure and financing, treasury management and non-treasury investments. The council's Capital Strategy, complying with CIPFA's requirement, was approved by full council on 23 February 2022.

External Context (provided by Arlingclose Limited) (produced 13 April 2022)

Economic background: The continuing economic recovery from coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period.

Bank Rate was 0.1% at the beginning of the reporting period. April and May saw the economy gathering momentum as the shackles of the pandemic restrictions were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022. Rising, persistent inflation changed that.

UK Consumer Price Inflation (CPI) was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was believed to be temporary. Thereafter price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport dislocations. The surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI for February 2022

registered 6.2% year on year, up from 5.5% in the previous month and the highest reading in the National Statistic series. Core inflation, which excludes the more volatile components, rose to 5.2% y/y from 4.4%.

The government's jobs furlough scheme insulated the labour market from the worst effects of the pandemic. The labour market began to tighten and demand for workers grew strongly as employers found it increasingly difficult to find workers to fill vacant jobs. Having peaked at 5.2% in December 2020, unemployment continued to fall and the most recent labour market data for the three months to January 2022 showed the unemployment rate at 3.9% while the employment rate rose to 75.6%. Headline 3-month average annual growth rate for wages were 4.8% for total pay and 3.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 0.1% while regular pay fell by 1.0%.

With the fading of lockdown – and, briefly, the 'pingdemic' – restraints, activity in consumer-facing sectors improved substantially as did sectors such as oil and mining with the reopening of oil rigs but materials shortages and the reduction in the real spending power of households and businesses dampened some of the growth momentum. Gross domestic product (GDP) grew by an upwardly revised 1.3% in the fourth calendar quarter of 2021 according to the final estimate (initial estimate 1.0%) and took UK GDP to just 0.1% below where it was before the pandemic. The annual growth rate was revised down slightly to 7.4% (from 7.5%) following a revised 9.3% fall in 2020.

Having increased Bank Rate from 0.10% to 0.25% in December, the Bank of England hiked it further to 0.50% in February and 0.75% in March. At the meeting in February, the Monetary Policy Committee (MPC) voted unanimously to start reducing the stock of its asset purchase scheme by ceasing to reinvest the proceeds from maturing bonds as well as starting a programme of selling its corporate bonds.

In its March interest rate announcement, the MPC noted that the invasion of Ukraine had caused further large increases in energy and other commodity prices, with the expectation that the conflict will worsen supply chain disruptions around the world and push CPI inflation to around 8% later in 2022, even higher than forecast only a month before in the February Monetary Policy Report. The Committee also noted that although GDP in January was stronger than expected with business confidence holding up and the labour market remaining robust, consumer confidence had fallen due to the squeeze in real household incomes.

GDP growth in the euro zone increased by 0.3% in calendar Q4 2021 following a gain of 2.3% in the third quarter and 2.2% in the second. Headline inflation remains high, with CPI registering a record 7.5% year-on-year in March, the ninth successive month of rising inflation. Core CPI inflation was 3.0% y/y in March, was well above the European Central Bank's target of 'below, but close to 2%', putting further pressure on its long-term stance of holding its main interest rate of 0%.

The US economy expanded at a downwardly revised annualised rate of 6.9% in Q4 2021, a sharp increase from a gain of 2.3% in the previous quarter. In its March 2022

interest rate announcement, the Federal Reserve raised the Fed Funds rate to between 0.25% and 0.50% and outlined further increases should be expected in the coming months. The Fed also repeated its plan to reduce its asset purchase programme which could start by May 2022.

Financial markets: The conflict in Ukraine added further volatility to the already uncertain inflation and interest rate outlook over the period. The Dow Jones started to decline in January but remained above its pre-pandemic level by the end of the period while the FTSE 250 and FTSE 100 also fell and ended the quarter below their pre-March 2020 levels.

Bond yields were similarly volatile as the tension between higher inflation and flight to quality from the war pushed and pulled yields, but with a general upward trend from higher interest rates dominating as yields generally climbed.

The 5-year UK benchmark gilt yield began the quarter at 0.82% before rising to 1.41%. Over the same period the 10-year gilt yield rose from 0.97% to 1.61% and the 20-year yield from 1.20% to 1.82%.

The Sterling Overnight Rate (SONIA) averaged 0.39% over the quarter. 1-month, 3-month and 12-month SONIA bid rates averaged 0.01%, 0.10% and 0.23% respectively over the financial year.

Credit review: In the first half of FY 2021-22 credit default swap (CDS) spreads were flat over most of period and are broadly in line with their pre-pandemic levels. In September spreads rose by a few basis points due to concerns around Chinese property developer Evergrande defaulting but then fell back. Fitch and Moody's revised upward the outlook on a number of UK banks and building societies on the council's counterparty to 'stable', recognising their improved capital positions compared to 2020 and better economic growth prospects in the UK..

Fitch also revised the outlook for Nordea, Svenska Handelsbanken and Handelsbanken plc to stable. The agency considered the improved economic prospects in the Nordic region to have reduced the baseline downside risks it previously assigned to the lenders.

The successful vaccine rollout programme was credit positive for the financial services sector in general and the improved economic outlook meant some institutions were able to reduce provisions for bad loans. However, in 2022, the uncertainty engendered by Russia's invasion of Ukraine pushed CDS prices modestly higher over the first calendar quarter, but only to levels slightly above their 2021 averages, illustrating the general resilience of the banking sector.

Having completed its full review of its credit advice on unsecured deposits, in September Arlingclose extended the maximum duration limit for UK bank entities on its recommended lending list from 35 days to 100 days; a similar extension was advised in December for the non-UK banks on this list. As ever, the institutions and durations on

the council's counterparty list recommended by Arlingclose remains under constant review.

Revised CIPFA Codes, Updated PWLB Lending Facility Guidance

In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more detail and 12 examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20th December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.

The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023/24 financial year if they wish. The Isle of Wight Council had decided to instigate the required quarterly reporting from the start of the 2022/23 financial year.

To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. This Code also states that it is not prudent for local authorities to make investment or spending decision that will increase the CFR unless directly and primarily related to the functions of the council. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.

Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local council's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules.

Unlike the Prudential Code, there is no mention of the date of initial application in the Treasury Management Code. The TM Code now includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version.

Local Context

On 31 March 2022, the council had net borrowing of £150.3 million arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable

reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.03.2022 Actual £m
Total CFR **	407.0
Less Other Debt Liabilities *	(97.0)
Borrowing CFR	310.0
External Borrowing	(200.8)
Internal borrowing	109.2
Less Usable Reserves **	(131.2)
Less Working Capital **	(28.5)
Net Investments	(50.5)

* finance leases, PFI liabilities and transferred debt that form part of the council's total debt

** These figures are as per the latest figures as of 24 June and are not the final year end position as the statement of accounts is still being prepared

Lower official interest rates have lowered the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The council pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

The treasury management position at 31 March 2022 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.03.2021 Balance £m	Movement £m	31.03.2022 Balance £m	31.03.2022 Average Rate %
Long-term borrowing	197.7	(11.9)	185.8	3.15%
Short-term borrowing	45.0	(30.0)	15.0	0.11%
Total borrowing	242.7	(41.9)	200.8	3.02%
Short term Investments	(68.3)	17.8	(50.5)	0.20%
Total investments	(68.3)	17.8	(50.5)	0.20%
Net borrowing	174.4	(24.1)	150.3	3.97%

Borrowing Update

The council was not planning to borrow to invest primarily for commercial return and is so unaffected by the changes in the Prudential Code.

The council currently holds £41.4m in commercial investments that were purchased prior to the change in the CIPFA Prudential Code. Before undertaking further additional borrowing the council will review the options for exiting these investments.

Borrowing strategy

At 31 March 2022 the council held £200.8 million of loans, (a decrease of £41.9 million), as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31 March are summarised in Table 3 below.

Table 3: Borrowing Position

	31.03.21 Balance £m	Net Movement £m	31.03.22 Balance £m	31.03.22 Weighted Average Rate %	31.03.2022 Weighted Average Maturity (years)
Public Works Loan Board	192.7	(11.9)	180.8	3.23%	14.99
Banks (LOBO)	5.0	-	5.0	4.27%	19.67
Banks (fixed term)	-	-	-		
Local authorities (long-term)	-	-	-		
Local authorities (short-term)	45.0	(30.0)	15.0	0.11%	0.60
Total borrowing	242.7	(41.9)	200.8	3.02%	14.03

The council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the council's long-term plans change being a secondary objective.

In keeping with these objectives, no new borrowing was undertaken, while £11.9 million of PWLB loans and £15.0 million of local authority short-term loans were allowed to mature without replacement. This strategy enabled the council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

PWLB funding margins have lurched quite substantially and there remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The council will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.

The council continues to hold £5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the council has the option to either accept the new rate or to repay the loan at no additional cost. The bank did not exercise their option during the year.

Other Debt Activity

During the 2021/22 financial year the council did not raise any additional capital finance for Highway Improvements via Private Finance Initiative. Total debt, other than borrowing, stood at £97.1 million on 31 March 2022, taking total debt to £297.9 million

Treasury Investment Activity

CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

The council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the council's investment balances ranged between £50.5 and £94.8 million due to timing differences between income and expenditure. During the year the balances of up to £12 million were maintained in the council's current bank account, in addition to the amounts invested.

The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.03.2021 Balance £m	Net Movement £m	31.03.2022 Balance £m	31.03.2022 Income Return %	31.03.2022 Weighted Average Maturity days
Banks & Building societies (unsecured)	(10.0)	9.0	(1.0)	0.12%	1
Covered bonds (secured)	-	-	-		
Govt (incl local authorities)	(38.0)	(2.5)	(40.5)	0.13%	153
Isle of Wight Council Pension Fund	(5.5)	5.5	-		
Corporate bonds and loans	-	-	-		
Money Market Funds	(14.8)	5.8	(9.0)	0.51%	1
Other Pooled Funds	-	-	-		
Total Investments	(68.3)	17.8	(50.5)	0.20%	123

Both the CIPFA Code and government guidance require the council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Continued Ultra low short-dated cash rates, which were a feature since March 2020 when Bank Rate was cut to 0.1%, prevailed for much of the 12-month reporting period which resulted in the return on sterling low volatility net asset value (LVNAV) Money Market Funds being close to zero even after some managers have temporarily waived or lowered their fees. However, higher returns on cash instruments followed the increases in Bank Rate in December, February and March. At 31 March 2022, the 1-day return on the council's money market funds (MMF) ranged between 0.42% and 0.58%

Similarly, deposit rates with the Debt Management Account Deposit Facility (DMADF) initially remained very low with rates ranging from 0% to 0.1% but following the hikes to policy rates increased to between 0.55% and 0.85% depending on the deposit maturity. The council did not use this facility during the 2022/23 financial year.

Given the risk and low returns from short-term unsecured bank investments, the council has continued in the more secure investment of lending to other local authorities as shown in table 4 above. As a result, investment risk was diversified.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in exposure %	Weighted Average Maturity days	Rate of Return %
31.03.2021	4.71	A+	36%	75	0.14%
30.06.2021	4.74	A+	52%	101	0.09%
30.09.2021	4.76	A+	61%	98	0.06%
31.12.2021	4.71	A+	39%	134	0.11%
31.03.2022	4.62	A+	20%	123	0.20%
Similar LAs	4.58	A+	67%	43	0.46%
All LAs	4.39	AA-	60%	14	0.46%

In light of Russia's invasion, Arlingclose contacted the fund managers of our MMFs and confirmed no direct exposure to Russian or Belarusian assets had been identified. Indirect exposures were immaterial. It should be noted that any assets held by banks and financial institutions (e.g., from loans to companies with links to those countries) within MMFs and other pooled funds cannot be identified easily or with any certainty as that level of granular detail is unlikely to be available to the fund managers or Arlingclose in the short-term, if at all.

Non-Treasury Investments

The definition of investments in CIPFA's revised 2021 Treasury Management Code now covers all the financial assets of the council as well as other non-financial assets which

the council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e., management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also broadens the definition of investments to include all such assets held partially or wholly for financial return.

The council also held £46.7 million of such investments in

- directly owned property £41.4 million
- shared ownership housing £4.0 million
- loans to local businesses £1.3 Million

A full list of the council's non-treasury investments is available in the Isle of Wight Council Statement of Accounts 2021/22

The directly owned property investments generated £0.7 million of income for the council, after taking account of direct costs. This represents a rate of return of 1.69%

Treasury Performance

The council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 6 below.

Table 6: Performance

	Actual £m	Budget £m	Over / Under £m	Actual %	Benchmark %	Over / Under %
Total Investment Income	(0.1)	(0.2)	0.1	0.10%	0.46%	-0.36%
Total Cost of Borrowing	6.4	8.4	(2.0)	2.56%	-	-
GRAND TOTAL	6.3	8.2	(1.9)	n/a	n/a	n/a

Compliance

The Director of Finance and Section 151 Officer reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the council's approved Treasury Management Strategy.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

Table 7: Debt Limits

	2021/22 Maximum	31.3.2022 Actual	2021/22 Operational Boundary	2021/22 Authorised Limit	Complied?
Borrowing	242.7	200.8	357.0	450.0	✓
PFI and Finance Leases	100.8	97.0	107.0	130.0	✓
Total Debt	343.5	297.8	464.0	580.0	✓

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Table 8: Investment Limits

	2021/22 Maximum	31.03.2022 Actual	2021/22 Limit	Complied?
Any single organisation, except the UK Government	12.0	10.0	12.0	✓
Any group of organisations under the same ownership	3.0	1.0	12.0	✓
Money Market Funds	40.3	9.0	Unlimited	✓

Treasury Management Indicators

The council measures and manages its exposures to treasury management risks using the following indicators.

Security: The council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	31.03.22 Actual	2021/22 Target	Complied ?
Portfolio average credit score	4.62	5.0	✓

The council measures the security of its investments using data provided by Arlingclose. The target figure is the average credit score of all Arlingclose clients that take part in the benchmarking exercise.

Although the portfolio average credit score for the year was slightly higher than the target in numeric terms, the average credit rating of the council's investments was A+ for both actual and target.

Liquidity: The council maintains detailed cash flow forecasts with a view to keeping minimum surplus cash balances. It addresses liquidity issues by restricting a significant proportion of its investment opportunities to short term and instant access deposits.

	31.03.2022 Actual £m	2021/22 Target £m	Complied?
Total cash available within 3 months	44.3	26.5	✓

Interest Rate Exposures: This indicator is set to control the council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

Interest Rate Risk Indicator	31.03.22 Actual £m	2021/22 Limit £m	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	-0.2	-0.3	✓
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	0.2	0.3	✓

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

Maturity Structure of Borrowing: This indicator is set to control the council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	31.03.2022 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	11%	50%	0%	✓
12 months and within 24 months	3%	30%	0%	✓
24 months and within 5 years	11%	30%	0%	✓
5 years and within 10 years	16%	75%	0%	✓
10 years and above	59%	95%	0%	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than a year: The purpose of this indicator is to control the council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2021/22 £m	2022/23 £m	2023/24 £m
Actual principal invested beyond year end	-	-	-
Limit on principal invested beyond year end	40	35	30
Complied?	✓	✓	✓

Other

IFRS 16: The implementation of the new IFRS 16 Leases accounting standard was due to come into force for local authorities from 1st April 2022. Following a consultation CIFPA/LASAAC announced an optional two-year delay to the implementation of this standard a decision which was confirmed by the Financial Reporting Advisory Board in early April 2022. Authorities can now choose to adopt the new standard at the beginning of April 2022, April 2023 or April 2024. The council intends to adopt the new standard before the final deadline as disclosed above



Purpose: For Noting

Committee report

Committee	AUDIT COMMITTEE
Date	25 JULY 2022
Title	PROCUREMENT ACTIVITY REPORT FOR THE HALF YEAR 1 OCTOBER 2021 – 31 MARCH 2022 (Q3&4 2021/22)
Report of	DIRECTOR OF CORPORATE SERVICES

EXECUTIVE SUMMARY

1. This report provides the committee with a high-level overview of the council's procurement and contract monitoring activity for the period 1 October 2021 to 31 March 2022 inclusive.
2. The committee is asked to note the report.

RECOMMENDATION

3. The Audit Committee notes the Procurement Activity report.

BACKGROUND

4. The Procurement and Contract Monitoring Team (the PCMT) is a central resource, providing advice and guidance to all council departments on procurement and contract monitoring related matters primarily where the contract value is over £25,000. The PCMT is also responsible for drafting the council's contractual terms and conditions with its suppliers and for giving contract management advice and guidance.
5. A key role of the PCMT is to ensure compliance with the Public Contracts Regulations 2015 (PCR15). These regulations apply to the majority of procurements with a total value over a specified threshold. Procurements which are below threshold are not covered by the PCR15 but are still subject to the council's own contract standing orders (CSOs).
6. The UK's transition out of the European Union ended on the 31 December 2020. On the 15 December 2020, the Cabinet Office published a Green Paper putting forward proposals to transform public sector procurement post transition. The consultation on the proposals ended on the 10 March 2021 and the Cabinet Office received over 600 responses. The Cabinet Office has concluded their analysis of the feedback on the proposals and are now in the process of finalising the new regime. The latest update given by the Cabinet Office in October 2021 states that

the reform is an *“opportunity to leverage public procurement spend to deliver national and local government priorities to a greater extent than has previously been possible”*. The plans for reform shall be closely monitored by the PCMT and when the final proposals are known, work will commence to understand how these can be implemented locally. It is anticipated that the new regime will come into force in 2023 at the earliest.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

7. The council’s Procurement Strategy, CSOs and the activity of the PCMT and council commissioners supports the achievement of the council’s commitments and key priorities as identified within the Corporate Plan 2021-2025.

Provision of affordable housing for Island Residents

8. Whilst this report has no direct impact on the provision of housing for island residents any commissioning and procurement activity undertaken in this area will contribute towards the delivery of key activities concerned with that outcome.

Responding to climate change and enhancing the biosphere

9. The council has set a target to achieve net zero emissions:
 - in its business and delivery of services by 2030;
 - across the school estate by 2035; and
 - as an island by 2040.
10. Greenhouse gas emissions result from energy use in buildings, street lighting, fleet vehicles, business travel, water use, waste disposal, air conditioning, and contractor’s services.
11. The application of environmental and sustainability requirements in contract performance monitoring/reporting, tender evaluation criteria and specifications must be relevant and proportionate to the subject matter of the contract. Where appropriate, this will be extended to evaluate environmental management through supply chains in relation to how the council’s suppliers will encourage sustainability amongst its sub- contractors.
12. In order to minimise harm to the environment and to promote conservation of natural resources, commissioners are required to consider climate, environment and UNESCO biosphere impact in the pre procurement planning stages of their project and build appropriate criteria into their procurement documents. This will include greenhouse gas/carbon reporting.

Economic Recovery and Reducing Poverty

13. Progress towards economic recovery and the reduction of poverty is a key outcome for the council, and this is reflected in the Corporate Plan 2021-25.
14. The council’s CSOs and Procurement Strategy promotes the use of social value criteria in our procurement processes.

The Public Services (Social Value) Act 2012 requires all service contracts governed by the Public Contracts Regulations 2015 to be subject to appropriate

social value criteria. The Act requires that contracting authorities should consider not only how to improve the economic, social and environmental well-being of the local area served by them, but also how to undertake the process of procurement with a view to securing that improvement and measuring it during the life of the contract.

15. The Council has taken this a step further and has included within its CSOs the requirement to informally apply the Act to all contracts with a whole life value of over £25,000, where appropriate.
16. Social value cannot be used to discriminate on the basis of geography of a supplier, but they can identify local benefits that can be delivered through the contract being delivered in a specific area for example targeted training and recruitment, local educational support initiatives, community and environmental initiatives, use of local supply chains.

Impact on Young People and Future Generations

17. Whilst this report has no direct impact on young people and future generations, commissioners are required to consider how their commissioning and procurement activity can contribute to this aim. Strategies to address this will be considered on a project-by-project basis and this could include consultation and coproduction of specifications with young people.

Corporate Aims

18. Through the procurement process, commissioners will be supported to consider how they can help to deliver the Alliance aspirations and priorities sets out in the Corporate Plan.

PROCUREMENT ACTIVITY 1 OCTOBER 2021 – 31 MARCH 2022 (Quarters 3 & 4 of financial year 2021/22)

PROJECTS INITIATED

19. During the period 1 October 2021 to 31 March 2022 a total of 134 procurement processes were initiated through the PCMT. This ranged from Invitation to Tenders (ITTs), above threshold ITTs (which are tenders that are run in accordance with the PCR15 where a contract notice must be published on Find a Tender), Request for Quotations (RFQs), call offs and direct awards on public sector framework agreements and waivers to CSOs. **Table 1** shows a breakdown of the procurement procedures initiated in the reported period, by directorate. A comparison to the previously reported data has also been provided.

Table 1

Directorate	Quantity Q3&4 2021/22	Comparison data Q1&2 2021/22	Comparison data Q3&4 2020/21
Adult social care & community well-being	28	18	14
Children's services	39	16	15
Corporate services	20	24	17
Financial management	-	3	2
Neighbourhoods	17	11	9
Public health	-	2	-
Regeneration	30	21	28
Strategy	-	2	-
TOTAL	134	97	85

CONTRACTS AWARDED

20. During the reporting period a total of 103 contracts were awarded. **Table 2** below shows a comparison, by directorate, of the number of contracts awarded in the previous two reporting periods. A detailed breakdown of the contracts awarded can be seen at **Appendix 1**.

Table 2

Directorate	Quantity 2021/22 Q3&4	Comparison data 2021/22 Q1&2	Comparison data 2020/21 Q3&4
Adult social care & community well-being	29	9	22
Children's services	24	20	12
Corporate services	17	9	11
Financial management	-	1	1
Neighbourhoods	7	12	9
Public health	-	1	2
Regeneration	26	12	16
Strategy	-	1	-
TOTAL	103	65	73

21. The total whole life value of contracts awarded during the current reporting period is £17 million. A breakdown by directorate is provided at **Table 3**.

Table 3

Directorate	Category of spend	2021/22 Q3&4	Comparison data 2021/22 Q1&2	Comparison data 2020/21 Q3&4
			£000	£000
Adult social care & community well-being	Revenue	6,927	2,191	140,189
Children's services	Capital	172	1,716	-
	Revenue	3,322	1,371	8,799
Corporate services	Capital	118	127	160
	Revenue	961	648	588
Financial management	Revenue	-	25	75
Neighbourhoods	Capital	151	358	370
	Revenue	224	656	444
Public health	Revenue	-	326	1,178
Regeneration	Capital	4,355	1,751	2,809
	Revenue	838	1,188	1,143
	Capital and revenue	-	-	3,360
Strategy	Revenue	-	20	-
TOTAL		17,068	10,377	159,115

CONTRACT DATABASE

22. The PCMT maintains a database of contracts with a whole life value of over £25,000. There are currently 315 entries with a whole life value totalling over £1.2 billion, broken down as follows:

Directorate	Number of entries	£m
Adult social care & community well-being	80	158
Children's services	49	42
Corporate services	91	14
Finance	5	2
Neighbourhoods	35	952
Public health	25	26
Regeneration	29	12
Strategy	1	0.02
TOTAL	315	1,206

WAIVERS OF CONTRACT STANDING ORDERS

23. Service areas have the ability to request a waiver of the CSOs. Waivers may be sought in unforeseen or exceptional circumstances but must not be sought for reasons of poor planning nor as a means to by-pass the CSOs. Waivers cannot be given if they would contravene the Public Contracts Regulations 2015 or any other applicable legislation. Waivers may be utilised where it can be demonstrated that the ability to act quickly to engage a single supplier would make economic sense

and fit with service requirements, in circumstances where there is no more effective way to secure the capacity.

24. For waivers and contract price variations, the Procurement Board will consider the request. The membership of the board comprises the director of corporate services, procurement and contracts manager, technical finance manager and the strategic manager for legal services.
25. During the period, 71 waivers were approved. **Table 4** below sets out a high-level overview of the waivers with a comparison to the data collated for the previous two half yearly reports.

Table 4

Directorate	Q3&4 2021/22		Comparison data Q1&2 2021/22		Comparison data Q3&4 2020/21	
	Number	£000	Number	£000	Number	£000
Adult social care & community well-being	24	£1,992	8	£342	10	£567
Children's services	23	£3,371	15	£1,371	11	£2,105
Corporate services	7	£401	4	£139	2	£97
Financial management	-	-	-	-	1	£75
Neighbourhoods	5	£214	7	£545	1	£38
Public health	-	-	1	£326	-	-
Regeneration	12	£975	7	£444	8	£489
Strategy	-	-	-	-	-	-
TOTAL	71	£9,954	42	£3,167	33	£3,371

26. The committee will note the increase in waivers from the adult social care & community well-being directorate, from 8 in the previous reporting period to 24. 20 of these waivers related to mainland residential placements. This is representative of the significant winter pressures faced by the health and social care sector as a result of the pandemic and new variants which emerged during this time. It was necessary, in advance of the third wave of the pandemic, to take unprecedented action to support rapid discharge of a number of patients from St Marys Hospital and to create sufficient capacity to meet anticipated demand. This included supporting a number of people to move to short term residential placements pending assessment and to aid their recovery. Due to a lack of available capacity within the local care marketplace, the council had to look further afield and support people to be discharged, with their full consent, to care services off island. Due to the urgent need to take action there was not sufficient time to carry out a procurement process. It was necessary for the service area to identify care homes

that could meet the individual's specific needs and utilised the waiver route to enable the moves to happen quickly and efficiently.

27. In relation to the children's services placement waivers;
 - Four are SEN Education placements. These are predominately chosen by the parents/carers so the choice to purchase from the framework is limited for this reason. Additionally, the available framework hasn't grown in options as much as children's services had hoped.
 - Five are supported lodgings placements off island. Currently there is no framework available for the council to use. However, Bournemouth, Christchurch and Poole Council is submitting a proposal for the procurement of a 16+ framework to go live next year which the council will be part of. This will hopefully reduce the number of supported lodgings off framework placements.
 - A supplier who made up three of the waivers has now been appointed on to the council's local framework.
 - Four of the waivers were for one individual, with a constant search for a suitable placement for them.
 - The rest are made up of residential placements. Nationally there is a shortage of suppliers, the frameworks are close to capacity and some suppliers are less willing to join frameworks as the costs are pre-set. The lack of availability has meant we have had to look further afield for suitable placements which has resulted in additional waivers.
28. While the rise in number may seem high it is positive that these contracts are being documented in the right way and that there is an audit trail in place as CSOs requires.
29. The way in which we are required to calculate contract values for the purpose of determining which threshold applies and therefore which type of procurement process should be followed has changed. The Cabinet Office issued a mandatory policy note requiring all contracting authorities to calculate their contract values inclusive of VAT, effective from 1 January 2022. This has meant that a number of procurements and waivers that would not have previously come through to the PCMT are now being captured and has contributed towards the numbers included in this report.
30. A detailed list of the waivers can be seen at **Appendix 2**.
31. PROCUREMENT STRATEGY REVIEW
32. The principal purpose of the Procurement Strategy (the strategy) is to set the overall context for procurement and contract management in the council. The strategy builds on existing good practice and maps the future developments and likely improvements in the way the council approaches its procurement and contract management activities.
33. It is increasingly important that the council ensures value for money and identifies the full potential of procurement and contract management as a tool for delivering the council's long-term goals set out in the Corporate Plan.
34. The strategy has been redrafted and is currently being consulted on. The Procurement Strategy for 2022-2025 comprises four principal themes. Each theme

is a foundation of the considerations that need to underpin the procurement process and will be embedded in the way we procure our goods, services and works contracts to support the Council's aspirations as set out in its Corporate Plan. The themes are:

- Community wealth building
- Climate and environment
- Commercial approach
- Skills and capabilities

35. The strategy will map out planned activities for the three-year term in the form of an action plan.
36. It is intended that the new strategy is presented to Cabinet in September 2022.

CONTRACT MONITORING

37. The PCMT is eighteen months into the roll out of the new contract management framework and the accompanying systems and processes.
38. A toolkit has been created to assist officers in setting robust contract performance monitoring regimes, managing relationships with suppliers and provides a structure for recording contract compliance which can be reported to senior managers, councillors and other key stakeholders.
39. The monitoring system will be used to ensure suppliers to the council are fulfilling their contractual obligations and will highlight where contracts are not performing. This will allow early intervention to remedy issues and will automatically flag to senior management where a supplier's performance is falling below an acceptable level.
40. The monitoring system also trigger alerts for reviews, it asks contract managers to confirm that they have received their supplier monitoring reports and it is a central location for contract data to be stored.
41. There are currently 52 contracts loaded in the contract monitoring system with a combined total of 1,207 performance measures. Table 5 breaks this down by directorate.

42.

Table 5

Directorate	Number of contracts	Number of KPIs
Adult social care & community well-being	27	886
Children's services	9	228
Corporate services	7	33
Financial management	0	0
Neighbourhoods	7	27
Public health	0	0
Regeneration	2	33

Strategy	0	0
TOTAL	52	1,207

43. The roll out of the system is averaging around three new contracts being uploaded per month. An internal audit on contract management activity highlighted the slow pace of the roll out, however, it was acknowledged at the time that there would be no additional resource allocated to the project to increase the pace.
44. As well as monitoring contract performance against each key performance indicator, the system provides an overall RAG (red, amber, green) rating for each contract. Presently, all contracts being managed through the system are rated 'green' which means they are performing well.
45. Contracts that are not yet loaded into the contract monitoring system are being managed by each service and each contract manager is responsible for ensuring the contract is performing as it should and that appropriate records are being kept to evidence this.

MODERN SLAVERY

46. Modern slavery is often a hidden crime involving one person denying another person his or her freedom. It includes slavery, servitude, forced and compulsory labour and human trafficking.
47. To tackle these crimes, the Modern Slavery Act 2015 (the Act) was introduced. The Act consolidates and clarifies modern slavery offences; toughens penalties and prosecution; and introduces greater support and protection for victims.
48. The prevention, detection and reporting of modern slavery in any part of the council's business or supply chains is the responsibility of all those working for the council. It is important that we consider modern slavery when we are letting and managing our contracts and the mitigation of modern slavery risks should be considered throughout the procurement process.
49. As standard, we have criteria built in to our procurement documents where we can exclude suppliers from our procurement processes where they have committed offences under the Act. We also ask all suppliers with a turnover of £36 million+ to confirm that they are meeting their obligations to publish statements about what they are doing to prevent modern slavery in their supply chains, however, some contracts may require us to go further than that.
50. Some contracts will carry a higher risk in terms of where modern slavery can present itself. Additional evaluation and contract monitoring criteria can be built in to the procurement process to enable a proper and thorough assessment of suppliers to ensure they are compliant with the Act and that they are monitoring their supply chains as well.
51. Section 54 of the Modern Slavery Act 2015 requires large employers to produce a modern slavery statement each financial year. The council's modern slavery statement can be viewed [here](#).

FINANCIAL / BUDGET IMPLICATIONS

52. There are no direct financial or budgetary implications arising from this report although all procurement decisions directly contribute to the council's total expenditure and therefore any reduction in the amount of spend as a result has a direct beneficial impact on the council's budget position.

LEGAL IMPLICATIONS

53. Procurement by public bodies is subject to a rigorous regulation principally via the Public Contracts Regulations 2015 (which came into force on 26 February 2015). In addition, the council has its own contract standing orders. The council is also required to comply with other legislation when carrying out procurements, for example that relating to equality, modern slavery and social value.
54. All procurements with a whole life value over £25,000 are overseen by the PCMT ensuring robust governance of the council's procurement activity in accordance with our contract standing order requirements.

RISK MANAGEMENT

55. Failure to observe the relevant legislation and the council's contract standing orders has the potential to pose a significant threat to the council's financial health and reputation. Such risk could take many forms including the risk of legal challenge resulting in financial penalties and the potential for negative publicity together with the risk that a contract could be deemed to be void.
56. These risks are mitigated with the involvement of the PCMT in all procurements valued over £25,000. The risks are considered higher at this value as this is the trigger for advertised open market competition where the risk of challenge is greater.
57. Commissioners are offered a four day, in house, training programme to ensure they understand how to conduct a procurement process and adhere to the council's CSOs and Public Contracts Regulations 2015.
58. Any purchase order valued over £20,000 is sent to the PCMT. This is an additional approval step prior to financial approval where the PCMT will check that the spend complies with the relevant procurement rules and regulations.

EQUALITY AND DIVERSITY

59. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it.
60. There are no direct equality and diversity implications arising from this report. However, commissioners are required to consider equality and diversity matters in the pre procurement planning stages of their project and build appropriate and proportionate criteria in to their procurement documents.

APPENDICES ATTACHED

61. Appendix 1 - Contracts awarded in the period 1 October 2021 to 31 March 2022 (Q3 and 4 2021/22).
62. Appendix 2 – Details of waivers approved in the period 1 October 2021 to 31 March 2022 (Q3 and 4 2021/22).

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CLAIRE SHAND
Director of Corporate Services

COUNCILLOR JONATHAN BACON
*Cabinet Member for Climate Change,
Environment, Heritage, Human Resources
and Legal and Democratic Services*

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**APPENDIX 1 - Contracts awarded in the period 1 October 2021 to 31 March 2022
(Q3 and 4 2021/22)**

Directorate	Contract title	Capital/ Revenue	Contract value £000
Adult social care & community well-being	Home care services <i>Provision of statutory domiciliary care to people eligible for social care under the Care Act 2014.</i>	Revenue	49
	Mainland residential placement x 20 <i>Provision of residential placements in mainland care homes.</i>	Revenue	1,718
	Front-line social care agency staff <i>Provision of up to 12 agency staff for in-house council services and for external providers where there is requirement.</i>	Revenue	150
	NHS Continuing Healthcare (CHC) Assessment and Support Services <i>Provision of CHC eligibility assessments, reviews of funding eligibility and Local Resolution Meetings and Social Workers to act as Second Assessors.</i>	Revenue	49
	Teenage parents supported accommodation <i>Provision of accommodation-based services for teenage parents with housing related support needs.</i>	Revenue	26
	Prepaid cards <i>Individuals who have been assessed as having eligible care needs can choose to receive their personal budget as a direct payment. The prepaid card is loaded with the personal budget which enables individuals to organise and pay for their own care.</i>	Revenue	32
	Electronic rostering solution <i>Electronic rostering solution for the Isle of Wight Council's internal short term re-ablement and outreach service.</i>	Revenue	62
	Sensory service <i>Sensory Service provides specialist assessments of need, targeted support, information, and advice for people with sight, hearing, and dual sensory impairments on the Isle of Wight.</i>	Revenue	975
	Independent health complaints advocacy service <i>The independent health advocacy service provides the statutory advocacy duty on behalf of the council, to help people who wish to make a complaint in relation to health services. It supports individuals to</i>	Revenue	191

	<i>express their views and pursue their health complaint taking due regard of the NHS complaints process.</i>		
	<p>Living well and early help service</p> <p><i>Provision of sustainable support to the community to meet the overarching key objectives of:</i></p> <ul style="list-style-type: none"> <i>Increasing the ability of residents to participate in the planning of their care and support, and where they are able, to self-care to manage their own health conditions;</i> <i>Helping people to live well and gain, maintain or regain their independence to meet their own objectives;</i> <i>Reducing reliance on statutory services (GP's, acute hospital services and social care), delaying the need for emergency admission to hospital and/or permanent move into residential or nursing care.</i> 	Revenue	3,675
Children's services	Residential/education placements for children and young people x 19	Revenue	3,215
	<i>Provision of a combination of residential and education placements for children and young people.</i>		
	Newchurch primary refurbishment works	Capital	122
	<i>Refurbishment of all toilets, extension to toilets using the hall store and a group room.</i>		
	Works to clever cloggs nursery	Capital	50
	<i>Relocation of modular building from Branstone to Clever Cloggs in Carisbrooke, with associated works.</i>		
	'Your Life, Your Care' survey	Revenue	31
<i>This is a nationally provided survey that we can use for bench marking with other local authorities. This contract covers the setup, running and analysis of the 'Your Life, Your Care' survey to gather the views of your looked after children (aged 4-18yrs) on a biannual basis and a separate care leavers survey in alternate years.</i>			
Special educational needs agency worker	Revenue	46	
<i>Agency worker based in the SEN Assessment & Review Team to support the team with casework.</i>			
Habilitation service for visually impaired pupils	Revenue	30	
<i>Service to support up to ten children and young people 0-25 to develop mobility, navigation, and independent living skills.</i>			

Corporate services	IKEN case management and time recording system <i>The IKEN case management system is used by HR, Legal Services and Adult Social Care to manage caseloads and time record.</i>	Capital	88
	ICT storage space <i>Additional hard disks for IBM V5020 storage systems located at county hall and st mary's.</i>	Capital	30
	Management information system - adult education <i>Cloud based management information system (MIS) which enables the adult education service to submit data to the Education and Skills Funding Agency in the format of an Individualised Learner Record.</i>	Revenue	24
	Safeguarding training - adult services safeguarding courses <i>Delivery of safeguarding adult learning & development activities.</i>	Revenue	120
	Safeguarding training – children's services courses <i>Delivery of safeguarding children learning & development activities.</i>	Revenue	60
	Employee Assistance Programme <i>The provision of mental health support with telephone helpline for employees and their dependants. Services include</i> 1) Online Portal 2) Telephone Services, Triage and Support Services (where telephone services will be organisationally branded) 3) Bullying and harassment support 4) Management Support Services 5) Publicity and Promotion	Revenue	11
	Enforcement Agent Software <i>Software system to manage the enforcement agents caseload.</i>	Revenue	94
	SAP Application Support <i>SAP application support service for the SAP implemented functionality of Human Resource Management (HRM), Payroll, Financial Control (FICO), Accounts Payable (AP), Accounts Receivable (AR), Assets, Supplier Relationship Management (SRM), Advanced Business Application Programming (ABAP), Process Integration (PI), Netweaver Business Client (NWBC), employee (ESS) & manager(MSS) self-service and tools used for the operation and support of SAP.</i>	Revenue	37
	Microsoft teams meeting room technology solutions	Revenue	65

	<i>Microsoft teams meeting room technologies with associated Audio Video equipment and installation services for county hall meeting rooms.</i>		
	Apprenticeship training - HR support <i>Appointment of a training provider to deliver HR support apprenticeship.</i>	Revenue	5
	Online DBS checks <i>Provision of an online system that enables employers to request and track DBS checks.</i>	Revenue	10
	Support and maintenance on existing ivanti licences <i>Supply of software maintenance and support for the council's ivanti software systems. Ivanti has the ability to report on installed software and hardware, allow remote assistance, and install security patches.</i>	Revenue	108
	Approved supplier list for vehicle maintenance <i>Provision of an approved provider list for vehicle maintenance, MOTs and bodywork repairs for the council's fleet of vehicles.</i>	Revenue	169
	Legal services law library subscription <i>Online law library providing peer reviewed resources, practice notes, current awareness and standard documents.</i>	Revenue	50
	Cyber security response <i>Advice and guidance in relation to cyber security.</i>	Revenue	43
	Support and maintenance for children's care record system <i>Renewal of the system support and maintenance required for the Swift care management system.</i>	Revenue	58
	Skillsoft <i>Comprehensive catalogue of digital content, podcasts and books focussing on desktop ICT skills, business skills, digital transformation, technical IT, and virtual practice labs hosted in a single LMS (Learning Management System).</i>	Revenue	107
Neighbourhoods	e-Books and e-Audio for the library service <i>System allowing users of the library service to access the BorrowBox app to download e-Books and e-Audio.</i>	Capital	64
	Floating bridge 6 purchase of spares <i>Provision of a stock of essential spares for the floating bridge.</i>	Capital	87

	Cashless parking solution <i>Provision of a cashless parking system.</i>	Income	£0 cost to the council
	Bulk Coin Cash Collection <i>Collection and transit of the council's bulk coinage.</i>	Revenue	96
	Project manager for PFI savings programme reconciliations <i>Project management services to support the PFI savings programme undertaking activities such as reconciliations and providing recommendations to new supplier as part of the negotiation of contract changes.</i>	Revenue	55
	Peer to peer e-cycle share <i>Peer to peer e-cycle share scheme enabling residents who own electric bikes to make them available for use by other residents.</i>	Revenue	34
	Floating bridge 6 gateway review <i>Provision of operations and benefits realisation independent cabinet office Gateway 5 review.</i>	Revenue	39
Regeneration	Installation of PV (Photovoltaic) systems <i>Design and installation of PV systems on both pitched and flat roofs across various council sites.</i>	Capital	400
	Electrical upgrade works package related to the de-carbonisation project at medina leisure centre <i>Works package comprising electrical and ancillary services associated with the proposed upgrade of the incoming site electrical supply, replacement swimming pool switchgear and electrical aspects of the air source heat pump installation.</i>	Capital	183
	Air source heat pump equipment for medina leisure centre <i>Installation of 8 air source heat pump units, to supply a large portion of the leisure complex with domestic hot water and central heating. The works include the integration of the new units into the existing mechanical services infrastructure and controls on the site, together with various pipework modifications.</i>	Capital	476
	Electrical upgrade works package related to the de-carbonisation project at the heights leisure centre <i>Works package comprising electrical and ancillary services associated with the proposed upgrade of the incoming site electrical supply, replacement swimming pool switchgear and air source heat pump installation.</i>	Capital	56

<p>Air source heat pump equipment for the heights leisure centre</p> <p><i>Installation of 5 air source heat pump units, to supply a large portion of the leisure complex with domestic hot water and central heating. The works include the integration of the new units into the existing mechanical services infrastructure and controls on the site, together with various pipework modifications.</i></p>	Capital	324
<p>Enabling works at building 41: innovation hub</p> <p><i>The works include stripping out and removal of redundant services, ceiling tiles and partitions. The package will also include the removal of unnecessary partitions, doors, and the formation of new openings to support the new building layout.</i></p>	Capital	76
<p>Commercial frontage improvement design and advice</p> <p><i>Consultancy services to provide advice and design work to support delivery of grant aided enhancement to high street premise frontages.</i></p>	Capital	85
<p>Refurbishment works at building 41: innovation hub</p> <p><i>The works include constructing new office spaces, meeting areas, amenity rooms, welfare facilities, communal areas and the like to support the proposed layout.</i></p>	Capital	1,637
<p>Refurbishment of the south elevation of the columbine building</p> <p><i>The works comprise the refurbishment of the structure, replacement of windows, infilling of redundant openings, a new fire escape from all floors from the western end of the building and regularising of above and below ground stormwater drainage.</i></p>	Capital	267
<p>New gabion cage wall, east coves</p> <p><i>The works comprise the formation of a new gabion cage wall on the eastern esplanade at East Coves, to visually improve the areas fenced off due to the deterioration of the existing poor-quality support to the earth bank.</i></p>	Capital	99
<p>Design and management consultant, east coves marine hub</p> <p><i>Design and management consultant services required for columbine renovations, refurbishment of victoria barracks and delivery of pontoon/water access.</i></p>	Capital	266

Design consultants for the Adelaide and Goulding's refurbishment works <i>Lead consultant designer, providing all applicable specialist designers (structural engineer, mechanical and electrical designers, fire consultants, quantity surveyors as applicable), to provide a full and complete design and project management service to undertake the full development of the design and manage the construction work.</i>	Capital	207
5G neutral host <i>Outline business case to identify the potential for a 5G neutral host.</i>	Revenue	36
Short programme business support – Wight innovation <i>Delivery of business assist outputs to European Regional Development Fund standards. Support includes consultancy, information, diagnostic advice and guidance to individual businesses, as well as financial assistance for investment that results in the production of goods and/or services.</i>	Revenue	106
New electricity supply for the heights leisure centre <i>Upgraded electricity supply into the leisure centre. Renewed service connection undertaken by statutory undertaker SSEN (as network operator).</i>	Capital	39
Uninterruptable power supply (UPS) and generator equipment <i>Replacement of the current UPS and generator for the server room situated at county hall.</i>	Capital	180
Uninterruptable power supply (UPS) and generator - associated builders works <i>Building works to enable the replacement of the current UPS and generator for the server room situated at county hall.</i>	Capital	30
Uninterruptable power supply (UPS) and generator - electrical works <i>Electrical works to enable the replacement of the current UPS and generator for the server room situated at county hall.</i>	Capital	30
Senior planning policy officer <i>Appointment of an interim senior planning policy officer to help support preparation of the Island Planning Strategy.</i>	Revenue	48
Community led housing - support to deliver the scheme <i>Services to facilitate the issuing of grants for local housing schemes.</i>	Revenue	150

Camphill project management <i>Specialist highways engineer and project management services to initiate and deliver the programme of works at the Camphill site.</i>	Revenue	85
Professional economic regeneration and development surveying services <i>Delivery of regeneration projects, undertaking the necessary property work alongside the asset regeneration & development team.</i>	Revenue	184
One public estate (OPE) consultant <i>Consultancy support on the OPE programme.</i>	Revenue	75
Annual asset valuations <i>To undertake the council's annual asset valuations for 2021/22.</i>	Revenue	26
Beaulieu house fire alarm <i>Installation of a replacement fire alarm at Beulieu house.</i>	Revenue	28
Ryde interchange consultant <i>Appointment of an architect for the station refurbishment at Ryde interchange.</i>	Revenue	100

**APPENDIX 2 - Details of waivers approved in the period 1 October 2021 to 31 March 2022
(Q3 and 4 2021/22)**

Contract title	Value £000	Directorate	Details of the waiver	Long term action plan
Mainland care placement x 20	1,718	Adult social care & community well-being	It was necessary, in advance of the third wave of the pandemic, to take unprecedented action to support rapid discharge of a number of patients from St Marys Hospital and to create sufficient capacity to meet anticipated demand. This included supporting a number of people to move to short term residential placements pending assessment and to aid their recovery. Due to a lack of available capacity within the local care marketplace, the council had to look further afield and support people to be discharged, with their full consent, to care services off island. Due to the urgent need to take action there was not sufficient time to carry out a procurement process.	The frequency of mainland placements is being monitored. It is felt at present that they aren't frequent or predictable enough to justify a full open market competitive procurement process as the work required to do this is disproportionate to the need for these services.
Home care services	49	Adult social care & community well-being	At the time the waiver was sought the health and care system on the Isle of Wight was facing significant demand in relation to hospital admissions and corresponding hospital discharges. The existing contracted suppliers of these services did not have capacity to meet this demand and therefore a supplier with capacity was identified following discussions with the market.	One off contract.
Front-line social care agency staff	150	Adult social care & community well-being	The council's supplier of agency workers was unable to source enough agency workers to meet demand, therefore the waiver was sought to engage with an agency who specialist in health and social care staff.	One off contract.
NHS Continuing Healthcare (CHC) Assessment and Support Services	49	Adult social care & community well-being	During COVID the CHC Service was unable to complete assessments due to the pandemic lock down rules and the shielding of the vulnerable client group concerned. The service area sought a waiver to continue to engage the previous	The CHC Service is seeking to recruit staff.

			supplier of these services to clear the backlog of work that they were unable to complete during the lockdowns.	
Teenage parents supported accommodation	26	Adult social care & community well-being	The service area sought a waiver to maintain the existing provision for teenage parents with a view that the extension would be used to ascertain and analyse the need for accommodation-based services for single parents aged 16-24. The service also wanted to take the opportunity to consult with mainstream partners such as children services to ensure integration/ alignment of commissioning activity.	A competitive procurement process shall be carried out.
Residential/ education placements for children and young people x 19	3,215	Children's services	The children's services commissioning team utilise the waiver process as a route to commissioning a placement in the following situations: <ul style="list-style-type: none"> • When no suitable supplier can be commissioned through the framework agreement; • Where the placement is made at the request of the family/family legal representatives; • Where the council is responsible for paying fees due to the "belonging regulation". 	The suppliers have been approached to join the framework agreement.
Works to clever cloggs nursery	50	Children's services	Following a failed open market competitive procurement process, the waiver sought to continue to engage with the supplier who was already located on the site that the unit was being moved from to carry out the works.	One off contract.
'Your Life, Your Care' survey	31	Children's services	This is a nationally provided survey that we can use for bench marking with other local authorities and no other suppliers have been identified that deliver anything similar. Therefore, the waiver was sought to be able to participate in the survey.	Market will be reviewed towards the end of the contract and a procurement process will be carried out if there are alternative commissioning options available.
Special educational needs	46	Children's services	The council's agency contract was unable to supply any suitable candidates for this role	One off contract.

agency worker			within the desired timeframe. The service area identified a worker who had previously been taken an interim role within the team and would therefore be able to pick up the work quickly. The waiver was sought to enable the direct award to take place.	
Habilitation service for visually impaired pupils	30	Children's services	The waiver was sought to allow the service area to continue to commission a service to support up to ten children and young people 0-25 to develop mobility, navigation, and independent living skills. There is currently no qualified specialist on the Isle of Wight and therefore, this has been identified as the nearest supplier.	The service area are encouraging the supplier to join their approved supplier list for alternative education and support provision. This will avoid the need for further waivers in the future.
IKEN case management and time recording system	88	Corporate services	The council has a well-established case management and time recording system that is used by legal, HR and adult social care. Various procurement options were explored but the most cost-effective solution was identified to purchase the licences directly from the supplier to enable continued use of the system. The waiver was sought to enable this to happen.	Procurement options will be reviewed again towards the end of the current contract.
Legal services law library subscription	50	Corporate services	A previous procurement process identified that there are two suppliers in the market, but only one is able to provide the full extent of subjects that the council requires access to. The council is part of an EM Lawshare framework agreement which provides access to external legal advisors, and as part of that arrangement, all participating authorities were given discounted access to the law library subscription. The waiver was sought to enable the service area to take advantage of this discount.	Procurement options will be reviewed again towards the end of the current contract.
Cyber security response	43	Corporate services	The service area sought this waiver to urgently bring in services to support the council in relation to cyber security. The National Cyber Security Centre have a list of approved suppliers	One off contract.

			and the chosen supplier was selected from that list due to their knowledge and experience of the council's system.	
ICT storage space	30	Corporate services	Due to reasons of compatibility, the procurement options to obtain the additional storage space was limited. We were referred to the selected supplier by IBM as a reseller of their products. The waiver was sought to allow the contract to be directly awarded to them.	One off contract.
Support and maintenance for children's care record system	58	Corporate services	The waiver sought a six-month extension to the existing support and maintenance contract to allow time for the new system that has been procured to be implemented.	One off contract.
Management information system - adult education	24	Corporate services	The waiver sought to continue to engage with the supplier of the adult education management system. Various procurement options were explored, and the most cost-effective solution was to directly award the contract to the supplier.	Procurement options will be reviewed again towards the end of the current contract.
Skillsoft	107	Corporate services	The waiver sought to continue to engage with the supplier of the ICT digital training resources. Various procurement options were explored, and the most cost-effective solution was to directly award the contract to the supplier.	Procurement options will be reviewed again towards the end of the current contract.
Cashless parking solution	0	Neighbourhoods	The waiver was sought on the basis that the existing system is well established, with 148,000 individual users having accessed the system since it was set up. The service area felt that changing the system at this point would not be practical. A number of procurement options were explored, and the most cost-effective solution was to directly engage with the supplier through a waiver.	Procurement options will be reviewed again towards the end of the current contract.
Project manager for PFI savings programme reconciliations	55	Neighbourhoods	The waiver was sought by the service area on the basis that the supplier has the unique skills and extensive experience of the council and the PFI contract which would be difficult to	One off contract.

			replicate within the required timescales.	
Peer to peer e-cycle share	34	Neighbourhoods	The overall services were split down in to three separate lots of work. Following an open market procurement process, two of the lots were successfully awarded, however, no bids were received for the third lot. The service area sought a waiver to directly negotiate the delivery of the contract with a supplier that was awarded one of the other lots.	One off contract.
Floating bridge 6 gateway review	39	Neighbourhoods	<p>The service area conducted a further competition using Crown Commercial Services framework for Project Management and Full Design Team Services. One supplier responded to advise that the scope of work was outside their capabilities.</p> <p>The service subsequently contacted the Infrastructure and Projects Authority, and they suggest that Local Partnerships would be able to undertake the review; indeed, they are the only provider that has the accreditation for the task.</p>	One off contract.
Floating bridge 6 purchase of spares	87	Neighbourhoods	Following the Gateway 5 review, a recommendation was given to ensure that the council had a stock of essential spares. The waiver was to enable the direct purchase of the goods.	One off contract.
Senior planning policy officer	48	Regeneration	The council's agency contract was unable to supply any suitable candidates for this role. The service area identified a candidate through an alternative agency and therefore sought a waiver to be able to engage with the individual.	One off contract.
Community led housing - support to deliver the scheme	150	Regeneration	The waiver sought to continue to engage with the supplier to facilitate the granting of monies through the Community Led Housing scheme. Not all the grant monies had been allocated and the service area felt that they were best placed to continue to oversee the applications.	Contract will end when grant monies have been spent.

New electricity supply for the heights leisure centre	39	Regeneration	The waiver was sought on the basis of sole source of supply. The upgraded electricity supply into the leisure centre needed to be carried out by the statutory undertaker SSEN (as network operator).	One off contract.
Camphill project management	85	Regeneration	The waiver was sought to enable the service area to continue to engage with a project manager who had been involved in the early stages of the project discussions with MOJ. The service had been in the process of recruiting a highways engineer who would take over these services, however, the recruitment was not successful. The service area then explored the council's agency contract, but the required skills could not be obtained. On that basis, they decided that the best way to obtain the services was to seek a waiver to continue with original project management services.	One off contract.
Professional economic regeneration and development surveying services	184	Regeneration	The waiver was sought by the service area to directly award a contract to the supplier on the basis that they have extensive experience of working on regen and land asset projects with the council. The service area explored a number of alternative procurement options such as engaging with recruitment agencies and consultancy firms, however, the direct award was found to be the most cost effective option at this time.	Procurement options will be reviewed again towards the end of the current contract.
One public estate (OPE) consultant	75	Regeneration	The One Public Estate programme has been funded by the Cabinet Office and LGA. A number of candidates were put forward by the LGA to provide consultancy support to the council. Since the original appointment, further funding has been secured and the service area sought the waiver to be able to continue to engage with the same consultant.	Procurement options will be reviewed again if further funding is received, otherwise the contract will come to an end.
Uninterruptible power supply (UPS) and	180	Regeneration	The waiver was requested due to an urgent requirement to replace the uninterruptible power supply (UPS) and	One off contract.

generator equipment			generator situated at county hall. Time was of the essence as the datacentre was at significant risk along with the majority of ICT related applications across the council. The service area obtained two quotes from suppliers identified through market research. The supplier providing the most cost-effective option was selected.	
Uninterruptable power supply (UPS) and generator - associated builders works	30	Regeneration	The waiver was requested due to an urgent requirement to replace the uninterruptable power supply (UPS) and generator situated at county hall. Time was of the essence as the datacentre was at significant risk along with the majority of ICT related applications across the council. The service area liaised with the local construction market to identify who had capacity to carry out the works in the required timeframe.	One off contract.
Uninterruptable power supply (UPS) and generator - electrical works	30	Regeneration	The waiver was requested due to an urgent requirement to replace the uninterruptable power supply (UPS) and generator situated at county hall. Time was of the essence as the datacentre was at significant risk along with the majority of ICT related applications across the council. Due to the sensitivity of the installation, a trusted electrical contractor was selected to carry out the work.	One off contract.
Annual asset valuations	26	Regeneration	This service had been brought in house and a transitional period was planned for the first year, where the internal valuer would train in asset valuation work, which is unique to local authorities, under the guidance of the supplier who had agreed to provide the necessary support and undertake some valuations to assist for the first year. Since the internal valuer took up this new post, a number of changes have occurred which have affected the ability to	Procurement options will be reviewed again towards the end of the current contract.

			complete the asset valuations on time. The service sought a waiver to approach three firms for quotes and to appoint the most advantageous supplier.	
Beaulieu house fire alarm	28	Regeneration	This procurement was commenced before the cabinet office changed the way contract values were calculated for the purpose of determining which threshold applies. When the contract was due to be awarded, the value was found to be tipping the £25,000 threshold including VAT and therefore the decision was taken to submit a waiver to cover the contract award.	One off contract.
Ryde interchange consultant	100	Regeneration	The project was originally going to be delivered by another organisation but got passed to the council. Due to the tight timescales remaining to deliver, the waiver was sought to urgently appoint a consultant to assist the council in delivering the station refurbishment. The selected supplier is already involved in other aspects of the ryde interchange scheme and so were selected due to their existing knowledge and speed that they could mobilise.	One off contract.



Purpose: For Decision

Committee report

Committee	AUDIT COMMITTEE
Date	25 July 2022
Title	THE COUNCIL'S RISK PROFILE
Report of	INTERIM CHIEF EXECUTIVE

EXECUTIVE SUMMARY

1. The purpose of this report is to give the committee an opportunity to review the current position with regard to the council's strategic risks. The committee's terms of reference include the provision for consideration of "the effectiveness of the council's risk management arrangements".

RECOMMENDATION

2. Option 1 – Audit Committee approve the Strategic Risks of the council as set out in Appendix 1.

BACKGROUND

3. This is the first update of the Strategic Risk Register within the 2022/23 financial year reporting period.
4. A revision of the Corporate Plan 2021-25 was approved by Full Council on 17 November 2021 and the Strategic Risk Register was reviewed to ensure it remained aligned to the new plan. Of key importance has been improving the way mitigation is presented in the report. Whilst general commentary provided by risk owners is usually detailed and relevant the mitigations need to have clear timescales and lines of responsibility to enable the Audit Committee to track their delivery and be assured that the risks are being sufficiently managed.
5. The application of the Risk Management Framework within the Isle of Wight Council has been subject to an Internal Audit and was granted an outcome of "Reasonable Assurance." Actions identified as a result of that Audit that have either been completed or in progress and close to completion.
6. Strategic risks are also referred to within the Quarterly Performance Management Reports (QPMP) that are presented to Cabinet. The presentation of the Quarter 4 report took place on 20/6/22 2022. The dates for subsequent reports are shown below:

Quarter 1 -2022/23 (April 22 – June 22) – 8 September 2022
Quarter 2 -2022/23 (July 22 – September 22) – 10 November 2022
Quarter 3 -2022/23 (October 22 – December 22) – 9 February 2022

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

7. Strategic risks are those that have the potential to prevent the council from achieving its strategic priorities. Senior managers 'own' strategic risks according to their particular responsibilities. Strategic risks are brought to the attention of Cabinet in that they are linked to the corporate priorities of the council in the Quarterly Performance Management Report (QPMR). The presentation of the Q4 report took place on 20 June 2022.

Provision of affordable housing for Island Residents

8. Whilst this report has no direct impact on the provision of housing for Island Residents it will play an important part in reporting on the progress towards the delivery of key activities concerned with that outcome. The relevant mitigations around this theme can be viewed in Appendix 1 – Risk 13

Responding to climate change and enhancing the biosphere

9. Whilst this report has no direct impact on the progress toward the delivery of the [Council's Climate and Environment Strategy](#) or direct impact on the decision on the Island's designation as a [UNESCO Biosphere](#), it will play an important part in reporting on the progress towards the delivery of key activities from within the Corporate Plan that are being delivered in line with these matters. The relevant mitigations around this theme can be viewed in Appendix 1 – Risk 13

Economic Recovery and Reducing Poverty

10. Progress towards Economic Recovery and the reduction of poverty is a key outcome for the Isle of Wight Council, and this is reflected in the Corporate Plan 2021-25. As such, Strategic Risks 1 and 2 as detailed in Appendix 1 relate to the ability of the Council to meet its statutory financial obligations as a Local Authority.

Impact on Young People and Future Generations

11. The decisions the Council makes now not only affect current residents, but may have long term impacts, both positive and negative, on young people and future generations. These impacts may not immediately be apparent or may not emerge for a number of years or decades. Impacts will be interrelated across the various domains of young people's lives from housing, employment or training, health and the environment.
12. The United Nations Conventions on the Rights of the Child (UNCRC) in 1989, in particular article 12, places a duty for children and young people to have an active voice in decision making on matters that affect them. We value the views of our young people. Incorporating coproduction and consultation with young people into our decision making process is a robust way of ensuring young people's views are taken into consideration. Participation workers experienced in coproduction can support engagement with the Youth Council, our Island children, and wider groups

of young people to ensure the voice of young people is sought, heard, and acted upon on important matters that will affect them.

13. Appendix 1 - Risks 5 and 6 contain information relating to this priority.

Corporate Aims

14. The Strategic Risk Register is comprised of the key risks to the delivery of the IWC Corporate Plan as identified by the Isle of Wight Council's Corporate Management Team.

REPORTING METHODS AND RISK CHANGES

15. Updates are requested from all mitigation owners at the beginning of each month. These updates are then added to the risk register and included in this report.
16. All risk scoring is decided by Corporate Management Team which reviews the Strategic Risk Register each month as the Chief Executive Officer and the Directors have the statutory responsibility for managing the risks. The risk scoring matrix from which these scores are derived is shown in Appendix 2.
17. Risk owners have been requested to provide timescales for the mitigating actions associated with each risk where it is possible and appropriate to do so.
18. In order to see which information has been updated since the previous report in March, any additional comments are shown in italics in Appendix 1.
19. The register was circulated to Corporate Management Team (CMT) in May and July 2022 and all risk owners provided additional content and verified the current risk ratings.

CONSULTATION

20. The review of each strategic risk has been undertaken by senior managers according to their particular responsibilities. Members of the Corporate Management Team have reviewed the strategic risk register, provided additional input and verified the current risk ratings. Cabinet members are also given the opportunity to review risks as part of the QPMR.

FINANCIAL / BUDGET IMPLICATIONS

21. There are no direct financial implications of approving the Strategic Risk Register.

LEGAL IMPLICATIONS

22. The Accounts and Audit Regulations 2015 require that the council reviews its system of internal control including its risk management arrangements. This report is therefore concerned in part with improving the way the council manages risk and also in giving the committee the opportunity to play its part in overseeing risk management arrangements. These are important features in the council's governance arrangements.

EQUALITY AND DIVERSITY

23. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
24. It is considered that there are no direct equality and diversity implications of this report for any of the protected groups.

OPTIONS

25. Option 1: Audit Committee approves the strategic risks of the council as set out in Appendix 1.
26. Option 2: Audit Committee does not approve the strategic risks of the council as set out in Appendix 1.

RISK MANAGEMENT

27. While this report is concerned with the subject of strategic risk itself, the key risk is that the council fails to recognise the importance of identifying, assessing, and managing strategic risk. The result would mean that risks are more likely to occur or that the council will fail to plan for their impact.
28. This risk is mitigated by a monthly review of the Strategic Risk Register by Corporate Management Team who also formally approve the register before it's submission to the IWC Audit Committee.

EVALUATION

29. Option 1 is recommended in that from the information provided in the report and appendices is based on the views of the IWC Corporate Management Team.

APPENDICES ATTACHED

30. Appendix 1: Full Strategic Risk Register
31. Appendix 2: IWC Risk Scoring Matrix

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WENDY PERERA
Interim Chief Executive

COUNCILLOR CHRIS JARMAN
*Cabinet Member for Strategic Finance,
Transformational Change and Corporate Services*

STRATEGIC RISK 1

Appendix 1

Lack of financial resource and the ability to deliver the council's in-year budget strategy**Assigned to: Director of Finance and Section 151 Officer**

Inherent Score	Target Score	Current Score (Proposed)
16 RED	5 GREEN	5 GREEN
Previous scores		
Mar 22	Nov 21	Sep 21
5 GREEN	9 AMBER	12 RED
Mitigation	Update on Activity/Status	Pressure Points
<p>Close monitoring of both Capital and Revenue spending (including income and savings targets)</p> <p>Position reviewed at the end of each quarter. Next review will be for the draft outturn position for 2021-22</p> <p>The Council maintains a Corporate Contingency for general and unidentified risk at circa. £3.5m per annum</p>	<ul style="list-style-type: none"> The draft outturn for 2021-22 will be published at the end of July 22, The latest report is therefore for quarter three and indicates a forecast balanced budget with a small underspend of £1.3 million (0.85% of budget) The total capital budget for 2021-22 is £59.1 million. As at quarter three the council is forecasting actual expenditure of £34.2 million with slippage of £24.9 million (i.e., budget spend will now take place in 2022-23). At this stage the Capital Programme remains fully funded 	<ul style="list-style-type: none"> The main pressure areas are within Childrens and Adults Social Care with net forecast overspend of £1.3m and £0.6m respectively but being offset by other areas e.g. Housing Needs and Treasury Management Income from fees and charges mainly associated with Leisure Services and Parking are underachieving mainly as a result of impact from the pandemic (see below). The shortfalls will be funded from the Sales ,Fees and Charges scheme and the Covid-19 contingency
<p>Manage the Financial Impact of the COVID-19 Pandemic on the Isle of Wight Council</p> <p>Position reviewed at the end of each quarter. Next review will be for the draft outturn position for 2021-22</p>	<ul style="list-style-type: none"> The revenue budget approved for 2021-22 includes a contingency for COVID-19 of circa £15 million. This is planned to be used to mitigate the financial impacts of COVID-19 both in terms of unfunded additional expenditure and income loss over the next three financial years. 	<ul style="list-style-type: none"> As at the end of quarter three the main impact forecast is income loss being incurred in council services which results in an estimated circa. £2.7 million being required to be funded from the contingency
<p>Review of Corporate Finance Risks</p> <p>Next review will be for the draft</p>	<ul style="list-style-type: none"> The Charging of severely disabled people for Social Care (Norfolk decision) remains a key financial risk. Adult Social Care (ASC) undertake finance and charging assessments to determine individuals' eligibility to contribute 	<ul style="list-style-type: none"> Legal advice secured by the National Association of Financial Assessment Officers indicates that the judgement is flawed and advocated for continuing to levy charges in accordance with the regulations and local policy. This

<p>outturn position for 2021-22</p>	<p>towards the cost of their care and support. In line with other local authorities the council takes into account higher rate benefits when undertaking this calculation. This generates approx. £1.2 million per year of additional income for ASC.</p> <ul style="list-style-type: none"> In a recent court decision, it was found that higher rate benefits should be disregarded, and calculations only based on standard or lower rates of benefits. 	<p>creates risk of potential legal challenge for all local authorities. To mitigate the risk, we are seeking advice and recommendations from Legal Services as to the steps we need to take to reduce the risk and potential success of any challenge and are currently reviewing our Finance and Charging policies to afford maximum protection.</p>
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<p><u>STRATEGIC RISK 2</u></p>		
<p>Lack of financial resource and the ability to deliver the council's medium-term financial strategy</p>		
<p>Assigned to: Director of Finance and Section 151 Officer</p>		
<p>Inherent Score</p>	<p>Target Score</p>	<p>Current Score (Proposed)</p>
<p>16 RED</p>	<p>9 AMBER</p>	<p>9 AMBER</p>
<p>Previous scores</p>		
<p>Mar 22</p>	<p>Nov 21</p>	<p>Sep 21</p>
<p>9 AMBER</p>	<p>16 RED</p>	<p>16 RED</p>
<p>Mitigation</p>	<p>Update on Activity/Status</p>	<p>Pressure Points</p>
<p>A full revision of the budget and future forecast and resulting savings requirements is presented to Full Council each February.</p> <p>Due date 28/2/23</p>	<ul style="list-style-type: none"> The process for setting the budget for 2022-23 was completed and approved by Full Council in February 2022 Full Council approved a savings requirement of £2m for the financial year 2023-24. The process to identify savings and prepare the budget for 2023-24 will commence later in the Summer. The budget and associated indicative savings proposals will be presented to Full Council for approval in February 2023 	<ul style="list-style-type: none"> <i>Provisional funding levels from Government are published in December each year and confirmed in January</i> <i>Future savings requirements are currently estimated at £2m per annum for the next three financial years</i> <i>(2023-24, 2024-25, 2025-26)</i> <i>Service Pressures/Demographic. Cost pressures including Inflation can be significant. The key pressures generally relate to Social Care (Adults & Children's) and inflation in particular utility costs and wage costs (including costs passed on from contractors/suppliers)</i> <i>Reserves need to be maintained at a level that provides sufficient financial resilience to enable the delivery of the Medium Term Financial Strategy</i> <i>Future Local Government funding system – there is still</i>

		<p><i>considerable uncertainty relating to planned major changes to the funding formula (Fair Funding Review) and the business rates system, therefore future funding levels remain very uncertain</i></p> <ul style="list-style-type: none"> <i>Island Deal – £1m was awarded for 2022-23 to recognise the additional costs of delivering services on an Island. Future allocations for 2023-24 are still being discussed with Government in the absence of the delivery of the Fair Funding Review</i> <i>Capital Programme Resources – grant funding is very constrained. There is a reliance on one-off contributions from revenue. Borrowing must be demonstrated to be affordable with a sufficient revenue stream to pay the debt costs. PWLB Borrowing approval is also restricted by regulation and the three-year capital programme is prohibited from including schemes that are primarily for a commercial yield.</i>
<p>Delivery of: Income generation Efficiencies Services reductions and early identification of unavoidable cost pressures/unachievable income targets to allow effective mitigation planning</p> <p>Review 31/8/22</p>	<ul style="list-style-type: none"> Commercialisation Board recently set up – to evaluate and progress full cost recovery for chargeable services, income generation and service efficiencies Regeneration Programme Boards are in operation and aim to deliver an economic benefit to the council including an improved council tax and business rates base The budget process includes a series of meetings with Directors and Cabinet to explore unavoidable cost pressures & undelivered savings, opportunities for income generation, efficiencies & opportunities for transformation bids 	<ul style="list-style-type: none"> Ability to fund new initiatives that require an initial subsidy. See note above regarding the conditions for borrowing. The Transformation Fund is the main source of one-off investment required for new income generating activity. This is a limited fund which has to be prioritised to schemes that deliver the best outcome. Any top-ups required to the fund will be considered as part of the budget setting process and is subject to affordability.
<p>Maintain ultimate Council Tax collection rate at 98.3% &</p>	<ul style="list-style-type: none"> Creation of a centralised debt team with enhanced staffing levels to ensure that the payment of debt is maximised and to 	<ul style="list-style-type: none"> Continued increase in the number of residents contacting the council relating payment concerns due to cost of living increases

<p>minimise the opportunity for fraud</p> <p>Review date – 31/8/22</p>	<p>signpost residents to appropriate support and guidance</p> <ul style="list-style-type: none"> Processes in place to review discounts and exemptions to verify reductions being claimed A robust enforcement approach is in place to maximise collection of council tax, sundry debt and business rates. To also assist customers to proactively manage debt before recovery becomes a requirement Working closely with Portsmouth Fraud team to prosecute those who are accessing the public purse fraudulently 	<ul style="list-style-type: none"> Ability to recruit to fixed term roles to create additional resource for the administration of government initiatives to assist residents with financial support Potential increase in caseload for Local Council Tax Support, reducing Council Tax income levels
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STRATEGIC RISK 3

Insufficient staffing capacity and skills

Assigned to: Director of Corporate Services

Inherent Score	Target Score	Current Score (Proposed)
16 RED	9 AMBER	10 RED
Previous scores		
Mar 22	Nov 21	Sep 21
9 AMBER	9 AMBER	9 AMBER
Mitigation	Update on Activity/Status	Pressure Points
<p>Monitoring Staff Capacity</p> <p>Next review due 31/08/22</p>	<ul style="list-style-type: none"> On-going legacy issues emerging as a result of COVID-19 <i>are resulting in increased demand for support being received from residents</i> Continued effort is being given to developing agile working practices, taking learning from the pandemic into consideration as we move towards a new model of hybrid working. <i>Gradually services are now establishing their working models combining agile and office-based working</i> <i>To address sickness levels staff are being signposted to support services such as Remploy and our internal Mental Health Champions network</i> 	<ul style="list-style-type: none"> It is considered that the rating of this risk should be increased marginally to RED in the light of the continuing recovery from the Covid-19 pandemic The wellbeing of our staff remains a concern and continued efforts are being made to provide access to support and response to any issues of concern. <i>Staff absence levels continue to remain stable but are continually monitored at organisational and directorate level</i>
<p>Delivery of recruitment and retention strategy and action plan</p>	<ul style="list-style-type: none"> On-line training resources have been developed to support recruiting managers that can be accessed as and when it is required 	<ul style="list-style-type: none"> <i>Resourcing has been identified as a key issue for the delivery of the strategy with competing workload priorities and lack of funding placing</i>

<p>Due date 30/09/22</p>	<p>- these remain under review for further improvements to be identified.</p> <ul style="list-style-type: none"> • The project team have progressed several key elements of the strategy including an <ul style="list-style-type: none"> ○ <i>Improved Induction process for new starters that enables feedback regarding the overall recruitment and selection process</i> ○ <i>Revise existing and transfer process to better understand the reasons for staff leaving their posts</i> ○ <i>Improved Intranet resources for recruiting managers that make the recruitment process clearer and provide them with additional supporting documentation</i> • <i>Pay benchmarking tool to be rolled out during the summer</i> 	<p><i>pressure on the ability to deliver the desired outcomes of the project</i></p>
<p>Regular monitoring, analysis, and review of organisational health indicators</p> <p>Next review date 31/08/22</p>	<ul style="list-style-type: none"> • The reporting dashboard has been refreshed to allow focus to be given to month by month changes and comparison with previous year periods to allow for greater scrutiny of issues of concern. • A refreshed attendance management strategy and action plan and has now been agreed and is underway on delivery. • <i>Annual staff survey has taken place with initial analysis completed in June 2022 and more detailed analysis scheduled for the summer period</i> 	<p>.</p>
<p>Workforce planning</p> <p>Next review date 31/08/22</p>	<ul style="list-style-type: none"> • <i>A workforce plan is being developed across the Council to identify key roles in service areas and the skills needed for the future so services can plan training and enable succession planning. Workshops have commenced and work force training plans are being developed from the information gathered</i> • <i>Workforce planning requirements were included as a key section of the Directorate Plans that have recently been produced to support the Corporate Plan</i> 	<ul style="list-style-type: none"> • There remains inconsistency in approach across the council to workforce planning within services but which it is anticipated will be improved through the roll out of a programme of learning and toolkit for services.

STRATEGIC RISK 4

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

Assigned to: Director of Corporate Services

Inherent Score	Target Score	Current Score (proposed)
16 RED	6 GREEN	6 GREEN
Previous scores		
Mar 22	Nov 21	Sep 21
6 GREEN	6 GREEN	6 GREEN
Mitigation	Update on Activity/Status	Pressure Points
<p>Leadership and management development</p> <p>Due Date 31/08/22</p>	<ul style="list-style-type: none"> Regular quarterly programme of manager conferences taking place. Corresponding quarterly Leadership forum in place for senior managers. “Growing Leaders” network is also in place to aid development and testing of initiatives and to act as a think tank for common problems and issues. <i>An additional Developing Leaders Programme commenced in June 2022</i> The People and Organisational Development strategy has now been approved by the corporate management team and the associated action plan is now in operation – The Strategic Manager for Workforce and Organisational Development is leading and operating a regular project group with quarterly reports to be provided to the Corporate Management Team. 	
<p>Workforce development programmes/ Initiatives</p> <p>Next review date 31/08/22</p>	<ul style="list-style-type: none"> The Learning Hub continues to be utilised to support staff with the specific needs presented by the pandemic situation and has also seen the introduction of a wider range of learning activities for staff and managers many of which would have previously only been undertaken utilising face to face learning activities. 	<ul style="list-style-type: none"> A substantial piece of work is to be undertaken this year looking at the future of learning which aims to build staff/manager responsibility for their own learning and that of their teams.
<p>Delivery of the council’s BIG Action Plan</p> <p>Next review date 31/08/22</p>	<ul style="list-style-type: none"> Progress against the Big Action Plan which is now integral to the council’s organisational development strategy is included in the Strategic Programme Report that is reviewed bi-monthly by Corporate Management Team. <i>Workstreams monitored by the action plan include: -</i> 	<ul style="list-style-type: none"> <i>The ambitious agenda set within the BIG Action Plan places pressure on resources as different workstreams often require access to the same support resources in areas such as ICT, HR, Organisational Intelligence, Procurement and Property Services</i>

	<ul style="list-style-type: none"> ○ Website redevelopment ○ Digital Accessibility ○ Learning Management System ○ Entrepreneurial/Commercial activities ○ Equality, Diversion & Inclusion ○ Attendance Management ○ Workforce Data ○ Agile Working ○ Property Rationalisation 	
<p>Maintaining ICT Networks and systems to facilitate large scale agile working</p> <p>Next review date 31/08/22</p>	<ul style="list-style-type: none"> ● Business continuity plans continue to be reviewed and monitored to ensure the Information and Communications Technology (ICT) infrastructure, networks and systems remain operational. ● The agile change team remain in place to provide assistance to staff and teams in the use and maximisation of the potential of available technology ● <i>Where there are competing demands for ICT resources priority is given based on the importance of the activity towards delivery of key Corporate Plan outcomes</i> 	

STRATEGIC RISK 5

Failure to improve educational attainment

Assigned to: Director of Children's Services

Inherent score	Target score	Current score (proposed)
16 RED	6 GREEN	10 AMBER
Previous Scores		
Mar 22	Nov 21	Sep 21
10 AMBER	10 AMBER	10 AMBER
Mitigation	Update on Activity/Status	Pressure Points
<p>Ensure schools open successfully for all pupils subject to any Department of Education guidance on COVID safety measures.</p> <p>Next review date Sept 22</p>	<ul style="list-style-type: none"> ● <i>All schools have been operating as normal during the latter part of the spring term and the beginning of the summer term. There have been occasional spikes in positive Covid cases amongst staff and pupils but these have been rare. Where needed the school improvement team has been providing advice and support.</i> 	<ul style="list-style-type: none"> ● <i>None currently</i>
<p>Ensure schools have contingency plans should positive cases rise and meet the criteria for an outbreak i.e., 5 positive cases or 10 percent of the</p>	<ul style="list-style-type: none"> ● The Department for Education (DfE) contingency framework was updated in January and schools updated their own contingency plans accordingly. ● The framework emphasises the priority that children should be in school and learning 	<ul style="list-style-type: none"> ● <i>None currently</i>

<p>cohort for most schools</p> <p>Next review date Sept 22</p>		
<p>Building on the improvements in standards</p> <p>Next review date Sept 22</p>	<ul style="list-style-type: none"> • The school improvement team's shift to more traditional school improvement work is being delivered through both remote work and face to face meetings in schools, with appropriate risk assessments in place. • Both the targeted and professional development offers of school improvement activities have been updated to reflect the changed needs of schools and their leaders as they adapt to the academic, social, and pastoral needs of the children which have in many cases changed over the pandemic. • The school improvement team have continued to work with schools preparing for inspection under the new Ofsted framework that was implemented in September 2019. This has started again this term, with the full schedule of inspections due to resume from February 2022. • <i>Much of the work of the school improvement team has been focused on preparing schools for the reintroduction of examinations. Secondary subject network groups have been meeting across GCSE subject areas where expertise and advice has been shared. These have been well attended.</i> 	<ul style="list-style-type: none"> • The work of the school improvement team is now increasingly focused on supporting educational attainment in the current COVID-19 climate, however, support for schools around other aspects of managing COVID-19 is still prioritised where needed.
<p>Ensuring schools are good (as rated by Ofsted) for all children</p> <p>Next review date Sept 22</p>	<ul style="list-style-type: none"> • 77 percent of IW schools are currently rated good or outstanding and signs from inspections undertaken last academic year would suggest that this will improve over the coming months, although this improvement does rely on schools being inspected and the inspection schedule is currently running up to six terms in arrears. 	<p>Some schools have had very tough times over COVID; their improvement trajectories have slowed, and they are now being fully supported to get back on track with the rapid improvements needed by the school improvement team. This adds pressure to the Ofsted judgements improving as swiftly as would have been the case previously.</p>
<p>Leading a cohesive system for children based on effective partnership working</p> <p>Next review date Sept 22</p>	<ul style="list-style-type: none"> • Continued development of strong relationships and synergies between the range of departments and agencies that work with children including social care, health, and the Special Educational Needs (SEN) service. 	<p><i>None currently.</i></p>

	<ul style="list-style-type: none"> Continue the positive work on transition that began between primary and secondary schools during the pandemic, and also between schools and post-16 providers. 	
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STRATEGIC RISK 6

Failure to identify and effectively manage situations where vulnerable children are subject to abuse

Assigned to: Director of Children's Services

Inherent score	Target score	Current score (Proposed)
16 RED	5 GREEN	7 AMBER
Previous scores		
Mar 22	Nov 21	Sep 21
7 AMBER	7 AMBER	7 AMBER
Mitigation	Update on Activity/Status	Pressure Points
COVID-19 Response Next review date Sept 22	<ul style="list-style-type: none"> Service fully operational <i>though demand has increased. Weekly staff roll calls continue to monitor attendance.</i> Family Time (Contact) between looked after children and their parents continues though reaching capacity <i>which is being reviewed to resolve.</i> All meetings with families are now face to face unless a family member has COVID and then this is virtual. Business Continuity Plan updated to include additional actions developed to respond should staff shortages impact on service delivery. 	<ul style="list-style-type: none"> <i>Difficulty around placements & supported accommodation due to increased demand</i> Challenges around COVID-19 concerns affecting ability to make new placements with foster carers/residential providers.
Corporate Parenting Board Next review date Sept 22	<ul style="list-style-type: none"> Corporate parenting board meetings taking place quarterly. Corporate parenting strategy & Action plan agreed by Board in March 2020. 	<ul style="list-style-type: none"> Meetings now take place face to face with hybrid facilities used to enable full participation.
Multi-agency integrated commissioning board Next review date Sept 22	<ul style="list-style-type: none"> Pathways to Independent Adulthood supported accommodation tender completed. A new Special Educational Needs or Disability (SEND) strategic board is taking forward the joint commissioning agenda-between Local Authority/Clinical Commissioning Groups addressing recommendations of the recent SEND inspection. 	<ul style="list-style-type: none"> High demand for this accommodation for children and young people with complex needs and behaviours that challenge.
Quarterly performance reports to	<ul style="list-style-type: none"> Performance reports are viewed regularly by the Policy and Scrutiny Committee for Children's Services, Education and Skills. Meetings held 	<ul style="list-style-type: none"> <i>Staff rota and process in place to manage a return to the office as the number of staff exceeds County Hall capacity.</i>

<p>Scrutiny Committee</p> <p>Next review date Sept 22</p>	<p>on 3 March 2022 and 9 June 2022 <i>with the next meetings scheduled for September and December 2022.</i></p> <ul style="list-style-type: none"> Weekly performance management data is being considered to support our understanding and response to the impact of COVID-19 and subsequent planning for recovery. 	
<p>Regular scrutiny of social work caseloads</p> <p>Next review date Sept 22</p>	<ul style="list-style-type: none"> Caseloads continue to be scrutinised by senior management on a weekly basis. It is expected that demand will continue at a higher level than normal. 	<ul style="list-style-type: none"> <i>The average caseloads increased this quarter (to 23 from 21) due to increased demand. Additional investment in social worker capacity has been secured to support the increased demand due to COVID-19. However, there is a national issue on the availability of social workers and agency social workers meaning challenges recruiting to vacancies remains a pressure.</i> Successful bid to Department of Education has secured significant additional investment in our Family Hubs to respond to meeting the needs of more families impacted by the pandemic.
<p>Quality assurance framework (monthly case audits concentrating on quality of practice)</p>	<ul style="list-style-type: none"> Monthly meetings now take place to review audits and actions and quality of practice. The senior management team also undertake an audit of audits on a quarterly basis to quality assure the auditing process. 	
<p>Annual self-evaluation and annual conversation between Director and Ofsted</p>	<ul style="list-style-type: none"> Ofsted undertook a focussed inspection in July 2021 of the Isle of With Children's Social Care Service. The letter of findings was published early September 2021. 50168714 (ofsted.gov.uk). A new Quality Improvement Plan (QUIP) has been developed. The self-evaluation is being updated covering 2021 ahead of the annual conversation the Director and senior managers had with Ofsted in March 2022. 	

STRATEGIC RISK 7

Failure to recruit acceptable quality of professional practice across Adult Social Care (ASC) and Housing Needs

Assigned to: Director of Adult Social Care

Inherent score	Target score	Current score (proposed)
14 RED	6 GREEN	8 AMBER
Previous scores		
Mar 22	Nov 21	Sep 21
8 AMBER	8 AMBER	8 AMBER
Mitigation	Update on Activity/Status	Pressure Points
Pride in Practice – growing our own social work workforce COMPLETE	<ul style="list-style-type: none"> The Pride in Practice Strategy was launched across the department on 14 April 2021 increasing the focus on quality standards needed across the department – and how we will support and encourage staff to meet those standards. It includes “growing our own” social work and other specialist staff and we now have 9 staff undertaking the apprenticeship Social Work programme. 	
Addressing especially hard to recruit roles Next review date 31/08/2022	<ul style="list-style-type: none"> Focus is also on the recruitment to specialist roles (Approved Mental Health Practitioners) in the Mental Health Social Work team. <i>3 Trainees AMHPs have been appointed who will be trained and will gain experience in the role and over time reduce the reliance on more expensive agency staff</i> 	<ul style="list-style-type: none"> Against a backdrop of a national skills shortage in this area, the service still has vacancies in this specialist role but is continuing to advertise and promote the roles whilst also training existing staff to undertake these duties.
ASC recruitment and retention Next review date 31/08/2022	<ul style="list-style-type: none"> Vacancy monitoring is reviewed on a monthly basis. <i>The effort and investment into “Growing our own” Social Workers has resulted in 4 trainees scheduled to become qualified SWs in July. In September 2022 3 more trainees will be starting their 2nd of 2 years training and 4 more trainees will start their 1st year</i> <i>The ASCHN workforce plan has been completed and is now being implemented supporting with all recruitment and retention activity.</i> 	<ul style="list-style-type: none"> <i>As above. The IWC is not only in competition with other local authorities for but also with other industries where pay rates have increased post pandemic (e.g. hospitality)</i>
ASC Learning and Development Plan COMPLETE	<ul style="list-style-type: none"> Close working with Human Resources and Learning and Development has ensured that staff have access to training appropriate to their roles and are supported in their professional development. 	

<p>New person-centred, strengths-based assessment forms</p> <p>COMPLETE</p>	<ul style="list-style-type: none"> Improvement plans have been developed and implemented across the department following analysis and scrutiny of audit findings. This is now business as usual. 	
<p>Maintain staffing levels during COVID-19 response</p> <p>COMPLETE</p>	<ul style="list-style-type: none"> We continue assessing availability of our staffing levels on a daily basis as we did throughout the pandemic. <i>The staffing position has greatly improved with no teams reporting staff shortages due to COVID-19 since 13 April 2021.</i> 	
<p>Agile working</p> <p>COMPLETE</p>	<ul style="list-style-type: none"> <i>All staff in ASC continue to work in an agile way, working from where they need to be.</i> 	

STRATEGIC RISK 8

Failure to identify and effectively manage situations where vulnerable adults are subject to abuse

Assigned to: Director of Adult Social Care and Assistant Director of Operations

Inherent score	Target score	Current score (proposed)
16 RED	6 GREEN	11 AMBER

Previous scores

Nov 21	Nov 21	Sep 21
10 AMBER	10 AMBER	10 AMBER

Mitigation	Update on Activity/Status	Pressure Points
<p>Protecting Vulnerable Adults</p> <p>Next review date 31/08/2022</p>	<ul style="list-style-type: none"> <i>Review of IW Independent Living Strategy – (to be completed in January 2023)</i> <i>Focus on improving mental health and wellbeing is incorporated into all activities (including strategies, commissioning decisions and directly provided services) across Adult Social Care</i> <i>The review and refresh of the Carers Strategy continues to progress.</i> <i>The support available for informal carers has been recommissioned and includes a requirement for the provider, Carers IW to ensure that they are actively promoting assessments for carers. Quarterly reporting is in place to evidence the number of carers receiving support.</i> 	<ul style="list-style-type: none"> <i>The number of outstanding reviews has increased over the 12 months up to the end of May 2022 when 807 were outstanding compared with 572 a year ago.</i> <i>Safeguarding continues to be a key area of focus and May 2022 saw the highest number of safeguarding referrals for 12 months with 367 being received compared with an average of 310 per month.</i>
<p>ASC Programme Board</p> <p>COMPLETE</p>	<ul style="list-style-type: none"> All ASC projects are reviewed monthly by the ASC Programme Board with any exceptions being escalated to the ASC Service 	

	Board. Highlight report reflects the corporate standard.	
'Deprivation of Liberty Safeguards' (DoLS) backlog clearance programme Next review date 31/08/2022	<ul style="list-style-type: none"> The number of applications awaiting assessment has fallen steadily over the last 12 months to 378 compared with well over 500 a year ago. 	
Mental Health Action Plan Next review 31/08/2022	<ul style="list-style-type: none"> An action plan has been produced in response to the independent review of mental health social work practice – its development and delivery continues to be on target. 	
Safeguarding Action Plan Due date - TBC	<ul style="list-style-type: none"> Review of the practice guidance is complete. Making Safeguarding Personal (MSP) toolkit for ASC practitioners in place. 	<ul style="list-style-type: none"> MSP audit initially due at the end of 2020 was delayed as a result of the pandemic but is an action to be progressed as soon as possible
Learning Disability (LD) Homes Service improvement plans COMPLETE	<ul style="list-style-type: none"> We retain 2 residential care homes supporting people with learning disabilities and Westminster House which is a respite centre. All of these services are rated as Good by Care Quality Commission (CQC). Each service now has a bespoke Service Improvement Plan which is being regularly and routinely monitored. 	
Centralisation of outreach teams COMPLETE	<ul style="list-style-type: none"> The service is fully operational. 	

STRATEGIC RISK 9

Failure to secure the required outcomes from the integration of adult social care and health

Assigned to: Director of Adult Social Care

Inherent score	Target score	Current score (proposed)
16 RED	6 GREEN	10 AMBER
Previous scores		
Mar 22	Nov 21	Sep 21
10 AMBER	10 AMBER	10 AMBER
Mitigation	Update on Activity/Status	Pressure Points
COVID-19 Response COMPLETE	<ul style="list-style-type: none"> The national scheme to provide additional funding to Health partners to support with Hospital Discharge (HDS1 and HDS2) <i>will now continue to 30/06/2022</i> 	<ul style="list-style-type: none"> We have seen an increase in financial liability for care and support as a result of the Discharge to Assess policy implementation and continue to review on a monthly basis the impact of these

		arrangement to mitigate so far as is possible long-term effect.
ASC Programme Board COMPLETE	<ul style="list-style-type: none"> All ASC projects are reviewed monthly by the ASC Programme Board with any exceptions being escalated to the ASC Service Board. Highlight report reflects the corporate standard. 	
Transformation programme and operational integration Next review date 31/08/2022	<ul style="list-style-type: none"> <i>The Better Care Fund for 2022-23 is in development to align the delivery of integrated community commissioning arrangements.</i> <i>The full review of the Regaining Independence Service is underway with a focus on greater levels of rehabilitation and reablement services being provided in peoples own homes</i> ASC continues to engage with the development of the Well-being strategy and with the Islands Health and Care Plan 	
Responsiveness to hospital escalations Next review date 231/08/2022	<ul style="list-style-type: none"> The System Resilience Board, chaired by the Director of Adult Social Care and Housing Needs, engaging all system partners including representatives from the Independent Sector, takes ownership of the programmes of work arising from escalation and monitors the delivery of actions in a timely way. 	<ul style="list-style-type: none"> The key challenge in relation to responsiveness to hospital escalation continues to be the fragility in the workforce across the Island.

STRATEGIC RISK 10

Independent Social Care Sector Sustainability (Care Homes and Home Care)

Assigned to: Director of Adult Social Care

Inherent score	Target score	Current score (proposed)
16 RED	6 GREEN	12 RED
Previous scores		
Mar 22	Nov 21	Sep 21
12 RED	12 RED	12 RED
Mitigation	Update on Activity/Status	Pressure Points
IW Market Position Statement Due date 31/12/22	<ul style="list-style-type: none"> <i>Review of the IW Market position was delayed as a result of the pandemic as provider engagement is challenging when care homes and home care providers are experiencing workforce pressure and increased demands. However, work recommenced in April 2022 as planned.</i> 	

<p>Occupancy Levels</p> <p>Next review date 31/08/2022</p>	<ul style="list-style-type: none"> We continue to monitor, on a daily basis, through the National Capacity Tracker, occupancy levels across all CQC registered Care Homes <i>and have now developed a weekly ratification process with providers to ensure that vacancy data is accurate. – This process is now considered as Business as Usual</i> 	
<p>Levels of Fees</p> <p>Due date 31/10/22</p>	<ul style="list-style-type: none"> <i>In line with requirements from the DHSC the IWC is undertaking the Fair Cost of Care exercise and producing a Market Sustainability Plan for submission to DHSC by mid-October 2022</i> <i>Local providers are being involved fully in this work</i> <i>It is anticipated that the DHSC will use these results to inform future fair funding settlement results potentially relieving financial pressure on the IWC in years to come.</i> <i>This process is likely to supersede the more traditional annual fee review as the mechanism for agreeing prices with providers but this is being kept under review.</i> 	<ul style="list-style-type: none"> Recent workforce challenges (<i>cost of living, competition from other sectors</i>) have identified that care providers need to consider and review the rates of pay they offer to ensure that they are able to recruit staff more easily and to better manage retention. It is likely that any increase in staff wage will be reflected in the consultation and passported to the council as part of the financial pressures indicated by providers during any future fee setting
<p>Workforce pressures</p> <p>Next review date 31/08/22</p>	<ul style="list-style-type: none"> The lack of local workforce in the delivery of social care activity has been escalated as an area of concern to both national ADASS and the LGA. <i>The Isle of Wight Health and Care Partnership Board continue to develop and implement a range of activity and strategies to support both recruitment and retention to key care roles on the Island.</i> 	<ul style="list-style-type: none"> There are significant challenges in relation to sufficiency of workforce across all health and social care sectors, including in the delivery of frontline care and support services. Workforce has been affected as a result of an increase in vacancy levels and higher staff turnover. We continue to monitor the situation and to work with providers around business continuity plans and safe staffing levels.
<p>Market Capacity – Homecare</p> <p>Next review date 31/08/2022</p>	<ul style="list-style-type: none"> Business Continuity Plans are being reviewed with local providers to ensure continuity of care where there may be workforce challenges and where necessary the council is using its own workforce to provide emergency care and support. 	<ul style="list-style-type: none"> The workforce pressures highlighted have impacted on care homes and home care providers over the past five months.
<p>Capacity Tracker</p> <p>COMPLETE</p>	<ul style="list-style-type: none"> The development of the national capacity tracker has provided a level of oversight for commissioners of adult social care services that 	

	previously wasn't available. This is assisting in understanding not only available capacity and staffing levels but also provides some early warning signs where provider fragility or failure is likely to become a concern. – <i>This process is now considered as Business as Usual</i>	
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STRATEGIC RISK 11

Failure of the Highways PFI contract resulting in significant financial and operational disruption for the council and its residents

Assigned to: Director of Neighbourhoods

Inherent score	Target score	Current score (proposed)
16 RED	5 GREEN	7 AMBER
Previous scores		
Nov 21	Nov 21	Sep 21
8 AMBER	8 AMBER	8 AMBER
Mitigation	Update on Activity/Status	Pressure Points
<p>PFI – Establish and deliver available savings</p> <p>Next Review Due 31/08/22</p>	<ul style="list-style-type: none"> Most of the requirements for the Core Investment Period (CIP) have been satisfied and the contractor is now moving into the Routine Maintenance and Life Cycle Investment period for the remainder of the contract. <i>We continue to effectively monitor and manage the Highways Private Finance Initiative contract following the completion of the core investment period, and the Milestone 14 programme is progressing as planned.</i> The majority of the first two phases of the programme of contract savings have been agreed and Island Roads have agreed to forward fund the savings amounts in the budget by end of March 2022 to meet the £1.5 m pa savings target. The third phase of savings are to be agreed and completed by September 2023. 	<ul style="list-style-type: none"> <i>Milestone14 programme on schedule.</i> <i>Phase 3 savings discussions taking place with Island Roads in addition to the £1.5m pa.</i>
<p>PFI - Successfully resolve anomalies in the contract specification</p> <p>Due date 31/03/23</p>	<ul style="list-style-type: none"> Ongoing discussions are taking place to resolve other outstanding contract issues by end March 2023. 	

STRATEGIC RISK 12

Failure of the Waste contract resulting in significant financial and operational disruption for the council and its residents

Assigned to: Director of Neighbourhoods

Inherent score	Target score	Current score (proposed)
16 RED	5 GREEN	8 AMBER
Previous scores		
Mar 22	Nov 21	Sep 21
8 AMBER	8 AMBER	8 AMBER
Mitigation	Update on Activity/Status	Pressure Points
<p>Ensure the delivery of Key Facilities through robust contract management</p> <p>Due Date 5/09/22</p>	<ul style="list-style-type: none"> The Energy from Waste Plant passed its Readiness Tests and has been issued a certificate of Readiness by the Independent Certifier, thus successfully ending cold commissioning. Hot Commissioning and preparation for the acceptance tests commenced in <i>January 2022 with final acceptance tests scheduled be completed in September 2022 which if successful will result in the Acceptance Test Certificate being issued</i> All and any costs incurred by the delay will not be at the council's cost. All construction delay and associated additional costs of treating waste and recycling is entirely at the financial risk of the service provider and does not affect the diversion of waste from landfill or the recycle rates being achieved on the island. 	<ul style="list-style-type: none"> Construction risk and cost of residual waste above agreed contract rates sits with Amey. The council has maintained the service charge step down from August 2018 when the plant was originally due to be completed (prior Energos failure) meaning that Amey have to cover the treatment cost gap for sending waste to a mainland Energy Recovery Facility (ERF). Hot Commissioning has identified some faults which have required an iterative process of repairing and restarting which has been impacted by visa issues for contractors entering the UK.
<p>Regular monitoring of performance of the contract</p> <p>Next review date 31/08/22</p>	<ul style="list-style-type: none"> All household collections have continued during the COVID-19 restrictions. Recycling rates and service satisfaction levels have remained high. Performance <i>remains</i> good with almost 100 percent of municipal waste now being diverted from landfill and over 58 percent of household waste being recycled or composted. 	

<u>STRATEGIC RISK 13</u>		
Achieving the vision for the Island		
Assigned to: Chief Executive		
Inherent score	Target score	Current score (proposed)
14 RED	6 GREEN	12 RED
Previous scores		
Mar 22	Nov 21	Sep 21
12 RED	12 RED	12 RED
Mitigation	Update on Activity/Status	Pressure Points
Isle of Wight Corporate Plan 2021-25 Next review date 31/08/22	<ul style="list-style-type: none"> A new Corporate Plan was approved by Full Council in November 2021. The delivery of the plan will be tracked through the Quarterly Performance Management Report that is presented to the IWC Cabinet which will contain updates against the key actions in the plan through evidence provided from performance metrics. 	
Quarterly Performance Management Report (QPMR) updates Next review date 31/08/22	<ul style="list-style-type: none"> Regular reporting of finance and performance set against the corporate plan activities and metrics is made to the Cabinet and various committees with a scrutiny function. The new Corporate Plan is aligned to the council's vision for the Island and all of the council's key activities and performance metrics derive from it. Service plans and individual employee objectives are being refreshed and will align to the corporate plan. 	<ul style="list-style-type: none"> <i>The new Corporate Plan has required an increase in the amount of information require to produce the QPMR. Where possible updates are taken from existing reporting workstreams to avoid any unnecessary duplication</i>
Strategic capacity and interventions Next review date 31/08/22	<ul style="list-style-type: none"> Additional capacity in the senior management team has been secured and is being used to address gaps in strategy and policy issues which will align to the corporate plan. Key current themes are affordable housing, biosphere, and net zero; economic regeneration and reducing poverty. 	<ul style="list-style-type: none"> A key challenge is in maintaining a planned proactive approach to the delivery of corporate objectives
Robust Programme Management Next review date 31/08/22	<ul style="list-style-type: none"> The programme management framework is becoming embedded throughout the organisation, aided by the oversight of the Strategic Programme Board and the Councillor review board chaired by the Leader. 	<ul style="list-style-type: none"> A greater degree of challenge is now being applied to the council's core programmes of work to ensure their timely delivery and impact on the Island's vision. This challenge includes periodic health checks on the programmes and projects that are reported to the Strategic Programme Board.

<p>Regeneration programme</p> <p>Next review date 31/08/22</p>	<ul style="list-style-type: none"> • <i>The Regeneration Programme is a significant element of the work that is monitored closely by the Strategic Programme Board and the Councillor review board that is chaired by the Leader of the Council</i> • <i>Newport Harbour Masterplan Phase 1 will complete in July 2022 with progress on the Cultural Centre on the Riverside Centre site being brought forward and a “pop-up” business park being opened.</i> • <i>Venture Quays site development progressing well following the award of £5.8m from the government’s levelling up fund. Work is scheduled to commence in Autumn 2022 and complete by March 2024</i> • <i>The project to bring the current road, adjacent land and infrastructure on the Camp Hill estate is scheduled to commence in September 2022 and be completed in July 2023</i> 	<ul style="list-style-type: none"> • <i>Increasing costs for both labour and materials due to inflation could potentially mean that the scope of projects needs to be reviewed and or projects paused or deleted from the programme to ensure that critical priority projects are delivered</i>
<p>Strategic risk register</p> <p>Next review date 31/08/22</p>	<ul style="list-style-type: none"> • <i>A full review of the IWC Risk Management Strategy including a review of both the format of the Strategic Risk Register and Risks that are considered to be part of it. was completed by December 2021</i> • <i>An information session for members of the IWC Audit Committee was held in March 2022 and further sessions will take place throughout the year</i> 	<ul style="list-style-type: none"> • <i>The level to which Directorates engage with Risk Management reporting is variable. Additional support is in place to assist services is identifying, assessing, and managing their risks.</i>
<p>Increase in levels of unmet Housing Needs</p> <p>Next review 31/08/22</p>	<ul style="list-style-type: none"> • <i>Following the onset of COVID 19, the housing market on the IOW has fundamentally changed, resulting in few if any properties being available to rent on the open market.</i> • <i>Data indicates there has been an 82 percent reduction in available private rented properties reducing from an average of 350 homes per month being available up until December 2019, to around 60 homes per month by October 2021.</i> 	<ul style="list-style-type: none"> • <i>Traditionally we know the Private Rented Sector accommodates around 19 percent of IOW households equating to around 15,000 families. However, with demand for rented properties reported to be 376 percent higher than pre COVID levels, house prices increasing by 25 percent and people repurposing their properties for short term lets in response to the staycation market it has triggered a significant housing market failure and has driven increasing numbers of displaced families to approach the council for social or “affordable” rented housing.</i> • <i>Numbers of households being accommodated in temporary</i>

		accommodation continues to rise and is 25 percent higher than at the same point 2 years ago
Increase in levels of unmet Housing Needs – Prevention Next review date 31/08/22	<ul style="list-style-type: none"> We have triggered a one year extension of community support service contracts delivered by Citizens Advice Bureau, The Law Centre, and Wight Dash. 	<ul style="list-style-type: none"> As Above.
Increase in levels of unmet Housing Needs - Intervention Next review date 31/08/22	<ul style="list-style-type: none"> On the 17th January it was agreed to lease 10 units of bespoke accommodation from a local organisation to help the IWC meet the emergency accommodation needs of families during the period between April 2022- March 2023. As part of the <i>Rough Sleeping Accommodation Project</i> the Council has purchased 3 one-bedroom properties (with two more sales to follow) and engaged a partner to manage them and provide support services to the residents 	<ul style="list-style-type: none"> As Above.
Increase in levels of unmet Housing Needs - Recovery Next review date 31/08/22	<ul style="list-style-type: none"> On the 14th January at cabinet, it was agreed to proceed with a modular relocatable housing development to help meet the needs of homeless families subject to approval of the annual budget by Full Council in February and approval of a Full Business Case by Cabinet. A 20 unit site in Newport Harbour for modular relocatable housing was scheduled to begin construction in November 2022 subject to planning approval being in place with occupation scheduled from June 2023 3 sites will be developed for housing as part of the Brownfield Land Release Fund (Berry Hill in Lake, former Weston Primary School site in Totland and Thompson House near Newport). 	<ul style="list-style-type: none"> As Above.
Delivery of the Climate Change and Environment Strategy Next review date 31/08/22	<ul style="list-style-type: none"> Following on from the Council declaring a Climate Emergency in 2019 a comprehensive Climate Change and Environment Strategy has been published with the main aims to achieve net-carbon zero status by 2030 for the Council, by 2035 for all school estates and for the Island as a whole by 2040 As part of the “Green Corridor” the council is bidding for £14 million 	<ul style="list-style-type: none"> All decisions taken by the Council need to take into account their contribution towards achieving the aims of the Climate Change and Environment Strategy

	<p>form the governments next round of levelling up funding. This funding is proposed to be use on a “green link corridor” between Ryde and Yarmouth which will include a number of projects aimed at reducing car journeys and making routes both in town and between town more easily navigable for cyclist and walkers. Another aim will be to improvements to the bus infrastructure along the routes between Ryde and Yarmouth</p> <ul style="list-style-type: none"> • A two month pilot has been run for the use of electric cargo bikes for undertaking internal mail runs between council sites 	
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STRATEGIC RISK 14

Additional demands placed upon the Isle of Wight Council and partners owing to pandemic flu or similar large-scale outbreaks

Assigned to: Director of Public Health

Inherent score	Target score	Current score
16 RED	12 RED	12 RED

Previous scores

Mar 22	Nov 21	Sep 21
16 RED	16 RED	16 RED

Mitigation	Update on Activity/Status	Pressure Points
<p>Preparedness for other novel infectious disease (including COVID-19)</p> <p>Next review date 31/08/22</p>	<ul style="list-style-type: none"> • The Isle of Wight Council Public Health team works closely with Public Health England on all infectious disease outbreaks on the Isle of Wight. • The IWC Pandemic Influenza Plan will be reviewed with lessons learnt from the COVID-19 pandemic response with consideration to broadening to a broader pandemic response plan. • The Public Health team works closely with the Isle of Wight Council’s Emergency Management Team to ensure that Outbreak and Pandemic Influenza Plans are linked into other Council and Multi-agency Emergency Response Plans. 	<ul style="list-style-type: none"> • <i>With regards to COVID-19, the Isle of Wight Council Public Health team continues to carefully monitor and respond the situation but is now placing an emphasis on advising the public on how to live safely with respiratory infections, including Covid 19.</i> • An Incident Response Plan specifically produced to work across both Public Health Teams, combined with staff receiving specific training set to role allocations will enhance the team’s overall response capability. This plan is linked to the authority’s own response arrangements and those of the Local Resilience Forums (LRF) to allow greater prominence within the command-and-control structures that are established.
<p>Partner Organisations</p> <p>Next review 31/08/22</p>	<ul style="list-style-type: none"> • Communication with partners to establish pressures, including: <ul style="list-style-type: none"> - Public Health England - NHS – Trust and CCG 	

	<ul style="list-style-type: none"> - Multi-agency representative on the Island Resilience Forum - HIOW Integrated Care System - IOW Integrated Care Partnership - Local Resilience Forums (LRF) - Other Local Authorities 	
<p>Internal arrangements</p> <p>Next review 31/08/22</p>	<ul style="list-style-type: none"> • An Incident Response Plan specifically produced for the joint public health team, combined with staff receiving specific training set to role allocations will enhance the team's overall response capability. This plan is linked to the authority's own response arrangements and those of the LRF to allow greater prominence within the command-and-control structures that are established. 	
<p>External arrangements</p> <p>Next review 31/08/22</p>	<ul style="list-style-type: none"> • A COVID-19 working group brings together system-wide representatives to discuss the COVID-19 situation on the Island and escalate concerns which are then fed into the COVID-19 Health Protection Board chaired by the DPH. Tabletop exercises have been held at working group and health protection board level to test the plan. • An Island Tactical Co-ordination Group (ITCG) convenes at a multi-agency level, including police, fire, NHS Trust, ambulance, council, public health, CCG, Military, ferry companies, utilities, and prisons in case of a multiagency response. 	
<p>Provision of up to date information</p> <p>Next review due 31/08/22</p>	<ul style="list-style-type: none"> • <i>The Council is no longer producing statistics regarding Covid infection rates or vaccination take up. Instead, in line with central government policy, the council is tailoring it's messages around living safely with Covid 19</i> 	

STRATEGIC RISK 15

Dealing with threats to business continuity (including cyber incidents)

Assigned to: Assistant Chief Executive and Director of Strategy

Inherent score	Target score	Current score (proposed)
12 RED	6 LOW	9 AMBER
Previous scores		
Mar 22	Nov 21	Sep 21
9 AMBER	9 AMBER	N/A
Mitigation	Update on Activity/Status	Pressure Points
Revised Business Continuity Plans completed Review date 31/08/22	<ul style="list-style-type: none"> Emergency Management will issue a revised template to include the listing of all ICT systems, consequence of failure and the continuity arrangements. These will be issued to all service managers requiring a new version of their Business Continuity Plan (BCP) be registered with Emergency Management within four weeks of receiving the revised template. Plan reviews to be undertaken every 12 months. 	<ul style="list-style-type: none"> 31 of 32 BCPs completed, the following are still outstanding on 9 June 2022: - Highways PFI This has been flagged to Corporate Management Team
Secure paper copies of Revised Business Continuity Plans Review date 31/08/22	<ul style="list-style-type: none"> All services must ensure that there is a paper copy of their current BCP that is copied and circulated to key staff so that the plan can be enacted in the event of significant loss of ICT systems. All service areas have been reminded of this requirement. 	
Revised Business Continuity Plans distributed, and staff trained Review date 31/08/22	<ul style="list-style-type: none"> Service Managers will ensure appropriate awareness training is in place for the staff to know what actions they should all take in the event of loss or disruption to services. All services have been advised of this requirement. 	
IWC - Cyber Incident Response Plan (developed and maintained by ICT) Review date 31/08/22	<ul style="list-style-type: none"> A Cyber Incident Response Plan has been drafted to provide a structured and systematic incident response process for all cyber security incidents that affect any of the Isle of Wight Council's information technology (IT) systems, network, data, and information assets, including the council's data held or IT services provided by third-party vendors or other service providers. 	

<p>Hampshire, Isle of Wight Local Resilience Forum Cyber Resilience Framework</p> <p>COMPLETE - Next review March 2023</p>	<ul style="list-style-type: none">• This Framework ensures a co-ordinated multi-agency approach to a cyber incident within an agency, that may impact on other agencies through interdependencies between systems.	
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Appendix 2 - Risk Prioritisation Matrix

Likelihood/Probability	4 V. Likely	7 Medium	11 Medium	14 High	16 <u>VERY HIGH</u>
	3 Likely	4 Low	8 Medium	12 High	15 <u>VERY HIGH</u>
	2 Unlikely	2 Low	5 Low	9 Medium	13 High
	1 Remote	1 Low	3 Low	6 Low	10 Medium
	Scale	1 Low	2 Medium	3 High	4 Major

Impact/Severity

15 - 16	Red	V. high risk
12 - 14	Red	High risk
7 - 11	Amber	Medium risk
1 - 6	Green	Low risk

Likelihood/Probability Criteria

FACTOR	SCALE	THREATS - DESCRIPTION	INDICATORS
Very likely	4	More than 75% chance of occurrence	Regular occurrence Circumstances frequently encountered - daily/ weekly/ monthly
Likely	3	40% - 75% chance of occurrence	Likely to happen at some point within the next 1-2 years. Circumstances occasionally encountered (few times a year)
Unlikely	2	10% - 40% chance of occurrence	Only likely to happen 3 or more years
Remote	1	Less than 10% chance of occurrence	Has happened rarely/never before

Impact/Severity Criteria

Factor	Scale	Effect on Service	Embarrassment/ reputation	Personal Safety	Personal privacy infringement	Failure to provide statutory duties/meet legal obligations	Financial	Effect on Project Objectives/ Schedule Deadlines
Major	4	Major loss of service, including several important areas of service and /or protracted period. Service Disruption 5+ Days	Adverse and persistent national media coverage Adverse central government response, involving (threat of) removal of delegated powers Officer(s) and/or Members forced to resign	Death of an individual or several people	All personal details compromised / revealed	Litigation/claims/fin es from Departmental £250k + Corporate £500k +	Costing over £500,000	Complete failure of project/ extreme delay – 3 months or more
High	3	Complete loss of an important service area for a short period Major effect to services in one or more areas for a period of weeks Service Disruption 3-5 Days	Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community Adverse local publicity of a major and persistent nature	Major injury to an individual or several people	Many individual personal details compromised / revealed	Litigation/claims/fin es from Departmental £50k to £125k Corporate £100k to £250k	Costing between £50,000 and £500,000	Significant impact on project or most of expected benefits fail/ major delay – 2-3 months

Medium	2	Major effect to an important service area for a short period Adverse effect to services in one or more areas for a period of weeks Service Disruption 2-3 Days	Adverse local publicity /local public opinion aware Statutory prosecution of a non-serious nature	Severe injury to an individual or several people	Some individual personal details compromised / revealed	Litigation/claims/fin es from Departmental £25k to £50k Corporate £50k to £100k	Costing between £5,000 and £50,000	Adverse effect on project/ significant slippage – 3 weeks–2 months
Low	1	Brief disruption of important service area Significant effect to non-crucial service area Service Disruption 1Day	Contained within section/Unit or Directorate Complaint from individual/small group, of arguable merit	Minor injury or discomfort to an individual or several people	Isolated individual personal detail compromised / revealed	Litigation/claims/fin es from Departmental £12k to £25k Corporate £25k to £50k	Costing less than £5,000	Minimal impact to project/ slight delay less than 2 weeks

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Committee report

Committee	AUDIT COMMITTEE
Date	25 JULY 2022
Title	REVIEW OF THE CONSTITUTION
Report of	MONITORING OFFICER

EXECUTIVE SUMMARY

1. It is good practice to periodically review the local authority's constitution.
2. This report arises as a result of a decision on 18 May 2022 of the Full Council at its annual meeting for a further review of the current constitution to be undertaken, and that the Audit Committee is the appropriate body for overseeing this task due to its general governance oversight.
3. The purpose of this report is to formally notify this committee that such a review is to be carried out within this remit and the review outcome with recommendations is to be reported to the council as soon as practicable after completion of the review.
4. The review of the current constitution will consider suggestions for clarification/improvement that have been (or will be) put forward by councillors and others on the existing constitution and will invite further comments to seek to ensure that the constitution (as an ever-evolving document) is fit for purpose.
5. Councillors are asked, however, to note that a broader and deeper review is being separately considered as a part of the informal Transformational Change Working Group (TWCG), and any future recommendations arising relating to the constitution will be reported at a later date to the Audit Committee

RECOMMENDATION

6. That the review of the current constitution be undertaken within the established remit, to be led by the Monitoring Officer, in consultation with the Chairman of the Audit Committee, with engagement of councillors to ensure relevant input.
7. That a report be brought back to the Audit Committee so that the committee can formally consider and make recommendations to the Full Council on the current constitution.

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| <p>8. That the ongoing work of the informal Transformational Change Working Group be noted and that any relevant recommendations from that Group be made to and reported to the Audit Committee at a future date.</p> |
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BACKGROUND

9. The last full review of the constitution was concluded in November 2020, resulting in Full Council approving and adopting a revised constitution at its meeting on 18 November 2020.
10. Since that date, minor revisions have been made on an ad hoc basis, but no overall review of the current constitution has been undertaken. Suggested changes in the light of practical experience are noted as and when mentioned, and a “snagging list” is also kept.
11. As a matter of good practice, the Full Council decided at its annual meeting on 18 May 2022 that a review of the existing constitution is to be undertaken to address matters which have become apparent since the constitution was last reviewed as a whole.
12. Under section 9P of the Local Government Act 2000, the local authority is required to prepare and keep up to date its constitution [Local Government Act 2000 \(legislation.gov.uk\)](https://legislation.gov.uk).
13. Under section 9Q the local authority is required to have regard to any statutory guidance issued by the Secretary of State.
14. To assist with the implementation of the Local Government Act 2000, the then Labour Government introduced guidance from the then Department of Environment, Transport and the Regions (DETR) about the modular constitution. Over time legislative changes have occurred and such guidance must be read in this light as must the Local Government Act 2000 (Constitutions) (England) Direction 2000.
15. Between 17 May and 19 May 2022, the Local Government Association (LGA) undertook as a critical friend a planning peer challenge which resulted in a final report in June 2022.
16. One of the formal recommendations of this LGA report is *‘to urgently review the constitution and procedural rules to effectively deliver the council’s democratic function. The existing constitution is comprehensive in its scope but requires a refresh, in particular a review of the code of practice for councillors and officers should be undertaken as a matter of urgency. A review of protocols would benefit from a joint input from both councillors and officers’* (see page 7 of the LGA Report of June 2022).
17. Therefore, the existing constitution is to be reviewed, involving councillors and officers.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

18. Good governance is an integral element of what the local authority does and supports the [Corporate Plan 2021 – 2025](#) and its corporate aims.

CONSULTATION

19. Consultation will take place with all councillors during the course of the review of the existing constitution.

FINANCIAL / BUDGET IMPLICATIONS

20. The review can be undertaken within the existing agreed budget.

LEGAL IMPLICATIONS

21. The Local Government Act 2000 introduced the legal requirement to have a constitution under the then section 37 of the Local Government Act 2000.
22. Following changes brought in under the Localism Act 2011 the relevant provision (for England) is section 9P of the Local Government Act 2000.
23. The statutory requirement includes the duty to keep the constitution up to date [Local Government Act 2000 \(legislation.gov.uk\)](http://legislation.gov.uk) and it is required to include:
 - (a) the council's standing orders/procedure rules
 - (b) the members' code of conduct
 - (c) such other information as the local authority considers appropriate
 - (d) such information as the Secretary of State may direct.

EQUALITY AND DIVERSITY

24. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
25. Under the Equality Act 2010 we are required to have due regard to our equality duties when making decisions, reviewing services, undertaking projects, developing and reviewing policies. This includes section 58 of the Equality Act 2010 as regards the official business of members.
26. It is not considered that this report has any negative impact on any of the protective characteristics.

OPTIONS

27. Full Council has already decided that a review of the existing constitution is to be undertaken.

RISK MANAGEMENT

28. Risks from any challenge to the decision-making process by way of judicial review or other such action should be lessened through this review.

EVALUATION

29. Good governance arrangements are essential. Carrying out a review of the existing constitution should therefore further mitigate risks.

BACKGROUND PAPERS

30. None.

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CLAIRE SHAND
Director of Corporate Services

CLLR ANDREW GARRATT
Chairman of the Audit Committee

AUDIT COMMITTEE WORKPLAN 2022-2024

EXTERNAL AUDIT	Responsibility	25 July 2022	26 Sept 2022	28 Nov 2022	20 Mar 2023	July 2023	Sept 2023	Dec 2023	Mar 2024
Auditors Annual Report	Ernst & Young				✓ ANNUAL				✓ ANNUAL
Audit Plan – Isle of Wight Council	Ernst & Young	✓ SLIPPED FROM MARCH				✓ ANNUAL			
Audit Plan – Isle of Wight Pension Fund	Ernst & Young	✓ SLIPPED FROM MARCH				✓ ANNUAL			
Letter of Representation - Isle of Wight Council	Ernst & Young		✓ ANNUAL				✓ ANNUAL		
Letter of Representation - Isle of Wight Pension Fund	Ernst & Young		✓ ANNUAL				✓ ANNUAL		
Audit Results Report - Isle of Wight Council	Ernst & Young		✓ ANNUAL				✓ ANNUAL		
Audit Results Report - Isle of Wight Pension Fund	Ernst & Young		✓ ANNUAL				✓ ANNUAL		
ACCOUNTS	Responsibility	25 July 2022	26 Sept 2022	28 Nov 2022	20 Mar 2023	July 2023	Sept 2023	Dec 2023	Mar 2022
Approval of the Final Accounts	Chris Ward		✓ ANNUAL				✓ ANNUAL		
INTERNAL AUDIT	Responsibility	25 July 2022	26 Sept 2022	28 Nov 2022	20 Mar 2023	July 2023	Sept 2023	Dec 2023	Mar 2022
Internal Audit Progress Report (inc. high risk reports in full if necessary)	Lizzi Goodwin	✓	✓	✓	✓	✓	✓	✓	✓
Internal Audit Annual Report (inc. Opinion)	Lizzi Goodwin	✓ ANNUAL				✓ ANNUAL			
Chairman's Annual Report	Lizzi Goodwin			✓ ANNUAL				✓ ANNUAL	
Fraud & Irregularity Annual Report (inc. Whistleblowing)	Lizzi Goodwin			✓ ANNUAL				✓ ANNUAL	
Approval of Internal Audit Plan	Lizzi Goodwin				✓ ANNUAL				✓ ANNUAL
GOVERNANCE FRAMEWORK	Responsibility	25 July 2022	26 Sept 2022	28 Nov 2022	20 Mar 2023	July 2023	Sept 2023	Dec 2023	Mar 2022
The Council's Risk Profile	Dave Martin	✓	✓	✓	✓	✓	✓	✓	✓
Treasury Management Report	Jo Cooke	✓ ANNUAL	✓ Q1	✓ HALF YR	✓ Q3	✓ ANNUAL	✓ Q1	✓ HALF YR	✓ Q3
Annual Governance Statement	Debbie Downer	✓ DRAFT	✓ FINAL			✓ DRAFT	✓ FINAL		
Property Investment Portfolio Annual Report	Graeme Haigh	✓				✓ ANNUAL			
Procurement Half-Yearly Report	Hayley Holden	✓ HALF YR		✓ HALF YR		✓ HALF YR		✓ HALF YR	
Approval of Treasury Management Strategy	Jo Cooke				✓ ANNUAL				✓ ANNUAL

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