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Monitoring Officer
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Agenda

Name of meeting	AUDIT COMMITTEE
Date	MONDAY 27 SEPTEMBER 2021
Time	10.00 AM
Venue	COUNCIL CHAMBER, COUNTY HALL, ISLE OF WIGHT
Members of the committee	CLRs A Garratt (Chairman), M Lilley (Vice-Chairman), J Bacon, G Peace, M Price, I Stephens and R Redrup Democratic Services Officer: Charlotte Sadler democratic.services@iow.gov.uk

1. **Minutes** (Pages 5 - 10)

To confirm as a true record the Minutes of the meeting held on 26 July 2021.

2. **Declarations of Interest**

To invite Councillors 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 electronic mail 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 22 September 2021.



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, and to receive a verbal update.

(a) Preliminary Audit Results Report (Isle of Wight Council) (Pages 11 - 58)

(b) Preliminary Audit Results Report (Isle of Wight Pension Fund) (Pages 59 - 94)

5. **Statement of Accounts 2020-21 Update**

To receive a verbal update from the Director of Finance & Section 151 Officer on the progress with the 2020-21 Statement of Accounts.

6. **Annual Governance Statement 2020-21** (Pages 95 - 116)

To consider the report of the Assistant Chief Executive and Director of Strategy.

7. **Commercial Acquisition Strategy Progress Report** (Pages 117 - 126)

To consider the report of the Director of Regeneration.

8. **The Council's Risk Profile** (Pages 127 - 162)

To consider the report of the Assistant Chief Executive and Director of Strategy.

9. **Internal Audit Progress Report** (Pages 163 - 182)

To consider the report of the Chief Internal Auditor.

10. **Digital Strategy Progress Update** (Pages 183 - 188)

To consider the report of the Chief Internal Auditor.

11. **Member's Question Time**

A question must be submitted in writing or by electronic mail to Democratic Services no later than 10am, Thursday 23 September 2021.

CHRISTOPHER POTTER
Monitoring Officer
Friday, 17 September 2021

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.

If you require further information please see the council guide to reporting on council meetings which can be found at <http://www.iwight.com/documentlibrary/view/recording-of-proceedings-guidance-note>

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Minutes

Name of meeting	AUDIT COMMITTEE
Date and Time	MONDAY 26 JULY 2021 COMMENCING AT 10.00 AM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Present	Cllrs A Garratt (Chairman), J Bacon, M Lilley and I Stephens
Also Present (Non voting)	Cllrs G Brodie, J Jones-Evans, L Peacey-Wilcox
Officers Present	Andrew Carpenter, Elizabeth Goodwin, Jo Thistlewood and Claire Shand

1. **Minutes**

RESOLVED:

THAT the minutes of the meeting held on 15 March 2021 be confirmed.

2. **Declarations of Interest**

There were no declarations received at this stage.

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

There were no public questions submitted.

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

The external auditors advised the committee that the full audit planning report had been provided later than usual due to a change in reporting deadline introduced in 2019/20. There was no significant change in the risks from the previous year, although some refocusing had been done. One risk had been added, accounting for Covid-19 related government grants. Due to the significant level of government funding awarded to Local Authorities, the risk was that the authority had not accounted for these appropriately.

Value for money assessment had been carried out and updated, the assessment included if the correct arrangements were in place. Additional work would be carried

out if a weakness was found, the external auditors confirmed that this was not the case for this year.

It was noted that the Director of Finance had agreed the 2019/20 additional fees although they were still being considered by the Public Sector Audit Appointments (PSAA), the Committee will be updated once this had been agreed.

The Committee questioned the levels of debt and borrowing of the authority, and the impact of interest costs coming out of Covid. The external auditors advised that they would report whether that the amounts reported in the accounts were accurate. The wider impact of Covid would be covered in the going concern assessment which was required by the local authority; value for money would also be considered. The auditors advised that ultimately the decision on borrowing was down to the individual local authority.

Members asked whether the new area of focus around accounting for government funding would include review of the way staff had been redeployed to different areas during the pandemic; they were advised that this was not within the remit of the external auditors, rather it would be for the internal auditors to investigate if required.

RESOLVED:

THAT the report of the External Auditor be noted.

5. **Procurement Activity Report**

The Director for Corporate Services presented the report to the Committee on behalf of the Procurement and Contracts manager for the period 1 October 2020 to 31 March 2021. A total of 85 procurement processes were initiated through the procurement team from all service areas across the authority. A number of waivers had also been processed and an update on the procurement strategy was underway to include Brexit transition.

The Committee noted that the waiver process needed to be used as an emergency and not to become the normal way of working, producing a plan of contracts that were due to expire would ensure waivers were not requested very often. It was advised that some waivers were requested due to the late change in supplier and information not being available on time.

RESOLVED:

THAT the report be noted.

6. **Internal Audit Progress Report**

The Chief Internal Auditor presented the progress report for 2020/21, work had been completed in all areas. Detail was provided on areas with limited assurance, these included CCTV, Digital Strategy and Greenmount.

Concern was raised regarding the level of detail contained within the report. The Committee was advised that it was an historical decision and that, in general, full reports on areas of limited assurance and no assurance could be circulated to the Committee members and provided for future meetings.

The Director for Corporate Services advised that the CCTV agreed actions were in hand and would be reported to the next meeting in September 2021.

The Committee raised strong concerns regarding the digital strategy section, especially regarding the website project around its deliverability, value for money and fit for purpose. The full report was requested by members of the committee. More and more people were reliant on digital services and it was extremely important this was completed correctly. The Chief Internal Auditor advised that the full report would be circulated.

The Director for Corporate Services acknowledged the Committee's concerns and advised that the project was broken into three phases. Phase one, which was the prototype construction commenced in October 2019 with six service areas identified. Unfortunately, 4 months into the project the pandemic started which impacted on some the staff working on the project who were redeployed to Covid-19 response work. There was a commitment to ensure the project was delivered and all of the audit recommendations were being addressed. The project board was now meeting weekly to increase governance arrangements and keep the project on track.

The Chief Internal Auditor advised that the report was presented to the Senior Management Team of the authority and asserted that there was no pressure from that team to reduce the risk associated with the areas audited.

It was noted that the way audits were carried out in schools had been updated as the previous model was not effective. In answer to questions the Chief Internal Auditor stated that the Authority have limited access to school's unofficial accounts and were only able to verify that Parent Teacher Associations (PTA's) were using independent accountants for their funds.

RESOLVED:

THAT the report be noted

THAT the full report be circulated to Committee members

7. Isle of Wight Council Annual Audit Report

The Chief Internal Auditor advised the committee that in future more detail would be provided to them to advise on key areas of concern and that the detail requested had already been provided to earlier committee meetings throughout the year.

Concern was raised regarding the Test and Trace self-isolation payments, and the potential problems associated with central government grants being implemented at speed and with little evidence to be provided by the person isolating in advance of receiving the payments. It was explained that the authority has the ability to request

the money back if no supporting evidence can be provided. Queries were outstanding due to employers enforcing some individuals to take annual leave or paid sickness for isolating.

Two areas to note regarding Freedom of Information requests and children with disabilities needed to be highlighted.

RESOLVED:

THAT the report be noted.

8. **Anti-Fraud Bribery and Corruption Policy**

RESOLVED:

THAT the Anti-Fraud Bribery and Corruption Policy be approved.

9. **The Councils Risk Profile**

The Director for Corporate Services presented the report to the Committee. The risks are brought to the attention of Cabinet, the last meeting of which had taken place on 15 July 2021.

The Committee asked how the risk register was produced and felt it needed to be presented in a different way to ensure that the approach to how risk was managed was understood by everyone.

Questions were asked regarding staff isolating, and the impact of agency staff being employed during the pandemic to assist in covering front line staff who were unable to work. Committee were advised that during the pandemic both the emergency command structure Gold and Silver groups were set up to provide the response arrangements to the pandemic and included the monitoring of staffing levels across the authority. There were still areas of risk across some services of the authority within business as usual.

RESOLVED:

THAT The report be noted.

10. **Isle of Wight Fire and Rescue Service Annual Statement of Assurance 2020/21**

The Committee were advised that a new deputy Chief fire officer had been appointed. The report covered in detail how the service had operated and, with the challenges faced during the year 2020/21, how things were being done differently to provide services for the community.

Councillors asked questions regarding the financial pressure facing the service with an overspend, was there a way to make up the deficit and was it likely to increase precepts on the Island. They were advised that Covid had impacted on the service and uncertainties in the future, and that funding was uncertain for the future.

Confirmation was requested that upgrading of Fire Stations would be completed within the specified timescales. Officers advised that work had commenced on the building upgrade on Island buildings. The Committee were also advised that data sharing agreements had been put in place between the two areas.

Concern was raised regarding the mental wellbeing of staff during the pandemic and how this was being addressed through the service, and if there had been an impact on recruitment. They were informed that a passing out parade of new Fire Fighters had taken place the previous week and support was in place for staff who faced mental health challenges due to the pandemic. It was noted that people were working differently and effectively from home, which had a positive impact on the service.

The Committee expressed their gratitude to the whole service for the work undertaken during the pandemic.

RESOLVED:

THAT the report be noted.

11. **Treasury Management Annual Report**

The Technical Finance Manager advised the Committee that interest rates were low which had made a positive contribution to the Council's budget. Two areas of minor non-compliance were raised and highlighted to the Committee, this included having too much money from government grants. The impact from Covid-19 on borrowing over the last year was highlighted, with less money having been borrowed due to using surplus cash resources to pay off short term borrowing over the last 12 months. Reviews on borrowing is ongoing.

The Committee asked about historic loans which were set at high interest rates, and was there any information from government regarding early repayment negotiations. They were advised that this had been made more difficult as government had increased the repayment premium on borrowing. Maturing loans were generally higher interest rate. The Technical Finance Manager would circulate details of these to the Committee.

RESOLVED:

THAT the report be noted.

12. **Annual Governance Statement 2020-21**

The Director for Corporate Services advised that the annual governance report was a statutory report due to be signed off by the Committee in September 2021. The document was in the initial draft stage which included a self-assessment carried out. Progress and an action plan for the next year were also included.

The Committee acknowledged that they would get to see the final document at the meeting in September 2021. There were some concerns regarding the information relating to difficulties in making complaints to the authority and the information provided by Corporate Scrutiny on this and that the web-site was weak.

RESOLVED:

THAT comments from the Audit Committee would be fed through the Chairman

13. **Member's Question Time**

There were no members questions received.

CHAIRMAN

Isle of Wight Council Audit results report

Year ended 31 March 2021

15 September 2021

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Building a better
working world

Agenda Item 4a



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

15 September 2021

Dear Audit Committee Members

2020/21 Preliminary audit results report

We are pleased to attach our preliminary audit results report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. We will update the Audit Committee at its meeting scheduled for 27 September 2021 on further progress to that date and explain the remaining steps, and timeline, to issue of our final opinion.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Isle of Wight Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 27 September 2021.

Yours faithfully

Helen Thompson, Associate
Associate Partner
For and on behalf of Ernst & Young LLP
Encl

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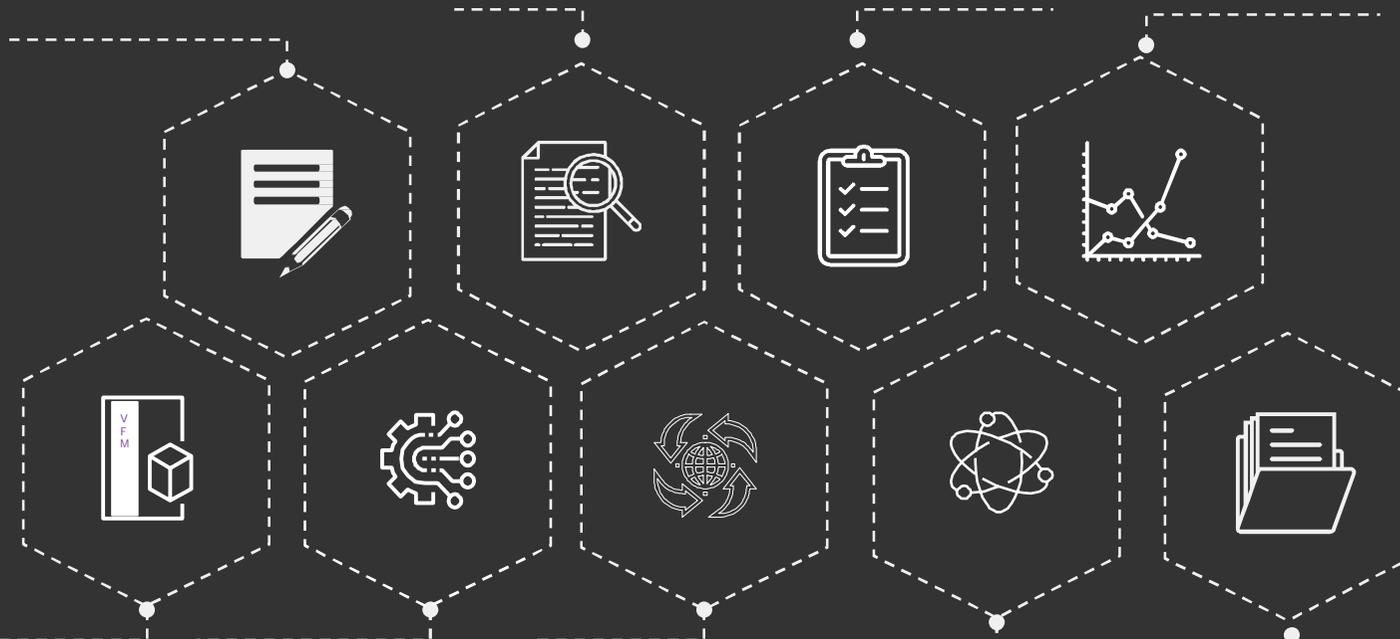
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities 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 April 2018)" issued by the PSAA 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.



01

Executive Summary

Executive Summary

Scope update

In our audit planning report presented to the Audit Committee meeting on 26 July 2021, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following updates:

Changes in materiality

We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment

	Planning Materiality	Performance Materiality	Audit Differences
	Our planning materiality represents 1.3% of gross expenditure on provision of services, adjusted for any unusual items. In previous years we have been required to calculate separate materiality to apply to our audit work on Firefighters' Pension Scheme Account included in the financial statements. This requirement no longer applies for 2020/21.	Performance materiality represents 75% of planning materiality and is the top of our range, consistent year on year.	We report all uncorrected misstatements relating to the primary statements greater than 5% of planning materiality.
Planning	£5.097 million	£3.822m	£0.255m
Final	£5.079 million	£3.809m	£0.254m

Auditing accounting estimates

A revised auditing standard has been issued in respect of the audit of accounting estimates. The revised standard requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors now consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we may see the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area. We have considered the following areas as higher inherent risk estimates in our approach:

- The revaluation of land and buildings classified as Property, Plant and Equipment (PPE) and Investment Property (IP).
- Pension liability and asset valuation.

Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

Information Produced by the Entity (IPE):

We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.



Executive Summary

Status of the audit

Our audit work in respect of the Council's opinion is still in progress. The following items relating to the completion of our audit procedures were outstanding at the date of this report. We will provide a verbal update to the committee on further progress at the meeting on 27th September 2021

- PPE and IP valuations testing – our property specialist team are currently undertaking their review of a sample of PPE and IP and will report back to us by 8th October
- PPE additions and disposals – testing has been completed, subject to resolving outstanding queries
- Private Finance Initiative (PFI) accounting – testing is underway and currently agreeing the accounting entries to the IFRIC12 model for PFI accounting
- Investments, cash and borrowings – a few external confirmations are outstanding
- Debtors and Creditors – sample testing is substantially complete for Debtors. Additional samples have been selected for Creditors
- Provisions – samples have been selected and testing is in progress
- Pensions – work ongoing to test the actuarial model in order to comply with ISA540 (revised) and we are consulting with our pension specialists in this regard. The rest of our procedures are substantially complete subject to receiving our planned assurance from the Isle of Wight Pension Fund auditor
- Operating expenditure – due to staff sickness within the audit team we have only recently commenced testing our expenditure sample
- Payroll – work is well progressed, queries have been raised with management for our substantive analytical review work
- Journals – samples have been selected and testing is in progress
- Related parties – substantially complete with a few queries raised with management
- Going concern – testing is in progress, queries and additional information requested has been received and is currently being reviewed
- Covid-19 Grants – testing is substantially complete with a few queries raised with management in relation to evidence of meeting grant conditions
- Update of our subsequent events procedures to the date of our opinion
- Receipt of a signed letter of management representation

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the accounts which could influence our final audit opinion.

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 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 2020 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; 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.

Executive Summary

Status of the audit – Value for Money

In the audit planning report presented to the Audit Committee, we reported that we had completed our value for money (VFM) risk assessment and not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness. As a result, we have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03).

We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report.

Audit differences

There are no unadjusted differences as at 15 September 2021.

There was one misstatement of £5m which management are in the process of correcting. Management incorrectly derecognised a voluntary controlled school in relation to an asset swap which took place in previous years and processed the recognition in the current year accounts. Although the Council is not the legal owner of the school in question, it's deemed to exercised control and hence should continue to be recognised in the Council's asset register.

A small number of other amendments have also been made to disclosures appearing in the financial statements as a result of our work to date.

We will provide an update to the Audit Committee on 27 September, and in advance of issuing the audit report.

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Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have not yet been able to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020/21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance was not expected to be available until Autumn 2021. Therefore the 2020/21 WGA component data will not be available for auditors to review until after that. Group Audit Instructions and the timetable for 2020/21 will necessarily follow any changes HMT make to the DCT and process. We do not anticipate having any issues to report as the Authority is expected to be below the threshold set by the NAO for full procedures.

We have no other matters to report.

Executive Summary

Objections

We have not received any objections to the 2020/21 accounts from members of the public.

Areas of audit focus

In our audit planning report we identified a number of key areas of focus for our audit of the financial report of Isle of Wight Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error	Our work in this area is still in progress but based on our work completed to 15 September 2021 we have not identified any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Council's normal course of business.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Our sample testing of additions to Property Plant and Equipment (PPE) to date: <ul style="list-style-type: none"> • Found costs had been correctly classified as capital and included at the correct value. • Did not identify any revenue items that were incorrectly classified as capital. Our review of judgements taken by management found them to be reasonable.
Significant Risk	Findings & Conclusions
Valuation of Investment Properties and Land and Buildings valued at Existing Use Value (EUV)	Our work in this area remains in progress as at 15 September 2021. Further details are set out in Section 2 of this report.

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Executive Summary

Areas of audit focus (continued)

Area of audit focus / Inherent risk	Findings & Conclusions
Valuation of Land and Buildings valued at Depreciated Replacement Cost (DRC) (Inherent risk)	Our work in this area remains in progress as at 15 September 2021. Further details are set out in Section 2 of this report.
Private Finance Initiative (PFI) (Inherent risk)	<p>The Council has one material PFI arrangements. PFI accounting is a complex area and therefore more susceptible to error. Based on our work to date we are satisfied that:</p> <ul style="list-style-type: none"> • Inputs to the Highways PFI accounting model was supported by evidence. • The models continued to operate correctly. • Output from the models was correctly reflected by the relevant accounting entries and disclosures in the financial statements. • PFI assets were correctly accounted for and disclosed.
Pension Liability Valuation (Inherent risk)	<p>As at 15 September 2021 our planned work in this area is largely complete, but an issue has arisen across all local government audits that needs to be resolved prior to us being able to fully conclude our work. Further details are set out in Section 2 of this report.</p> <p>No adjustments have been required as a result of our work to date.</p>
Going Concern (Area of audit focus)	Management produced a going concern assessment to the end of the September 2022. This is referenced to a cash flow forecasts which shows indicates no underlying need to borrow over the assessment period. The cash flow forecast and analysis of reserves still need to be received from management in order for us to perform our testing and challenge the assumptions that underpin management's assessment. Furthermore, the period covered will need to be extended beyond September 2022 in order to cover at least 12 months from the approval of the 2020/21 accounts.
Accounting for Covid-19 related government grants (Inherent risk)	Based on our work performed to date we are satisfied that the accounting treatment adopted for Covid-19 related government grants accorded with the Council's assessment of whether it was acting as agent or principal, the underlying conditions of the grant and whether those conditions had been met. We are still awaiting evidence of conditions being met for a few items on our sample before we can fully conclude in this area.



Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

We have not identified any significant control deficiencies as part of the audit process.

Independence

Please refer to Section 08 for our update on Independence.



02 Areas of Audit Focus



Areas of Audit Focus

Fraud risks

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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.

We identify and respond to this fraud risk on every audit engagement.

What did we do and what judgements did we focus on?

Our work in this area is still in progress. To date we:

- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Gained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.

We also performed mandatory procedures which we are required to undertake regardless of specifically identified fraud risks. We are currently:

- 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, including estimates with a higher level of inherent risk relating to the revaluation of PPE and IP assets and pension liability and asset valuation.
- Evaluating the business rationale for significant unusual transactions.

We utilised our data analytics capabilities to assist with our work.

Having re-evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We continued to conclude that only those procedures included under 'Inappropriate capitalisation of revenue expenditure' were required. See the next page for further details.

What are our findings & conclusions?

As at 15 September 2021 our testing in this area is in progress.

Based on our work completed to date we have not identified any:

- material weaknesses in controls or evidence of material management override;
- instances of inappropriate judgements being applied; or
- any other transactions during our audit which appear unusual or outside the Council's normal course of business.



Areas of Audit Focus

Fraud risks (continued)

Inappropriate capitalisation of revenue expenditure

What is the risk and potential impact on the financial statements?

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.

We determined that the way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements.

We assessed that the risk of misreporting revenue outturn in the financial statements was most likely to be achieved through:

- Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating PPE additions in the financial statements.

What did we do and what judgements did we focus on?

Our work in the area is still in progress. We:

- Tested PPE additions to ensure that the expenditure incurred and capitalised is clearly capital in nature. There were no investment property additions in the year.

In testing the capitalised expenditure we focused on the following judgements:

- We sought to gain assurance the capitalised spend clearly enhanced or extended the useful life of assets rather than simply repairing or maintaining the assets on which it was incurred.
- We sought to gain comfort that any development or other related costs that were capitalised were reasonable to capitalise i.e. the costs incurred were directly attributable to bringing the asset into operational use.



Areas of Audit Focus

Fraud risks (continued)

What are our findings & conclusions?

Our sample testing of additions to PPE to date:

- Found costs had been correctly classified as capital and included at the correct value.
- Did not identify any revenue items that were incorrectly classified as capital.

Our review of judgements taken by management found that:

- Where relevant the capitalised spend clearly enhanced or extended the useful life of assets rather than simply repairing or maintaining the assets on which it was incurred.
- Other capitalised costs were directly attributable to bringing assets into operational use.

Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.



Significant risk

Valuations of Investment Property (IP) and Property Plant & Equipment (PPE) land and buildings valued at Existing Use Value (EUV)

What is the risk and potential impact on the financial statements?

The fair value of IP and properties valued at EUV represents significant balances in the Authority'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 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 Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty in the valuations at year-end.

Since late March 2020 in the UK, Covid-19 had a dramatic impact on the occupation of buildings due to the forced closure of restaurants, retail stores, leisure, offices and hotels due to government regulation and this continued to be a factor for 2020/21. Although government's measures have gradually relaxed, the long term effects remains uncertain. Rental income may not be at levels pre-pandemic even after market recovery and there could still be increased levels of tenant defaults or negotiations for rent reductions as they can no longer trade effectively. This could have a significant impact on investment properties and properties valued at EUV and we therefore raised a significant risk in relation to these type of valuations.



Areas of Audit Focus

Significant risk

What did we do and what judgements did we focus on?

Our work in this complex area is still ongoing. To date we:

- Considered 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 tested key asset information used by the valuer in performing its valuation and challenged the key assumptions used by the valuer and also ensure that all IP has been revalued in-year.
- Tested accounting entries have been correctly processed in the financial statements.
- Ensured that appropriate disclosure had been made in the accounts concerning the possibility of 'material uncertainty'.
- For EUV assets, considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE.
- For EUV assets, reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated.
- Commissioned EY Real Estates (EYRE), our internal specialists on asset valuations, to consider the valuation approach in more detail for a sample of assets. Sampling focussed on:

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- Assets more susceptible to the market volatility brought about by C-19. We consider this relates to assets carried at either fair value or EUV
- Unexpected fluctuations in valuation year-on-year
- Other significant classes of assets, for example schools, where schools have been temporarily closed and a significant impairment processed by the Council's valuer.

What are our findings & conclusions?

As at 15 September 2021 our work in this area remains in progress as we have not yet received final outputs from the EYRE consideration of a sample of assets subject to revaluation in the year. The results of the EYRE review are also needed to fully complete our own local team testing of the revaluation. We expect to receive their draft report by 8th October.



Areas of Audit Focus

Area of audit focus

Valuation of Land and Buildings at depreciated replacement cost (DRC)

What is the risk?

The fair value of PPE represents a significant balance in the Council's accounts and is subject to valuation changes and impairment reviews. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. Although there is a risk for land & buildings under DRC due to the specialised nature of these assets and insufficient availability of market-based evidence to assist the valuation, these assets are not subject to the same level of material uncertainty arising due to market conditions.

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What did we do and what judgements did we focus on?

Our work in this complex area is still ongoing. To date we:

- Considered 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 tested key asset information used by the valuer in performing its valuation (e.g. floor plans to support valuations based on price per square metre) and challenged the key assumptions used by the valuer.
- Tested accounting entries have been correctly processed in the financial statements.
- Ensured that appropriate disclosure had been made in the accounts concerning the possibility of 'material uncertainty'.
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE.
- Reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated.
- Considered changes to useful economic lives as a result of the most recent valuation.

What are our findings & conclusions?

As at 15 September 2021 our work in this area remains in progress as we have not yet received final outputs from the EYRE consideration of a sample of assets subject to revaluation in the year. The results of the EYRE review are also needed to fully complete our own local team testing of the revaluation.

There is one issue from the work undertaken to date that we wish to draw to your attention. During 2020-21, the Council has recognised a net loss of £9.404 million in relation to the disposal or derecognition of property, plant and equipment. The principal loss (£5.010 million) relates to the freehold of a voluntary controlled primary school being transferred to the Portsmouth Diocese by the means of an asset swap following a rebuild in a prior year. It was not appropriate to derecognise this asset as the Council is still deemed to control this asset. Management has agreed to reverse these entries.



Areas of Audit Focus

Area of audit focus

Private Finance Initiative (PFI) (Inherent risk)

What is the risk?

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.

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What did we do and what judgements did we focus on?

Our work in this complex area is still in progress. We reviewed the accounting entries and disclosures in relation to the PFI disclosures for 2020/21. In doing this we considered whether there had been significant changes to the contractual arrangements since the previous year. We confirmed there were no such changes and therefore that no changes needed to be made in the year to the under-pinning accounting models for any of the PFIs. Given no changes had been made to the accounting models we were able to continue to place reliance on the prior year work of our internal expert to gain assurance they operate correctly.

We are currently undertaking testing of in-year inputs to the accounting models and agreeing relevant entries in the financial statements to year-end outputs from the accounting model. We also undertook work to gain assurance that PFI assets were correctly accounted for and disclosed on the Council's balance sheet.

What are our findings & conclusions?

Based on our work to date we are satisfied that:

- Inputs to the PFI models were supported by evidence.
- The models continued to operate correctly.
- Output from the models was correctly reflected by the relevant accounting entries and disclosures in the financial statements.
- PFI assets were correctly accounted for and disclosed.



Areas of Audit Focus

Area of audit focus

Pension Liability Valuation (Inherent risk)

What is the risk?

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.

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.

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What did we do and what judgements did we focus on?

We:

- Liaised with the auditors of Isle of Wight Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Isle of Wight Council. These assurances are due to be received imminently but our communications with the Pension Fund auditor to date have not raised any concerns.
- Assessed the work of the Isle of Wight Council 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 (NAO) for all local government sector audits, and considering any relevant reviews by the EY actuarial team.
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What are our findings & conclusions?

As at 15 September 2021 our planned work in this area is largely complete, but an issue has arisen across all local government audits that needs to be resolved prior to us being able to fully conclude our work. This is in relation to the impact of the new auditing standard on accounting estimates. We planned to take an audit approach to this estimate based on procedures to evaluate management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. We will provide the Committee with a verbal update on progress at the 27 September 2021 meeting.

Once our assurances are received from the Pension Fund auditor we will confirm whether any adjustments are required to any areas of the net pension liability, e.g. elements of the fair value of plan assets or present value of scheme liabilities.



Areas of Audit Focus

Area of audit focus

Going Concern (Area of audit focus)

What is the risk?

There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council 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 there is a need for the Council to ensure its going concern assessment, including its cashflow forecast, is thorough and appropriately comprehensive.

The Council is also 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.

In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.

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What did we do and what judgements did we focus on?

We:

- Challenged management's identification of events or conditions impacting going concern.
- Tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Undertook a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, in drawing our conclusions on going concern.
- Challenged the disclosure made in the accounts in respect of going concern and any material uncertainties.
- We have yet to receive the Council's detailed cashflow forecast covering the foreseeable future in order for us to review and confirm whether it has sufficient liquidity to continue to operate as a going concern, including an assessment of any underlying need to borrow.

What are our findings & conclusions?

Our work in this area is still in progress.

We did not initially receive a detailed assessment of the going concern assumption and requested this from management. Management's detailed assessment covering the period up to September 2022 was recently received and we have commenced our review thereof. The assessment was referenced to a supporting cash flow forecasts which we are yet to receive and review. Furthermore, there may be a need for management to extend the going concern assessment beyond September 2022 if the accounts are not signed off by the end of September as the going concern assessment needs to cover a period of at least 12 months from the approval of the 2020/21 accounts.



Areas of Audit Focus

Area of audit focus

Accounting for Covid-19 related government grants (Inherent risk)

What is the risk?

The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.

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What did we do and what judgements did we focus on?

We considered the Council's judgement on material grants received in relation to whether it is acting as:

- Agent, where it has determined that it is acting as an intermediary; or
- Principal, where the Council has determined that it is acting on its own behalf.

We sought to determine whether conditions were attached to the grant funding received and whether those conditions were met or not. Considering the outcome of the above we considered the appropriateness of the accounting treatment for the grants, in particular whether the grants were correctly classified, and whether associated disclosure were also accurate.

What are our findings & conclusions?

Based on our work to date we are satisfied that the accounting treatment adopted for Covid-19 related government grants accorded with the Council's assessment of whether it was acting as agent or principal, the underlying conditions of the grant and whether those conditions had been met. We are currently following up on a few grants where insufficient information was received to determine whether the grant conditions were met.

Based on our own assessment and intelligence gained from other audits we further challenged the Council's assessment that it acts as predominantly as an agent in its role in administering the Adult Social Care Infection Control Grant. At the time of our challenge management had classified this grant as 80% agent and 20% principal but we subsequently agreed that this grant should be treated entirely as principal as the Council has the authority to take alternative approaches to allocate the funding. The necessary amendments were made prior to submission of the draft accounts.



03 Audit Report



Audit Report

Draft audit report

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISLE OF WIGHT COUNCIL

Our opinion on the financial statements

Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of Isle of Wight Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement and the related notes 1 to 53 and Expenditure and Funding Analysis, the Collection Fund and the related notes 1 to 6, and include the firefighters' pension fund financial statements comprising the Fund Account, Net Assets Statement and related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of Isle of Wight Council as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and Section 151 officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and Section 151 officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2020/21, other than the financial statements and our auditor's report thereon. The Director of Finance and Section 151 officer is responsible for the other information contained within the Statement of Accounts 2020/21.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is



Audit Report

Draft audit report

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISLE OF WIGHT COUNCIL

Our opinion on the financial statements

a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Responsibility of the Director of Finance and Section 151 officer

As explained more fully in the Statement of Responsibilities set out on page 5, the Director of Finance and Section 151 officer is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Section 151 officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



Audit Report

Draft audit report

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISLE OF WIGHT COUNCIL

Our opinion on the financial statements

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:

- the Local Government Act 1972;
- the Local Government Act 2003;
- the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020;
- the National Health Service Act 2006;
- the Local Audit and Accountability Act 2014; and
- the Accounts and Audit Regulations 2015.

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

We understood how Isle of Wight Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified the inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; assessed accounting estimates for evidence of management bias; and evaluated the business rationale for significant unusual transactions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Audit Report

Draft audit report

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISLE OF WIGHT COUNCIL

Our opinion on the financial statements

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether Isle of Wight Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Isle of Wight Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Isle of Wight Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Isle of Wight Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



04 Audit Differences





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted and uncorrected differences

There are no unadjusted differences as at 15 September 2021.

Other than minor misstatements in disclosures, we have identified the following misstatement as at 15 September 2021 which management have agreed to correct:

- PPE/Disposals – Management incorrectly derecognised an asset relating to a freehold of a voluntary controlled primary school being transferred to the Portsmouth Diocese by the means of an asset swap following a rebuild in a prior year which resulted in a loss of £5.010 million. However, this derecognition was not appropriate as the Council still exercises control over the school since it’s a voluntary controlled school and hence should continue to be recognised on the Council’s balance sheet as an asset. Management is in the process of reversing these entries which we will review upon receipt of the revised accounts.



05

Value for Money



Value for money

The Council's responsibilities for value for money (VFM)

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 its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in an annual governance statement. In preparing its annual governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA Code of Practice on Local Authority Accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

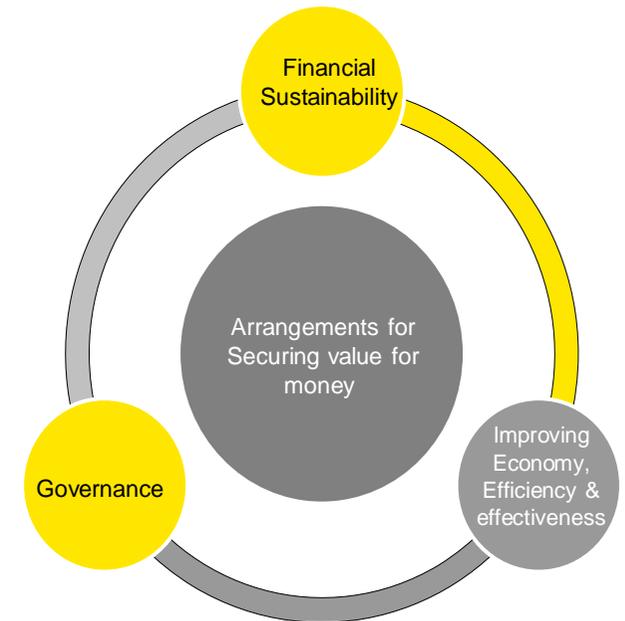
Risk assessment

We have previously reported to the Committee the outcome of our assessment of the risk of significant weaknesses in the Council's VFM arrangements - that we had not identified any risks. We have revisited our risk assessment and have not identified any additional risks.

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Status of our VFM work

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary by the end of December 2021 as part of issuing the Auditor's Annual Report.





06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited financial statements. We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the NAO.

We will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission following the completion of the financial statements audit. We do not anticipate having any issues to report as the Authority is expected to be below the threshold set by the NAO for full procedures.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We received correspondence from members of the public during the year in relation to a business rates issue as well as correspondence in relation to the Cowes Floating Bridge. We have considered these as part of our VFM risk assessment.

No objections were received during the public inspection period.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have no other matters to report at the time of writing this report. We will provide a further update if required at the meeting of the Audit Committee on 27 September 2021.



07

Assessment of Control Environment



Assessment of Control Environment

Financial Controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control. We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We considered whether circumstances arising from Covid-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.



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08

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table below sets out a summary of the fees that are relevant to the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

	Final fee 2020/21	Planned fee 2020/21	Final Fee 2019/20
	£	£	£
Scale Fee - Code work	£98,602	£98,602	£98,602
Planned 2019/20 recurrent fee variation reflecting the underlying level of additional risk at the Council yet to be agreed by PSAA (See Note 1)	£41,302	£41,302	£41,302
Revised Proposed Scale Fee agreed by the Council to date	£139,904	£139,904	£139,904
Risk based fee variations agreed by the Council but yet to be agreed by PSAA (see Note 2)	TBC	TBC	£34,799
Total Fees	TBC	TBC	£174,703

Note 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 undertook additional work at a fee of £41,302 to deliver the audit in 2019/20 which we expect to reoccur in 2020/21 and subsequent years. We did not reach agreement with management. While management recognised many of these pressures and can see how they are reflected in the changes in the audit work, their view was that this is a decision for PSAA. The proposed recurrent fee variation is currently with PSAA for a decision.

Note 2 - The 2019/20 risk based fees have been agreed with the Director of Finance and Section 151 officer. They have not yet been approved by PSAA. Our 2020/21 final fee remains subject to confirmation. We will assess the level of additional fees which we will propose and discuss these with management as soon as we have completed the audit. This will be with regard to:

- Additional work performed on property plant and equipment and investment property valuations
- Going concern procedures
- Work required to address correspondence received from members of the public in relation to Isle of Wight Council
- Work currently being undertaken to review the IAS19 reports from the Authority's actuary and resolving the pensions issue highlighted in section 2,

Other communications

EY Transparency Report 2020

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 2020:

[EY UK Transparency Report 2020 | EY UK](#)



09 Appendices

Appendix A

Required communications with the Audit Committee

There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

			 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.	Audit planning report – dated June 2021	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report – dated June 2021	
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 – dated September 2021	

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty related to going concern • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The appropriateness of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about Isle of Wight Council's ability to continue for the 12 months from the date of our report.
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 – dated September 2021
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report – dated September 2021
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 – dated September 2021

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • 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 	 <p>Audit results report – dated September 2021</p>
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>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Plan – dated June 2021 and Audit Results Report – September 2021</p>
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. 	<p>We have received all expected confirmations.</p>
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 	<p>We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.</p>
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit. 	<p>Audit results report – dated September 2021</p>

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit Results Report – September 2021
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report – September 2021
Auditors report	<ul style="list-style-type: none"> Key audit matters that we will include in our auditor’s report Any circumstances identified that affect the form and content of our auditor’s report 	Audit Results Report – September 2021
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Plan – dated June 2021 and Audit Results Report – September 2021

Draft management representation letter

Management Rep Letter

This letter of representations is provided in connection with your audit of the financial statements of Isle of Wight Council (“the Council”) for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Isle of Wight Council as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

5. As at the date of our report, there are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council’s activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council’s financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council’s activities, its ability to continue to operate, or to avoid material penalties;

Draft management representation letter

Management Rep Letter

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- involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.
- C. Information Provided and Completeness of Information and Transactions
1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
 3. We have made available to you all minutes of the meetings of the Council and committees held through 2020/21 to the most recent meeting of the Audit Committee held on.....*[to be completed]*.
 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
 6. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
 7. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
 8. From the date of our last management representation letter at 20 November 2020 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.
- D. Liabilities and Contingencies
1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
 2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
 3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 49 to the financial statements all guarantees that we have given to third parties.

Draft management representation letter

Management Rep Letter

E. Going Concern

1. Note 1.29 to the financial statements disclose all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than as described in the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information included in the Statement of Accounts 2020/21, other than the financial statements and our auditor's report thereon.

2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings classified as property, plant & equipment, investment property and valuation of pension liabilities and assets, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

I. Estimates

Revaluation of land and buildings classified as Property, Plant and Equipment (PPE) and Investment Property (IP)

1. We confirm that the significant judgments made in performing the revaluation of land and buildings classified as PPE and IP have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in performing the revaluation of land and buildings classified as PPE and IP.

3. We confirm that the significant assumptions used in performing the revaluation of land and buildings classified as PPE and IP appropriately reflect our intent and ability to carry out the revaluation on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

5. We confirm that appropriate specialized skills or expertise has been applied in undertaking the revaluation of land and buildings classified as PPE and IP.

6. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements, including due to the COVID-19 pandemic.

Pension Liability and Asset Valuation

7. We confirm that the significant judgments made in performing the pension liability and asset valuation have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.

8. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in performing the pension liability and asset valuation.

Draft management representation letter

Management Rep Letter

9. We confirm that the significant assumptions used in performing the pension liability and asset valuation appropriately reflect our intent and ability to carry out the revaluation on behalf of the entity.

10. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

11. We confirm that appropriate specialized skills or expertise has been applied in undertaking the pension liability and asset valuation.

12. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements, including due to the COVID-19 pandemic.

Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

Chris Ward, Director of Finance and Section 151 officer

Councillor Andrew Garratt, Chairman of the Audit Committee

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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Isle of Wight Pension Fund

Audit results report

Year ended 31 March 2021

27 September 2021

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letter.

Building a better
working world

Agenda Item 4b



15 September 2021

Dear Audit Committee Members

We are pleased to attach an audit results report for the forthcoming meeting of the Audit Committee. We will update the Committee at its meeting on 27 September 2021 on further progress to that date and explain the remaining steps for the issue of our final opinion.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Isle of Wight Pension Fund's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. This report is intended solely for the information and use of the Audit Committee and management. It is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Committee meeting on 27 September 2021

Yours faithfully

Helen Thompson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

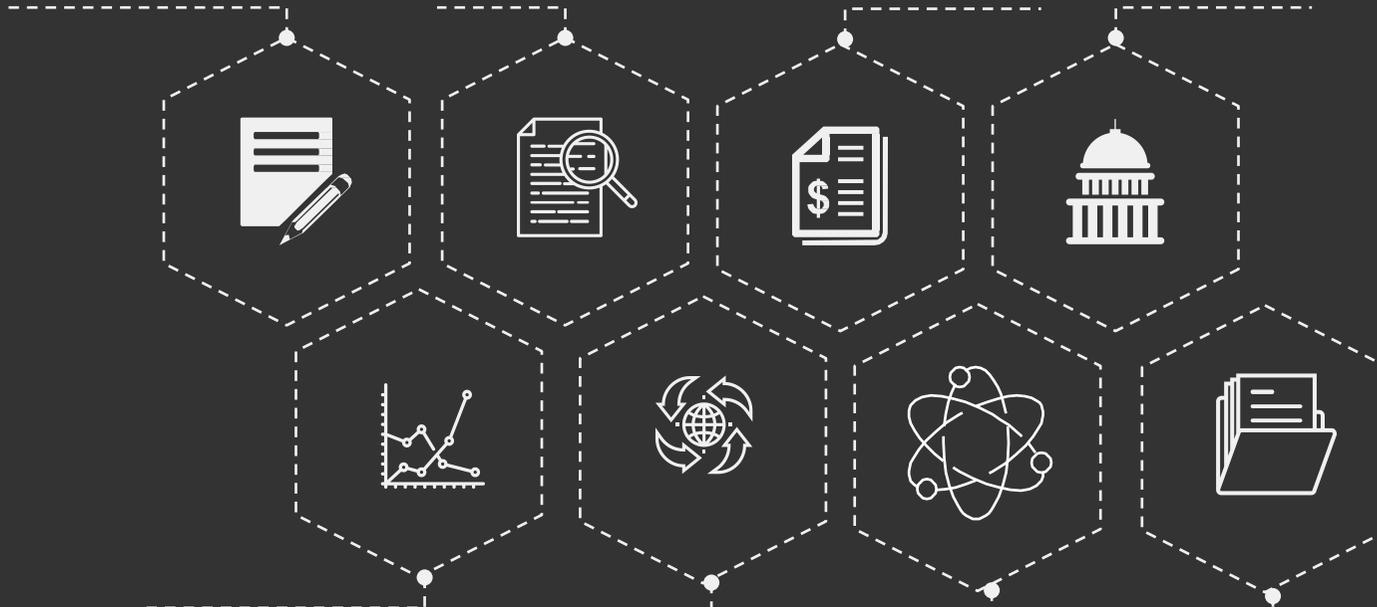
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities 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 April 2018)" issued by the PSAA 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.



01

Executive Summary

Executive Summary

Scope update

In our audit planning report presented to the 5 March 2021 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan with the following updates.

Changes in materiality

We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment.

	Planning Materiality	Performance Materiality	Audit Differences
	Our planning materiality represents 1% of the Fund's net assets, consistent year on year.	Performance materiality represents 75% of planning materiality and is the top of our range, consistent year on year.	We will report all uncorrected misstatements relating to the primary statements (net asset statement and fund account) greater than 5% of planning materiality.
Planned	£5.62 million	£4.21 million	£0.28 million
Final	£6.95 million	£5.22 million	£0.35 million

Auditing accounting estimates

A revised auditing standard has been issued for the audit of accounting estimates. The revised standard requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors now consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether or not there is a significant risk. At the same time, we may see the number of significant risks we report for accounting estimates to increase as a result of the revised guidance in this area. The changes to the standard may affect the nature and extent of information requested and will probably increase the level of audit work required. As well as the valuation of level 3 investments, which we have treated as areas of audit focus in our approach.



Executive Summary

Status of the audit

Our audit work in respect of the Fund opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- ▶ Disclosures
- ▶ Final engagement partner review of the file
- ▶ Agreement of all final amendments to the financial statements
- ▶ Update of our subsequent events procedures to the date of our opinion
- ▶ Receipt of a signed letter of management representation
- ▶ We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements. The audit of the full annual statement of accounts of Isle of Wight Council for the year ended 31 March 2021 is not yet complete.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the accounts which could influence our final audit opinion.

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Audit differences

At the date of this report there are no unadjusted or adjusted audit differences which require your attention.



Executive Summary

Areas of audit focus

Our audit plan identified significant risks and areas of focus for our audit of the Fund's financial statements. We summarise below our latest findings. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised in the "Areas of Audit Focus" section of this report.

Fraud risks	Findings & conclusions
Misstatements due to fraud or error	We carried out standard procedures to address fraud risks as set out in our audit plan, including identifying risks, considering controls and their effectiveness, testing journal entries and looking at estimates for evidence of management bias. Using data analytics is central to our approach.
Risk of manipulation of Investment income and valuation.	We performed a reconciliation between the fund managers reports and the custodian reports. We also performed specific journal entry testing in response to this risk. Subject to final review, we have completed our work in this area and have no matters to bring to your attention.
Significant risk	Findings & conclusions
Valuation of complex investments (Level 3 Fair Value hierarchy)	We undertook additional procedures, as described more fully in Section 2 of this report, to gain assurance over the year-end valuation of the Fund's Private Debt investment. Subject to final review, we have completed our work in this area and have no matters to bring to your attention.
Areas of audit focus	Findings & conclusions
Disclosure on Going Concern	We obtained managements going concern assessment and the adequacy of the disclosures in the financial statements. Subject to final review, we have completed our work in this area and have no matters to bring to your attention.



Executive Summary

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Independence

Please refer to Section 7 for our update on Independence.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error and the risk of manipulation of Investment income and valuation.

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 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. We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

The risk of management override at the Fund is mainly through the possibility that management could override controls and manipulate in-year financial transactions which intend to adjust the entity's reported Fund Account.

This could be done through manipulation of estimates including investment valuation, or through journals amending the values in the production of the financial statements from those provided by the custodian or fund managers.

What did we do?

- We enquired of management about risks of fraud and the controls put in place to address those risks.
- We gained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- We reviewed accounting estimates for evidence of management bias; and
- We evaluated the business rationale for any significant unusual transactions
- We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluate for business rationale.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

Our journal testing did not identify any journal entries without a valid business purpose.

We did not identify any other transactions during our audit which appeared unusual or outside Isle of Wight Pension Fund's normal course of business.

We identified no unexplained differences between the fund's investment values provided by the custodian or fund managers, to those presented in the financial statements.





Areas of Audit Focus

Significant risk

Valuation of complex Investments (Level 3 Fair Value hierarchy)

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 publicly 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 judgements are we focused on?

The judgements we are focussed on are the date of the data and prices used when not information not publicly available. For these we have performed analytical procedures and obtained third party confirmations to verify.

What did we do?

We:

- ▶ reviewed 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 were not as at 31 March 2021, we performed analytical procedures and other procedures to assess the valuation for reasonableness against our own expectations; and
- ▶ tested that accounting entries were correctly processed in the financial statements.

What are our conclusions?

We have completed our testing on the level 3 investment.

The private debt fund last audited financial statements were at 31 December 2020. We evaluated those financial statements to gain assurance that:

- The audit report was not qualified or otherwise modified.
- The audit report did not contained material uncertainties in respect of going concern and that there were no other matters emphasised that would impact valuation.
- The audit report was issued by a reputable auditor.

To gain assurance over the valuation of level 3 investments at the Net Asset Statement date of 31 March 2021, we

- Agreed the pension fund investment in Q4 to bank receipt
- Performed an analytical review on the movement to the balance sheet date





Areas of Audit Focus

What is the risk/area of focus?	What did we do?
<p>Disclosures on going concern</p> <p>There is a presumption that the Pension 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.</p> <p>In light of the continued impact of Covid-19, there is a need for the Pension Fund to ensure its going concern assessment, including its cashflow forecast, is comprehensive.</p> <p>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 uncertainties it has identified.</p> <p>Page 70 Given the available levels of liquid investment assets, we do not consider there to be a risk to the Fund's going concern status. We do consider the unpredictability of the current environment to give rise to a risk that the Pension Fund may not appropriately disclose the key factors relating to going concern, consistent with managements assessment with particular reference to Covid-19</p>	<p>We have:</p> <ul style="list-style-type: none">▶ Assessed the adequacy of disclosures required in 2020/21;▶ Obtain management's going concern assessment and reviewed for any evidence of bias and consistency with the accounts;▶ Reviewed the financial modelling and forecasts prepared by the Pension Fund;▶ Ensured that an appropriate going concern disclosure has been made within the financial statements; <p>Conclusion: We have completed our testing in this area and have no issues to bring to your attention</p>



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISLE OF WIGHT PENSION FUND

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2021 and the amount and disposition of the fund's assets and liabilities as at 31 March 2021; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and Section 151 Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2020/21, other than the financial statements and our auditor's report thereon. The Director of Finance and Section 151 Officer is responsible for the other information contained within the Statement of Accounts 2020/21.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;



Audit Report

Draft audit report

Our opinion on the financial statements

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Director of Finance and Section 151 Officer

As explained more fully in the Statement of the Director of Finance and Section 151 Officer's Responsibilities set out on page 5, the Director of Finance and Section 151 Officers is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Section 151 Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and the Public Service Pensions Act 2013.

We understood how Isle of Wight Pension Fund is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit, and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Pension Board minutes and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.



Audit Report

Draft audit report

Our opinion on the financial statements

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and opportunities for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures we identified management override of control to be our fraud risk.

To address our fraud risk we tested the consistency of the investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements. We also assessed journal entries for evidence of management bias and evaluated for business rationale using specific criteria we considered to be relevant to the risk.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of Isle of Wight Council as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Isle of Wight Council and Isle of Wight Council members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton



04 Audit Differences





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of audit differences

At the date of this report there are no unadjusted or adjusted audit differences which require your attention



05 Other reporting issues

Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements. The audit of the full annual statement of accounts of Isle of Wight Council for the year ended 31 March 2021 is not yet complete.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We have had no reason to exercise these duties.

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Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Fund's financial reporting process. We have no matters to report.



06

Assessment of Control Environment



Assessment of Control Environment

Financial controls

Our responsibilities

It is the responsibility of the Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

Findings

We have not identified any significant deficiencies in internal control.



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07

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Fund, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2020 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table below sets out a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Page 82	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£	£	£
Total Fee - Code work (1)	TBC	16,235	TBC
Total audit	TBC	16,235	TBC

1) As detailed in our 2019/20 Annual Audit Letter for Isle of Wight Council and Pension Fund, we have submitted a proposed recurrent rebasing of the scale fee. We also submitted a scale fee variation for 2019/20 for the impacts of Covid-19 on the audit strategy.

PSAA are yet to review conclude on either variation submission.

All fees exclude VAT.

Other communications

EY Transparency Report 2020

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 2020:

[EY UK Transparency Report 2020 | EY UK](#)



08 Appendices

Appendix A

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

			 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.		Audit planning report March 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.		Audit planning report March 2021
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 		This audit results report

Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <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 	<p>This audit results report</p> <p>No conditions or events were identified, either individually or together to raise any doubt about the Fund’s ability to continue for the 12 months from the date of our report</p>
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	<p>This audit results report</p>
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	<p>Attending Audit Committee - September 2021</p>
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 Fund ▶ 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 Authority, 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. 	<p>Formal enquiry letter sent and response received from Chair of Audit Committee. and This audit results report</p>

Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Fund’s related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ 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 Fund 	This audit results report
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>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors’ objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit 	<p>Audit planning report March 2021 and This audit results report</p>

Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Details of any contingent fee arrangements for non-audit services ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	
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. 	We have received all requested confirmations
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 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	This audit results report

Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	This audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	This audit results report
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	This audit results report
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Planning Report March 2021 and This audit results report

Management representation letter

Isle of Wight Pension Fund.

Management Representation Letter

xx September 2021

Helen Thompson
Associate Partner
Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

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This letter of representations is provided in connection with your audit of the financial statements of Isle of Wight Pension Fund (“the Fund”) for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 01 April 2020 to 31 March 2021 and of the amount and disposition of the Fund’s assets and liabilities as at 31 March 2021, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of the Fund’s financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and are free of material misstatements, including omissions. We have approved the financial statements.

Management representation letter

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021 that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.
5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of non-compliance with any legal duty.
6. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - ▶ Involving financial improprieties
 - ▶ Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
 - ▶ Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
 - ▶ Involving management, or employees who have significant roles in internal control, or others
 - ▶ In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - ▶ Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
 - ▶ Additional information that you have requested from us for the purpose of the audit.
 - ▶ Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

Management representation letter

2. You have been informed of all changes to the Fund rules.
3. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
4. We have made available to you all minutes of the meetings of Audit Committee and Pension Fund Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following [date].
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
8. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021.
9. From the date of our last management representation letter at 25 November 2020 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

E. Going Concern

1. Note 2 to the financial statements discloses all the matters of which we are aware that are relevant to the Company's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than the events described in Note 6 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

Management representation letter

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and Annual Governance Statement within the Statement of Accounts, and the Pension Fund Annual Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

I. Derivative Financial Instruments

1. We confirm that the Fund has made no direct investment in derivative financial instruments.

J. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

K. Actuarial valuation

1. The latest report of the actuary Aon Hewitt as at 31 March 2020 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

L. Estimates

1. We confirm that the significant judgments made in making the Level 3 investments valuations estimates (“the accounting estimates”) have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the accounting estimates.
3. We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. We confirm that appropriate specialized skills or expertise has been applied in making the accounting estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

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About EY

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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.



Purpose: For Decision

Committee report

Committee	AUDIT COMMITTEE
Date	27 SEPTEMBER 2021
Title	ANNUAL GOVERNANCE STATEMENT 2020-21
Report of	ASSISTANT CHIEF EXECUTIVE AND DIRECTOR OF STRATEGY

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 2020-21
2. The annual governance statement for 2020-21 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 2020-21.

BACKGROUND

3. 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.
4. Councillors of Audit Committee were presented with a draft annual governance statement at their meeting of 26 July 2021 for consideration and to highlight any further items or concerns that needed inclusion within the final document.
5. The final annual governance statement for 2020-21 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

6. 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)
7. 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.
8. 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

STRATEGIC CONTEXT

9. 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.

CONSULTATION

10. 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.

11. Further assurance has been sought from a number of senior staff across the organisation to assess, measure and provide an informed view of the council's governance arrangements and progress against the 2019/20 action plan for consideration by Audit Committee Councillors.

FINANCIAL / BUDGET IMPLICATIONS

12. 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

13. 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

14. The council has a legal duty under the Equality Act 2010 to seek to eliminate discrimination, victimisation, and harassment in relation to age, disability, gender re-assignment, pregnancy and maternity, race, religion, sex, sexual orientation and marriage and civil partnership. While the review of governance and the statement will cover equality and diversity, and how the council meets its legal obligations in that regard, it is considered that there are no direct implications for the development of the statement itself.

OPTIONS

15. Option 1 – To agree the content of the draft annual governance statement 2020-21.

16. 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

17. 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.

18. 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 which has been subject to senior management review and the process of assurance declarations and oversight by Councillors (especially from the Audit Committee) helps to counter this risk.

EVALUATION

19. 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 take into account when reviewing the content of the review completed for 2020-21.

APPENDICES ATTACHED

20. Appendix 1 – Annual Governance Statement 2020-21

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Isle of Wight Council

Annual Governance Statement

2020-21

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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 business 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 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 2015”. 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 2020/21
- 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 2019/20 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 good governance 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 whether that be, for example:

- a company;
- a contractual arrangement;
- a joint committee;
- a grant arrangement; or
- an agreement under National Health Services Act 2006

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.

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 set 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 and anti-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 "how the council works" Modern Gov section of the council's website provides access to the published forward plan which provides 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 "your council" section of the council's website provides information on latest news and updates on council services; 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 "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 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 (adult social care & health; children's and regeneration, planning, housing and environment) 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 business 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 to 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 by playing 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 impact of COVID-19.
- All committee reports require an assessment of the carbon impact of the options considered. As part of the call over process the Council's Principal Officer (Environment) is given sight of all papers for comment.

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

- Underpinning the delivery of the corporate plan are a series of business plans that translate the council's priorities and outcomes expected to be achieved into operational service delivery activities. Each of these business plans has a suite of performance measures that enable critical delivery requirements to be tracked and monitored. 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 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. 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 in order to provide a recommended course of action if required. Professional advice in respect of any considerations of a legal, financial, equality and risk are clearly set out as is any consultation that has been undertaken to assist with the decision.
- The council's 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 have the opportunity to ask questions 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; and the arrangements for the Combined Fire Authority have been transferred to the Hampshire Fire & Rescue Authority.
- 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 councillors and aspiring cabinet councillors 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 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 overview and scrutiny committee.
- 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 (2010)". 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 in public service organisations (2010)". The head of internal audit 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 sets out how decisions are made and 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 are 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

5. The Impact of the Covid-19 Pandemic on Governance

CIPFA Application of the Good Governance Framework 2020/21 guidance concerns the impact of the continuing Covid-19 pandemic on governance in local government bodies and the requirements of the Delivering Good Governance in Local Government Framework 2016 CIPFA and Solace (the Framework).

The impact of the Covid-19 pandemic has been taken into account when conducting the annual review for 2020/21, both identifying changes that have resulted from the pandemic and identifying the impact on effectiveness of arrangements in practice.

The Isle of Wight Council has had to adapt its governance arrangements during 2020/21 as a result of the impact of Covid-19 in a range of ways most critical were:

- Adaptations were implemented through the silver and gold command groups to reflect new ways of working and emergency arrangements
- Changes to 'business as usual' activities, including cessation or reduced frequency or scale of activities was agreed through the command structures.
- Longer-term changes to priorities, programmes, strategies and plans as a result of the impact of the pandemic on the organisation and the local area were agreed through Gold command and with the leader of the council and the cabinet.
- Changes to council meetings and decision making arrangements were put on hold for April and May, recommenced virtually as of 1 June 2020. Key decisions made at Gold level would not have involved all councillors or given opportunity for all councillors to be

involved, even within groups.

- Funding challenges were supported through the administration of the available grants and resulted in a balanced budget.

These arrangements were communicated through the senior management team, command structures and the Corporate Management Team to the Leader, Cabinet Councillors and were critical to ensuring effective decision making was undertaken in an inclusive, open way and each decision recorded effectively through the cell resources.

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

Some existing projects and programmes that were put on hold have restarted with the inevitable delays planned into future project timescales.

New priorities and objectives were introduced with the council services being directed to critical service areas. Systems and processes were brought in to support the job role changes and the staff affected.

New risks were identified and the existing risk in relation to pandemic was reviewed and the activities required to mitigate the risk were escalated through Gold Command as necessary.

As part of the recovery programme there have been significant de-briefing sessions for the command groups, directors and cabinet councillors. This has provided a full report of the lessons learned and will be used to develop future pandemic and response plans

The internal audit team performed specific Covid Assurance work across systems and grants. The audit plan for 2021/22 has been prioritised to those areas most affected by the covid response activity to ensure adequate assurance of systems and processes in the longer term.

7. Financial Management Code 2019:

2020/21 is a 'shadow' year for the introduction and implementation of the 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 has tested that financial resilience in 2020/21 and will continue to do so in coming years. For this reason, the implementation of the Code in the shadow year remains a critical task. There are clear links between the Financial Management Code and the Governance Framework.

A significant amount of the Code is part of the council's current activity. In order to provide the required evidence of compliance the Section 151 Officer will undertake a review to assess the level of compliance of the council's current systems and processes against the new Financial Management Code during 2021/22. Where there are outstanding matters or areas for improvement, these will be included in the future action plan.

8. The annual review of effectiveness

The council is required to undertake, at least annually, a review of the effectiveness of its governance framework, 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 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 reports
- Internal audit annual opinion
- Internal audit governance self-assessment survey
- Risk, performance, and financial reports
- The strategic diversity board
- The strategic health and safety board
- Customer complaints and feedback
- Freedom of Information requests
- Data protection and information governance issues
- 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.

9. Governance issues – Part One - Progress Against the 2019/2020 Self-Assessment

The completion of the self-assessment for 2019-20 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	Compliance with financial framework. Audits completed throughout the year identified gaps in process that whilst are not significant show a pattern that there are some operational areas that require addressing.	Follow up audits will revisit the areas to be actioned and will be reported through the Audit Committee and CMT.	Improvement in the compliance with the financial framework will be evidenced in the audit refreshes.	<p>There are fewer examples of non-compliance in the audits. However, it is clear that the further away from the corporate centre the service operates the less likely they are to comply with central requirements and there is a lack of visible of compliance or non-compliance.</p> <p>15 audits still showed small pockets of non-compliance, less examples from last year. It is not just compliance with contract or financial regulations.</p> <p>Internal Audit are currently performing some analyses work in relation to Financial Rules and their robustness. This work will be reported back to the s151 officer to determine next steps.</p>
2	The required action identified in audits undertaken remedy issues raised within the audit are not undertaken in a timely manner within the agreed timescales.	Directors will monitor compliance with audit report timescales to ensure deadlines are not exceeded.	Action timescales agreed in reports will be met.	<p>The audit follow up process has improved these areas of activity. 28 follow up were performed with 68 percent of those reviews showing a positive improvement. Resulting in the overall assurance levels for individual audits also improving.</p> <p>The follow up process will continue for the year 2021/2022 where regular follow up work will be performed and reported to CMT. This should enable us to evidence sustained compliance with timescales required to mitigate risk exposure.</p>

Governance issues – Part Two: Action Plan from the 2020/2021 self assessment:

Over the course of 2020/21 Internal Audit has completed 54 reviews, this figure includes 15 full audits and 28 follow up audits. The process and discussions utilised in those follow up visits evidenced there has been good movement on the timeliness of compliance with actions required to mitigate identified risks.

The Internal Audit Team also undertook assurance work across 11 Grants all of which have satisfied the terms and conditions of the grants,

No audits have resulted in no assurance and the number of areas rated as limited assurance is consistent between 2019/20 and 2020/21.

While audits continue to identify some noncompliance with the council's financial and governance expectations, these are less common than in previous years and are limited to services more remote from the corporate centre.

During 2021/22 the council will be rolling out a suite of financial training through its online training hub, which will both promote awareness and support improved compliance with corporate expectations.

Implementation rates for actions agreed in audit reports has improved, with the majority of follow-up audits able to improve overall assurance ratings. Internal Audit has been able to close 77 percent of individual actions followed up during 2020/21.

Internal Audit will continue its programme of follow-up reviews during 2021/22, including second follow-ups where all actions are not closed at the point of first follow-up in 2020/21.

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 summarised above and detailed in the annual report the audit opinion for 2020/21 remains as **reasonable assurance**.

	Governance issue	Actions to address the issue	Measure of success	Lead Person
	Lack of consistent compliance with policy process legislation, further complicated by the ability to provide this assurance with the work from anywhere model.	Follow up audits will revisit the areas to be actioned and will be reported through the Audit Committee and CMT.	Reduction in the number of cases and areas reported as not complying with appropriate policy and process.	Claire Shand

	Governance issue	Actions to address the issue	Measure of success	Lead Person
	<i>Examples of audits where this has been identified are: Digital / CCTV / Schools / Insurance / accounts receivable / accounts payable / SARS etc.</i>			
	Introduction of the CiPFA Financial Management Code	Review of activity and compliance with the new code. Identification of changes needed to address gaps or limitations in compliance with the FM Code.	IWC financial policies and processes continue to meet the standards required by the CIPFA Financial Code.	Chris Ward
	Compliance with Risk Management Framework at service level needs to be tested	Relaunch of the council's risk management framework and internal risk management system. Risk Management Audit AGS self-assessment survey and sample testing	Service risks are reported effectively to all service boards and escalated where necessary. Services utilise the council's risk management system	Wendy Perera
	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. Refresh of data book metrics and measures reported to the corporate management team and through the quarterly	Service plans reflecting the corporate priorities, feeding into team plans and down to individual performance plans. Effective reporting of performance against each of the corporate plan outcomes.	John Metcalfe

	Governance issue	Actions to address the issue	Measure of success	Lead Person
		performance monitoring reporting to cabinet.		
	Post-election there will be a need to support the audit committee in the delivery of its duty.	<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>	Claire Shand

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.

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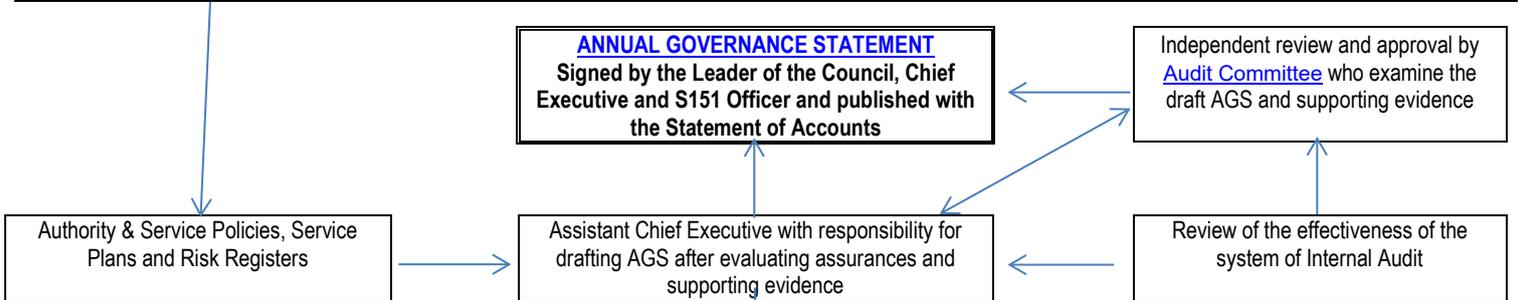
Signed on behalf of Isle of Wight Council:

John Metcalfe
Chief Executive

Councillor Lora Peacey-Wilcox
Leader of the Council

IWC GOVERNANCE FRAMEWORK

Documentation		
<ul style="list-style-type: none"> • Corporate Plan 2019 to 2022 • Performance Management Framework • IWC Risk Management Framework • IWC Programme Management Framework • IWC Project Management Framework • Access to Information Policy • Forward Plan • IWC Terms and Conditions /Contracts of Employment • Capability Policy • Disciplinary Policy • Gifts and hospitality Guidance for staff and members • Member code of Conduct 	<ul style="list-style-type: none"> • Anti-money laundering policy • Behaviour Framework • Counter Fraud and Corruption Strategy • Data Protection Policy • Privacy Impact Assessment • Employee Code of Conduct • Recruitment Policy & Procedure • Equality Policy Statement & Guidance • Procurement Strategy • Whistleblowing Policy • Protective marking Policy • Portable File Storage Policy • Equality Impact Assessment Guidance • Constitution 	<ul style="list-style-type: none"> • Medium Term Financial Plan • Treasury Management Strategy • Charging Policy • Complaints Policy • Contract Standing Orders • Corporate Retention Policy • Financial Regulations • Information Security Policy • Pension Fund Governance Policy • Workforce Plan • ICT Security Policy • Social Media Policy • Town and Parish Council Protocol • Electronic Communications Policy



Performance Management & Data Quality	Risk Management	Information Governance	Legal and Regulatory Assurance	Members Assurance
<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 	<ul style="list-style-type: none"> • Service Risk Registers • Strategic Risk Register • Project Risk and Issues Logs • Service Board Reports • Training 	<ul style="list-style-type: none"> • Training Programme • Department Information Guardian Meetings • Data Sharing Agreements • Information Governance Group • Information Security Group 	<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 	<ul style="list-style-type: none"> • Council Meetings - Modern Council (moderngov.co.uk) • Scrutiny Committees • Cabinet • Full Council • Audit Committee • Appeals Committee • Member Induction • Member Training Programme • Corporate Management team • Health and Wellbeing board
Assurance by Directors/Heads of Service	Other Sources of Assurance (including third party)	Financial Management	Internal Audit	External Audit
<ul style="list-style-type: none"> • Peer Reviews • Benchmarking club membership/reports • Corporate Management Team meetings 	<ul style="list-style-type: none"> • Regulatory body Inspections • Ombudsman Reports • Equality & Diversity Board • Staff Equality Group • Health and Safety Board • Vine Staff Newsletter • Manager's briefings 	<ul style="list-style-type: none"> • Capital Programme • Service Board Reports • Treasury Management • Statement of Accounts • Statutory Returns • Outturn Reports 	<ul style="list-style-type: none"> • Annual Plan • Risk -based audit plans • Periodic Reporting to Audit Committee 	<ul style="list-style-type: none"> • Annual Plan • Annual Audit and Inspection Letter



Purpose: For Noting

Committee report

Committee	AUDIT COMMITTEE
Date	27 SEPTEMBER 2021
Title	COMMERCIAL ACQUISITION STRATEGY PROGRESS REPORT
Report of	CABINET MEMBER FOR STRATEGIC FINANCE, CORPORATE RESOURCES AND TRANSFORMATIONAL CHANGE

PURPOSE

1. This noting report provides 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 2021.

BACKGROUND

2. 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.
3. The commercial property acquisition strategy approved by members in September 2017 has been used as the framework for all acquisitions. The approved strategy included strict criteria to be used when determining 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.
4. In 2018, the fund acquired four separate property investments comprising thirteen lettable units with nine tenants.
 5. Portsmouth City Council (PCC), as commissioned by Isle of Wight Council (IWC), was managing the property investment fund since its inception until 1 April 2021, after which time responsibility for management of the properties transferred to IWC's Property Services department.
 6. IWC's investment strategy has now settled into a management phase and it is no longer actively looking to acquire properties on the mainland.

PROGRESS TO DATE

7. **Current fund - statistics**

- 7.1 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 as set out in paragraph 11.2), IWC spent around £35.1 million on investment acquisitions.
- 7.2 The investment properties were acquired in 2018.
- 7.3 The four investments comprise:
 - Olympic Court, Salford, Greater Manchester – acquired March 2018 for £10.8m;
 - Network 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.
- 7.4 Appendix 1 is a schedule of all assets currently held within the fund.

8. **Rental income**

- 8.1 Rental income across the portfolio has been consistent. Some tenants delayed payment in July 2020, but all rent has now been collected and no tenants are currently in arrears.
- 8.2 Lease events in the 12-month period up to 31 March 2021 included:
 - Nursling Industrial Estate, Southampton – unit relet to Metabo Ltd; and
 - Notice was received in September 2020 from Sunwin Services at Unit 4, Aylesford that they did not wish to renew their tenancy and they vacated in

January 2021. Although a new tenant was quickly identified and terms agreed, their financial position ultimately led to them having to pull out. The unit is currently vacant and being marketed with regional agents with a national reach.

8.3 The eight tenants currently in occupation are:

- **Salford, Greater Manchester**
 - In The Style Fashion Ltd
 - Mettler-Toledo Safeline Ltd
- **Oxford**
 - Nedschroef Ltd
 - Stagecoach Group
- **Aylesford, Kent**
 - Betterstore Self Storage Properties III Ltd
 - Eriks Industrial Services Ltd
 - Go Installations Ltd
 - One unit is vacant
- **Nursling, Southampton**
 - Metabo UK Ltd

8.4 Forthcoming lease events going into 2021/22 will include the following:

- Unit 4, Access 4:20, Aylesford - currently on the market with new letting expected; and
- Unit 5, Access 4:20, Aylesford - negotiating terms with Go Installations Ltd for a new lease.

9. **Strategy**

9.1 IWC is not looking to acquire any further investment properties.

9.2 With a stop on acquisition activity, the immediate focus for the portfolio is to manage the impact of the coronavirus pandemic on existing assets and tenants with a priority focus on continued cash-flow security and debt management. A careful and considered management approach will be necessary for any forthcoming lease events such as rent reviews and lease renewals to avoid protracted and costly court procedures and potential void risks.

9.3 Continuing to hold and actively manage these assets in the short to medium term whilst the wider implications associated with the economy are assessed is of upmost importance. In doing so, this will protect the Council's revenue position and allow the maximum opportunity for the revision of the investment strategy in due course.

10. **Investment market**

10.1 The demand for space from the UK's industrial and logistics sectors hit a record high in 2020 of 59.7 million sq ft (Source: Lambert Smith Hampton). While the pandemic suppressed demand in other parts of the property market,

it stimulated it for warehouse space with increased online retail activity encouraging major e-commerce businesses to push ahead with expansion plans.

- 10.2 Although Brexit was pushed down the headlines in 2020 by the pandemic, the ending of the transition period at the turn of the year brought it back into focus. While companies are still getting to grips with the new trading environment, the restructuring of supply chains may encourage even more demand for warehouse space, especially if companies decide to keep increased volumes of stock close to domestic customers.
- 10.3 In 2020, property returns across all sectors, comprising estimated rental growth, equivalent yield and capital growth were estimated to have fallen by as much as 4.5% (Source: Gerald Eve). This was largely driven by a decline in the retail and office sectors. However, positive rental growth and further yield compression is forecast to push annual returns for industrial to +7.9% in 2021 (Source: Gerald Eve).
- 10.4 While the pandemic has left economic scars that will take time to heal, a concerted consumer-driven recovery, supported by the record levels of household saving seen over the last year, is expected going forward. And, having already displayed remarkable resilience throughout the crisis, the demand for industrial and logistics property should grow as a result of structural changes that have been accelerated by the pandemic.

11. Resources

- 11.1 PCC managed the fund on behalf of IWC until 1 April 2021.
- 11.2 Fees paid to PCC between 1 April 2020 and 31 March 2021 for the provision of these services totalled £60,000. No acquisitions were made during this period and, therefore, no premium payments were made.
- 11.3 From 1 April 2021, IWC's Property Services department assumed complete responsibility for management of the fund.
- 11.4 At present, the fund is being managed within IWC's existing resources and this may have consequences for the deliverability of other priorities.
- 11.5 A revised business plan will need to be agreed to ensure that sufficient resources are made available to undertake the work required to manage the fund effectively.

STRATEGIC CONTEXT

12. The commercial property acquisition fund is a feature of the council's medium-term financial strategy agreed by Full Council in October 2016. The subsequent commercial property acquisition strategy was approved by Full Council in September 2017. Both the fund and strategy are clearly aligned with the council's aim of *"ensuring that all the resources available to the Island are used in the most effective way in achieving the Island's priorities"*.

FINANCIAL / BUDGET IMPLICATIONS

13. Capital growth

- 13.1 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.
- 13.2 The fund is valued annually on 31 March by an external valuer. Capital values are now measurable for the whole portfolio year-on-year from 1 April 2020 to 31 March 2021.

	March 2018 Value (£m)	March 2019 Value (£m)	March 2020 Value (£m)	March 2021 Value (£m)	Percentage +/- since 2018
Access 4:20 Aylesford, Kent	£8.625	£8.625	£8.625	£9.1	+5.51%
Olympic Court, Salford, Manchester	£10.8	£10.97	£10.97	£11.75	+8.8%
Network Oxford	N/A	£10.0	£10.0	£10.2	+2%
Metabo Nursling, Southampton	N/A	£3.5	£3.5	£4.0	+14.29%

14. Rental Income (Gross Return)

- 14.1 The total income received for the period 1 April 2020 to 31 March 2021 was £1.8m (rounded up). This represents a 12% annual increase to revenue.
- 14.2 Based on the acquisition price, the gross return up to 31 March 2020 was 4.53% and up to 31st March 2021 it was 5.08% (**N.B.** the income for 2021 did include an element of backdated rent).

15. Rental Income (Net Return)

- 15.1 The cumulative net income (excluding debt costs) to the council for the year to 31 March 2021 amounts to £1.666m, which represents income of £1.785m less costs of £0.119m. For the period between 1 April 2020 and 31 March 2021 this represents a return of 4.74%.
- 15.2 The council incurred costs of £0.073m relating to service charges which includes the management costs agreed under the strategic partnership with PCC of £0.06m and services provided by managing agents of £0.013m. Other operating costs incurred were £0.046m. The council incurred debt costs of £0.738m and contributed towards the commercial property reserve of £0.024m. This reserve will be used to fund potential lost rental income and future property related costs.
- 15.3 The net return (including debt costs) for 2020/21 prior to the reserve transfer was £0.928m, which represents a net yield of 2.64%.

LEGAL IMPLICATIONS

16. 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.
17. 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 value for money, and regulatory compliance. All acquisitions were reviewed by IWC as a means to maintain oversight of transactions being completed.

EQUALITY AND DIVERSITY

18. 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 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 and/or belief; sex and sexual orientation. It is not considered that the content of this report has any impact on any of the protected characteristics.

RISK MANAGEMENT

19. 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 in response to the evolving impact of COVID-19 on commercial property performance.

EVALUATION

20. Full Council agreed the commercial property acquisition strategy in line with the medium-term financial strategy in September 2017 in order to secure an income stream that would contribute to the overall aim of future financial sustainability of the Island's public services.

RECOMMENDATION

21. 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.

APPENDICES ATTACHED

Appendix 1: Schedule of assets held.

BACKGROUND PAPERS

22. 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>
23. 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>
24. 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>
25. Audit Committee 28 September 2020 – Progress Report Commercial Acquisition Strategy
<https://iow.moderngov.co.uk/documents/s1029/Commercial%20Property%20Report.pdf>

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CHRIS ASHMAN
Director of Regeneration

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

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Appendix 1

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>	



Committee report

Committee	AUDIT COMMITTEE
Date	27 SEPTEMBER 2021
Title	THE COUNCIL'S RISK PROFILE
Report of	ASSISTANT CHIEF EXECUTIVE AND DIRECTOR OF STRATEGY

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".

BACKGROUND

2. This is the second update of the Strategic Risk Register within the 2021/22 reporting period. The risks were included within the Isle of Wight Council's revised Corporate Plan that was approved by Full Council in July 2019 or have been added by the Corporate Management Team (CMT).
3. A revision of the Corporate Plan is in progress and the Strategic Risk Register will need to be re-aligned accordingly. Of key importance will be 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.
4. Alongside this there is to be a full review of the IWC Risk Management Framework which will include the following: -
 - (a) A review of the current usage of the IWC Risk Management System to identify the extent to which services are following the IWC Risk Management Strategy. This will be done in conjunction with an internal audit of Risk Management within the IWC the results of which will be presented to the Audit Committee.
 - (b) A review of the IWC Risk Management System to improve its accessibility and functionality
 - (c) Revised Risk Management training to ensure that the following groups are aware of their roles and responsibilities

- (1) Audit Committee Chair and members
- (2) Directors and Senior Managers
- (3) Staff

(d) Resetting of ALL Service Risk Registers to align with both the Corporate Plan and the respective Service and Team Plans

5. Strategic risks are also referred to within the Quarterly Performance Management Reports (QPMR) that are presented to Cabinet. The presentation of the Q1 report took place on 9 September 2021. The dates for subsequent reports are shown below:-
- (a) Quarter 2 (July 21- September 21) – 11 November 2021
 - (b) Quarter 3 (October 21 – December 21) – 10 March 2022
 - (c) Quarter 4 (January 22 – March 22) – 12 May 2022

REPORTING METHODS

6. 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.
7. 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.
8. 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.
9. In order to see which information has been updated since the previous report in July, any additional comments are shown in *italics* in Appendix 1.

RISK CHANGES

10. Amendments that Corporate Management Team (CMT) have made between the last report to Audit Committee (26 July 2021) and this current report are summarised in the table below (paragraph 12). The register was circulated to CMT in August and September 2021 and all risk owners provided additional content.

STRATEGIC CONTEXT

11. 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 Q1 report took place on 9 September 2021.

12. Strategic Risk Register Summary – September 2021 (Full Strategic Risk Register can be seen in Appendix 1)

Risk no.	Risk Title	Score (Sep 2021)	Score (July 2021)	Score (Feb 2021)	Comment
1	Lack of financial resource and the ability to deliver the council's in-year budget strategy for 2021/22	12 RED	12 RED	12 RED	The latest report for quarter one indicates a forecast balanced budget. As at the end of quarter one the main impact forecast is the income loss being incurred in council services and which results in an estimated circa £3 million being required to be funded from the contingency, This will be kept under review as the financial year progresses.
2	Lack of financial resource and the ability to deliver the council's medium-term financial strategy	16 RED	16 RED	16 RED	The budget process for 2022/23 has commenced. The budget will be approved in February 2022. The Fair Funding Review and the changes to the Business Rates retention scheme that would have informed the 2022/23 budget setting process have been delayed once again and will not take place before the budget is set.
3	Insufficient staffing capacity and skills	9 AMBER	9 AMBER	9 AMBER	Covid-19 response demands upon services continue to be seen. Council administrative buildings have been reconfigured in accordance with current government guidelines to allow for staff who need to attend the workplace to do so. Sickness absence levels whilst showing a slight increase from previous months, remain stable overall. Continued weekly monitoring of Covid-19 related absences is being undertaken to monitor impact on service delivery.
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	6 GREEN	6 GREEN	6 GREEN	The council's BIG cultural change action plan which is driven by the council's corporate priorities and feedback from staff through the annual staff survey has now been refreshed and is to be incorporated into a wider organisational development strategy for the council.

Risk no.	Risk Title	Score (July 2021)	Score (July 2021)	Score (Feb 2021)	Comment
5	Failure to improve educational attainment	10 AMBER	10 AMBER	10 AMBER	The Isle of Wight have had higher proportions of children of school age attending school than nationally since 8 March. Typically, primary attendance has been around 96 per cent and secondary around 92 per cent. The Isle of Wight Council has received positive feedback from the DfE on our attendance levels.
6	Failure to identify and effectively manage situations where vulnerable children are subject to abuse	7 AMBER	7 AMBER	7 AMBER	An annual self-evaluation was produced for the annual conversation with Ofsted in March 2021. The self-evaluation highlights strengths and areas for development, which Ofsted will use as basis for future inspections. The annual conversation addressed the progress made since the inspection and reviewed response to Covid-19. Ofsted published new guidance on them re-starting inspections from September 2020. Ofsted undertook a focussed inspection in July 2021 of the Isle of Wight Children's Social Care Service. The letter of findings will be published early September 2021.
7	Failure to recruit acceptable quality of professional practice across Adult Social Care (ASC) and Housing Needs	8 AMBER	8 AMBER	8 AMBER	All ASC staff continue to be focused on protecting vulnerable adults in the Islands communities. We continue to support care providers with our daily bulletin and weekly calls from commissioners to provide bespoke support. Development of best practice during Covid-19 through our Ethical Task and Finish Group has continued to be of benefit to our local system. Safeguarding continues to be a key area of focus and we continue to see a reduction in the number of safeguarding referrals received by the team.
8	Failure to identify and effectively manage situations where vulnerable adults are subject to abuse	10 AMBER	10 AMBER	12 RED	Additional funding for assessments was allocated for 2020/21 although use of this funding was delayed as a result of the pandemic. Assurance Audits are undertaken regularly by the Nominated Individual, the Service Manager and the Group Manager the results of which are reported on a monthly basis to the departmental service board. Each service now has a bespoke Service Improvement Plan which is being regularly and routinely monitored.
9	Failure to secure the required outcomes from the integration of adult social care and health	10 AMBER	10 AMBER	12 RED	The focus on improving and maintaining hospital flow continues to drive a number of process changes as clearer more consistent data collection to enable evidence-based decision making has become available. The key challenge in relation to responsiveness to hospital escalation is linked to the fragility in the workforce across the Island. This is impacting on the ability to effect timely discharge.

Risk no.	Risk Title	Score (July 2021)	Score (July 2021)	Score (Feb 2021)	Comment
10	Independent Social Care Sector Sustainability (care Homes and Home Care) (Previously ASC care provider failure)	12 RED	12 RED	N/A	<p>The impact of Covid-19 has led to reduced occupancy levels in some care homes. This is being carefully monitored and proactively managed. We continue to monitor through the National Capacity Tracker occupancy levels across all CQC registered Care Homes. Decreasing levels of occupancy increase risk of provider failure. This is managed through weekly contact by a link commissioner and open dialogue with local providers to minimise risk of a care home closing or a provider exiting the marketplace on short notice.</p> <p>Recent workforce challenges have identified that care providers need to consider and review the rates of pay they offer to ensure that they are able to more easily recruit staff and to better manage retention. It is likely that any increase in staff wage will be passported to the council part of the financial pressures indicated by providers during the forthcoming fee consultation for 2022/2023.</p>
11	Failure of the Highways PFI contract resulting in significant financial and operational disruption for the council and its residents	8 AMBER	8 AMBER	8 AMBER	<p>A savings programme has been established and agreed with Island Roads and reports made to a dedicated savings board. The programme aims to deliver savings in three phases with a majority of the first two phases having been agreed and implemented and the remaining elements by Sept 2021. The third phase of savings are to be agreed and completed by September 2023. The savings are a balance between a requirement to achieve contract savings and maintaining acceptable standards of service delivery. An agreement is now in place between the service provider and the council to facilitate the completion of the Core Investment period of the contract (Milestone 14) by March 2023.</p>
12	Failure of the Waste contract resulting in significant financial and operational disruption for the council and its residents	8 AMBER	8 AMBER	8 AMBER	<p>The Energy from Waste Plant passed its Readiness Tests and has been issued a certificate of Readiness by the Independent Certifier. This means that the individual component parts are all electrified and have been tested in isolation to ensure they pass installation and operational tests. This signifies the successful end to cold commissioning. Hot Commissioning and preparation for the acceptance tests has now commenced.</p> <p>Performance is currently good with almost 100 per cent of municipal waste now being diverted from landfill and over 58 per cent of household waste being recycled or composted</p>

Risk no.	Risk Title	Score (July 2021)	Score (July 2021)	Score (Feb 2021)	Comment
13	Achieving the vision for the Island	12 RED	12 RED	12 RED	A full review of the IWC Risk Management Strategy has begun and will include a review of both the format of the Strategic Risk Register and Risks that are considered to be part of it. A Draft Strategy is planned to be completed by December 2021 at which point consultation will take place before and an implementation plan will be initiated.
14	Additional demands placed upon the Isle of Wight Council and partners owing to pandemic flu or similar large-scale outbreaks	16 RED	16 RED	16 RED	<p>The IWC Covid-19 Local Outbreak Management Plan 2021 details how the Council and its partners will respond to further outbreaks of infection and will be reviewed on a quarterly basis unless learning from an incident or outbreak requires it to be reviewed sooner.</p> <p>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.</p>

CONSULTATION

13. 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. Cabinet members are also given the opportunity to review risks as part of the QPMR.

FINANCIAL / BUDGET IMPLICATIONS

14. There are no direct financial implications of approving the audit plan which will be carried out within the approved budget.

LEGAL IMPLICATIONS

15. 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

16. The council has a legal duty under the Equality Act 2010 to seek to eliminate discrimination, victimisation, and harassment in relation to age, disability, gender re-assignment, pregnancy and maternity, race, religion, sex, sexual orientation, and marriage and civil partnership. It is considered that there are no direct equality and diversity implications of this report for any of the protected groups.

OPTIONS

17. Option 1 - Audit Committee approves the strategic risks of the council as set out in paragraph 12 and Appendix 1.
- Option 2 - Audit Committee does not approve the strategic risks of the council as set out in paragraph 12 and Appendix 1.

RISK MANAGEMENT

18. 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.

RECOMMENDATION

Option 1 - Audit Committee approves the strategic risks of the council as set out in paragraph 12 and Appendix 1.

Appendix Attached

Appendix 1: Full Strategic Risk Register

Contact Point: David Martin, Transformation Manager – Organisational Intelligence
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WENDY PERERA
*Assistant Chief Executive and
Director of Strategy*

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

Strategic Risk Register as at 01-09-2021

STRATEGIC RISK 1					
Lack of financial resource and the ability to deliver the council's in-year budget strategy for 2021/22			Assigned to: Director of Finance and Section 151 Officer		
Inherent score	Target score	Current Score	Previous scores		
			Jul 21	Feb 21	Sep 20
16 RED	5 GREEN	12 RED	12 RED	12 RED	14 RED
Mitigation					
Close monitoring of revenue spend	<p>Budget positions are reported quarterly to service management, CMT and Cabinet.</p> <p><i>The latest report for quarter one indicates a forecast balanced budget. There is a net pressure relating to income losses as a result of the Covid-19 pandemic of circa £3.3 million, however it is expected that circa £0.4 million will be recovered via the government's Sales, Fees and Charges Scheme and the remaining balance of circa £2.9 million will be funded from the Covid-19 Contingency of circa £15 million that has been set aside to mitigate the financial impact of Covid-19 over the next three financial years.</i></p>				
Close monitoring of income realisation against target	<p>Income realisation is monitored monthly and reported to cabinet quarterly.</p> <p><i>See above for the forecast impact of Covid-19 on the achievement of income.</i></p>				
Close monitoring of achievement of savings plans	<p>Achievement of savings are monitored monthly and reported to cabinet quarterly.</p> <p><i>The position on savings is included in the net revenue spend as reported above.</i></p>				
Close monitoring of capital spend	<p>Budget positions are reported quarterly to service management, CMT and Cabinet.</p> <p><i>The position as reported for quarter one indicates a total capital budget of £71 million for 2021-22. The council is forecasting actual expenditure of £47.8 million. There is slippage in spending forecast at £23.2 million from 2021/22 into future years (i.e. simply representing budgeted spending that is forecast not to take place in 2021/22 but will now fall into 2022/23).</i></p>				
Manage the Financial Impact of the COVID-19 Pandemic on the	<p><i>The revenue budget approved for 2021-22 includes a contingency for Covid-19 of circa £15 million. This was created during 2020-21 as a deficit recovery strategy for the estimated impact of Covid-19 and 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</i></p>				

Isle of Wight Council	<p><i>financial years.</i></p> <p><i>As at the end of quarter one the main impact forecast is the income loss being incurred in council services and which results in an estimated circa £3 million being required to be funded from the contingency, This will be kept under review as the financial year progresses.</i></p>
Charging of severely disabled people for social care (Norfolk decision)	<p>ASC undertake finance and charging assessments to determine individuals' eligibility to contribute towards the cost of their care and support. In line with other local authorities the council takes in to account higher rate benefits when undertaking this calculation. This generates approx. £1.2 million per year of additional income for ASC. In a recent court decision (Norfolk CC) consideration was given to the lawfulness of doing this and the court found that higher rate benefits should be disregarded and therefore calculations only based on standard or lower rates of benefits. Recent legal advice secured by the National Association of Financial Assessment Officers (NAFAO) indicates that the judgement is flawed and advocated for continuing to levy charges in accordance with the regulations and local policy. <i>This approach 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.</i></p>
Provider Annual Fee Review	<p>RESOLVED – The next annual fee review will commence in September 2021</p>
NHS Funding for discharge	<p><i>The national scheme to provide additional funding to Health partners to support with Hospital Discharge (HDS1 and HDS2) is due to finish at the end of Q2. We have seen an increase in financial liability for care and support as a result of the Discharge to Assess policy implementation and whilst to date the additional costs have been met during the first 4 weeks of the discharge period by HDS1 and HDS2 funding this will no longer be the case. The full cost of these new care and support requirements will move to the council from 01/10/2021. In preparation of this change we have ensured that the risk is mitigated so far as is possible by ending the enhanced fees that have been paid under the HDS1 and HDS 2 arrangements and reverting to our standard published fees. In addition, we have also sought to ensure a more robust application of the Continuing Healthcare framework which will ensure that people eligible for free health care continue to receive it. The situation will be monitored closely.</i></p>
Sleep in liability	<p>RESOLVED - For the past 3 year the courts have been considering the liability of providers to pay National Minimum Wage (NMW) to sleep in workers. The Supreme Court ruled on this issue last month and dismissed the appeal determining that NMW is not payable for all hours of a sleep-in shift but ONLY for the hours of that shift that the worker is actually awake and working. No further mitigation is required. This financial risk is resolved.</p>

STRATEGIC RISK 2					
Lack of financial resource and the ability to deliver the council's medium-term financial strategy			Assigned to: Director of Finance and Section 151 Officer		
Inherent score	Target score	Current score	Previous scores		
			Jul 21	Feb 21	Sep 20
16 RED	9 AMBER	16 RED	16 RED	16 RED	16 RED
Mitigation					
Updated medium term financial strategy (MTFS)	The MTFS is reviewed regularly by Financial Management as part of the budget setting process. A full revision of the budget and future forecast and resulting savings requirements is presented to Full Council each February.				
2021/22 budget setting process	<i>The budget for 2021/22 was agreed by Full Council in February 2021. The budget includes the identification of £3.5 million of savings, the delivery of which will be monitored throughout the year. A capital programme of £58.3 million was also agreed (the current capital budget currently stands at £71 million including slippage from the previous year) and will be subject to regular monitoring throughout the year.</i>				
2022/23 budget setting process	<i>The budget process for 2022/23 has commenced. The budget will be approved in February 2022. The Fair Funding Review and the changes to the Business Rates retention scheme that would have informed the 2022/23 budget setting process have been delayed once again and will not take place before the budget is set. The Comprehensive Spending Review will be announced later in the Autumn – it is not yet clear whether this will be a one-year settlement or will cover a longer period.</i>				

STRATEGIC RISK 3					
Insufficient staffing capacity and skills			Assigned to: Director of Corporate Services		
Inherent score	Target score	Current score	Previous scores		
			Jul 21	Feb 21	Sep 20
16 RED	8 AMBER	9 AMBER	9 AMBER	9 AMBER	9 AMBER
Mitigation					
Monitoring Staff Capacity	<i>Covid-19 response demands upon services continue to be seen, particularly in adult residential social care settings, the local track and trace service within the contact centre and benefits service in the processing of self-isolation grant payments, although as we continue to move through the recovery phase, there has been a general decline in response resource requirements. Council administrative buildings have</i>				

	<p><i>been reconfigured in accordance with current government guidelines to allow for staff who need to attend the workplace to do so. Continued effort is being given to developing agile working practices, taking learning from the pandemic into consideration. 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. Sickness absence levels whilst showing a slight increase from previous months, remain stable overall. Continued weekly monitoring of Covid-19 related absences is being undertaken to monitor impact on service delivery.</i></p> <p><i>It is considered that the rating of this risk remains at Amber but with a continuing improvement on service resilience.</i></p>
<p>Delivery of recruitment and retention strategy and action plan</p>	<p><i>The council's recruitment policy and practice guidelines have been refreshed to make sure that they are easily accessible and to navigate. On-line training resources have been developed to support recruiting managers that can be accessed as and when it is required. The focus is to continue providing support to managers in their use and these remain under review for further improvements to be identified.</i></p> <p>The appointment of a recruitment specialist has been key to securing improvements in the management of the council's managed service for temporary agency staff, working closely with services where agency services are often required to maintain the delivery of statutory and other essential services, to establish ways in which such spend can be reduced, as well as to engage with locally approved suppliers and secure their sign up to the agency framework and to support the local economy wherever possible. Exploration of additional marketing techniques has also seen improvements in the delivery of recruitment campaigns through social media; national occupational recruitment drives and utilisation of on-line recruitment advert sources. Recently this project work has been expanded to provide support to the successful delivery of the national kickstart programme within the council.</p> <p><i>As a result of the pandemic response, it has not been feasible to progress as far as intended on the review of the council's recruitment processes and practices aimed at bringing about improvements in efficiency and ease of use together with a better applicant experience and reduction in the time to recruit. A project team has been re-established to refresh the project scope, work programmes required, resource requirements to deliver them and the necessary planning needed to secure delivery.</i></p>
<p>Regular monitoring, analysis and review of organisational health indicators</p>	<p><i>The corporate management team continue to receive a whole council monthly sickness absence report to provide strategic oversight and monitoring of required actions to secure improvements in any areas of concern. Directors also receive monthly reports for their directorate service areas, and which are required to be reviewed and follow up actions instigated with managers. This will continue to ensure that proactive management action is taken to address any issues of concern. The reporting dashboard has recently been refreshed to allow focus to be</i></p>

	<p><i>given to month by month changes and comparison with previous year periods to allow for greater scrutiny of issues of concern.</i></p> <p>The joint consultative meetings with the council's recognised trade unions also has a regular agenda item to consider the organisational health indicator data and is a useful forum for discussion on any matters of concern to staff.</p> <p><i>A refreshed attendance management strategy and action plan and has now been agreed and is underway on delivery. The aim of this strategy is to focus our attention on:</i></p> <ul style="list-style-type: none"> <i>• Investigating the relationship between sickness and new agile working arrangements</i> <i>• Continued training and support for managers in handling attendance management issues/learning from best practice examples</i> <i>• Refreshing the council's attendance management policy</i> <i>• Proactive monitoring and review of stress/mental health related absences and the continued provision of access to guidance and support through the mental health working group</i> <i>• Proactive wellbeing initiatives with a particular focus on building personal resilience</i> <i>• Continuing to build upon the internal occupational health service as a source of professional support for managers and staff</i>
<p>Workforce planning</p>	<p><i>We have been successful in securing funding from the Local Government Association to assist us in developing our workforce planning approach and standardised succession planning and talent management arrangements across the council. This work is still in the planning and preparation phase as to the detailed activity required to undertake the project delivery.</i></p>
<p>Reducing the impact of loss of staff through sickness or self-isolation on service delivery</p>	<p>The following measures continue to remain in place to reduce the impact on service delivery as a result of Covid-19.</p> <ul style="list-style-type: none"> <i>• Staff not engaged in critical frontline services are working from home as necessary to reduce any spread of infection. All council buildings have been reconfigured in line with current government guidance for Covid-19 secure working arrangements. Risk assessments have been completed and published for each of the buildings and are fully compliant with government guidelines.</i> <i>• Personal protective equipment (PPE) is in use in accordance with public health England guidelines and appropriate supplies being maintained.</i> <i>• There are regular communications with staff to remind them of good hygiene practises and social distancing requirements.</i> <i>• Regular staffing reports are in place to monitor and review staffing levels in critical services to enable redeployment to areas of need.</i> <p>The mandatory vaccination programme for front line care staff in line with the legislative change is being delivered.</p> <p>The annual flu vaccination programme for front line staff and other business critical roles is being prepared.</p>

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	Previous scores		
			Jul 21	Feb 21	Sep 20
16 RED	6 GREEN	6 GREEN	6 GREEN	6 GREEN	6 GREEN
Mitigation					
Leadership and management development		<p>There is now a regular quarterly programme of manager conferences taking place as an opportunity for professional development, networking and the development of corporate initiatives that seek to improve people management within the council.</p> <p>There is also a corresponding leadership forum in place that meets on a quarterly basis for senior managers.</p> <p>A “growing leaders” network is also in place to aid the development and testing of new corporate people management and workforce development initiatives as well as to act as a think tank for common problems and issues.</p> <p>These leadership and management forums have actively been in operation during the period of the pandemic situation as a means of both support and collective development of new ways of working and tackling challenges that have arisen as a result of Covid19 and these continue to operate.</p> <p>Consideration is now being given to the longer term People and Organisational Development strategy that is required to underpin the future working culture and operational practices that will and can be adopted as a result of the learning and experiences during the pandemic which by necessity has changed the way in which our public services are delivered.</p>			
Workforce development programmes/ initiatives		<p>A corporate programme of core learning and development is in place, utilising a combination of face to face, virtual and eLearning opportunities and is designed around the essential learning needs of staff.</p> <p>The new learning management system (The Learning Hub) continues to be utilised to support staff with the specific needs presented by the pandemic situation but 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. A substantial piece of work is to be undertaken this year looking at the</p>			

	future of learning and for work which aims to build staff/manager responsibility for their own learning and that of their teams.
Delivery of the council's BIG Action Plan	<p><i>The council's BIG cultural change action plan which is driven by the council's corporate priorities and feedback from staff through the annual staff survey has now been refreshed and is to be incorporated into a wider organisational development strategy for the council. Key to the new plan is a focus on:</i></p> <ul style="list-style-type: none"> • <i>Continuous development of the agile workforce concept</i> • <i>Continuous personal development</i> • <i>Health and wellbeing</i> • <i>Being an employer of choice</i> • <i>Equality, diversity and inclusion</i> • <i>Personal performance management</i> • <i>Intrapreneurial and commercial acumen</i> • <i>Customer engagement and consultation</i> • <i>Outcomes based accountability</i> • <i>Digital transformation</i>
Maintaining ICT Networks and systems to facilitate large scale agile working	<p>The rollout of replacement equipment, updated software and remote telephony programme activity continues and includes the provision of additional technology provisions to underpin the pandemic response.</p> <p>Business continuity plans continue to be reviewed and monitored to ensure the ICT infrastructure, networks and systems remain operational.</p> <p>The agile change team remain in place to provide assistance to staff and teams in the use of technology for remote working and maximising the potential of available technology.</p>

STRATEGIC RISK 5					
Failure to improve educational attainment			Assigned to: Director of Children's Services		
Inherent score	Target score	Current score	Previous scores		
			Jul 21	Feb 21	Sep 20
16 RED	6 GREEN	10 AMBER	10 AMBER	10 AMBER	11 AMBER
Mitigation					
Ensure schools open successfully for all pupils from the start of the autumn term 2020.	<ul style="list-style-type: none"> • All schools remained open for the children of critical workers and vulnerable children during all periods of lockdown. • Since 8 March, all schools reopened for all students in line with government guidance. • Extensive preparation took place to ensure schools were Covid-19 secure in line with public health guidance. • The Isle of Wight have had higher proportions of children of school age attending school than nationally since 8 March. Typically, primary 				

	<p>attendance has been around 96% and secondary around 92%. The Isle of Wight Council has received positive feedback from the DfE on our attendance levels.</p> <ul style="list-style-type: none"> • <i>Webinars are being delivered at the start of September 2021 to ensure the new DfE guidance is understood by all educational settings. Separate webinars are taking place for early years settings, primary schools, secondary schools, Post 16 providers and specialist settings.</i>
<p>Ensure schools are prepared to undertake partial closures in the event of a positive test within the school community.</p>	<ul style="list-style-type: none"> • All schools were invited to attend seminars run jointly by public health and the school improvement team to ensure they understood the procedures in the event of a positive case. • Flow diagrams have been produced for all school leaders to follow in the event of a positive case. • <i>There have been lower numbers of positive cases in the Island's schools during the pandemic reflecting the lower rates of transmission in the community.</i> • Where there have been positive cases public health advice has been sought appropriately and followed rigorously. • The school improvement team has supported school leaders in the event of positive cases alongside colleagues in public health and the communications team where necessary. <p>Where there has been a positive case and students have had to self-isolate, the schools have successfully switched to remote learning.</p>
<p>Delivering Educational Excellence – building on the improvements in standards</p>	<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. • The primary school improvement team is currently preparing for reviews of every school with the termly challenge visit and bespoke improvement support. The process has been flexed to take account of the absence of 2019 attainment data. • The secondary school improvement team is continuing with the planned programmes of support which have also been flexed in light of the absence of 2019 attainment data. • Regular discussions with academies • 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 during the summer term, with appropriate risk assessments in place. • Supporting governing bodies to improve • Training opportunities that raise awareness and improve safeguarding practices • Identifying a 'targeted offer' • Implementing a high quality and cohesive professional offer • Investing in recruitment and retention strategies • <i>Developing an 'affordable schools' strategy with less schools starting the financial year 2021/22 in deficit.</i> • Continue to work with schools preparing for inspection under the new Ofsted framework that was implemented in September 2019. <i>This</i>

	<p><i>has been suspended during the pandemic but is expected to start again this term.</i></p> <ul style="list-style-type: none"> Supporting schools that are subject to a Section 8 monitoring visit by Ofsted. Outcomes from all Section 8 monitoring visits have been very positive. Support schools with a range of initiatives to support educational recovery post Covid-19.
Delivering Educational Excellence – ensuring schools are good for all children	<ul style="list-style-type: none"> Use the programme of termly visits to evaluate the performance of vulnerable groups of children and the provision for them and support schools in bringing about improvements Further develop schools’ leadership of teaching and learning, getting it right for all pupils including the more vulnerable Provide ongoing support and challenge in relation to exclusions and attendance Work with local stakeholders to develop a better transition between schools and employment. Develop support to parents of home educated children. 73.5 per cent of IW schools are currently rated good or outstanding and signs from inspections undertaken in 2019/20 is that this will improve over the coming months once Ofsted inspections resume after their current suspension due to the Covid-19 pandemic.
Delivering Educational Excellence – leading a cohesive system for children based on effective partnership working	<ul style="list-style-type: none"> Work in partnership with the two dioceses who provide many of the Island’s schools Liaise with education partners including teaching schools, trusts and others to focus their potential for impact Work with south coast universities to promote excellence, aspiration and opportunities for routes into higher level education Support and challenge for all schools that become academies. Improving community perceptions of education on the Island Enhance careers advice and guidance and engagement with industry and commerce.

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	Previous scores		
			Jul 21	Feb 21	Sep 20
16 RED	5 GREEN	7 AMBER	7 AMBER	7 AMBER	7 AMBER
Mitigation					
Covid-19 Response	All of our statutory timescales for visits and meetings remain the same. We have significantly increased face to face visiting to nearly normally levels and where this is not possible continue using technology to ensure				

	<p>we see children and families through digital means – WhatsApp, Teams and a number of other similar approaches.</p> <p>The service is fully operational, and we continue to operate as near to normal as we can.</p> <p>Contact between looked after children and their parents has been re-established where it is safe to do so</p> <p>Childrens Reception team (CRT) and Multi agency safeguarding hub (MASH) continue to receive contacts and referrals in the usual way and to respond to these within statutory timescales, demand is above the average levels for this time of year. The number of children subject to a child protection plan has risen by 50 per cent in the last 12 months.</p> <p>Children’s Social care continue to work closely with Education/Schools to support vulnerable children. Where a child known to children’s social care is not attending school, we are working together to further support attendance.</p> <p>Placements and supported accommodation are two areas of pressure due to increased demand and challenges in making new placements with foster carers/residential providers due to the concerns regarding Covid-19.</p>
<p>Corporate Parenting Board</p>	<p>The Ofsted inspection report published on 7 January 2019 highlights that:</p> <p>“Corporate parenting is much stronger across the council since the last inspection. The Corporate Parenting Board receives regular, comprehensive performance data and reports, enabling effective scrutiny and challenge. The Corporate Parenting Board maintains a strong focus on achieving positive outcomes for children in care and care leavers. A high number of young people are supported to attend university and the council actively promotes apprenticeships, particularly for those with care experience. ‘Hearing young people’s experience’ (HYPE), Isle of Wight’s children in care council, is an active and influential part of the Corporate Parenting Board.”</p> <p>Corporate Parenting Board meetings are taking place quarterly virtually at the current time. A programme of activities has been organised in July (dependent on restrictions being lifted) for corporate parents, elected members and senior managers to participate with children open to children’s social care.</p> <p>Corporate Parenting Strategy and action plan were agreed by the Corporate Parenting Board in March 2020 (virtually due to Covid-19). A virtual CPB has continued to take place since June 2020-the board continues to be well attended by Councillors, all statutory partners and young people, scrutiny of performance and response to Covid-19 were main items.</p>
<p>Multi-agency integrated commissioning board</p>	<p>Care leavers have been actively involved in improving service delivery, such as through the tendering process for the new supported housing pathway and the local offer for care leavers.” (Ofsted 2018)</p>

	<p>Children’s social care has completed its “Pathways to Independent Adulthood” supported accommodation tender. New providers are in place-although have been impacted by Covid-19, limiting capacity.</p> <p>Children’s Services were involved with the new Housing Services commissioning strategy to ensure synergy and that young people’s needs are identified within the tender.</p> <p>A new SEND strategic board is taking forward the joint commissioning agenda-between LA/CCG addressing recommendations of the recent SEND inspection.</p> <p>A joint health commissioning/Children’s Services strategic group has been established across HCC and IOW-first meeting took place in July 2020 - a new funding framework across CCG and LA is being developed for complex cases.</p>
<p>Quarterly performance reports to Scrutiny Committee</p>	<p>Performance reports are viewed regularly by the Policy and Scrutiny Committee for Children’s Services.</p> <p>Performance continues to be scrutinised internally at this current time, through IW Performance Action Group and the joint Hants and IW Children and Families Management Team Performance meeting.</p> <p>In addition to the normally monthly performance monitoring, weekly performance management data is being considered including numbers of contacts and referrals (including types of referrals), numbers of vulnerable children attending school, % of child protection conferences held within timescales and numbers of children entering care, % of staff sickness. This is supporting our understanding and response to the impact of Covid-19 and subsequent planning for recovery.</p>
<p>Regular scrutiny of social work caseloads</p>	<p>The Ofsted inspection report published on 7 January 2019 highlights that: “The vast majority of practitioners say that their caseloads are manageable. Inspectors found that a small number of caseloads were too high. The local authority has secured further financial investment to reduce caseloads further.”</p> <p>The average caseloads increased this quarter (from 19 to 21) -due to increased demand. Additional investment in social worker capacity has been secured to support the increased demand due to Covid-19.</p> <p>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.</p> <p>The RAFT team have expanded to include 2 x children and young people’s mental health practitioners. Together with adult mental health and substance misuse workers, and family support workers, they are delivering support and interventions to enable children to live safely at</p>

	<p>home. The volunteer co-ordinator and volunteers have been incorporated into RAFT.</p>								
<p>Quality assurance framework (monthly case audits concentrating on quality of practice)</p>	<p>Audits began in April 2018 and are continuing. They include practice observations, service user feedback and auditing of supervision files. Quarterly reports are provided to senior managers which identify key themes, and these become a focus for workforce development.</p> <p>“A comprehensive quality assurance programme, combined with the rigorous use of performance information, enables leaders to maintain effective oversight of practice. Performance meetings take place in every part and level of the service. Regular auditing by managers and senior leaders, alongside social workers, provides helpful opportunities for reflection and learning” (Ofsted 2018)</p> <p>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> <p>Case auditing is being maintained during lockdown. A virtual peer review was undertaken by HCC in Sept 2020. Isle of Wight staff continue to participate in peer reviews in Hampshire districts.</p>								
<p>Annual self-evaluation and annual conversation between Director and Ofsted</p>	<p>An Ofsted inspection of children’s social care services took place in November 2018, with the report published in January 2019. https://files.api.ofsted.gov.uk/v1/file/50048228</p> <p>Judgement highlighted below:</p> <table border="0" data-bbox="443 1173 1457 1442"> <tr> <td>The impact of leaders on social work practice with children and families</td> <td>Good</td> </tr> <tr> <td>The experiences and progress of children who need help and protection</td> <td>Good</td> </tr> <tr> <td>The experiences and progress of children in care and care leavers</td> <td>Good</td> </tr> <tr> <td>Overall effectiveness</td> <td>Good</td> </tr> </table> <p><i>An annual self-evaluation was produced for the annual conversation with Ofsted in March 2021. The self-evaluation highlights strengths and areas for development, which Ofsted will use as basis for future inspections. The annual conversation addressed the progress made since the inspection and reviewed response to Covid-19. Ofsted published new guidance on them re-starting inspections from September 2020.</i></p> <p><i>Ofsted undertook a focussed inspection in July 2021 of the Isle of With Children’s Social Care Service. The letter of findings will be published early September 2021.</i></p>	The impact of leaders on social work practice with children and families	Good	The experiences and progress of children who need help and protection	Good	The experiences and progress of children in care and care leavers	Good	Overall effectiveness	Good
The impact of leaders on social work practice with children and families	Good								
The experiences and progress of children who need help and protection	Good								
The experiences and progress of children in care and care leavers	Good								
Overall effectiveness	Good								

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	Previous scores		
			Jul 21	Feb 21	Sep 20
14 RED	6 GREEN	8 AMBER	8 AMBER	8 AMBER	8 AMBER
Mitigation					
Pride in Practice – growing our own social work workforce <i>Complete</i>	We have developed a Pride in Practice Strategy which was launched with managers across the department on 14 April 2021. This Strategy looks at the quality standards needed across the department – and how we will support and encourage staff to meet those standards. It includes specific sections on “growing our own” social work and other specialist staff – and we now have 9 staff undertaking the apprenticeship SW programme.				
Addressing especially hard to recruit roles	Focus is also on the recruitment to specialist roles (AMPHs) in the Mental Health Social Work team. Against a backdrop of a national skills shortage in this area we have been successful in recruiting team members who commenced work with the Council in January 21, and we are offering existing staff the opportunity to train as AMHPs. The service still has vacancies in this specialist role but is continuing to advertise and promote the roles with increasing use of social media emphasising the values of the IW Council and the benefits of relocating to the Isle of Wight				
ASC recruitment and retention	<p>Vacancy monitoring within ASC now forms part of the monthly ASC Service Board Performance Report. The past 3 months has seen an overall reduction of number of vacancies, improved retention and time to hire of candidates.</p> <p>Ongoing pro-active attendance management, with the support of a dedicated Attendance Officer, is proving highly effective in managing and supporting staff with periods of absence.</p> <p>We are currently undertaking recruitment for a number of key senior roles within the department which have recently become vacant.</p>				
ASC Learning and Development (L&D) Plan <i>Complete</i>	<p>Ongoing work with Human Resources and L&D is ensuring that staff have access to training appropriate to their roles as well as supporting workforce development and career pathways.</p> <p>Formal training and development is complemented by the ongoing offer from the ASC Practice Development Unit.</p>				
New person-centred,	We have experienced some delay in finalising the work in this area as a direct result of the impact of the pandemic.				

<p>strengths-based assessment forms</p> <p><i>Complete</i></p>	<p>We have continued to focus on sharing learning and best practice, and this is being done through a programme of 'lessons learned' sessions. In addition, the strengths-based case auditing which was introduced in 2020 as part of the pride in practice Quality framework continues to focus on service improvement.</p> <p>A new Quality and Audit Lead has been appointed and is now in post. The lead will be working alongside managers and deputies to develop improvement plans following analysis and scrutiny of audit findings.</p>
<p>Maintain staffing levels during Covid-19 response</p> <p><i>Complete</i></p>	<p>The continued impact of Covid-19 locally has been felt across ASC and Housing Needs including in our internal care provider services. We continue assessing our staffing levels on a daily basis as we did throughout the pandemic. The staffing position has greatly improved with no teams reporting staff shortages due to Covid-19 since 13 April 2021. We are focusing on the support required with the introduction of mandatory vaccination for care home staff and this will continue to be a priority over the next few months. A deep dive in relation to our staff teams has been undertaken to inform the support we will put in place.</p>
<p>Agile working</p> <p><i>Complete</i></p>	<p>All staff in ASC continue to work in an agile way. Covid-19 has resulted in the development at pace of virtual working across the entire Department.</p>

STRATEGIC RISK 8					
Failure to identify and effectively manage situations where vulnerable adults are subject to abuse			Assigned to: Director of Adult Social Care Assistant Director of Operations		
Inherent score	Target score	Current score	Previous scores		
16 RED	6 GREEN	10 AMBER	Jul 21	Feb 21	Sep 20
			10 AMBER	12 RED	12 RED
Mitigation					
<p>Protecting Vulnerable Adults during Covid-19 Pandemic</p>	<p>All ASC staff continue to be focused on protecting vulnerable adults in the Islands communities.</p> <p>We continue to support care providers with our daily bulletin and weekly calls from commissioners to provide bespoke support.</p> <p>Safeguarding continues to be a key area of focus and July 2021 saw a reduction in the number of safeguarding referrals received by the team. The team continue to be busy and have seen an increase in calls requiring advice and signposting during the same period. Performance continues to be good with 97 per cent of safeguarding meeting being held within 7 days demonstrating timely and effective triage.</p>				

<p>ASC Programme Board</p> <p>Complete</p>	<p>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.</p> <p>Highlights and key issues from the ASC Programme Board are included in a council wide summary report of all programme activity that is presented on a bi-monthly basis to the Strategic Programme Board (whose membership is the same as the Corporate Management Team) and a Councillor review board.</p>
<p>'Deprivation of Liberty Safeguards' (DoLS) backlog clearance programme</p>	<p><i>Additional funding for assessments was allocated for 2020/21 although use of this funding was delayed as a result of the pandemic. Due to Covid-19 non-essential assessments were on hold and with care homes in lockdown the DOLS team continued to triage incoming referrals and prioritise them as necessary. The challenges during the pandemic saw a build-up of priority 1 referrals in care homes and these have been monitored to ensure that the required assessments can be undertaken as soon as possible.</i></p>
<p>Mental Health Action Plan</p>	<p>An action plan has been produced in response to the independent review of mental health social work practice – the Mental Health Team has been heavily engaged in its development and delivery continues to be on target.</p>
<p>Safeguarding Action Plan</p>	<p>Review of the practice guidance is complete; Making Safeguarding Personal (MSP) toolkit for ASC practitioners in place.</p> <p>The last independent review of this area was in November 2019 and as a result a report was taken to the September 2020 meeting of the Safeguarding Adults Board proposing a repeat of the MSP audit at the end of the year in order to evaluate the success of the action plan. This has been delayed as a result of the pandemic but is an action that will be progressed as soon as possible.</p>
<p>Learning Disability (LD) Homes Service improvement plans</p> <p>Complete</p>	<p>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 CQC.</p> <p><i>Assurance Audits are undertaken regularly by the Nominated Individual, the Service Manager and the Group Manager the results of which are reported on a monthly basis to the departmental service board. Each service now has a bespoke Service Improvement Plan which is being regularly and routinely monitored.</i></p>
<p>Centralisation of outreach teams</p> <p>Complete</p>	<p>Service now located at Sandown Barrack Block and CM2000 system is fully operational.</p> <p>The Outreach team have received their first formal inspection from the Care Quality Commission (CQC) and have been rated 'Good' across all domains</p>

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	Previous scores		
			Jul 21	Feb 21	Sep 20
16 RED	6 GREEN	10 AMBER	10 AMBER	12 RED	12 RED
Mitigation					
Covid-19 Response	<p>The national scheme to provide additional funding to Health partners to support with Hospital Discharge (HDS1 and HDS2) is due to finish at the end of Q2. We have seen an increase in financial liability for care and support as a result of the Discharge to Assess policy implementation and whilst to date the additional costs have been met during the first 4 weeks of the discharge period by HDS1 and HDS2 funding this will no longer be the case. The full cost of these new care and support requirements will move to the council from 01/10/2021. In preparation for this change we have ensured that the risk is mitigated so far as is possible by ending the enhanced fees that have been paid under the HDS1 and HDS 2 arrangements and reverting to our standard published fees. In addition, we have also sought to ensure a more robust application of the Continuing Healthcare framework which will ensure that people eligible for free health care continue to receive it. The situation will be monitored closely.</p>				
ASC Programme Board Complete	<p>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.</p> <p>Highlights and key issues from the ASC Programme Board are included in a council wide summary report of all programme activity that is presented on a bi-monthly basis to the Strategic Programme Board (whose membership is the same as CMT) and a Councillor review board chaired by the Leader.</p>				
Transformation programme and operational integration	<p>The onwads care and independence workstream of the Island's Health and Care Plan comprises the following initiatives:</p> <ul style="list-style-type: none"> • The Integrated Care & Discharge Team • The Regaining Independence service • Integrated Localities • Technology in Care Homes • Early Help • Raising Standards • The Dementia Strategy • Learning Disability Integration • New Community Care model 				

	<p>Most recently we have established a Community Operational Group to take ownership of these programmes of work and this is chaired jointly by the DASS and NHS IoW Trust Director of Community Services.</p> <p>The Integrated Care Partnership receives routine reports of progress across these areas via the system programme office.</p>
Responsiveness to hospital escalations	<p><i>The focus on improving and maintaining hospital flow continues to drive a number of process changes as clearer more consistent data collection to enable evidence-based decision making has become available. The past month has seen the creation of the System Resilience Board, chaired by the DASS, engaging all system partners including representatives from the Independent Sector, to take ownership of the programmes of work arising from escalation and to monitor the delivery of actions in a timely way.</i></p> <p><i>The key challenge in relation to responsiveness to hospital escalation is linked to the fragility in the workforce across the Island. This is impacting on the ability to effect timely discharge. The focus on discharge and hospital avoidance continues and by working across the health and social care system we are seeking to maximise all staffing opportunities.</i></p>

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	Previous scores		
			Jul 21	Feb 21	Sep 20
16 RED	6 GREEN	12 RED	12 RED	N/A	N/A
Mitigation					
Occupancy Levels	<p><i>The impact of Covid-19 has led to reduced occupancy levels in some care homes. This is being carefully monitored and proactively managed. We continue to monitor through the National Capacity Tracker occupancy levels across all CQC registered Care Homes. Decreasing levels of occupancy increase risk of provider failure. This is managed through weekly contact by a link commissioner and open dialogue with local providers to minimise risk of a care home closing or a provider exiting the marketplace on short notice.</i></p>				
Levels of Fees	<p>Following formal consultation with the Independent sector the council has determined its fee rates for 2021/2022. For Homecare our rate remains competitive and aligns positively with comparator authorities. For Residential Care and Nursing Care we now benchmark in the 4th quartile of all English single tier and county councils. The gap between the council's rate and that of those who fund their own care is increasing leading to potential subsidisation by privately funded individuals of care and support</p>				

	<p>for those eligible for funding under the Care Act. This creates an inequality, reduces financial stability for local providers and has the potential to lead to care home closures or the inability to secure support for those funded by the council.</p> <p><i>Recent workforce challenges have identified that care providers need to consider and review the rates of pay they offer to ensure that they are able to more easily recruit staff and to better manage retention. It is likely that any increase in staff wage will be passported to the council part of the financial pressures indicated by providers during the forthcoming fee consultation for 2022/2023.</i></p>
<p>Personal Protective Equipment</p> <p>Complete</p>	<p>RESOLVED - We continue to provide support with urgent and emergency PPE requirements through our central local authority operated PPE store but demand has significantly decreased. NHSC continue to operate a FREE PPE portal for registered providers.</p>
<p>Workforce pressures</p>	<p><i>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. The workforce situation locally is mirrored across the South East ADASS (Association of Directors of Adult Social Services) region and has been escalated as an area of concern to both national ADASS and the LGA.</i></p>
<p>Market Capacity – Homecare</p>	<p>Historic challenges in relation to capacity in the domiciliary care marketplace has been the subject of an extensive review leading to the re-procurement of homecare services.</p> <p>The new contract for homecare commenced from 01/02/2021 and has impacted positively on the ability to meet need for homecare across the Island. <i>The workforce pressures highlighted have impacted on care homes and home care providers over the past 3 months. 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.</i></p>
<p>Capacity Tracker</p> <p>Complete</p>	<p>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. Access to this information is enabling early support to be provided and the market to become more stable.</p>

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	Previous scores		
			Jul 21	Feb 21	Sep 20
16 RED	5 GREEN	8 AMBER	8 AMBER	8 AMBER	8 AMBER
Mitigation					
PFI – Establish and deliver available savings	<p><i>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. The service provider satisfies the performance standards as set out in the contract.</i></p> <p>An agreement is now in place between the service provider and the council to facilitate the completion of the Core Investment period of the contract (Milestone 14) by March 2023.</p> <p><i>The programme of contract savings is continuing with a majority of the first two phases having been agreed and implemented and the remaining elements by Sept 2021. The third phase of savings are to be agreed and completed by September 2023.</i></p>				
PFI - Successfully resolve anomalies in the contracts specification	<p>Savings will result from changes to the contract specification and to the standard of service being delivered. The level of reduction in service standards will be a balance between the need to achieve the required savings and maintaining an acceptable standard of service delivery. These changes also need to be accepted by the lenders who provide the required up-front capital investment.</p>				

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	Previous scores		
			Jul 21	Feb 21	Sep 20
16 RED	5 GREEN	8 AMBER	8 AMBER	8 AMBER	8 AMBER
Mitigation					
Ensure the delivery of Key Facilities through robust contract management	<p>The Energy from Waste Plant passed its Readiness Tests and has been issued a certificate of Readiness by the Independent Certifier. This means that the individual component parts are all electrified and have been tested in isolation to ensure they pass installation and operational tests. This signifies the successful end to cold commissioning. Hot</p>				

	<p>Commissioning and preparation for the acceptance tests has now commenced.</p> <p>The Hot commissioning phase is now underway during which the incinerator box will be slowly heated to operational temperature a number of times, and trial loads of fuel from non-recyclable waste will go through the plant. Each test will help the engineer finetune the plant to achieve the maximum electrical efficiency, and optimal operating environment. <i>However, the Amey (IOW) Service Provider has indicated that the Acceptance Tests are now anticipated to have an undefinable end point that is likely this year. The plant has been fired up 9 times and the tests run until a point where fault is found, only three key systems at the end point of the process now require testing. When this iterative process is complete the 230-day Acceptance Test Protocol will be initiated.</i> All construction delay is entirely the financial risk of our service provider and does not affect the diversion of waste from landfill or the recycle rates being achieved on the island.</p> <p>Construction risk and cost of residual waste above agreed contract rates sits with Amey. The council has maintained the service charged step down from August 18 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 ERF.</p> <p>Through the robust adherence to the target rates set out in the contract despite the delay in the erf completion, the contract is now achieving a 99.8 per cent diversion from landfill of all contract waste and continues to exceed recycling targets. All and any costs incurred to the delay will not be at the Council's cost.</p> <p>HWRCs were initially closed in line with the Govt lockdown restrictions but were reopened with stringent social distancing measures in May 2020. The booking system that was introduced as part of the reopening protocol has proved to be very popular, and with some adjustments, will remain in place permanently. The booking system and number of bookings has remained steady moving into the most recent lockdown.</p> <p>All household collections have continued during the Covid-19 restrictions and recycling rates have remained high.</p>
<p>Regular monitoring of performance of the contract</p>	<p>Performance of the contract is monitored through reporting by Amey and pro-active monitoring of the elements that make up the Client Management System (CMS), and by the Waste and Recycling Contract Management Team (WaR-CMT). The council in partnership with Amey has agreed a supplemental meeting prior to each Monthly Meeting to review payments and performance deductions.</p> <p>Weekly contract operations & construction meetings are held to review a weekly report on service delivery and issue. This is followed with a detailed monthly report are provided by the contractor at monthly contract meetings along with a detailed monthly construction report.</p>

		Performance is currently good with almost 100 per cent of municipal waste now being diverted from landfill and over 58 per cent of household waste being recycled or composted			
STRATEGIC RISK 13					
Achieving the vision for the Island			Assigned to: Chief Executive		
Inherent score	Target score	Current score	Previous scores		
			Jul 21	Feb 21	Sep 20
14 RED	6 GREEN	12 RED	12 RED	12 RED	12 RED
Mitigation					
Covid-19 Response and longer terms impacts of the pandemic		<p>The Council is producing a comprehensive Recovery Plan looking at minimising the economic hit the Island will take as a result of the Covid-19 pandemic. Of particular focus will be the tourism, transport, agriculture and care sectors.</p> <p>A comprehensive Recovery Plan was presented to Cabinet on 10 September 2020. The plan is based around 3 main pillars: -</p> <ul style="list-style-type: none"> • Community recovery <ul style="list-style-type: none"> ○ Operate effective outbreak control arrangements and communicate key behaviours ○ Address inequality of impact of Covid-19 on vulnerable groups ○ Establish sustainable community response and recovery arrangements • Economic recovery <ul style="list-style-type: none"> ○ Create a skills system responsive to changing employer demand ○ Support our residents into appropriate employment pathways ○ Enable our residents to unlock their potential through upskilling, reskilling, training provision and apprenticeships ○ Support our existing and new businesses to survive in the short term and to adapt and thrive in the new post-Covid economy ○ Encourage our businesses to be inclusive and resilient, by tackling low pay, in-work poverty and to reduce their carbon emissions ○ Work with our anchor institutions and major employers to utilise our supply chains and increase spend with local businesses • Place recovery <ul style="list-style-type: none"> ○ Increase the supply and accessibility of homes of all tenures across the Island, and the supply of workspace that responds to changing needs ○ Improve physical and digital connectivity in and between all of our settlements and the rest of the world ○ Achieve sustainable, welcoming places with inclusive public realm improvements in our towns that are accessible for all 			

	<p>The plan has also taken into consideration other factors such as Environment Change, Brexit, Covid- 19 new outbreaks and Financial pressures</p> <p>Additionally, plans are in place for allowing the Council to go about business as usual in terms of how it will use office accommodation under self-distancing rules and how staff can be assisted in adapting to working from home for a significant period of time.</p>
Quarterly Performance Management Report (QPMR) updates	<p>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.</p> <p>The corporate plan is being refreshed in 2021 to take account of the achievements made by the council and changes in its operating environment. This plan will be 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.</p>
Strategic capacity and interventions	<p>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.</p> <p>A key challenge is in maintaining a planned proactive approach to the delivery of corporate objectives and not being distracted by populist agendas, which in themselves may require additional resource.</p> <p>Key themes for the coming period are commercialisation, digitalisation, housing, financial sustainability and one public service. All of these will have to be done in the light of the current Covid-19 Pandemic and form part of the Recovery Plan</p>
Robust Programme Management	<p>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.</p> <p>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. As part of the Recovery Plan strategic projects were reviewed in line with how they support the Recovery Plan.</p>
Regeneration programme	<p>A number of key Regeneration staff are presently redeployed in various areas of the Councils Covid-19 response. However, the strategy at the moment is to complete the necessary planning feasibility studies and planning approvals where already commenced.</p> <p>The Programme underwent a substantive review in light of the financial impact to the council of the Covid-19 pandemic and its wider impact on</p>

	<p>other economic sectors such as Housing. The results of this review were shared with Councillors Regeneration Board in July 2020 who agreed which priorities will be taken forward over the next 18 months. HR and financial resources will be realigned to meet these objectives.</p>
<p>Strategic risk register</p>	<p>Strategic risks are those that are most likely to have a negative impact on the whole council and its aspirations, should they come to be. Therefore, these risks are reviewed by the corporate management team on a monthly basis.</p> <p>A Risk Management Framework is in place. This framework is prescriptive in how risks are managed and updated and at which levels of the organisation they should be reported and escalated.</p> <p>The Strategic Risk Register is presented at each meeting of the Audit Committee and clearly indicates to them where mitigation has altered or has not been updated.</p> <p><i>A full review of the IWC Risk Management Strategy has begun and will include a review of both the format of the Strategic Risk Register and Risks that are considered to be part of it. A Draft Strategy is planned to be completed by December 2021 at which point consultation will take place before and an implementation plan will be initiated.</i></p>
<p>Increase in levels of unmet Housing Needs</p>	<p>The Pandemic has brought many “hidden homeless” to the direct attention of the housing needs service – who have provided emergency accommodation to as many as 80 people at any one time in response to the Government’s call to get “everyone in” on 26th March 2020. In addition, lockdown has placed many households under significant strain which has resulted in a rise in the numbers of people who are fleeing domestic abuse and approaching us because of relationship breakdown.</p> <p>Finally, we are experiencing an increase in households approaching us for immediate support as a consequence of their landlords giving them notice to evict – with the eviction freeze coming to an end. Added to a very buoyant private rental market, where affordable family sized accommodation is extremely scarce and keenly sought after, this combination of factors has the potential to create the “perfect storm” whereby demand is so significantly outstripping supply that we may be forced back into a situation whereby we have to use bed and breakfast accommodation for families beyond six weeks.</p>
<p>Increase in levels of unmet Housing Needs - Prevention</p>	<p>The Homelessness Reduction Act 2017 mandates the IOW Council to deliver homelessness prevention services to households 56 days prior to being made homeless. We have extended this offer to align with the 6 months eviction notice period which is helping us identify households at risk of homelessness as early as possible giving us the best chance of intervening.</p> <p>We have recommissioned supporting people services to deliver a more targeted early help/ homelessness prevention services which we envisage will divert households from statutory services and therefore reduce approaches to the local authority as homeless.</p>

	<p>We are considering a request to increase our AIG and specialist housing court desk services to meet the increasing need that is reported /projected.</p> <p>We continue to develop digitalised service offer to streamline processes and maximise resource utilisation.</p>
<p>Increase in levels of unmet Housing Needs - Intervention</p>	<p>Workforce We have recruited some additional staff on fixed term contracts, financed through the Homelessness Prevention Grant. Current intelligence suggests that the resource is sufficient to meet the current and projected need to ensure we are effectively able to meet our statutory functions. We continue to monitor the situation and will work dynamically respond in accordance with business continuity plans and safe staffing levels.</p> <p>Accommodation Single Homeless Pathway - We have created a single homeless pathway which will be enhanced further by Howard House in June 2021. This provision combined with a suite of existing accommodation offers provide capacity to manage the existing and expected pressures.</p> <p>Family accommodation - We have a suite of accommodation options but there are risks that the longer term needs will be unable to be met by the resource capacity we have available primarily because of the inability to create throughput into the PRS and Social Housing service offer. Worst case scenario the local authority could consider bespoke accommodation options for families to negate the use of B and B through interventions which could include caravans, but given this is likely to be complicated by the increase of staycations and the cost of this intervention which significantly exceeds base budget projections. B and B would be the last fallback but would present legal issues if flow was unable to be created within the maximum 6-week timescale.</p> <p>Partnership(s) The two primary reasons for homelessness is due to the loss of an Assured Shorthold Tenancy or a relationship breakdown. We are working with PRS landlords and letting agents to consider how we can open up the market when we have been unable to prevent all household types being placed at risk of homelessness. This is being achieved through workshops and forums we have created or are attending. We are also looking at how we can enhance our mediation toolkit to try and negate the breakdown of relationships.</p> <p>Mental health is the highest and most prevalent need for households that present as homelessness – we are therefore working with system partners and looking at how we can adopt and support the implementation of the ‘no wrong door’ strategy and community based model being driven by the NHS Trust.</p> <p>Homelessness and Rough Sleeping Strategy Action plan is being refreshed and will seek to continue to work towards an integrated system in relation to homelessness stopping all household types falling between the gaps of services and systems.</p> <p>Ultimately to end homelessness we need more affordable housing, but this does not provide an immediate solution to the risks that are posed.</p>

	This is being addressed through the Housing Strategy albeit recognising the local challenges.
Increase in levels of unmet Housing Needs - Recovery	<p>We are horizon scanning and working across the corporate and wider systems -locally and nationally to look at innovative solutions to both prevent homelessness and increase housing supply. (see actions set out in Housing and Homelessness and Rough Sleeping strategies)</p> <p>In addition, we have completed a bid for RSI 4 which will provide some funding to help meet pressures projected in relation to single homelessness, bridging gaps between systems and services for the financial year 2021/22</p> <p>We are planning to submit an application for RSAP (July 2021)</p>

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	Previous scores		
			Jul 21	Feb 21	Sep 20
16 RED	12 RED	16 RED	16 RED	16 RED	16 RED
Mitigation					
Preparedness for other novel infectious disease (including Covid-19)	<p>The Isle of Wight Council Public Health team works closely with Public Health England on all infectious disease outbreaks on the Isle of Wight. This includes surveillance of infectious diseases and notification to council services, participation in incident management and outbreak control meetings, and provision of support to council services in managing health protection incidents.</p> <p>The IWC Pandemic Influenza Plan provides a framework for the council's response to an Influenza Pandemic. This will be reviewed with lessons learnt from the Covid-19 pandemic response with consideration to broadening to a broader pandemic response plan.</p> <p>With regards to Covid-19, the Isle of Wight Council Public Health team continues to carefully monitor and respond to the emerging situation, working closely with all Council services and alongside partners in Public Health England and the NHS. Furthermore, the Isle of Wight Council is working as part of the Local Resilience Forum to ensure a coordinated response and has in place its own Silver and Gold command and control structures to manage the response to Covid-19 and monitor the situation on the Island.</p> <p>The Public Health team works closely with the Isle of Wight Council's Emergency Management Team to ensure that Outbreak and Pandemic</p>				

	Influenza Plans are linked into other Council and Multi-agency Emergency Response Plans.
Partner Organisations	<p>Communication with partners to establish pressures. Partners include;</p> <ul style="list-style-type: none"> • Public Health England • NHS – Trust and CCG • Multi-agency representative on the Island Resilience Forum • HIOW Integrated Care System • IOW Integrated Care Partnership • Local Resilience Forums (LRFs) • Other Local Authorities
Internal arrangements	<p>The Public Health team has developed a Public Health team Standard Operating Procedure for managing health protection incidents that provides the framework for action for all incidents. Tabletop exercises for Public Health Senior Management Team are held to ensure resilience in the Public Health Team in responding to Incidents.</p> <p>The IWC Pandemic Influenza Response Plan was written by members of the IWC Public Health Team in consultation with the Emergency Management Department in 2016, as revised in 2017, and March 2020, based on national guidelines, tabletop exercises and the Hampshire & IOW Local Health Resilience Partnership (LHRP) Health Protection Incident and Outbreak Plan.</p> <p>The Pandemic Influenza Plan links closely with IWC departments' business continuity plans; these plans were reviewed by the IWC Emergency Management Team.</p> <p><i>The IWC Covid-19 Prevention, Incident and Outbreak Control Plan was first published at the end of June 2020 to guide prevention and response to this pandemic.</i></p> <p><i>In line with the UK Government's Covid-19 Roadmap, the Isle of Wight Council (IWC) reviewed and updated the Local Outbreak Plan in March 2021. The IWC Covid-19 Local Outbreak Management Plan 2021 details how the Council and its partners will respond to further outbreaks of infection and will be reviewed on a quarterly basis unless learning from an incident or outbreak requires it to be reviewed sooner. The original IWC Covid-19 Prevention, Incident and Outbreak Control Plan remains available on the Council website for reference</i></p>
External arrangements	<p>The Local Resilience Forum and IWC Pandemic Influenza Plan was tested during the Hampshire and Isle of Wight table-top exercise, held in December 2019, and was updated to incorporate the learning from this exercise with a working document produced in March 2020.</p> <p><i>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.</i></p>

	<p>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>
<p>Provision of up to date information</p>	<p>Relevant guidance is displayed on the Isle of Wight Council website. Further information on Covid-19 is also provided through dedicated IWC-led webinars and other resources.</p> <p>Information on specific risks relating to details of the Covid-19 response (e.g. PPE, care home outbreaks) are raised and shared through the emergency response structures described above.</p>

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Purpose: For Noting



Committee report

Committee	AUDIT COMMITTEE
Date	27 SEPTEMBER 2021
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.

BACKGROUND

3. The last Internal Audit Progress Report was presented to Audit Committee in July 2021. The report presented to the September 2021 committee meeting summarises the results of audits finalised between July 2021 and September 2021.

CONSULTATION

4. 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

5. There are no financial implications for the council from the committee fulfilling its remit through overseeing the work of Internal Audit.

LEGAL IMPLICATIONS

6. 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.

7. The relevant public sector internal auditing standards/guidance are contained in the Public Sector Internal Audit Standards (updated 2017).

RECOMMENDATION

8. The committee is asked to note the report of Internal Audit.

APPENDICES

9. Appendix 1 – Internal Audit Progress Report – September 2021

Contact Point: Elizabeth Goodwin, Chief Internal Auditor
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CHRIS WARD
*Director of Finance
and Section 151 Officer*

COUNCILLOR ANDREW GARRATT
*Chairman of the
Audit Committee*



Internal Audit Progress Report 18 August 2021

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 18 August 2021 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

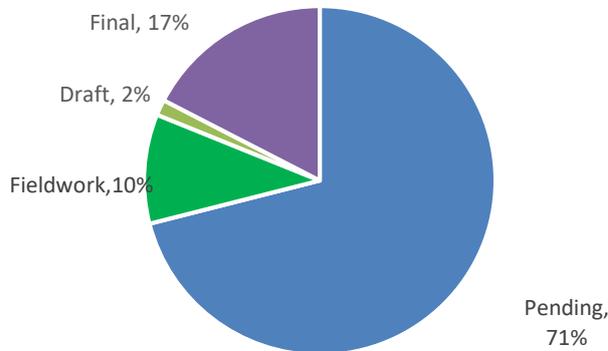
The following table outlines the follow up categories used to describe the outcome of follow up testing completed.

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	49
Fieldwork	7
Draft	1
Final	12
TOTAL	69

There were 65 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 69 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 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.

School Financial Value Standard (SFVS)

Exceptions Raised

Critical	High	Medium	Low
0	0	2	0

Overall Assurance Level

Reasonable Assurance

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

Assurance Level by Scope Area

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

Of the sample of eight schools for which SFVS assertions were validated by Internal Audit insufficient evidence was provided by four schools, for the following areas: terms of reference for governing body (one school), periodic review of financial monitoring reports (four schools).

Barnardo's Contract: Early Help

Exceptions Raised

Critical	High	Medium	Low
0	0	0	2

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by the 30th September 2021

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	Reasonable Assurance
Reliability and Integrity of Data	Reasonable Assurance

The current contract came into effect in early 2021/22 and has not moved to full Business As Usual (BAU). As the contract progresses contract monitoring arrangements (specified in Schedule 2) need to be implemented. Associated with moving to BAU quarterly monitoring visits, as specified in the contract, also need to commence.



Income Compensation Claim

Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level

Assurance

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.

Lifeline Grant

Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level

Assurance

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 able to evidence sufficient expenditure to allow the Chief Internal Auditor to sign the declaration confirming the grant conditions had been complied with.



HIV PrEP

Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level

Assurance

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 able to evidence sufficient expenditure to allow the Chief Internal Auditor to sign the declaration confirming the grant conditions had been complied with.



8. Follow-up Audits in Period

Updates are provided below for follow-up activity, finalised since the last meeting of the Audit Committee in July 2021.

Bembridge Primary School					
Original Exceptions Raised				First Follow-up Level	Second Follow-up Level
Critical	High	Medium	Low	Reasonable Assurance	Assurance
0	4	2	0		

All issues originally identified within the school's direct control have been addressed. For clarity this is the second follow-up review, three further findings (one high and two low risk) not detailed below, were closed at first follow-up and reported to Audit Committee in 2020/21.

1	High	Disaster Recovery Plan An appropriate Disaster Recovery Plan is now in place.	Closed
2	High	Retention of Confidential data Conflicting advice has been provided to a number of Island schools by Ofsted, regarding retention of Disclosure and Baring Service (DBS) related evidence; clarification has been sought and the items will be appropriately disposed of.	Closed

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

All issues originally identified have been addressed.

1	High	Retention of Confidential data All supporting DBS disclosure information held in employees' personal files has now been confidentially destroyed.	Closed
2	Medium	Mini bus - log of mileage Arrangements have been put in place to ensure this is recorded correctly in future.	Closed
3	High	Inventory Appropriate, secure arrangements have been put in place to ensure an accurate inventory is maintained.	Closed
4	Low	PTFA funds Appropriate oversight arrangements are now in place regarding PTFA funds.	Closed



Beach Huts

Original Exceptions Raised

Critical	High	Medium	Low
0	0	1	1

First Follow-up Level

Reasonable Assurance

Second Follow-up Level

Assurance

All issues identified in the original review have now been addressed.

1	Medium	Income Projection Reporting Revised income projection figures have been produced, shared with corporate finance and line management.	Closed
2	Low	Processing Notes Comprehensive documentation is now in place.	Closed

Water Safety

Original Exceptions Raised

Critical	High	Medium	Low
0	0	2	3

First Follow-up Level

Reasonable Assurance

Second Follow-up Level

Assurance

All issues identified in the original review have either been addressed or are planned to be addressed in 2021/22.

1	Medium	Strategic Framework The Beach Management Strategic Framework was approved by Cabinet in January 2021.	Closed
2	Low	Council Services Audits of beach services are planned for 2021/22, to align with the approved Strategic Framework.	In Progress
3	Low	Water Quality Discrepancies between information published by the Environmental Agency and the Council have been addressed.	Closed
4	Medium	Life Saving Equipment Audits identified on two above, will inform future provision of life saving equipment, to align with the approved Strategic Framework.	In Progress
5	Low	Management Oversight Handhelds are now used to capture inspection results and regular reporting is provided to management.	Closed



Freedom of Information (FOI)/Subject Access Requests (SARs)

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

All issues identified in the original review have now been addressed, are planned to be addressed or the risk of not being addressed accepted by senior management.

1	Medium	Publication Scheme Discussions have been held between Legal and the team leading the new website initiative. Existing FOI content is planned to be enhanced during 2021/22.	In Progress
2	Medium	Data Information Guardians (DIGs) & Training Good practice information regarding processing FOI requests has been highlighted to DIGs and the DIG listing on the intranet has been updated and corrected.	Closed
3	Medium	Processing/Oversight DIG meetings are now held regularly and a revised database is in place, to better capture metrics regarding SAR processing.	Closed
4	High	Subject Access Requests (SARs) Senior management has accepted the risk associated to current SAR processing performance levels.	Closed

Modern Slavery

Original Exceptions Raised				Original Assurance Level	Follow-up Level
Critical	High	Medium	Low	Reasonable Assurance	Assurance
0	0	2	3		

All issues identified in the original review have either been addressed or are planned to be addressed.

1	Low	Good Practice Revised guidance regarding Modern Slavery has been produced by the Procurement Team and is pending being sent to all staff involved in procurement and contract management.	Closed
2	Low	Annual Statement Discussions have been held between HR and the team leading the new website initiative. Existing Modern Slavery content is planned to be enhanced during 2021/22.	In Progress
3	Medium	Training Training has been highlighted to staff and completion rates have improved; further guidance is pending being shared, as per one above.	Closed
4	Low	Guidance Procurement documentation has been updated, to include a checklist regarding Modern Slavery prevention and oversight expectations.	Closed



5	Medium	<p>Contract Management & Corporate Reporting Specific performance indicators regarding Modern Slavery will be included in future contracts, as identified per the checklist in four above. Work to review existing contracts is pending.</p>	In Progress
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Asset Management

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

All issues identified in the original review have either been addressed or are in the process of being addressed.

1	Medium	<p>Rent Reviews Additional capacity has been recruited to the Property Team and the number of pending rent reviews has been reduced to five, with eight in the process of being finalised (at the point of first follow-up there were 58 overdue).</p>	Closed
2	Medium	<p>Oversight of Insurance Policies At the point of the second follow-up (this review) 15 properties had been identified, with tenant insurance obligations. While evidence continues to be chased by the Property Team the decision has been taken to include insurance in the Council's own arrangements at renewal.</p>	In Progress
3	Medium	<p>Current Leases and Licences At the point of the second follow-up (this review) the number of expired leases has been reduced to 39, the majority of which are low value, for example grazing land.</p>	In Progress



9. 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)	■				Pending		
Financial Management, Adult Services	□				Suspended		Suspended, to provide capacity for additional grant certification work.
Hospital Team	□				Suspended		Suspended, to provide capacity for additional grant certification work.
Plene Dene	■				Pending		
Deputyships/ Appointeeships		■			Pending		
Direct Payments		■			Pending		Delayed from 2020/21 (original audit carried out in 2019/20) due to COVID19.
Rough Sleeping Initiative				■	Pending		Additional grant, requiring certification by Internal Audit.
Homelessness Prevention Grant				■	Pending		Additional grant, requiring certification by Internal Audit.
Children's Services							
Early Years	■				Fieldwork		
Barnardo's Contract: Early Help	■				Final	Reasonable	
Arreton School	■				Pending		
Broadlea School	■				Pending		
St Mary's School	■				Pending		
Beaulieu House		■			Pending		Delayed from 2020/21 (original audit carried out in 2019/20) due to COVID19.



Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Children with Disability		■			Pending		Delayed from 2020/21 (original audit carried out in 2019/20) due to COVID19.
Home to School Transport		■			Pending		Delayed from 2020/21 (original audit carried out in 2019/20) due to COVID19. Scheduling moved to Q3, due to further delays in moving to full business as usual operation.
Bembridge		■			Final	Assurance	
Wroxall		■			Final	Assurance	Additional audit.
Greenmount		■			Pending		
Corporate Services							
Accounts Payable (AP)	■				Pending		
Accounts Receivable (AR)	■				Pending		
Bank and Cash	■				Pending		
Council Tax and NNDR	■				Pending		
Housing Benefits	■				Pending		
Payroll	■				Fieldwork		
Workforce Development (including Wellbeing)	■				Fieldwork		
Technology Forge (IT System)	■				Draft		
IT Assets	□				Suspended		Suspended, to provide capacity for additional grant certification work.
Blue Badges	■				Pending		
Software Development	■				Pending		
Mobile Phones	□				Suspended		Suspended, to provide capacity for additional grant certification work.
Fleet/Hire Cars	■				Pending		



Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Contract (TBC)	<input type="checkbox"/>				Suspended		Suspended, to provide capacity for additional grant certification work.
Project (TBC)	<input checked="" type="checkbox"/>				Fieldwork		
Risk Management	<input checked="" type="checkbox"/>				Fieldwork		
Annual Governance Statement (AGS)	<input checked="" type="checkbox"/>				Pending		
Council Digital Strategy		<input checked="" type="checkbox"/>			Pending		
Insurance		<input checked="" type="checkbox"/>			Pending		
Pension Administration		<input checked="" type="checkbox"/>			Pending		
Agency and Insurance		<input checked="" type="checkbox"/>			Pending		
Freedom of Information (FOI)/Subject Access Requests (SARs)		<input checked="" type="checkbox"/>			Final	Reasonable	
Modern Slavery		<input checked="" type="checkbox"/>			Final	Assurance	
Paris (IT System)			<input checked="" type="checkbox"/>		Pending		Delayed, to enable audit to review long term plans.
IT Follow-Up			<input checked="" type="checkbox"/>		Pending		This review will follow-up a number of open actions, across a range of IT audits carried out during the preceding three years. Follow-up activity has been combined into a single review, due to overlap/duplication between actions agreed.
Social Media			<input checked="" type="checkbox"/>		Pending		These areas were originally reviewed through a combined audit. Follow-up was covered through separate reviews, with expanded scopes. Second follow-ups will again be carried out separately.
CCTV			<input checked="" type="checkbox"/>		Pending		

Finance



Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
School Financial Management Standard (SFVS)	■				Final	Reasonable	
Capital Accounting	□				Suspended		Suspended, to provide capacity for additional grant certification work.
COVID Assurance	■				Pending		
Bus Subsidy				■	Pending		
Disabled Facilities				■	Pending		
Local Transport Capital Funding				■	Pending		
Supporting Families				■	Ongoing		Grant certifications carried out throughout year.
Income Compensation				■	Final	Assurance	Additional grant, requiring certification by Internal Audit.
Winter Grant (COVID)				■	Pending		
Green Homes Grant Neighbours				■	Pending		
Lifeline Grant				■	Final	Assurance	
Green Homes Grant				■	Pending		
Contain Outbreak Management Fund				■	Pending		Additional grant, requiring certification by Internal Audit.
Test and Trace Support Grant				■	Pending		Additional grant, requiring certification by Internal Audit.
USAC Interreg Project				■	Pending		Additional grant, requiring certification by Internal Audit.
Emergency Active Travel				■	Pending		Additional grant, requiring certification by Internal Audit.
Neighbourhoods							
Regulatory Service	■				Pending		
Events (SAG & Sponsorship)	□				Suspended		Suspended, to provide capacity for additional grant certification work.
Leisure Centres		■			Pending		Delayed from 2020/21 (original audit carried out in 2019/20) due to COVID19.



Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Homes in Multiple Occupancy (HMOs)		■			Pending		Delayed from 2020/21 (original audit carried out in 2019/20) due to COVID19.
Beach Huts			■		Final	Assurance	
Water Safety			■		Final	Assurance	
Public Health Funerals (Community)			■		Pending		
Public Health							
Public Health Outcomes		■			Pending		Delayed from 2020/21 (original audit carried out in 2019/20) due to COVID19.
HIV Prep Pre Exposure				■	Final	Assurance	Additional grant, requiring certification by Internal Audit.
Regeneration							
Financial Management, Regeneration	□				Suspended		Suspended, to provide capacity for additional grant certification work.
Asbestos	■				Fieldwork		
Planning Enforcement	■				Pending		
School Landlord Responsibility		■			Fieldwork		
Section 106		■			Pending		New audit.
Asset Management			■		Final	Reasonable	Delayed from 2020/21 (original audit carried out in 2019/20) due to COVID19.



Purpose: For Noting

Committee report

Committee	AUDIT COMMITTEE
Date	27 SEPTEMBER 2021
Title	INTERNAL AUDIT DIGITAL STRATEGY PROGRESS UPDATE
Report of	CHIEF INTERNAL AUDITOR

EXECUTIVE SUMMARY

1. At the request of the Audit Committee Chair an interim progress report is provided, regarding the status of actions agreed in the 2020/21 audit of the website component of the Council's Digital Strategy. A full follow-up will be carried out later in the 2021/22 audit year, with a summary presented to a future meeting of the audit committee.
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.

CONSULTATION

3. 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

4. There are no financial implications for the council from the committee fulfilling its remit through overseeing the work of Internal Audit.

LEGAL IMPLICATIONS

5. 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.
6. The relevant public sector internal auditing standards/guidance are contained in the Public Sector Internal Audit Standards (updated 2017).

RECOMMENDATION

7. The committee is asked to note the report of Internal Audit.

APPENDICES

8. Appendix 1 – Internal Audit Digital Strategy Progress Update – September 2021

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CHRIS WARD
*Director of Finance
and Section 151 Officer*

COUNCILLOR ANDREW GARRATT
*Chairman of the
Audit Committee*



Digital Strategy Update

Elizabeth Goodwin, Chief Internal Auditor

Background

During 2020/21 Internal Audit reviewed the project to develop a new council website. This audit assessed the initiative against a range of objectives, focussed on ensuring that it was: correctly constituted, on track/well managed and that senior management were receiving regular, accurate reports on the project's progress.

The audit identified a number of issues, resulting in a limited assurance report. While progress with agreed actions is scheduled to be reviewed later in 2021/22, at the request of Audit Committee, a high-level assessment of progress to date is set out below.

For clarity, due to the limited time available to carry out fieldwork, this report does not provide an updated opinion on associated risk levels. This will be provided to a future meeting of the Audit Committee, subsequent to the completion of the planned follow-up review identified above.

Executive Summary

Overall Internal Audit's assessment of the current position, based on the limited work carried out, is positive. Most importantly key steps to get the initiative 'back on track' have been taken.

Project Management is now being led from the central Organisational Intelligence team, which is independent of the teams within ICT and Communications which are substantively responsible for delivering the project. Associated with this, a highly experienced member of this team is providing both project assurance and day-to-day support.

Key gaps in documentation and governance have also been addressed, most significantly a Project Initiation Document (PID) has been produced, corporate templates are being used for detailed planning/management and regular finance monitoring reports are being considered by the Project Board.

Detailed Findings

A detailed update for Audit Committee is provided below.

Agreed Actions	Current Position
Exception 1: Scope, Planning and Progress	
<ol style="list-style-type: none">1. Agree and define objectives/success criteria, high level for the entire Project, detailed for phases one and two.2. Set out high level work necessary to meet objectives in phases, agree indicative timescales/milestones up to the new website being fully up and running.3. Agree high level prerequisites.4. Present a credible plan (based on above) with realistic funding/resourcing requirements to CMT for decision.5. Agree how cross-cutting elements, applicable across phases, for example legislative requirements, will be addressed.	<ol style="list-style-type: none">1-4. CMT approved a Project Initiation Document (PID) on 17 August 2021. The PID sets out objectives/success criteria, planned work, milestones, prerequisites funding and resourcing up to 31 March 2022. Post March 2022 proposals are scheduled to be considered by CMT in late September 2021.5. Ownership for this action has been assigned to a senior officer, with a plan scheduled to be agreed by 30 September 2021.

Agreed Actions	Current Position
Exception 2: Resourcing	
<ol style="list-style-type: none"> 1. Ensure that the Project is correctly resourced, to include sufficient resourcing on technical, nontechnical and project management/resourcing. 2. While funding for year two of the Project has now been approved by CMT further funding may be required in future. Resource requirements will be kept under review by Programme Board, with future bids for funding made as necessary. 3. Revisit where Project Management sits, to promote this being 'independent' of both technical and nontechnical teams. 	<ol style="list-style-type: none"> 1. Roles and resource/funding requirements are specified in the PID identified above, covering up to 31 March 2022. There are vacancies within the Software Development team, which the council has been unable to recruit to. While options are evaluated officers have been reassigned to the project from within the wider team and this is being actively managed as a risk, by Project Board. 2. A business case is pending (scheduled for 17 September 2021), covering post-March 2022 requirements. 3. The Project Manager now sits within the Organisational Intelligence team.
Exception 3: Governance/Project Management	
<ol style="list-style-type: none"> 1. Utilise corporate templates, for planning and reporting. 2. Ensure appropriate financial management is in place. 	<ol style="list-style-type: none"> 1. Corporate templates have been populated and are now used for project management and are viewable by the Project team. 2. The budget accountant for Corporate Services is now a member of the Project Board, with monthly monitoring reports produced.
Exception 4: Accessibility	
<ol style="list-style-type: none"> 1. Plan for accessibility, both through project and towards business-as-usual, to include third party apps. 2. Document plans on a fit-for-purpose roadmap, to include/reference wider digital content. 	<ol style="list-style-type: none"> 1-2. Ownership for this action has been assigned to a senior officer, with a plan scheduled to be agreed by 30 September 2021.
Exception 5: Publishing Legally Required Information	
<ol style="list-style-type: none"> 1. Carry out a review of legislation, to identify all of the information the council is required to publish. 2. Engage with services primarily responsible for the areas identified, to ensure that these are addressed holistically, as future phases of the website project progress. 	<ol style="list-style-type: none"> 1-2. Ownership for this action has been assigned to a senior officer, with a plan scheduled to be agreed by 30 September 2021.
Exception 6: Stakeholders/Engagement	
<ol style="list-style-type: none"> 1. Finalise the draft Engagement Plan. 2. Schedule and complete consultation with external stakeholders, using this to inform future development. 	<ol style="list-style-type: none"> 1-2. A Stakeholder Engagement Plan has been approved by the Project Board. This includes consultation with stakeholders.

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