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Monitoring Officer
Christopher Potter

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

Name of meeting	AUDIT COMMITTEE
Date	MONDAY 6 DECEMBER 2021
Time	10.00 AM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Members of the committee	Cllrs A Garratt (Chairman), M Lilley (Vice-Chairman), J Bacon, G Peace, M Price, I Stephens and R Redrup Democratic Services Officer: Megan Tuckwell democratic.services@iow.gov.uk

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

To confirm as a true record the Minutes of the meeting held on 27 September 2021.

2. **Declarations of Interest**

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

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

Questions may be asked without notice but to guarantee a full reply at the meeting, a question must be put including the name and address of the questioner by delivery in writing or by electronic mail to Democratic Services at democratic.services@iow.gov.uk, no later than two clear working days before the start of the meeting. Therefore the deadline for written questions will be Wednesday 1 December 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 draft auditors annual report, and the external audit results reports for the Isle of Wight Council and for the Isle of Wight Pension Fund, including the letters of representation:

- (a) Audit Results Report - Isle of Wight Council (Pages 11 - 58)
- (b) Audit Results Report - Isle of Wight Pension Fund (Pages 59 - 94)
- (c) Draft Auditor's Annual Report (Pages 95 - 134)

5. **Approval of the 2020-21 Final Accounts** (Pages 135 - 138)

To approve the final accounts for 2020-21.

6. **Reports of the Chief Internal Auditor**

To consider the reports of the Chief Internal Auditor, including any high-risk reports in full if necessary:

- (a) Internal Audit Progress Report (Pages 139 - 160)
- (b) IT System: Technology Forge Report (Pages 161 - 170)
- (c) Annual Fraud, Irregularity and Whistleblowing Report (Pages 171 - 174)

7. **Half-Yearly Treasury Management Report** (Pages 175 - 192)

To consider the report of the Technical Finance Manager.

8. **Half-Yearly Procurement Report** (Pages 193 - 208)

To consider the report of the Director of Corporate Services.

9. **The Council's Risk Profile** (Pages 209 - 248)

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

10. **Future External Audit Arrangements from 2023/24** (Pages 249 - 254)

To make a recommendation to Full Council to enter into the national scheme for auditor appointments managed by the PSAA from 2023/24.

11. **Workplan** (Pages 255 - 256)

To consider the Committee's workplan.

12. **Member's Question Time**

A question must be submitted in writing or by electronic mail to Democratic Services no later than 10am, Thursday 2 December 2021.

CHRISTOPHER POTTER
Monitoring Officer
Friday, 26 November 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>

All information that is recorded by the council is held in accordance with the Data Protection Act 2018. For further information please contact Democratic Services at democratic.services@iow.gov.uk



Minutes

Name of meeting	AUDIT COMMITTEE
Date and Time	MONDAY 27 SEPTEMBER 2021 COMMENCING AT 10.00 AM
Venue	COUNCIL CHAMBER, COUNTY HALL, ISLE OF WIGHT
Present	Cllrs A Garratt (Chairman), J Bacon, J Jones-Evans, G Peace, M Price and I Stephens
Also Present	Jack Dunkley, Jason Jones, Helen Young (Ernst and Young) Andrew Carpenter, Debbie Downer, Elizabeth Goodwin, Paul Hargreaves, Graeme Haigh, Kerry Hubbleday, David Martin, Geraint Newton, Wendy Perera, Claire Shand and Jo Thistlewood
Apologies	Cllrs R Redrup

14. **Minutes**

RESOLVED:

THAT the minutes of the meeting held on 26 July 2021 be confirmed.

15. **Declarations of Interest**

No declarations were received at this stage.

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

No public questions were received.

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

17a **Preliminary Audit Results Report (Isle of Wight Council)**

The External Auditor presented the preliminary Isle of Wight Council Audit results report for the year ended 31 March 2021. It was advised that the accounts were not in a position to be signed-off to enable the council to meet the statutory deadline of 30 September 2021.

The Cabinet Member for Strategic Finance, Corporate Resources and Transformational Change sought information on the calculations of the valuation of capital assets. It was advised that mainland property assets were valued at fair value as at the 31 March each year, and the existing use value would be based on

an income approach and the yield based on the risk of that income to the to the Council.

Concerns were raised regarding a loss relating to the freehold of a voluntary controlled primary school being transferred to the Portsmouth Diocese by the means of an asset swap. It was confirmed this was an error which had no impact on the general fund or reserves at the Council and was purely an accounting adjustment which would be rectified in the final version of the statement.

RESOLVED:

THAT the preliminary audit results report for the Isle of Wight Council be noted.

17b Preliminary Audit Results Report (Isle of Wight Pension Fund)

The External Auditor presented the preliminary Isle of Wight Pension Fund Audit results report for the year ended 31 March 2021. It was confirmed that the audit work in respect of the Fund's opinion was substantially complete and there were no areas of concern to be raised. No questions or comments were made at this stage, and the update was noted.

RESOLVED:

THAT the preliminary audit results report for the Isle of Wight Pension Fund be noted.

18. Statement of Accounts 2020-21 Update

The Assistant Director of Finance provided a brief verbal update on the progress with the 2020-21 Statement of Accounts. It was confirmed that all work relating to the production of the statement had been completed by the Finance Team and the draft results had been reported to the Cabinet within the quarterly performance report.

It was reaffirmed that the final statement of accounts for sign off would be presented to the Committee at its meeting in December 2021 following completion by the external auditors. No questions or comments were made at this stage, and the update was noted.

RESOLVED:

THAT the update be noted.

19. Annual Governance Statement 2020-21

The Assistant Chief Executive and Director of Strategy presented the report which provided the committee with details on the statutory annual review of the effectiveness of the council's system of internal controls.

Clarification was sought regarding the silver and gold command groups. It was explained that these groups were put in place with the Local Resilience Forum and

were composed of the senior managers who are responsible for the day-to-day operational arrangements for managing emergencies on the Island.

A supplementary question was asked in relation to the overview and scrutiny of the silver and gold command groups. It was confirmed that the outcome of any emergency situation would be reported to the Corporate Scrutiny Committee to evaluate how it was managed by the Council.

Discussion took place in relation to managing risk through robust internal controls, and questions were raised regarding the transparency of councillor boards. It was confirmed that these were not formal decision-making bodies however it was agreed that information on these could be made publicly-available as part of ongoing improvement for governance.

Questions were raised regarding the specific covid assurance work undertaken looking at grants, and whether this included grants from the Department for Transport. The Chief Internal Auditor requested that the titles of the specific grants be provided in order for this to be checked.

The committee were asked to approve the statement in readiness for its signing by the Leader and the Chief Executive and submission with the annual accounts for 2020-21, and this was agreed in principle subject to ensuring references to the scrutiny function (Corporate Scrutiny committee and policy and scrutiny committees) were correct, and that there was explanation of the gold and silver command functions.

RESOLVED:

THAT the content of the draft annual government statement 2020-21 be agreed, subject to revisions relating to the scrutiny function.

20. **Commercial Acquisition Strategy Progress Report**

The Senior Property Manager presented the report which provided the committee with an overall summary of progress in the delivery of the council's Commercial Property Acquisition Strategy up to 31 March 2021.

Questions were raised regarding the impact of the council now managing the property investment fund in-house. It was advised that the investment strategy had settled into a management phase and was no longer actively looking to acquire properties on the mainland, so it could therefore be managed for less than was being charged by Portsmouth City Council. Concerns were raised that this was being managed within council's existing resources which may have consequences on the deliverability of other priorities.

Questions were raised regarding the properties performance compared to the projection at the time of purchase. Discussion took place regarding vacant units and the Senior Landlord and Tenant Surveyor provided a position update. Concerns were raised regarding the financial impact on the councils' revenue by having vacant units and it was felt that this issue should be referred to the Corporate Scrutiny Committee.

RESOLVED:

- i. THAT the progress of the property investment fund in the delivery of the Commercial Property Acquisition Strategy, including the total income accrued by the council, be noted.
- ii. THAT the Corporate Scrutiny Committee be requested to look into this area.

21. The Council's Risk Profile

The Assistant Chief Executive and Director of Strategy presented the report which gave the committee an opportunity to review the current position with regard to the council's strategic risks. It was highlighted that external influences on the Council, in particular the system-wide workforce issue being felt by the health and social care sector, would form part of the next immediate review of strategic risks.

The committee noted that there would be a review of the strategic risks in line with a refresh corporate plan later in the year, and no questions were raised at this stage.

RESOLVED:

THAT the strategic risks of the council as set out in paragraph 12 and Appendix 1 of the report be approved.

22. Internal Audit Progress Report

The Chief Internal Auditor presented the report which provided an update on the progress with the Annual Internal Audit Plan, and a summary of the results of audits finalised between July and September 2021.

Questions were raised in relation to the pending DOLS audit and whether there were any concerns regarding service delivery. It was clarified that this item was included in the audit plan because it was naturally a high-risk area which had been flagged on the risk register.

The Chief Internal Auditor took the opportunity to respond to queries raised earlier in the meeting in relation to grant funding. It was advised that the Emergency Active Travel fund was included in the audit plan for 2021-22 on the basis that there was a carry-over from the previous year. It was advised that the Welcome Back Fund was not included in the audit plan as not all grants require an audit sign off.

RESOLVED:

THAT the report of the Chief Internal Auditor be noted.

23. Digital Strategy Progress Update

The Chief Internal Auditor presented the interim progress report regarding the status of actions agreed in the 2020/21 audit of the website component of the Council's Digital Strategy.

Questions were raised regarding the council's decision to choose to build its own website rather than using a template, councillor involvement in the weekly project board meetings, and consultation with external stakeholders to inform future development. The Director of Corporate Services clarified that the existing website did not meet current legislative requirements and there was therefore no option to not upgrade the website.

Concerns were raised around funding for the project. It was advised that resource/funding requirements were in place to 31 March 2022, and a business case covering post-March 2022 requirements was pending.

The Cabinet Member for Strategic Finance, Corporate Resources and Transformational Change raised questions in relation to the history of the project and requested copies of the needs analysis, the options report to Cabinet, the project initiation document, and the report recently provided to the Deputy Leader and Cabinet Member for Community Protection and Digital Transformation.

It was confirmed that a full audit follow-up will be carried out later in the 2021/22 audit year, with a summary presented to a future meeting of the committee.

RESOLVED:

- i) THAT the report be noted.
- ii) THAT the chairman liaise with the chairman of the Corporate Scrutiny Committee to discuss the website component of the Council's Digital Strategy.

24. **Member's Question Time**

No members questions were received.

CHAIRMAN

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Isle of Wight Council Audit results report

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22 November 2021

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

22 November 2021

Dear Audit Committee Members

2020/21 Audit results report

We are pleased to attach our audit results report, summarising the final findings and conclusions of our audit. This updates the previous version of the report presented to the Audit Committee on 27 September 2021.

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 6 December 2021.

Yours faithfully

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

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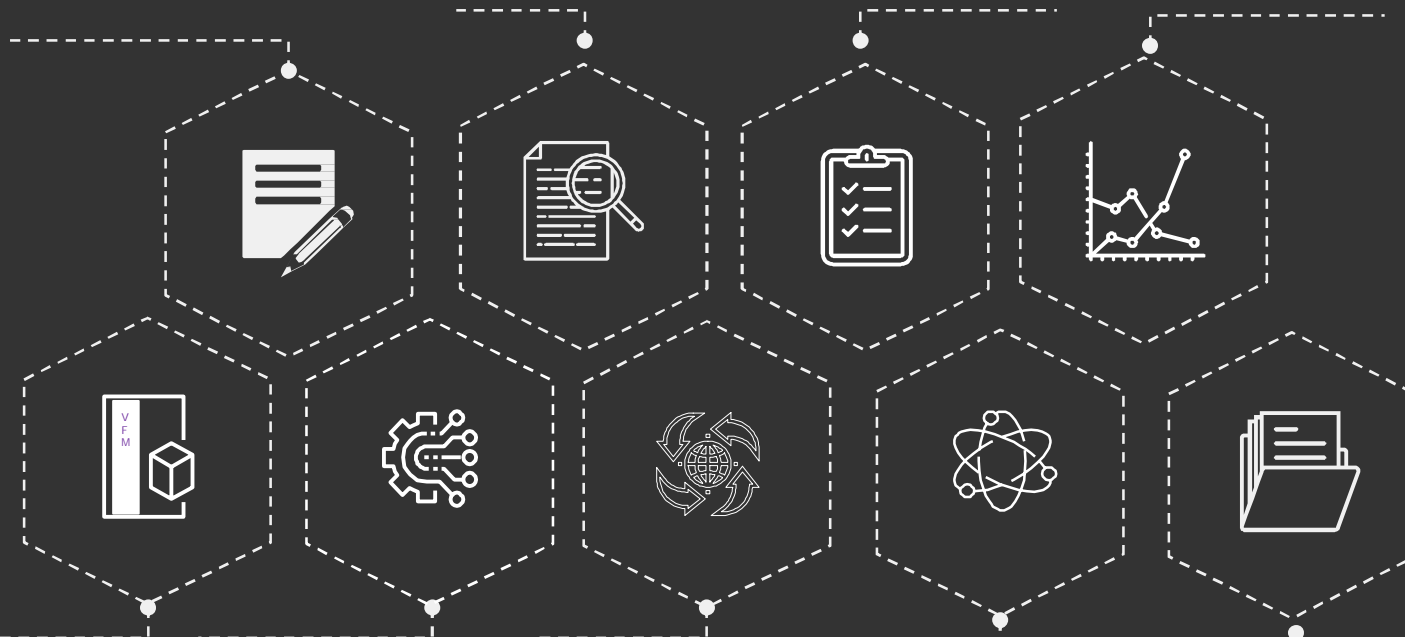
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities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

As at 24 November 2021 our audit work in respect of the Council's opinion is complete subject to:

- PPE and IP valuations testing – our property specialist team undertook a review of a sample of PPE and IP valuations. We have received their report and are currently working through their comments. We will provide a verbal update to the Committee on the outcome of this review.
- Final receipt of management representations.
- Final checks of the amended financial statements.
- Final consideration of subsequent events up to the date of the audit opinion.
- Documentation of final review on our audit files.

We expect to issue an unqualified opinion in the week commencing 6 December 2021.

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 24 November 2021.

There was one misstatement of £5m which management has corrected. 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.

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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 (HMT) 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 December 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	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	<p>Our sample testing of additions to Property Plant and Equipment (PPE):</p> <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. <p>Our review of judgements taken by management found them to be reasonable.</p>
Significant Risk	Findings & Conclusions
Valuation of Investment Properties and Land and Buildings valued at Existing Use Value (EUV)	Our property specialist team undertook a review of a sample of PPE and IP valuations. We have received their report and are currently working through their comments. We will provide a verbal update to the Committee on the outcome of this review. Further details of our procedures undertaken 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 property specialist team undertook a review of a sample of PPE valuations. We have received their report and are currently working through their comments. We will provide a verbal update to the Committee on the outcome of this review. Further details of our procedures undertaken are set out in Section 2 of this report.
Private Finance Initiative (PFI) (Inherent risk)	<p>The Council has one material PFI arrangement. PFI accounting is a complex area and therefore more susceptible to error. Based on our work we were 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)	As at 24 November 2021 our planned work in this area is now complete. No adjustments have been required as a result of our work. Further details are set out in Section 2 of this report.
Going Concern (Area of audit focus)	Management produced a going concern assessment up to the end of December 2022. This was supported by cash flow forecasts and general fund reserves analysis modelling three reasonable scenarios, i.e. central, best and worst case. We reviewed and challenged the cash flow forecasts and the assumptions that underpinned them. We also reviewed and further challenged the going concern disclosure made by the Council. Based on all of this we are satisfied that management's assessment is reasonable and supportable, and that disclosures in the financial statements are an adequate reflection of management's assessment that it remains appropriate to prepare the financial statements on a going concern basis.
Accounting for Covid-19 related government grants (Inherent risk)	<p>Based on our work we were 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.</p> <p>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.</p>



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?

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:

- 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, including estimates with a higher level of inherent risk relating to the revaluation of PPE and IP assets and pension liability and asset valuation.
- Evaluated 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 24 November 2021 our testing in this area is complete.

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.



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?

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.
- Sought to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of 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.
- We sought to utilise our data analytics capabilities to assist with our work, including journal entry testing.



Fraud risks (continued)

What are our findings & conclusions?

Our sample testing of additions to PPE:

- 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 largely complete. Our property specialist team undertook a review of a sample of PPE and IP valuations. We have received their report and are currently working through their comments. 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:
 - 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.

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What are our findings & conclusions?

As at 22 November 2021 our work in this area is largely complete with no significant findings. However, during our testing of car park valuations we encountered challenges in agreeing the number of car park spaces used in the valuers report to the evidence provided by the Council, i.e. the Directorate of Neighbourhood's 2019-20 Annual Parking Report as there were a number of discrepancies. We took assurance that the independent valuer physically verified the number of spaces during the valuation exercise, providing independent evidence, and we considered whether the discrepancies identified in the Annual Parking Report would result in material misstatement in respect of the car park valuations. We concluded that we had sufficient assurance. However, we recommend the Council reviews the accuracy of the information within the Annual Parking Report, including comparing it with the valuation report, and any anomalies are investigated.

Furthermore, as mentioned in sections one above, we are currently reviewing the report from EYRE and will provide a verbal update to the Committee on the outcome of this review.



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 largely complete. Our property specialist team undertook a review of a sample of PPE valuations. We have received their report and are currently working through their comments. 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 22 November 2021 our work in this area is largely complete. As mentioned in section one above, we are currently reviewing the report from EYRE and will provide a verbal update to the Committee on the outcome of this review.

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.

Page 28

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

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 undertook testing of in-year inputs to the accounting model 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 we are satisfied that:

- Inputs to the PFI model was supported by evidence.
- The model continued to operate correctly.
- Output from the model 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.

Page 20

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 auditors, 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.

We also considered outturn information available at the time we undertook our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We used this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments were required.

What are our findings & conclusions?

As at 24 November 2021 our planned work in this area is complete. We previously reported that an issue had arisen across all local government audits that needed to be resolved prior to us being able to fully conclude our work. This was 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, were able to access the detailed models of the actuaries in order to evidence these requirements. We therefore modified our planned approach and undertook alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. The results of this exercise showed the actuarial estimate to be accurate within a reasonable range.

As confirmed by the assurances received from the Pension Fund auditor, no adjustments were required as a result of our work to reflect the Council's share of the difference between the estimated value of Pension Fund assets submitted to Hymans Robertson and the final audited value of Pension Fund assets in its 2020/21 financial statements.



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).
- Reviewed the Council's cashflow forecast covering the foreseeable future to ensure that it has sufficient liquidity to continue to operate as a going concern, including an assessment of any underlying need to borrow.
- 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.

What are our findings & conclusions?

Management produced a going concern assessment to the end of December 2022. This was supported by cash flow forecasts and general fund reserves analysis modelling three reasonable scenarios, i.e. central, best and worst case. We reviewed and challenged the cash flow forecasts and the assumptions that underpinned them. We also reviewed and further challenged the going concern disclosure made by the Council.

Based on all of this we are satisfied that management's assessment is reasonable and supportable, and that disclosures in the financial statements are an adequate reflection of management's assessment that it remains appropriate to prepare the financial statements on a going concern basis.



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 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 work on value for money arrangements.

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.

Other than minor misstatements in disclosures, we have identified the following misstatement which management have corrected:

- 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.

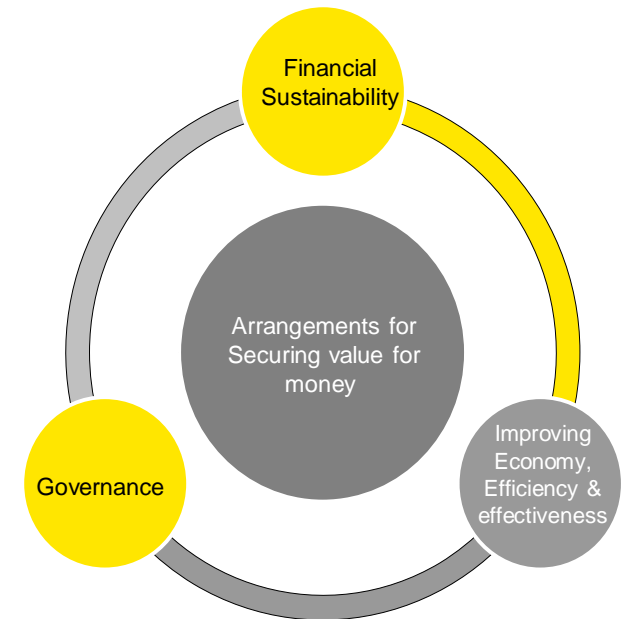
Risk assessment

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 alongside our opinion by 6th 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 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 (HMT) 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.

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 nothing to report.



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 November 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 November 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 November 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 November 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 	Audit results report – dated November 2021
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>	Audit Plan – dated June 2021 and Audit Results Report – November 2021
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 expected 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. 	Audit results report – dated November 2021

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 – dated November 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 – dated November 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 – dated November 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 – November 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

November 2021

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. Above the 'Y' is a yellow triangle pointing to the right. The logo is positioned in the bottom right corner of the page, partially overlapping the EY tagline and the agenda item text.

Building a better
working world

Agenda Item 4b



24 November 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 6 December 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 6 December 2021

Yours faithfully

Helen Thompson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

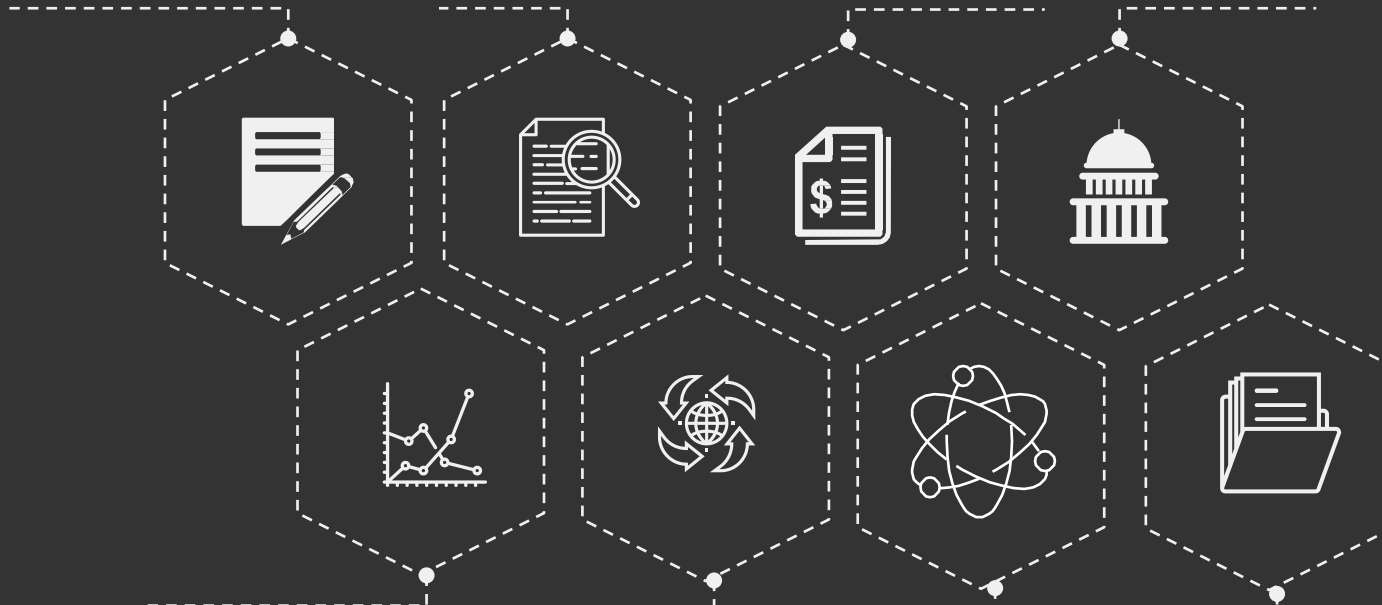
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities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

- ▶ 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 Annual report 2020/21 with the audited financial statements. Management provided us with the completed annual report on 26th November. We will report verbally on the completion of this consistency check at the Audit Committee

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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. we have completed our work in this area and have no matters to bring to your attention.
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. we have completed our work in this area and have no matters to bring to your attention.

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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. 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. 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?

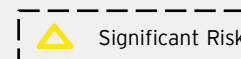
We have not identified any material weaknesses in controls or evidence of material management override.

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?

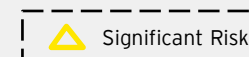
We have completed our testing on the level 3 investment.

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>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 review of the management assessment and proposed disclosure. We asked management to include further detail on the going concern period within the disclosure, but have no further issues to bring to your attention</p>

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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

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 pension fund financial statements.

Financial and non-Financial information in the Statement of Accounts 2020/21 was consistent with the audited pension fund financial statements.

In addition, we also perform procedures to ensure the consistency of the pension fund accounts with the version presented in the Pension Fund's Annual Report. Management provided us with the completed annual report on 26th November. We will report verbally on the completion of this consistency check at the Audit Committee

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.

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.

	Final fee 2020/21	Planned fee 2020/21	Final Fee 2019/20
	£	£	£
Scale Fee- Code work (1)	TBC	16,235	16,235
Planned 2019/20 and 2020/21 recurrent fee variation reflecting the underlying level of additional risk at the Fund (see Note 1).	TBC	32,765	-
Total audit fee	TBC	49,000	16,235
Risk based fee variations (see Note 2)	TBC	5,000 to 7,000	15,999
Additional fee for IAS19 assurance work on behalf of admitted bodies & triennial valuation (see Note 3).	TBC	500 to 1,000	3,803
Total audit fee	TBC	54,500 to 57,000	36,037

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 £32,765 to deliver the audit in 2019/20 which we expected to reoccur in 2020/21 and subsequent years. This additional fee was not agreed by the Director of Finance, although the pressures on fee were recognised. PSAA has determined that 2019/20 fee variations will not be accepted on a recurrent basis. The recurrent fee proposal is therefore not reflected as part of the final fee in either 2019/20 or 2020/21.

Note 2 - The proposed 2019/20 risk based fees had been agreed with the Director of Finance and Support Services and totalled £4,007. PSAA has determined that a total of £15,999 should be paid in respect of the recurrent and non-recurrent fee variations submitted. As set out in Note 1 this amount has been determined on a non-recurrent basis. The proposed fee for 2020/21 is to be confirmed and we will update the Audit Committee in due course.

Note 3 - In 2019/20 we charged £3,803 for IAS 19 assurance work on behalf of admitted bodies and additional work on the 2019 triennial valuation of the Fund relevant to the 2019/20 year. Our proposed fee for IAS 19 assurance work in 2020/21 is in the range of £500 to £1,000. These fees are agreed by the Director of Finance and do not require approval by PSAA.

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 - December 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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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.

Isle of Wight Council

**Draft Auditor's Annual Report
Year ended 31 March 2021**

22 November 2021



Building a better
working world

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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.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

A close-up portrait of a woman's face, focusing on her eyes and nose. The image is partially obscured by a bright yellow rectangular overlay on the left side. The woman has light brown hair and green eyes.

Section 1

Executive Summary

Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
Opinion on the Council's:	
Financial statements	<p>We expect to issue an unqualified opinion – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.</p> <p>We plan to issue our auditor's report in the week commencing 6 December 2021.</p>
Going concern	We expect to conclude that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the Statement of Accounts 2020/21 and other information published with the financial statements	We expect to conclude that financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited accounts.
Consistency of the Pension Fund annual report and other information published with the financial statements	We expect to conclude that financial information in the Pension Fund Annual report and published with the financial statements was consistent with the audited accounts.
Area of work	
Conclusion	
Reports by exception:	
Value for money (VFM)	<p>We expect to have no matters to report by exception on the Council's VFM arrangements.</p> <p>We have included our VFM commentary in Section 04.</p>
Consistency of the annual governance statement	We expect to conclude that we are satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We expect to have no reason to use our auditor powers.

Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued a preliminary Audit Results Report dated 15 September 2021 to the Audit Committee on 27 September 2021. We will issue an updated Audit Results Report to the 6 December meeting of the Committee.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have not yet issued our certificate for 2020/21 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. The guidance for 2020/21 is delayed and has not yet been issued, and is not expected until December 2021 at the earliest.

Fees

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in a number of areas. As a result, we intend to agree an associated additional fee with the Director of Finance. We include details of the audit fees in Appendix 1.

We would like to take this opportunity to thank the Council staff for their assistance during the course of our work.



Helen Thompson

Associate Partner
For and on behalf of Ernst & Young LLP

Section 2

Purpose and responsibilities

Purpose and responsibilities

This report summarises our audit work on the 2020/21 financial statements.

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements, which aims to draw to the attention of the Council or the wider public relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we presented to the Audit Committee on 26 July 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements, and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial Statement Audit



Financial Statement Audit – Isle of Wight Council

Key issues

We expect to issue an unqualified audit opinion on the Council's 2020/21 financial statements.

The Annual Report and Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We expect to issue an unqualified opinion on the financial statements. We reported our initial detailed findings to the 27th September meeting of the Audit Committee and will issue an updated Audit Results Report to the 6th December meeting of the Committee. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
<p>Misstatements due to fraud or error - management override of controls</p> <p>An ever present risk that management is in a unique position to commit fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>We did not identify any:</p> <ul style="list-style-type: none"> 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.
<p>Inappropriate capitalisation of expenditure</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund.</p>	<p>In response to the risk we:</p> <ul style="list-style-type: none"> Tested capital additions to ensure that the expenditure incurred and capitalised is clearly capital in nature. Sought to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year. <p>In undertaking this testing we focused on the judgements taken by management.</p> <p>Our testing of capital additions identified no instances where expenditure had been inappropriately capitalised.</p> <p>Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.</p>

Continued over.

Financial Statement Audit – Isle of Wight Council (continued)

Significant Risk	Conclusion
<p>Valuation of investment property and operational land and buildings valued at Existing Use Value (EUV)</p> <p>Land and buildings is the most significant balance in the Council's balance sheet. The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements. We made use of our own professionally qualified valuation specialists to support our work in this area.</p>	<p>As at 22 November 2021 our work in this area is largely complete with no significant findings. However, during our testing of car park valuations we encountered challenges in agreeing the number of car park spaces used in the valuers report to the evidence provided by the Council, i.e. the Directorate of Neighbourhood's 2019-20 Annual Parking Report as there were a number of discrepancies. We took assurance that the independent valuer physically verified the number of spaces during the valuation exercise, providing independent evidence, and we considered whether the discrepancies identified in the Annual Parking Report would result in material misstatement in respect of the car park valuations. We concluded that we had sufficient assurance. However, we recommend the Council reviews the accuracy of the information within the Annual Parking Report, including comparing it with the valuation report, and any anomalies are investigated</p> <p>Furthermore, we are currently reviewing the report from our internal property specialists on a sample of assets they have reviewed and will provide a verbal update to the Committee on the outcome of this review.</p>

Financial Statement Audit – Isle of Wight Council (continued)

Other area of audit focus	Conclusion
<p>Valuation of operational land and buildings valued at Depreciated Replacement Cost (DRC)</p> <p>Land and buildings is the most significant balance in the Council's balance sheet. As with land and buildings valued at EUV, the valuation is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements. These assets are not subject to the same level of material uncertainty arising due to market conditions as with EUV. We made use of our own professionally qualified valuation specialists to support our work in this area.</p>	<p>As at 22 November 2021 our work in this area is largely complete with no significant findings. We are currently reviewing the report from our internal property specialists on a sample of assets they have reviewed and will provide a verbal update to the Committee on the outcome of this review.</p> <p>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.</p>
<p>Private Finance Initiative (PFI)</p> <p>The Council has one material PFI arrangement. PFI accounting is a complex area and therefore more susceptible to error, and a detailed review of these arrangements was undertaken by our internal expert in 2013/14.</p>	<p>Based on our work we are satisfied that:</p> <ul style="list-style-type: none"> • Inputs to the PFI model was supported by evidence. • The model continued to operate correctly. • Output from the model was correctly reflected by the relevant accounting entries and disclosures in the financial statements. • PFI assets were correctly accounted for and disclosed.
<p>Pension liability valuation</p> <p>The Pension Fund liability is a material balance in the Balance Sheet. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We obtained assurances from the auditors of Isle of Wight Pension Fund that the information supplied to the actuary in relation to Isle of Wight Council was accurate and complete.</p> <p>We have assessed and are satisfied with the competency and objectivity of the Council's actuaries: Hymans Robertson.</p> <p>We have reviewed the work of the actuaries. We challenged the actuarial valuation and found no indication of management bias in this estimate.</p> <p>Our review of accounting entries at period end and those journals made in processing valuation adjustments did not reveal any instances of management intention to misreport the financial position.</p> <p>No adjustments were required as a result of our work to reflect the Council's share of the difference between the estimated value of Pension Fund assets submitted to Hymans Robertson and the final audited value of Pension Fund assets in its 2020/21 financial statements.</p>

Continued over.

Financial Statement Audit – Isle of Wight Council (continued)

Other area of audit focus	Conclusion
<p>Going concern disclosures</p> <p>The Council is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the Council's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period.</p>	<p>Management produced a going concern assessment to the end of December 2022. This was supported by cash flow forecasts and general fund reserves analysis modelling three reasonable scenarios, i.e. central, best and worst case. We reviewed and challenged the cash flow forecasts and the assumptions that underpinned them. We also reviewed and further challenged the going concern disclosure made by the Council. Based on all of this we are satisfied that management's assessment is reasonable and supportable, and that disclosures in the financial statements are an adequate reflection of management's assessment that it remains appropriate to prepare the financial statements on a going concern basis.</p>
<p>Accounting for Covid-19 related grant funding</p> <p>The Council received 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 2020/21.</p>	<p>Based on our work we were 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.</p> <p>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.</p>

Financial Statement Audit – Isle of Wight Council (continued)

Audit differences

Other than a relatively small number of errors and misstatements in disclosures which management corrected, we identified a disposal that management had incorrectly derecognised. This related 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. The derecognition was not appropriate as the Council still exercises control since it's a voluntary controlled school and hence should continue to be recognised on the Council's balance sheet as an asset. Management subsequently reversed these entries.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £5.079m as 1.3% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.254m.

We also set specific materiality of £2,500 for remuneration disclosures, related party transactions, members' allowances and exit packages disclosures appearing in the financial statements. This reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to these areas. This specific materiality is based on 1% of our audit differences threshold.

Financial Statement Audit – Isle of Wight Pension Fund

Key issues

We expect to issue an unqualified audit opinion on the Pension Fund's 2020/21 financial statements.

The Annual Report and Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We expect to issue an unqualified opinion on the Pension Fund financial statements. We reported our preliminary findings to the 27 September meeting of the Audit Committee. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
<p>Risk of manipulation of investment income and valuation</p> <p>An ever present risk that management is in a unique position to commit 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 assessed that the risk of manipulation of investment income and valuation through management override of controls is most likely to affect investment income and assets in the year, specifically through journal postings.</p>	<p>We did not identify:</p> <ul style="list-style-type: none">• any material weaknesses in controls or evidence of material management override;• any instances of inappropriate judgements being applied; and• any other transactions during our audit which appeared unusual or outside the Pension Fund's normal course of business. <p>Our journals testing confirmed there were no unusual or unexpected postings.</p> <p>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.</p>

Financial Statement Audit – Isle of Wight Pension Fund (continued)

Other area of audit focus	Conclusion
<p>Valuation of level 3 investments</p> <p>We consider the valuation of Level 3 investments to be of a higher degree of inherent risk due to the unobservable inputs making up the valuations. 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.</p>	<p>We:</p> <ul style="list-style-type: none"> • 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. • tested that accounting entries were correctly processed in the financial statements. <p>The private debt fund last audited financial statements were at 31 December 2020. We evaluated those financial statements to gain assurance that:</p> <ul style="list-style-type: none"> • 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. <p>To gain assurance over the valuation of level 3 investments at the Net Asset Statement date of 31 March 2021, we</p> <ul style="list-style-type: none"> • Agreed the pension fund investment in Q4 to bank receipt • Performed an analytical review on the movement to the balance sheet date.
<p>Going concern</p> <p>There is a presumption that the Fund will continue as a going concern for the foreseeable future. However, the Fund was required to carry out a going concern assessment that is proportionate to the risks it faces. The Fund was 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 identified.</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>We had no issues to bring to your attention.</p>

Financial Statement Audit – Isle of Wight Pension Fund (continued)

Audit differences

We did not identify any errors or misstatements.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £6.95m as 1% of net assets reported in the accounts. We consider net assets to be one of the principal considerations for stakeholders in assessing the financial performance of the Fund.
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.35m.

Section 4

Value for Money

Value for Money (VFM)

We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our VFM risk assessment to the 26 July 2021 Audit Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council and committee reports, meetings with senior officers and evaluation of associated documentation through our regular engagement with management and the finance team. We reported that we had not identified any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

We expect to have no matters to report by exception in the audit report.

Reporting

We expect to complete our planned VFM arrangements work in the week commencing 6 December 2021 and not to identify any significant weaknesses in the Council's VFM arrangements. As a result, we expect to have no matters to report by exception in the audit report on the financial statements.

Our VFM commentary highlights relevant issues for the Council and the wider public.

VFM Commentary

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

- Financial sustainability
How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance
How the Council ensures that it makes informed decisions and properly manages its risks.
- 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.

Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

For 2020/21, the significant impact that the Covid-19 pandemic has had on the Council has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

Financial sustainability

How the body ensures that it identifies all significant financial pressures that are relevant to its short term and medium-term plans and builds these into them

The Council sets a balanced revenue budget annually, at that same meeting any savings requirement for the following financial year is set in order to provide adequate advance notice and a stable planning environment. The budget is therefore used to ensure financial resources are aligned to areas where the Council believes it will secure the greatest benefit to residents of Isle of Wight. The annual budget is then linked to the medium-term aspirations of the Council through its medium-term financial strategy (MTFS), which considers a four year forward view, and its capital programme which is also extends to 5 years. Council members are fully engaged in this process, including an annual member briefing on the budget in addition to further review by scrutiny committees. In-year pressures are identified through monthly Service Board Reporting to each Directorate. A summary report is then prepared for the monthly Corporate Management Team (CMT) (Directors) and the Corporate Leadership Team (Directors & Cabinet Members). Pressures are firstly dealt with at a Directorate/Portfolio level with the aim of resolving them on an on-going basis. Any pressures which cannot be resolved on an on-going basis will then be considered as additions to the budget when the MTFS is reviewed during the process to develop the Budget Report for approval each year in February. Unavoidable pressures, inflation, growth and funding levels are then assessed, and a savings plan developed to produce a balanced budget. In terms of further medium-term pressures the Council uses a Star Chamber process to address plans to meet savings targets and to examine financial pressures and Capital Investment needs that may need to be built into the MTFS.

Financial sustainability (continued)

The Covid-19 pandemic had a significant impact on Council operations, services and finances in 2020/21. This will continue to have a significant effect into 2021/22 and beyond, although the extent and duration of the impact remains uncertain. Covid-19 impacts have needed, therefore, to be considered in both the Council's current financial management arrangements and future financial plans. For the next 3 years (commencing 2021/22), a COVID Fund of £14.2m has been established to provide a good level of surety that the Council will be able to continue to deliver all of its essential services as well as being able to respond to the continuing COVID-19 pandemic and its legacy after effects.

Despite the impact of Covid-19 the Council was able to deliver a revenue underspend of £4.163m on portfolio budgets in 2020/21. This underspending has been transferred reserves, including £3.1m to the Revenue Reserve for Capital to support future Capital Investment needs.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

The closing financial position of the Council has also improved. Overall, the Council's usable reserves increased by £1.4m compared to the prior year. Significant budget gaps remain in the last iteration of the MTFs produced in February 2021, a forecast for the 3 year period beyond 2021/22 will require a further £9.0m in savings or £3.0m per annum (from £3.5m per annum previously).

Delivery of the capital programme has been affected by the pandemic with spending totalling £27.632m for the year, against an updated capital programme of £38.967m approved in February 2021, a total variation of £11.335m or 29%, this variation being slippage as opposed to underspending. Looking forward, the Council's Capital Strategy for the period 2021/22 to 2025/26 was approved by full Council in February 2021, and within that the five-year Capital Programme. The total value of schemes in the 2021/22 to 2025/26 capital programme is £131.5m. The capital programme is ambitious, reliant on additional borrowing and partly designed to generate recurrent benefits to minimise pressures on the revenue budget. Ensuring that it is delivered therefore remains important.

How the body plans to bridge its funding gaps and identifies achievable savings

In the first instance, estimates of the overall forecast financial position of the Council are prepared annually. These forecasts look four years ahead and are reviewed annually. This identifies the "budget Gap" and sets out the savings required (and its phasing) over the coming period. The identification of a robust programme of savings to bridge funding gaps while minimising the adverse impact on residents therefore is a necessary part of annual budget setting and medium-term financial planning.

The Council uses a savings model to allocate the savings targets plus an amount of headroom to each portfolio. The model uses a weighted scoring approach which takes into account the service priority, the recognition of financial pressures, the ability to generate income and the opportunity to make further efficiency gains. Directors and Portfolio Holders are charged with developing a plan of on-going

Financial sustainability (continued)

savings to reach the target set. A series of Star Chamber meetings will be held between the Director, Portfolio Holder, Leader, Cabinet Member for Resources and Senior Officers including the Chief Executive, Deputy Chief Executive and the Director of Finance and Assistant Director of Finance to scrutinise the options for impact and deliverability. The process begins in June/July to allow a significant amount of time for plans to be considered and finalised.

At the end of the process a list of savings options amounting to (or preferably exceeding the total savings target to offer some choice) will be discussed with the Cabinet and the final list of savings amounting to the total required will be determined.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

The Council routinely reports the delivery of savings in its quarterly revenue monitoring reports, as part of its wider monitoring of financial and business performance. Historically the Council has a good track record of delivery and reports that around £86m of savings had been delivered at the end of 2020/21 since 2011. However, in 2019/20 the Council failed to deliver £1.5m (28%) of its planned savings. The budget for 2020/21 assumed savings of £4.5m. This target was exceeded with £5.1m savings being achieved, even though there were significant adverse variances within Adult Social Care and Parking Charges. This demonstrates the ability of the Council to achieve planned savings targets. The failure to deliver against target in these areas within Adult Social Care and all planned savings within Infrastructure & Transport) were due to Covid-19, related national lockdowns and the need to act on a responsive basis to the service delivery and other operational challenges brought about by the pandemic. The Council considers that the majority of the shortfall in savings at the end of 2020/21 was mitigated by the use of Covid-19 grant funding. £18.8m of unutilised Covid-19 grant funding at the end of the year was carried forward into 2021/22 to fund the continuing costs of the pandemic. Given the reported impact of Covid-19 on the Council's ability to deliver planned savings in these areas this is likely to be a necessary funding source to contain 2021/22 revenue spending within budget.

The new forecast for the new 3 year period (now extended to 2024/25) is a £9.0m deficit. The new forecast is subject to unprecedented uncertainty due to the longer term impact of COVID-19, the forthcoming Multi Year Spending Review, Fair Funding Review and the Business Rate Retention Scheme review; the forecast could vary by +/- £3m. Future forecasts do not provide for adequate replenishment of the Transformation Reserve or contributions towards future necessary Capital Investment requirements, making the recommendations to use any additional funding received / year end savings for these purposes critical to the success of the MTFS. Proposed Savings are further "smoothed out" and phased evenly at £3.0m p.a over the next 3 years (i.e. commencing 2022/23). General Reserves are maintained over the period at not lower than £8m (assuming the £3.0m p.a. savings are achieved), providing a modest level of headroom to be able to respond to the risks associated with the future cost and funding uncertainty. With General Reserves at proposed levels, savings of £3.0m p.a. ensure that for any improvement in the

Financial sustainability (continued)

forecast, the Council has not prematurely made a level of savings that could have been avoided and for any deterioration, good progress towards the necessary savings will have been made.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

In order to finance sustainable delivery of strategic and statutory priorities, savings targets are developed and allocated to each Portfolio of services by using a model which takes into account the strategic and statutory priorities of the council. Priority is given to the statutory services in terms of a lower proportion of the savings and taken together with other budget allocations awarded often results in a net annual gain for these services.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Strategic and statutory priorities like Adults and Children's social care accounts for 60% of council spending, therefore when there has been the opportunity to raise an additional council tax precept for Adult Social Care this has been taken and passported directly to the service to help ensure that service delivery can be sustained. Similarly, all grants relating to Adults and Children's services are allocated directly to those service areas. Central budget allocations are also held to mitigate for the risk of either savings not being achieved or unexpected and unavoidable demand in the statutory services.

The Star Chamber process also examines in detail cost pressures and estimated demand pressures that service areas are experiencing in particular around Adult Social Care and Children's Services. The data is subject to significant challenge and scrutiny and where the pressure is confirmed and determined will present a risk even after mitigation then this will be considered as growth to be built in to the MTFS. £4m of pressures were built into the MTFS for Adult Social Care in 2021/22.

Additionally, the Council uses the outcome of the Budget Consultation to inform its spending priorities of both a revenue and capital investment nature.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The Council's MTFS is consistent with the Corporate Plan. One of the primary objectives of the Corporate Plan is to achieve financial sustainability and deliver balance budgets. The integration of other plans also feature in the Council's approved MTFS.

The capital programme is a key driver for the future financial sustainability of the Council, and this is recognised in the MTFS. The capital budget is developed in conjunction with the revenue budget each year. In terms of funding for the capital programme contributions from the revenue account are an important feature of the

Financial sustainability (continued)

MTFS as other capital resources are very limited and without planning to support the programme in this way the council would have insufficient resources to fund essential capital spend.

Investment plans such as the Regeneration Programme has in recent years seen an approval for £25m of borrowing built into the capital programme to deliver on its Regeneration plan for the Isle of Wight which in the longer term will lead to revenue income streams and improved economic conditions/opportunities. Borrowing costs associated with the Regeneration schemes are factored into the revenue budget.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Other local public bodies such as the NHS Trust and the Clinical Commissioning Group (CCG) are also consulted via the Integrated Care Partnership Finance sub-group on council savings plans to understand if there is any likely financial impact on another part of the Health and Care system (and vice versa with Health savings plans) and also to ensure that plans align in terms of objectives for the improvement of health and care on the Island. The Better Care Fund (BCF) is a jointly financed commissioning plan between the council and the CCG which also ensures that there is alignment of objectives for social care and health, more so now due to Covid-19.

The impact of the pandemic and the many financial challenges IOWC has faced in this very fast changing situation, together with the uncertainty around Government funding until the Provisional Finance Settlement was announced in December. However, despite these challenges to being able to finalise a balanced budget for 2021/22 and reviewing and update the MTFS, a programme of work, overseen by the Executive Leadership Team, did continue throughout the year. Members have also been engaged in this process via Cabinet and Scrutiny committee meetings.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

A strong focus on financial management is embedded throughout the council via a finance business partnering model which allocates dedicated financial staff resources to teams based on the risks of managing the budget due to demand challenges and the statutory nature of the service and the severity of the impact that any budget overspend may have on the council. Through this dedicated team structure, the early identification of changes in demand/budget pressures is enabled and remedial action implemented as soon as possible.

In the event that an in-year financial pressure cannot be contained within a portfolio then the Council has a corporate contingency budget and reserves to accommodate these events and other financial shocks.

The Council also holds a level of "headroom" over and above the minimum level of General Reserves, the minimum level being £7m. In addition, the Council holds specific Earmarked Reserves for specific risks. Examples include a Risk and

Financial sustainability (continued)

Insurance Reserve, a Repair and Renewals Reserve, a Business Rates Reserve.

The Council's budget plans (including the savings plan) are subject to scrutiny at the Star Chambers which will also test out the underlying assumptions and data about future demand. Key areas of the council that are demand led such as Adult and Children's Social Care are subject to detailed budget planning each year where current/past trends are analysed and adjusted for estimated future changes to effectively re-set the care budget each year to align with the best estimate of demand and available resources.

Early identification of pressures is key to maintaining financial resilience. Detailed risk registers are also held for every service area and reported regularly to Service Boards. The key risks to the council are contained within the Strategic Risk Register which is also reported within the Quarterly Performance and Finance Reports to Cabinet and as a standalone report to the Audit Committee. The Strategic Risk Register includes two financial risks relating to the in-year achievement of the council's budget and a risk relating to the achievement of the MTFS. In addition, in 2020/21 there was an additional detailed section relating to the financial risk of COVID-19.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Governance

How the body monitors and assessed risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council has a range of processes, policies and strategies to counter the risk of fraud including: a counter fraud strategy, codes of conduct for staff and elected members, comprehensive financial regulations, procurement rules, contract standing orders, policies governing gifts and hospitality, registers of interest, whistle blowing procedure, complaints procedure and on-going internal audit reviews.

Internal Audit conduct audits annually which confirm that there are authorisation controls around accounting transactions and corrections which reduce the risk of fraud or error.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

The Audit Committee are also presented with quarterly updates from Internal Audit on its programme of internal audits which cover a broad range of operational areas. This gives the committee the assurance of the effective operation of internal controls and includes reporting on areas of fraud detected.

The Council also takes part in the National Fraud Initiative work.

The Audit Committee receives an annual report on the incidence of fraud within the council, which also informs them of the range of processes, policies and strategies which the council has for identifying and responding to fraud or error. The Audit Committee has the opportunity to review the Council's draft accounts and reviews the Annual Governance Statement. Any weaknesses in the system of internal control would be highlighted in the Statement.

The Council produces quarterly Performance, Finance and Risk reports which include the strategic risks for each portfolio, this is taken to formal Cabinet meetings after having been through the Corporate Scrutiny Committee.

How the body approaches and carries out its annual budget setting process

Each year the MTFS forecasts the savings requirement for a three-year period, so that work can begin on developing savings plans early in the budget process.

The rolling Medium Term Financial Plan is refreshed each year taking into account a large range of factors, including the latest assumptions about inflation, cost pressures (as identified by the budget monitoring process in-year but which are considered to be unavoidable and on-going), unachievable prior year savings, growth in demand, external pressures (such as increases in the national living wage which has a significant impact on care providers and therefore pressure for fee uplifts from the council), changes in income levels from fees and charges (volume and price) and estimated changes in funding from government grants, council tax (tax base, proposed fee increases) and business rates.

Governance (continued)

All of these factors are considered in detail to arrive at a three-year forecast plus current year of expenditure against funding, the gap being the savings requirement over the next three years. The forthcoming year's total savings target is then either confirmed as the amount set in the previous budget or adjusted and then allocated as described above to each portfolio and a series of Star Chambers held to scrutinise the savings for deliverability and impact. A final list of indicative savings is then produced after budget consultation has been undertaken.

This is a collaborative approach between senior officers and cabinet members. The process is a lengthy and detailed one commencing around July each year. The savings target is set for the forthcoming three years and therefore this gives the Council a significant amount of time to consider and plan not only the next year's detailed savings plan, but also the direction of travel required to be able to deliver the further two years savings.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

The Council operates its financial management via a business partnering approach. Each Directorate has a dedicated team of finance staff assigned to it and led by a qualified and experienced accountant.

The finance teams are involved in day to day financial operations of the service areas and are included in service management teams and attend a large range of service meetings from which they have developed a significant knowledge of the service areas enabling them to identify early any activity/demand trends that may lead to financial pressures in turn enabling corrective actions to be taken where possible.

Service Board reports are produced and presented on a monthly basis which depending on the nature of the service include non-finance performance information e.g. number of clients in care to allow the service to build a fuller picture of activity and finance and the ability to identify changes in trends which may present a financial risk.

The Service Board Reports therefore contain bespoke information for each service but also contain standard information for each Directorate including overall revenue budget forecast, progress of savings targets, key balance sheet items and progress on the capital programme.

A monthly summary report is then produced consisting of the revenue forecast, capital programme and savings progress. This is presented to CMT and CLT whereby Directors will be held to account for the reasons for variances and the

Governance (continued)

proposed plan of action. This provides for the opportunity to take remedial action such as the early creation of the Deficit Recovery Strategy in 2020/21 to address the particular financial pressures forecast due to COVID-19.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

The Council has a call over process whereby a panel of officers chaired by the monitoring officer and including legal, finance, democratic services and communications review and discuss all draft reports with the report authors prior to publication to ensure they are written in such a way as to comply with the Council's standards including clear options and evaluation of options leading to a recommendation that clearly states inter alia financial and legal implications to allow the decision maker to make a fully informed decision.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Reports are presented to Scrutiny Committee in advance of decision at Cabinet Meetings to allow challenge and transparency and for Scrutiny to give any recommendations to Cabinet.

Those decisions delegated to Cabinet Members or key Officer Decisions are published on the council's website where required reports will be subject to consultation and an Equality Impact Assessment.

The Monitoring Officer will also when needed, write reports to challenge and implement change.

The Audit Committee provide effective governance by receiving a wide range of key reports including from External and Internal Audit, periodic reports on Strategic Risks, Annual Governance Statement, Statement of Accounts, Treasury Management Strategy and Contract monitoring.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

The Council monitors compliance with legislative/regulatory requirements and standards in terms of officer or member behaviour through the appropriate involvement of legal officers, horizon-scanning of public interest reports to use to seek out best practice from where mistakes have occurred and reports from the Committee on Standards in Public Life and through deliver of training and advice notes. The review of member register of interests takes place periodically.

Governance (continued)

The Monitoring Officer also provides guidance on issues such as elections (pre-election guidance) and the member protocol for the annual budget meeting. The Monitoring Officer will also advise on other issues as they arise such as the correct protocol for proposing amendments and guidance on Motions of Notice.

There is a standing agenda item at each committee pertaining to any conflict of interest declarations that is needed to be made by the members or officers. Officers and Members of the Council also need to submit an annual declaration of interest which is also included on the Council's website. The accounts staff undertake a specific search of transactions and agreements to identify significant or unusual transactions to include in the annual accounts. The Council also sends an email to all members and key management staff requesting declarations of interests.

Alongside this, the register of interests is a key source of information that underpins the Council's considerations of its related party disclosures. Following enactment of the Localism Act 2011, failure by Members of a council to comply with the requirement to register pecuniary and non-pecuniary interests is now a criminal offence.

We have discussed the maintenance of registers with the finance team and have confirmed that accountancy staff considered the parties as part of the closedown process for 2020/21.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Improving economy, efficiency and effectiveness

How financial and performance information has been used to assess performance to identify areas for improvement

Financial and performance information is discussed regularly at Directorate Service Boards, CMT and Cabinet. This had led to changes in directorates' focus. Children's Services and Adult Social Care Directorates are the areas scrutinized by regulators and these have significant budget impacts.

Children's Services:

Financial Management reporting has activity and cost reporting across the Children's Social Care elements of the budget, including monthly key driver activity, unit cost information, graphical trend analysis, and forward projection detail on key elements of the service. During 2020, this activity and cost data has been expanded into the high needs (special educational needs) element of the budget which is also a significant demand led part of Children's Services under increasing scrutiny both locally through Schools Forum and nationally. In September 2020 this core data in children's social care was enhanced with a pack of historic information and narrative, alongside financial impact of future service led transformation themes. These help shape the decisions for approved investment.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Adult Social Care:

Adult Social Care consider finance and performance information in depth at every Service Board. The analysis of information is instrumental in adopting the Care Closer to Home Strategy which shifted the focus from residential and nursing care where a considerable amount of the budget was being spent to keeping people in their own homes for longer. In hand with this was the drive to use Personal Assistants (PA) instead of agency based domiciliary care which can deliver considerable cost savings whilst improving the outcomes for the service users by maintaining continuity of carers. This in turn has led to a successful bid to the Transformation Fund for further development of the PA hub.

As set out previously in this commentary routine reporting of performance is combined with financial monitoring in the Quarterly Performance and Finance Reports.

How the body evaluates the services it provides to assess performance and identify areas for improvement

As set out previously in this commentary, we have documented various considerations of how the Council evaluates the service and identify areas of improvement. These include the review of the Corporate Risk Register.

The Council has engaged in a Corporate Peer Review to review and challenge the way it sets priorities, determines strategy and delivers its services in a financially sustainable way.

Improving economy, efficiency and effectiveness (continued)

Benchmarking takes place within many service areas to compare performance with national and statistical neighbours to identify where there are opportunities for improvement. At year end performance is measured in relation to the Corporate Plan.

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

Each partnership is set-up on an individual basis and with individual terms of reference and objectives which will be monitored within the partnership by using action plans and the development of key metrics where applicable. Key strategic partnerships such as the Integrated Care Partnership have senior council representation including the Chief Executive who is the Executive Lead and the Director of Adult Social Care. In order to ensure that the Cabinet also have oversight of the activity of this board and are able to monitor its performance as key stakeholders, the minutes of this partnership board are presented to the Corporate Leadership Team meetings each month. Other key projects which may not have formal partnership arrangements are presented to a Members Board on a regular basis to give them oversight of progress against key milestones and to enable them to hold the project managers to account.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

The Integrated Care Partnership (ICP) has within its structure a Finance Sub-Group, which is made up of Senior Finance professionals from the Council, CCG and NHS Trust. The board has formal terms of reference to ensure it delivers its objectives and has formal structured meetings and action plans. The group reports back to the ICP on a regular basis to inform it of each organisation's financial position and on any specific tasks it may have been set.

Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

In accordance with section 135 of the Local Government Act 1972 the Council has a set of contract standing orders (CSOs) that governs how the council conducts procurement processes and awards contracts.

The key principles of the CSOs are:

- (i) To achieve good value for money through appropriate market competition, so that we offer best value services to Isle of Wight residents;
- (ii) To be transparent to our residents about how we spend their money through our procurement processes;
- (iii) To ensure compliance with the legislation and regulations which govern the spending of public money;

Improving economy, efficiency and effectiveness (continued)

- (iv) To ensure against any criticism or allegation of wrongdoing in the buying of goods and services or in the commissioning of works;
- (v) To support sustainability and social value objectives, the public sector equality duty, and encouraging local businesses on the Isle of Wight.

The Council has a procurement and contract monitoring team who oversees the Council's procurement activity and actively manages, alongside the lead commissioner, any procurement where the whole life value of the contract is over £25,000. This ensures compliance with CSOs and the Public Contract Regulations 2015 (where applicable) and other associated legislation such as the Public Services (Social Value) Act 2012. The Council runs an in-house procurement and contract management training programme which trains Council commissioners and contract managers in the following areas; procurement landscape, specification drafting, tender evaluations and contract management. This is designed to embed the knowledge and skills in relation to procurement and contracts within the commissioning services.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

The Council has a Contract Management Framework which has been developed to assist officers in setting robust contract performance monitoring regimes, managing relationships with suppliers and to provide a structure for recording contract compliance which can be reported to Senior Managers, Elected Members and other key stakeholders. To support the Contract Management Framework, the Council is in the process of rolling out a contract monitoring system which will be a central point for recording the performance of the Council's contracts.

Reporting of the Council's procurement and contract activity is made on a 6 monthly basis to the Corporate Management Team and the Audit Committee. These highlight the contract management framework which is still new and still developing and monitors performance of all contracts.

During the year under review, as part of our value for money procedures we also undertook a review of the arrangements in place to deal with the challenges and operational issues the Council has been facing with the Cowes Floating bridge service. We have reviewed the costs associated with the floating bridge in 2017/18 and 2018/19 as part of our value for money conclusion. Much of the cost was met by a grant from the Solent Local Enterprise Partnership (LEP) rather than the Council at that point in time. For the current arrangements we gained an understanding of the detailed costs incurred by the Council, and in which years, and the status of the ongoing legal proceedings. The Council is currently going through a mediation process with the contractors involved to recover the costs incurred that the Council has had to bear.

The Council is monitoring the costs incurred which relate to the design/build faults and these are being reported to a Strategic Programme Board to ensure that adequate governance and oversight is maintained. Furthermore, the Council has

Improving economy, efficiency and effectiveness (continued)

gone over the procurement process that they undertook at the time and concluded they were satisfied with the procurement arrangements in place at the time. There was also an external review commissioned by the Council which did not find any significant faults in the procurement contract and process. We are also aware the Council is taking action against the contractors to ensure that it obtains the expected benefits from these contracts.

We have updated our understanding of the Council's position, particularly with regards to the costs incurred and rationale for them, and we have not identified any significant weaknesses in these arrangements. Whilst the costs incurred by the Council on the floating bridge has been significant, they are below our performance materiality. We have therefore concluded there was no risk of significant weakness in the Council's arrangements.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.



Section 5

Other Reporting Issues

Other Reporting Issues

Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

Whole of Government Accounts

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 2020/21 is yet to be issued. We will liaise with the Council to complete this work as required.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Other powers and duties

We identified no issues to date during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Other Reporting Issues (cont'd)

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. 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 identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

Our audit did not identify any control issues to bring to the attention of the Audit Committee.

Appendix A

Audit Fees

Audit Fees – Isle of Wight Council

Our final proposed fees for 2020/21 are set out in the table below:

Description	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	139,904	139,904	139,904
Risk based fee variations (see Note 2)	TBC	TBC	34,799
Fee for work on the objection received on the 2019/20 financial statements (see Note 3)	N/A	N/A	23,817
Total Fees	TBC	TBC	198,520

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. They have not yet been approved by PSAA. We are yet to fully quantify 2020/21 risk based fee variations and agree them with the Council. We will provide an update in due course.

Note 3 – Additional fee will be charged for the work undertaken in relation to the objection received on the 2019/20 financial statements. This work is always a change in scope that is not considered as part of the scale fee and includes legal fees of £17,552.

Audit Fees – Isle of Wight Pension Fund

Our final proposed fees for 2020/21 are set out in the table below:

Description	Final Fee 2020/21	Planned Fee 2020/21	Final Fee 2019/20
	£	£	£
Scale Fee – Code work	16,235	16,235	16,235
Planned 2019/20 and 2020/21 recurrent fee variation reflecting the underlying level of additional risk at the Fund (see Note 1).	-	32,765	-
Revised Proposed Scale Fee.	16,235	49,000	16,235
Risk based fee variations (see Note 2).	TBC	5,000 to 7,000	15,999
Additional fee for IAS19 assurance work on behalf of admitted bodies & triennial valuation (see Note 3).	TBC	500 to 1,000	3,803
Total Fees	TBC	54,500 to 57,000	36,037

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 £32,765 to deliver the audit in 2019/20 which we expected to reoccur in 2020/21 and subsequent years. This additional fee was not agreed by the Director of Finance, although the pressures on fee were recognised. PSAA has determined that 2019/20 fee variations will not be accepted on a recurrent basis. The recurrent fee proposal is therefore not reflected as part of the final fee in either 2019/20 or 2020/21.

Note 2 - The proposed 2019/20 risk based fees had been agreed with the Director of Finance and Support Services and totalled £4,007. PSAA has determined that a total of £15,999 should be paid in respect of the recurrent and non-recurrent fee variations submitted. As set out in Note 1 this amount has been determined on a non-recurrent basis. The proposed fee for 2020/21 is to be confirmed and we will update the Audit Committee in due course.

Note 3 – In 2019/20 we charged £3,803 for IAS 19 assurance work on behalf of admitted bodies and additional work on the 2019 triennial valuation of the Fund relevant to the 2019/20 year. Our proposed fee for IAS 19 assurance work in 2020/21 is in the range of £500 to £1,000. These fees are agreed by the Director of Finance and do not require approval by PSAA.

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Committee report

Committee	AUDIT COMMITTEE
Date	6 DECEMBER 2021
Title	STATEMENT OF ACCOUNTS 2020-21
Report of	DIRECTOR OF FINANCE AND SECTION 151 OFFICER

EXECUTIVE SUMMARY

1. This report seeks approval for the council's Statement of Accounts for 2020-21 following completion of the external audit process, and having given due consideration to the content of the external auditor's Audit Results Report which is also on the agenda for this meeting of the committee.
2. The Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021 require approval of the Statement of Accounts by councillors no later than 30 September 2021 or as soon as reasonably practical after receipt of the auditor's report containing the final findings from the audit. Following approval, the accounts must be signed and dated by the person presiding at the meeting and published on the council's website, together with the report and opinion issued by the auditor.

BACKGROUND

3. Under the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021, the director of finance and section 151 officer is required to sign and date the Statement of Accounts, and confirm that he was satisfied that the accounts presented a true and fair view of the financial position of the authority at 31 March 2021 and of the authority's income and expenditure for 2020-21, by 31 July 2021.
4. The director of finance and section 151 officer signed the draft Statement of Accounts on 30 July 2021 to confirm that he was satisfied that the accounts presented a true and fair view of the financial position of the authority at 31 March 2021 and of the authority's income and expenditure for 2020-21. These draft accounts were then made available to the council's external auditors.
5. After considering comments from the auditors, and making amendments that he felt to be appropriate, the director of finance and section 151 officer has re-confirmed that he is satisfied that the Statement of Accounts presents a true and fair view of the financial position of the authority at 31 March 2021 and of the authority's income and expenditure for 2020-21.

6. The Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021 now require councillors to:
 - a) consider the Statement of Accounts;
 - b) approve the Statement of Accounts by a resolution;
 - c) ensure that the Statement of Accounts is signed and dated by the person presiding at the committee at which approval is given.
7. The Isle of Wight Council discharges these responsibilities through the Audit Committee.
8. In considering the Statement of Accounts the committee should take into account any comments made by the auditor.
9. Under the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021, the council must publish the accounts together with any certificate or opinion entered by the auditor by 30 September 2021.
10. As the audit of accounts had not been concluded before 30 September a notice was published on the council's website stating that it has not been able to publish the statement of accounts and the reasons, as required by the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021.

STRATEGIC CONTEXT

11. This approval of the council's Statement of Accounts and the overall stewardship of public funds form an integral part of the council's corporate governance framework and makes a positive contribution towards the council's Corporate Plan 2021-2025 as it relates directly to the achievement of the key activity 'Keep the council solvent and take all the measures we can to improve its financial position' and supports the corporate outcome of 'Understands the work of the council and the challenges it faces.'

CONSULTATION

12. The Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021 require the council's accounts and accounting records to be available for inspection by members of the public for a period of 30 working days. For 2020-21, the accounts and supporting records were available for inspection from 2 August to 13 September 2021. The regulations also require local government electors to be notified that the Statement of Accounts is available for inspection as soon as the audit has been completed.

FINANCIAL / BUDGET IMPLICATIONS

13. There are no direct financial implications associated with this report.
14. The format of the financial information contained in the Statement of Accounts is required to comply with external reporting requirements, codes of practice and the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021.

LEGAL IMPLICATIONS

15. The director of finance and section 151 officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021 to ensure that the council's budgeting, financial management and accounting practices meet the relevant statutory and professional requirements.
16. If the Statement of Accounts is not approved by the committee by 30 September 2021, the council is required to publish on its website a notice stating that it has not been able to publish the statement of accounts and the reasons for this, as required by the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021. Failure to approve and publish the accounts as set out in the regulations would represent a potential risk to the reputation of the council.

EQUALITY AND DIVERSITY

17. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. There are no specific equality and diversity implications arising from the content of this report and approval of the council's Statement of Accounts for any of the protected characteristics.

OPTIONS

18. The Audit Committee now has two options:
 - 1) That the 2020-21 Statement of Accounts be approved and the person presiding be authorised to sign and date the Statement of Accounts.
 - 2) To identify areas of concern and not approve the 2020-21 Statement of Accounts.

RISK MANAGEMENT

19. The key risks relate to not producing and approving the council's Statement of Accounts in accordance with external reporting requirements, codes of practice and relevant financial reporting standards, and the requirements of the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021. Failure to approve the accounts or comply with relevant reporting standards would represent a potential risk to the reputation of the council.

EVALUATION

20. To comply with the requirements of the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021, the council must publish the approved Statement of Accounts by 30 September or as soon as reasonably practical after receipt of the auditor's report containing the final findings

from the audit, together with any certificate or opinion issued by the auditor. The council has delegated the authority to approve the Statement of Accounts to the Audit Committee. The approval decision should be made after taking into account any comments made by the auditor.

RECOMMENDATION

21. Option 1 – That the 2020-21 Statement of Accounts be approved and the person presiding be authorised to sign and date the Statement of Accounts.

APPENDICES ATTACHED

22. Appendix 1 – Final Statement of Accounts 2020-21 - *to follow (in the process of a final review by the external auditors and will follow once this has been completed)*
23. Appendix 2 – Narrative report to the Isle of Wight Council Statement of Accounts - *to follow (in the process of a final review by the external auditors and will follow once this has been completed)*

Contact Point: Chris Ward, Director of Finance and S151 Officer, ☎ 821000 e-mail chris.ward@portsmouthcc.gov.uk

CHRIS WARD
*Director of Finance
and Section 151 Officer*

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



Committee report

Committee	AUDIT COMMITTEE
Date	6 DECEMBER 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 September 2021. The report presented to the December 2021 committee meeting summarises the results of audits finalised between September 2021 and November 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 – December 2021

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

CHRIS WARD
Director of Finance and Section 151 Officer

COUNCILLOR ANDREW GARRATT
Chairman of the Audit Committee



Internal Audit Progress Report 10 November 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 10 November 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

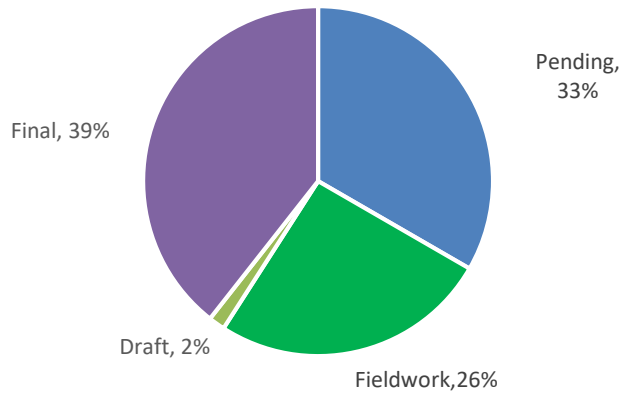
The following table outlines the follow up categories used to describe the outcome of follow up testing completed.

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



There were 66 reviews set out in the Audit Plan for 2021/22. There have been a number of changes to the originally proposed plan, primarily related to additional grants requiring certification by Internal Audit and consequent reductions in planned audit activity elsewhere. The current number of planned audits (full, follow-up and grant certification) is 69 more detail is provided in section nine of this report.

Status (including follow-ups)	Audits
Pending	22
Fieldwork	17
Draft	1
Final	26
TOTAL	66

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

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



7. Audits in Period

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

Arreton St George Primary School

Exceptions Raised

Critical	High	Medium	Low
0	0	1	0

Overall Assurance Level

Assurance

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

Assurance Level by Scope Area

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

Minor gaps in inventory management were identified, for example spot checks on assets and improvements to write off process for disposed assets.

Wellbeing and Workforce Development

Exceptions Raised

Critical	High	Medium	Low
0	0	1	0

Overall Assurance Level

Reasonable Assurance

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

Assurance Level by Scope Area

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

Fieldwork confirmed that appropriate arrangements are in place regarding wellbeing, which are operating effectively. The Council has a credible plan to address known gaps in its workforce planning, supported by the Local Government Association (LGA).



Local Transport Capital Funding

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.

Disabled Facilities

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.



Additional Dedicated Home to School and College Transport

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.

Rough Sleeping Initiative

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.



Bus subsidy

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.

Green homes 1

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.



Test & Trace £500 Support 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

Internal Audit independently reviewed 30 applications to verify an actual decrease in expected income. Note: agreed payments were to be made immediately, based on an expected drop in income. Individuals were made aware that if their income did not subsequently decrease that a recovery could be considered. For the sample tested the council administered the grant correctly, however 10/30 cases tested could not evidence a subsequent decrease and therefore recoveries are being made in those instances.



8. Follow-up Audits in Period

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

Children with Disability (Disabled Children's Team)					
Original Exceptions Raised				Original Assurance Level	Follow-up Level
Critical	High	Medium	Low	Limited Assurance	Reasonable Assurance
0	1	5	2		

The majority of issues originally identified have now been addressed, with actions in progress to respond to remaining findings raised.

1	Low	Resource Panel Terms of reference for the forum have been updated and record keeping improved, to better evidence plans back to approvals.	Closed
2	Medium	Spending Plans Training has been provided and exemplar spending plans shared; Payments Team has confirmed that paperwork is now of a consistent quality.	Closed
3	Low	Direct Payment Agreements Good practice agreements as used in Adult Services are in the process of being adopted in Children's Services.	Closed
4	Medium	Use of Personal Assistants (PAs) through the PA Marketplace Initial investigations regarding use of PA Marketplace have been completed; further work is necessary to confirm the suitability of this route for Children's Services.	Closed
5	Medium	Account Monitoring Processes The account audit process has been documented. New cases will be reviewed at three, six and 12 monthly intervals.	Closed
6	High	Surplus Balances and Account Capping Oversight of surpluses has improved, with a new monitoring spreadsheet being used by the Payments Team. However, reclaims levels (where applicable) are still low and payment caps are still often being exceeded. Work is ongoing to enhance processing in these areas.	In Progress
7	Medium	Quarterly Pay Runs Due to low volumes and the work which would be necessary these have not been automated. However, a wallet reconciliation process has been implemented, to ensure funds are used appropriately.	Closed
8	Medium	Accounts receiving both Social Care and Continuing Healthcare (CHC) funding Discussion is ongoing at a senior level, as to how best to enhance how joint funding accounts are managed.	In Progress



Homes in Multiple Occupancy (HMOs)

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

Progress is being made, with further work necessary to fully address issues.

1	Medium	HMO Records Record keeping has improved, for example with a system in place to flag where up to date evidence of gas safety is required. Gaps remain regarding management oversight and better use of the Uniform software system.	In Progress
2	Medium	HMO Register Data has now been fully migrated to the Uniform system, from the previously used spreadsheet and is used to support management oversight. During audit fieldwork it was identified that some information regarding HMOs is published on the Council’s website; this needs to be further investigated, to confirm that it is compliant with legislation.	In Progress
3	Medium	HMO Inspections Inspections, reinspection, and retention of sufficient evidence have all improved since last reviewed. However, some information is still stored on the shared drive, outside of the Uniform system.	In Progress

Direct Payments

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

All agreed actions have been fully addressed, leading to assurance being raised from limited to full. This is highly unusual and shows a robust response by the service to the issues identified in the original report.

1	High	Failure to comply with legislation and documented processes Fieldwork confirmed that a combination of increased capacity, revised processes and enhanced oversight have fully addressed this finding.	Closed
2	Medium	Personal Assistant (PA) Due Diligence A revised code of conduct for PAs is in place, supported by increased oversight by Council officers.	Closed
3	High	Management of surplus balances and reclaimed values Enhanced processes and oversight are now in place, with a complete population provided to internal audit, to confirm this finding has been addressed.	Closed
4	Low	Effective working practices in setting up Direct Payment accounts A revised direct payment agreement is in place, signed and returned by 99% of grant recipients.	Closed
5	Medium	Invoices for Care	Closed



		A revised invoicing and payment checking process is in place, supported by greater oversight of banked hours.	
6	Low	Process Documentation Documentation has been reviewed and updated.	Closed

Pension Administration

Original Exceptions Raised

Critical	High	Medium	Low
0	0	2	0

First Follow-up Level

Reasonable Assurance

Second Follow-up Level

Reasonable Assurance

Both actions raised in the original audit related to third party access/use of new, more automated interfaces into the Council's pension system. Implementation is ongoing, with good progress being made.

1	Medium	System Changes to members contributions Progress is ongoing; 79% of third-party employers are now using new, more efficient automated interfaces.	In Progress
2	Medium	Timely Processing of New Starters As above; 79% of third-party employers are now using new, more efficient automated interfaces.	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)	■				Fieldwork		
Plene Dene	■				Pending		
Deputyships/ Appointeeships		■			Pending		
Direct Payments		■			Final	Assurance	Included in this report
Rough Sleeping Initiative				■	Final	Assurance	Included in this report
Homelessness Prevention Grant				■	Pending		Additional grant, requiring certification by Internal Audit.
Children's Services							
Early Years	■				Fieldwork		
Barnardo's Contract: Early Help	■				Final	Reasonable	Reported in September
Arreton St George School	■				Final	Assurance	Included in this report
Broadlea School	■				Fieldwork		
St Mary's School	■				Pending		
Beaulieu House		■			Pending		Delayed from 2020/21 (original audit carried out in 2019/20) due to COVID19.
Children with Disability		■			Final	Reasonable	Included in this report
Home to School Transport		■			Fieldwork		Delayed from 2020/21 (original audit carried out in 2019/20) due to COVID19.
Bembridge		■			Final	Assurance	Reported in September
Wroxall		■			Final	Assurance	Reported in September



Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Greenmount		■			Pending		
Corporate Services							
Accounts Payable (AP)	■				Fieldwork		
Accounts Receivable (AR)	■				Fieldwork		
Bank and Cash	■				Pending		
Council Tax and NNDR	■				Pending		
Housing Benefits	■				Pending		
Payroll	■				Fieldwork		
Workforce Development (including Wellbeing)	■				Final	Reasonable	Included in this report
Technology Forge (IT System)	■				Final	Limited	Included in this report
Software Development	■				Fieldwork		
Fleet/Hire Cars	■				Fieldwork		
Council Digital Strategy		■			Pending		Full follow up pending
Insurance		■			Fieldwork		
Pension Administration		■			Final	Reasonable	Included in this report
Agency and Insurance		■			Draft		
Freedom of Information (FOI)/Subject Access Requests (SARs)		■			Final	Reasonable	Reported in September
Modern Slavery		■			Final	Reasonable	Reported in September
Paris (IT System)			■		Pending		
IT Follow-Up			■		Pending		This review will follow-up a number of open actions, across a range of IT audits carried out during the preceding three years.



Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
							Follow-up activity has been combined into a single review, due to overlap/duplication between actions agreed.
Social Media			■		Pending		
Finance							
School Financial Management Standard (SFVS)	■				Final	Reasonable	Reported in September
COVID Assurance	■				Fieldwork		
Bus Subsidy				■	Final	Assurance	Included in this report
Disabled Facilities				■	Final	Assurance	Included in this report
Local Transport Capital Funding				■	Final	Assurance	Included in this report
Supporting Families				■	Ongoing fieldwork		Grant certifications carried out throughout year.
Income Compensation				■	Final	Assurance	Reported in September
Winter Grant (COVID)				□	Suspended		Sign off not required
Green Homes Grant 1				■	Final	Assurance	Included in this report
Lifeline Grant				■	Final	Assurance	Reported in September
Green Homes Grant 2				■	Pending		
Contain Outbreak Management Fund				□	Suspended		Sign off required June 2022. Therefore, moved to 2022/23 plan.
Test and Trace Support Grant				■	Final	Assurance	Included in this report
USAC Interreg Project				■	Pending		Additional grant, requiring certification by Internal Audit.
Emergency Active Travel				■	Pending		Additional grant, requiring certification by Internal Audit.
Additional Dedicated Home 2 School Tranche				■	Final	Assurance	Included in this report



Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Neighbourhoods							
Regulatory Service	■				Pending		
CCTV			■		Pending		
Leisure Centres		■			Pending		Delayed from 2020/21 (original audit carried out in 2019/20) due to COVID19.
Homes in Multiple Occupancy (HMOs)		■			Final	Reasonable	Included in this report
Beach Huts			■		Final	Assurance	Reported in September
Water Safety			■		Final	Assurance	Reported in September
Public Health Funerals (Community)			■		Fieldwork		
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	Reported in September
Regeneration							
Asbestos	■				Fieldwork		
Planning Enforcement	□				Suspended		Suspended, to provide capacity for additional grant certification work.
School Landlord Responsibility		■			Fieldwork		
Section 106		■			Pending		
Asset Management			■		Final	Reasonable	Reported in September
Strategy & Corporate							
Project (Adelaide & Gouldings)	■				Pending		
Risk Management	■				Fieldwork		



Internal Audit Progress Report

Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Annual Governance Statement (AGS)	■				Fieldwork		

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ISLE *of*
WIGHT
COUNCIL

IT System: Technology Forge IWC-2122-017

Limited Assurance

Author Geraint Newton

Version Final

Dated 12/07/2021

Recipient(s) Claire Shand, Director of Corporate Services, Christopher Ashman, Director of Regeneration, Roger Brown, Strategic Manager for ICT & Digital Services (SIRO), Stuart Newnham, Property Management Surveyor, Jeff Barrett, Definitive Property Records Officer

Approved by Elizabeth Goodwin, Chief Internal Auditor

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	Executive Summary
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Executive Summary

An audit of the processes and procedures in place to manage Technology Forge (the IT system used to manage the Council's property portfolio) has been undertaken in accordance with the 2021/22 Audit Plan.

Achievement of the Council's Strategic Objectives

Reasonable Assurance

One medium-risk exception has been raised; further detail can be found in the main body of this report.

Contract/Vendor Management (medium risk): the Council does not have a current contract with the system vendor and the relationship with the vendor is managed informally. The Service also need to engage with the Council's IT and Procurement teams, regarding evaluation of a potential move to the vendor's Cloud based offer.

Safeguarding of Assets

Limited Assurance

One high-risk exception has been raised; further detail can be found in the main body of this report.

Continuity (high risk): the Service does not have a documented or tested Business Continuity Plan (BCP) for use, should Technology Forge not be available.

Effectiveness and Efficiency of Operations

Limited Assurance

One high-risk and one medium-risk exception have been raised; further detail can be found in the main body of this report.

Roles and Responsibilities (high risk): Technology Forge is administered within the Service, rather than centrally by IT and technical processes are not documented. For context the total number of users is low (30 active accounts), no orphan accounts (live accounts, no longer required) were identified and there have only been two new users added to the system in the three years preceding audit.

Change Management (medium risk): the last change to Technology Forge in 2018 was applied straight to the live environment, without prior testing.

Completion of the audit

Limited Assurance

Two high-risk and two medium risk findings have been raised as a result of audit testing. For context Technology Forge is a small system (30 users), which is widely used in the local government sector and has been used by the Council for many years, without significant issue. However, virtually all elements of how the system is managed/reviewed fall short of good practice, as summarised above. It is noteworthy that this is the only significant system left at the Council known to be managed primarily within a service department.

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

Assurance Levels

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

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

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

Objectives and Scope

The objectives of the audit were to ensure:

Achievement of organisation's Strategic Objectives

Appropriate arrangements are in place to ensure the continued availability of a fit for purpose system:

- A current contract with the vendor is in place.
- If the contract is within 12 months of expiry procurement activity has commenced, including engagement with the central procurement team.
- Performance expectations are identified in the Contract, either in a specific contract schedule, separate Service Level Agreement (SLA) or equivalent.
- Oversight is in place to ensure performance expectations are met, for example regular meetings with the vendor and periodic reporting.

Safeguarding of Assets

Appropriate continuity arrangements are in place:

- A Business Continuity Plan (BCP) is in place, which specifies alternative processing arrangements, should Technology Forge not be available.
- The BCP is periodically reviewed, with expectations confirmed as realistic with IT.
- Data in Technology Forge is regularly backed up, with copies stored offsite.
- System restoration is tested periodically, within the last three years.

Effectiveness and Efficiency of Operations

Effective roles and responsibilities are in place, clear and understood:

- Responsibilities and core processes are documented.
- Documentation is periodically reviewed, to ensure it is kept up to date.
- There is a clear division between technical and operational responsibilities.
- The number of administrative users is minimised.
- New users require authorisation, before logins are created.
- Leavers are removed from the system in a timely manner.
- Appropriate arrangements are in place, to ensure users have appropriate skills to use the system, for example training/cross skilling.
- Changes are tested and approved, prior to being implemented.

Exceptions

IWC-2122-017-001

Contract/Vendor Management

Medium

Achievement of the Council's strategic objectives

Exception

Neither a current nor historic contract could be located by the central contract team, the Service or in the Council's contract store (used for paper contracts). However:

- The vendor is well established and widely used within the local government/public sector.
- Technology Forge has been used by the Council to manage its property portfolio for well in excess of 10 years, without significant issues.
- The system is hosted in-house and based on standard MS technology (local Access runtime, backed by a centrally hosted SQL Server database).
- Technology Forge is relatively low cost, £6,834 for 2020, £19,980 cumulatively since 2018.

While the points above reduce the risk associated with the current position, the absence of a contract does expose the Council to several risks (see below). The current lack of 'formality' also means there are no documented performance expectations of the vendor, for example response times for support requests, or agreed meeting frequencies or expected reporting and frequency from the vendor. Internal Audit also notes that while the annual cost is relatively low given Technology Forge's extended use it should have been subject to a retendering exercise.

Internal Audit also notes that the Council is in the early stages of investigating moving to a Cloud based version of Technology Forge; to date neither the central Procurement Team nor the Council's IT Department have been involved in these discussions. While a Cloud based system potentially offers a number of benefits, for example better resilience, it would also increase the Council's reliance on the vendor and consequently the need for a contract and more a more formal approach to managing the vendor relationship.

Risks and Consequences

Without a contract with the system vendor the Council has less certainty regarding the continued availability of the system and the functionality it provides to support managing the property portfolio. Procurement activity may not be initiated when required and ultimately the Council may find itself without access to the system, potentially at short notice.

Without sufficient performance management regarding the system/vendor the performance/availability of the system will be more likely not to meet the Council's needs.

If IT and procurement are not sufficiently involved in discussions with the vendor then technical and procurement organisational/good practice expectations will be less likely to be met.

Agreed Action

The Service will:

- Engage with both the Council's procurement and IT department regarding discussions with the vendor's Cloud based system.
- Ensure that a formal contract, with a specific schedule/SLA covering performance expectations, reporting and meetings with the vendor is put in place, either for the potential Cloud based or the current locally hosted version of Technology Forge.

Person Responsible / Action by Date

Stuart Newnham, Property Management Surveyor - September 2021

Safeguarding of Assets

Exception

The Service does not have a Business Continuity Plan (BCP), setting out alternative/manual processes to be used in the event that Technology Forge is not available.

As noted in finding one Technology Forge comprises of a locally installed MS Access runtime, backed by a centrally hosted MS SQL Server database. In practice the use of a local install means that there is no 'application' server, any application issues would therefore be discrete to individual installs. The database is centrally managed by IT, backed up on a weekly and daily basis (effectively meaning a Recovery Point Objective (RTO) of 24 hours). Logs for the three months prior to audit have been reviewed, with no 'fails' listed; technical staff confirmed that should any fails occur these would be investigated and resolved as part of daily routines.

From an IT perspective Technology Forge is a lower priority system, meaning that in the unlikely event of a full outage the system may not be available for a number of days (higher priority items are limited to core messaging/infrastructure and public protection/social care systems).

Risks and Consequences

Without a documented and tested BCP Plan the Service will have to fall back on untested manual processes, potentially for an extended period. These may prove not to be fit for purpose, impacting both on the effectiveness of the service provided and lead to an extended recovery period, once system functionality is restored.

Agreed Action

The Service will:

- Engage with IT, to confirm the level of service which is required and which can be delivered by IT.
- Document and test a BCP Plan, setting out manual processes and recovery, once the system is restored, subsequent to any outage.
- Schedule annual review and periodic testing of the BCP.

Person Responsible / Action by Date

Stuart Newnham, Property Management Surveyor
September 2021

Effectiveness and Efficiency of Operations

Exception

The system is administered within the Service, rather than centrally by IT and ‘technical’ processes, for example user management are not documented. For context the total number of users is low (30) and there have been limited change to the user population within the three years prior to review (two new users). Internal Audit also notes that comprehensive documentation is in place for operational processes reliant on the system, produced in-house by the Service. There is one ‘generic’ account (not linked to a named user), for IT use.

A satisfactory ‘audit trail’ of request, authorisation and implementation, by separate technical staff (to ensure segregation of duties) could not be evidenced for either of the users added to the system during the three years prior to this review (for context both new users identified were added in 2020).

While no orphan accounts (live accounts, present for staff who have left the Council) nor unneeded accounts (all live account holders were contacted to inform this review) were identified it has not been possible to confirm that accounts were removed in a timely manner, nor that the level of access is appropriate to job roles, due to the absence of formal technical processes.

As above Technology Forge is a relatively small system; IT have confirmed they have the capacity to take on administration of the system within central IT teams.

Risks and Consequences

Processes which are not documented are more likely to be carried out inconsistently, have gaps/weaknesses and be reliant on a small number of staff. When technical duties are carried out in the same team(s) responsible for operational duties this also violates segregation of duties, inherently weakening the security of the system.

When audit trails of actions, for example authorisations and when actions are requested and carried out, are not appropriately documented it is not possible to clearly evidence timely, effective and authorised processing; this increases the risk that inappropriate access to the system may exist.

Generic users increase the risk that inappropriate actions could be carried out, which are not uniquely attributable.

Agreed Action

Person Responsible / Action by Date

The Service will:

- Investigate moving administration of Technology Forge to within the IT Department.
- Document the processes of granting, editing and revoking access to Technology Forge, based on job roles; specifically this should include authorisation from an appropriate source of authority.

Stuart Newnham, Property Management Surveyor
September 2021

IWC-2122-017-004 | Change Management

Medium

Effectiveness and Efficiency of Operations

Exception

The last change to the system was implemented in 2018. This entailed upgrading the local MS Access runtimes and the central MS SQL Server database. Comprehensive instructions were provided by the vendor; however, the key steps of upgrading the test version of the database and testing this on a test machine with test version of the new runtime were not carried out. For clarity these are identified in the instructions from the vendor.

Risks and Consequences

Unstable changes/versions being applied to the live environment, potentially leading to service interruption and data loss.

Agreed Action

The Council will ensure that future upgrades follow vendor instructions; specifically, the 'new' version of the system should be tested and signed off by the Service, prior to the live database and local runtimes being upgraded.

Person Responsible / Action by Date

Stuart Newnham, Property Management Surveyor
September 2021

Exception Ratings

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

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



Purpose: For Decision

Committee report

Committee	AUDIT COMMITTEE
Date	6 DECEMBER 2021
Title	ANNUAL FRAUD, IRREGULARITY AND WHISTLEBLOWING REPORT 2020-21
Report of	CHIEF INTERNAL AUDITOR

EXECUTIVE SUMMARY

1. This report is to inform the committee of any incidents of fraud and irregularity experienced by the council during the period 1 April 2020 to 31 March 2021. All cases are reported at the conclusion of an investigation and where applicable a prosecution. For the period noted there is one case to report.

BACKGROUND

2. The council continues to have a comprehensive array of strategies and associated policies to counter the risk of fraud and corruption, including:
 - Counter-Fraud and Corruption Strategy
 - Codes of Conduct for employees and for members
 - Audit Committee
 - Financial Regulations
 - Contract Standing Orders and associated Procurement Code
 - Policies and processes, including Gifts & Hospitality
 - Monitoring Officer and Section 151 Officer
 - Complaints Policy
 - Whistleblowing Policy
 - National Fraud Initiative
 - Internal audit
 - External audit
 - Compliance with transparency requirements
 - Systems and controls which are designed to counter-fraud and error
 - Processes for managing risks
 - A comprehensive system of budget monitoring

STRATEGIC CONTEXT

3. As the steward of public funds and the custodian of public assets, the council must ensure that its operations are protected from fraud. If undetected, fraud will mean that taxpayers' moneys and contributions received from service users will be wasted and not available for spending on services, placing even more pressure on the council's budget.

WORK CARRIED OUT

General

4. Due to the COVID19 and the increase on the level of Family and Universal Credit applications being submitted, the Department of Working Pensions (DWP) disbanded all their fraud teams to other departments to assist with front line applications. Consequently, there has been no Joint working with the DWP Fraud investigations for the period March 2020 to September 2021.
5. Twelve of the joint working cases that were open with the DWP prior to Covid (including those that were already with the Crown Prosecution Service (CPS)), have been closed by the DWP.
6. One case remains open and an interview under caution has occurred. The file is now with the DWP Decision Maker.
7. Work is ongoing in several areas which includes the following:
 - Coordinating the National Fraud Initiative (NFI) requirements, (a mandatory requirement of the Cabinet Office). The bi-annual data submissions are currently in the process of being uploaded.
 - Data analytics using the functions of IDEA (software tool) has been set up for duplicate payments. The results of which will be used in due course. The Direct Payments analysis is in progress and other high-risk areas will be progressed in due course.
 - The reviewing of relevant policies and processes in place for the investigation of theft/ fraud and misappropriation across areas of the council.

Direct Payments

8. Direct Payments investigations have continued throughout Covid, and as a result two cases have been presented to the Isle of Wight Authority Panel. The decision of the panel for these cases is that both the claimant and additional individual (who had aided and abetted the fraud) should be prosecuted. The cases have been allocated Legal Services have been instructed.
9. In relation to the cases mentioned above, Invoices have been issued to recover the overpaid Direct payments as follows: -

£ 76,541.11 (invoices raised February 2021)

£14,998.53 (invoice raised May 2021)

Traffic Offences

10. The Isle of Wight Parking Service have begun the process of introducing Enforcement action to address the Misuse of Disabled Blue Badge.
11. As a result, the first case is under consideration for prosecution.

Whistleblowing

12. There has been one instance of whistleblowing reported during the period 1 April 2020 to 31 March 2021. This was a COVID related safeguarding concern, raised by a staff member. Following independent review concerns were not substantiated. However, the Council has implemented a number of enhancements to processing, following the completion of the independent review.
13. Arrangements are in place to record concerns raised this includes, a whistle-blowing register and unique email address called 'Whistle-blowing' which is aimed at providing individuals with a means of formally raising their concerns in a confidential manner.
14. The Council has ceased its membership with 'Protect' previously known as 'Public Concern at Work' (registered charity providing independent and free confidential support for whistle-blowers), as a budget saving measure.

CONSULTATION

15. Internal consultation has taken place over this report, liaising with those responsible for receiving and recording incidents of whistle-blowing in accordance with policy and with senior management who are often the recipients of allegations of irregularity.

FINANCIAL / BUDGET IMPLICATIONS

16. Fraud, if undetected will have a direct impact on the council's financial well-being and will deny the use of resources for service delivery or to meet the council's savings requirements.

LEGAL IMPLICATIONS

17. There are no direct legal implications of this report. The council has a duty to administer its financial affairs in a proper manner. Part of that requirement is that the council must protect itself, taxpayers and service users from the risk of fraud and other irregularity. The council may initiate prosecutions for fraud or liaise with appropriate body depending on the type of offences alleged.

EQUALITY AND DIVERSITY

18. 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.

RISK MANAGEMENT

19. It is important for the council to recognise the risk from fraud. That means it must continue, as a minimum, to use the measures that are set out in paragraph 2 to counter that risk. Investment in anti-fraud measures can be cost-effective in reducing the cost of fraud which has the potential to impact on over £300 million of council spending and income. There is a fraud risk held on the council's risk register intended to manage the risk of fraud and to ensure that controls continue to operate to counter the risk.

RECOMMENDATION

20. That the report of the Chief Internal Auditor be noted.

Contact Point: Elizabeth Goodwin, Chief Internal Auditor, ☎ 02392 834682
e-mail Elizabeth.goodwin@portsmouthcc.gov.uk

CHRIS WARD
Director of Finance & Section 151 Officer

CLLR ANDREW GARRATT
Chairman of the Audit Committee

Purpose: For Noting



Committee report

Committee	AUDIT COMMITTEE
Date	6 DECEMBER 2021
Title	TREASURY MANAGEMENT HALF YEAR REPORT 2021-22
Report of	PENSION FUND AND TREASURY MANAGEMENT ACCOUNTANT

EXECUTIVE SUMMARY

1. In accordance with the Isle of Wight Council's Treasury Management Strategy 2021-22, this report presents the committee with a half year progress report on treasury management policies, practices and activities for the financial year 2021-22.
2. The council's activities have fallen within the boundaries of the prudential indicators set for the current year:
 - (a) Due to continuing low interest rates, and the strategy to undertake short-term borrowing, the council has incurred lower than forecast costs of borrowing for the first half of the year and is forecasting to contribute positively to the overall result.
 - (b) Due to continuing low interest rates, a prudent investment strategy and reduced surplus funds for investment, the council has attracted returns on its investments that are about on par in comparison to other local authorities who use the same treasury management advisor, Arlingclose Limited.
3. Throughout the first half of the year, the council has operated within the limits set out in the Treasury Management Strategy, other than exceeding the counterparty limit on the operational bank account, as detailed in the report. The limit was breached twice during the first half of the year, and on each time the amount and the duration was approved in advance by either the Technical Finance Manager, or the Director of Finance and S151 Officer.
4. The committee is asked to note this report.

BACKGROUND

5. The council's treasury management activity is underpinned by the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Treasury Management (the code), which requires authorities annually to produce prudential indicators and a treasury management strategy statement on the likely financing and

investment activity. The code also recommends that members are informed of treasury management activities at least twice a year.

6. This report is based on an example report provided by the council's treasury management advisor, Arlingclose Limited. It sets out a summary of the council's treasury management activities in the half year to 30 September 2021, and its performance against the prudential indicators that were approved as part of both the Treasury Management and Capital Strategies. It also provides information about the broader economic background, against which the council's activities can be set.
7. On 2 November 2021, the Bank of England's Monetary Policy Committee (MPC) voted by a majority of 7-2 to maintain the official bank rate at 0.10 per cent. At the same meeting a 6-3 majority voted to maintain the asset purchase programme at £895 billion, but they voted unanimously to maintain the corporate bond purchase programme at £20 billion.
8. Arlingclose has indicated that although the markets expect the rates to rise by 0.15 per cent as early as December 2021, they foresee lower rate increases. The Bank of England has indicated that they will increase rates in the "coming months", to offset the effects of the economy's growth following the Covid pandemic.
9. The economic context and outlook for the remainder of 2021-22 sections in the appendix were written at the beginning of October 2021, since then inflation has increased.

STRATEGIC CONTEXT

10. The treasury management strategy forms part of the council's overall budget strategy, specifically supporting the third core value of the latest [Corporate Plan 2021-25: Being effective and efficient](#) - This means being the best that we can be in how we organise and deliver our services, using all our limited resources wisely and carefully, getting on with things where we can.
11. The strategy specifically supports the council's capital programme and the medium-term financial strategy, ensuring the key priorities of the council are deliverable within the reduced resources available to the council.
12. Although not explicitly mentioned, the treasury management strategy also applies to the treasury dealings of the pension fund. As part of the current review of the pension fund investment strategy, it is intended that during the second half of the current financial year £25 million (approximately 2.5 percent of the fund's net assets) substantial amount of cash will be disinvested from the investment portfolios and held in treasury investments for operational reasons. The treasury management strategy for 2022-23 will include specific reference to the pension fund.

FINANCIAL / BUDGET IMPLICATIONS

13. The council's current treasury management arrangements are conducted by council staff, with support from an external treasury management advisor, Arlingclose Limited, within existing budgets.
14. The Treasury Management Strategy includes the overall management of the council's cash flow and borrowing strategy. Due to the continuing low interest rates,

it was decided not to replace short-term borrowings as they mature, but to use the cash reserves.

15. As a result of not undertaking as much short-term borrowing as forecast in the Treasury Management Strategy 2021-22, the council has identified savings of approximately £1.4 million in external interest costs to the end of September. The final level of budget savings will be assessed as part of the 2021-22 budget review.

LEGAL IMPLICATIONS

16. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require authorities to “have regard” to the CIPFA Code of Practice for Treasury Management when determining and keeping under review the strategy as to how much money they can borrow.
17. Should the council not receive this report, it is in breach of the requirements set out in the code and the council’s approved Treasury Management Strategy 2021-22.

EQUALITY AND DIVERSITY

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 to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
19. The treasury management strategy is not considered to have any impacts on the protected characteristics.

RISK MANAGEMENT

20. Treasury management activities have a high level of risk in that they relate to transactions that can amount to several million pounds which are undertaken with external bodies. When the council has surplus monies to invest, there are risks if those organisations to whom it lends default on repayment. The costs to the council of its treasury management activities are dependent on fluctuating interest rates.
21. The overall strategy of borrowing short-term and avoiding long-term debt carries the risk that, if interest rates suddenly rise, when longer term debt is eventually required, it will cost more.
22. The council manages these risks by adopting a treasury management strategy which includes a statement of treasury management practice specifically relating to risk, covering the following risk areas:
 - Credit and counterparty risk – who the council is permitted to lend to and borrow from and what instruments it can utilise.
 - Liquidity risk – ensuring that sufficient, but not excessive, funds are available when needed.
 - Interest rate risk – minimising the council’s exposure to significant fluctuations in interest rates, both investment income and borrowing costs, by continually reviewing the instruments it uses.

- Exchange rate risk – minimising the council’s exposure to foreign exchange risk by restricting the exposure to foreign currency investments and overseas counterparties.

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

EVALUATION

24. The council’s treasury management activities for the first half of 2021-22 have fallen within the boundaries of the agreed strategy for 2021-22, apart from the instances of non-compliance detailed in paragraph 3 above.

RECOMMENDATION

25. That the performance for the period ended 30 September 2021 against the treasury management indicators is noted by the committee.

APPENDICES ATTACHED

26. Appendix 1 – Treasury Management Performance Report 2021-22

BACKGROUND PAPERS

27. Treasury Management Strategy 2021-22 (Audit Committee 15 March 2021, Agenda Item 5 pages 109-136)
<https://iow.moderngov.co.uk/documents/g190/Public%20reports%20pack%2015th-Mar-2021%2010.00%20Audit%20Committee.pdf?T=10>

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CHRIS WARD
*Director of Finance
and Section 151 Officer*

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

Treasury Management Mid-Year Performance Report 2021 / 22

Introduction

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

The council's treasury management strategy for 2021/22 was approved at a meeting of Isle of Wight Council's Audit Committee on 15 March 2021. The council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the council's treasury management strategy.

The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full council covering capital expenditure and financing, treasury management and non-treasury investments. The council's Capital Strategy, complying with CIPFA's requirement, was approved by full council on 24 February 2021.

External Context (Provided by Arlingclose Limited, based on data at 8 October 2021)

Economic background: The economic recovery from coronavirus pandemic continued to dominate the first half of the financial year. By the end of the period over 48 million people in the UK had received their first dose of a COVID-19 vaccine and almost 45 million their second dose.

The Bank of England (BoE) held the Bank Rate at 0.1 percent throughout the period and maintained its Quantitative Easing programme at £895 billion, unchanged since the November 2020 meeting. In its September 2021 policy announcement, the BoE noted it now expected the UK economy to grow at a slower pace than was predicted in August, as the pace of the global recovery had shown signs of slowing and there were concerns inflationary pressures may be more persistent. Within the announcement, Bank expectations for GDP growth for the third (calendar) quarter were revised down to 2.1 percent (from 2.9 percent), in part reflecting tighter supply conditions. The path of CPI inflation is now expected to rise slightly above 4 percent in the last three months of 2021, due to higher energy prices and core goods inflation. While the Monetary Policy Committee meeting ended with policy rates unchanged, the tone was more hawkish.

Government initiatives continued to support the economy over the quarter but came to an end on 30 September 2021, with businesses required to either take back the 1.6 million workers on the furlough scheme or make them redundant.

The latest labour market data showed that in the three months to July 2021 the unemployment rate fell to 4.6 percent. The employment rate increased, and economic activity rates decreased, suggesting an improving labour market picture. Latest data showed growth in average total pay (including bonuses) and regular pay (excluding bonuses) among employees was 8.3 percent and 6.3 percent respectively over the period. However, part of the robust growth figures is due to a base effect from a decline in average pay in the spring of last year associated with the furlough scheme.

Annual CPI inflation rose to 3.2 percent in August, exceeding expectations for 2.9 percent, with the largest upward contribution coming from restaurants and hotels. The Bank of England now expects inflation to exceed 4 percent by the end of the calendar year owing largely to developments in energy and goods prices. The Office of National Statistics' (ONS') preferred measure of CPIH which includes owner-occupied housing was 3.0 percent year/year, marginally higher than expectations for 2.7 percent.

The easing of restrictions boosted activity in the second quarter of calendar year, helping push GDP up by 5.5 percent q/q (final estimate vs 4.8 percent q/q initial estimate). Household consumption was the largest contributor. Within the sector breakdown production contributed 1.0 percent q/q, construction 3.8 percent q/q and services 6.5 percent q/q, taking all these close to their pre-pandemic levels.

The US economy grew by 6.3 percent in Q1 2021 (Jan-Mar) and then by an even stronger 6.6 percent in Q2 as the recovery continued. The Federal Reserve maintained its main interest rate at between 0 percent and 0.25 percent over the period but in its most recent meeting made suggestion that monetary policy may start to be tightened soon.

The European Central Bank maintained its base rate at 0 percent, deposit rate at -0.5 percent, and asset purchase scheme at €1.85 trillion.

Financial markets: Monetary and fiscal stimulus together with rising economic growth and the ongoing vaccine rollout programmes continued to support equity markets over most of the period, albeit with a bumpy ride towards the end. The Dow Jones hit another record high while the UK-focused FTSE 250 index continued making gains over pre-pandemic levels. The more internationally focused FTSE 100 saw more modest gains over the period and remains below its pre-crisis peak.

Inflation worries continued during the period. Declines in bond yields in the first quarter of the financial year suggested bond markets were expecting any general price increases to be less severe, or more transitory, than was previously thought. However, an increase in gas prices in the UK and EU, supply shortages and a dearth of HGV lorry drivers with companies willing to pay more to secure their services, has caused problems for a range of industries and, in some instance, lead to higher prices.

The 5-year UK benchmark gilt yield began the financial year at 0.36 percent before declining to 0.33 percent by the end of June 2021 and then climbing to 0.64 percent on 30 September. Over the same period the 10-year gilt yield fell from 0.80 percent to 0.71 percent before rising to 1.03 percent and the 20-year yield declined from 1.31 percent to 1.21 percent and then increased to 1.37 percent.

The Sterling Overnight Rate (SONIA) averaged 0.05 percent over the quarter.

Credit review: Credit default swap spreads were flat over most of period and are broadly in line with their pre-pandemic levels. In late September spreads rose by a few basis points due to concerns around Chinese property developer Evergrande defaulting but are now falling back. The gap in spreads between UK ringfenced and non-ringfenced entities continued to narrow, but Santander UK remained an outlier compared to the other ringfenced/retail banks. At the end of the period Santander UK was trading the highest at 53 basis points (bps) and Lloyds Banks Plc the lowest at 32bps. The other ringfenced banks were trading between 37-39bps and Nationwide Building Society was 39bps.

Over the period Fitch and Moody's upwardly revised to stable the outlook on a number of UK banks and building societies on our counterparty list, recognising their improved capital positions compared to last year and better economic growth prospects in the UK.

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

The successful vaccine rollout programme is credit positive for the financial services sector in general and the improved economic outlook has meant some institutions have been able to reduce provisions for bad loans. While there is still uncertainty around the full extent of the losses banks and building societies will suffer due to the pandemic-related economic slowdown, the sector is in a generally better position now compared to earlier this year and 2020.

At the end of the period Arlingclose had completed its full review of its credit advice on unsecured deposits. The outcome of this review included the addition of NatWest Markets plc to the counterparty list together with the removal of the suspension of Handelsbanken plc. In addition, the maximum duration for all recommended counterparties was extended to 100 days.

As ever, the institutions and durations on the council's counterparty list recommended by treasury management advisors Arlingclose remain under constant review.

Local Context

On 31 March 2021, the council had net borrowing of £174.4 million arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.03.21 Actual £m
Total CFR	409.0
Less: Other debt liabilities*	(100.0)
Borrowing CFR	309.0
External borrowing **	(242.7)
Internal / (over) borrowing	66.3
Less: Usable reserves	(128.1)
Less: Working capital	(6.5)
(Investments) / New Borrowing	(68.3)

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

** shows only loans to which the council is committed and excludes optional refinancing

Lower official interest rates have lowered the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The council

pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk.

The treasury management position on 30 September 2021 and the change over the six months is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.03.21 Balance £m	Movement £m	30.09.21 Balance £m	30.09.21 Rate percent
Long-term borrowing	197.7	(6.4)	191.3	3.15%
Short-term borrowing	45.0	(10.0)	35.0	0.15%
Total borrowing	242.7	(16.4)	226.3	2.78%
Short-term investments	68.3	10.6	78.9	0.06%
Total investments	68.3	10.6	78.9	0.06%
Net borrowing	174.4	(27.0)	147.4	4.24%

Short-term borrowing reduced during the first half of the year as, the council has continued to use the cash reserves to repay the existing short term borrowing. There have also been sufficient funds to advance further funds to other local authorities thereby reducing the cost of carry that has been incurred during the period.

Borrowing Update

PWLB Loans

Local authorities can borrow from the Public Works Loans Board (PWLB) provided they can confirm they are not planning to purchase ‘investment assets primarily for yield’ in the current or next two financial years, with confirmation of the purpose of capital expenditure from the Director of Finance and S151 Officer. Authorities that are purchasing, or intending to purchase, investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing.

Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

Competitive market alternatives may be available for authorities with or without access to the PWLB. However, the financial strength of the individual council and borrowing purpose will be scrutinised by commercial lenders. Further changes to the CIPFA Prudential Code expected in December 2021 are likely to prohibit borrowing for the primary purpose of commercial return even where the source of borrowing is not the PWLB.

The Isle of Wight council is not planning to purchase any investment assets primarily for yield within the next three years and so is able fully access the PWLB.

Revised PWLB Guidance August 2021

HM Treasury published further guidance on PWLB borrowing in August 2021 providing additional detail and clarifications predominantly around the definition of an ‘investment asset primarily for yield’. The principal aspects of the new guidance are:

- Capital expenditure incurred or committed to before 26 November 2020 is allowable even for an ‘investment asset primarily for yield’.

- Capital plans should be submitted by local authorities via a DELTA return. These open for the new financial year on 1 March and remain open all year. Returns must be updated if there is a change of more than 10%.
- An asset held primarily to generate yield that serves no direct policy purpose should not be categorised as service delivery.
- Further detail on how local authorities purchasing investment assets primarily for yield can access the PWLB for the purposes of refinancing existing loans or externalising internal borrowing.
- Additional detail on the sanctions which can be imposed for inappropriate use of the PWLB loan. These can include a request to cancel projects, restrictions to accessing the PLWB and requests for information on further plans.

Changes to PWLB Terms and Conditions from 8 September 2021

The settlement time for a PWLB loan has been extended from two working days (T+2) to five working days (T+5). In a move to protect the PWLB against negative interest rates, the minimum interest rate for PWLB loans has also been set at 0.01 percent and the interest charged on late repayments will be the higher of Bank of England Base Rate or 0.1 percent.

Municipal Bonds Agency (MBA)

The MBA is working to deliver a new short-term loan solution, available in the first instance to principal local authorities in England, allowing them access to short-dated, low rate, flexible debt. The minimum loan size is expected to be £25 million. Importantly, local authorities will borrow in their own name and will not cross guarantee any other authorities. If the council decides to undertake future borrowing through the MBA, the legal terms and conditions of the arrangement will be thoroughly scrutinised prior to confirming the transaction.

UK Infrastructure Bank

£4 billion has been earmarked for lending to local authorities by the UK Infrastructure Bank, which is wholly owned and backed by HM Treasury. In order to access this funding a local authority will have to take part in a bidding process; however, this lending is not yet available. Loans will be available for qualifying projects at gilt yields plus 0.6 percent, which is 0.2 percent lower than the PWLB certainty rate.

Borrowing Strategy during the period

On 30 September 2021 the council held £226.3 million of loans, (a decrease of £16.4 million when compared to 31 March 2021) as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 30 September 2021 are summarised in Table 3 below.

Table 3: Borrowing Position

	31.03.21 Balance £m	Net Movement £m	30.09.21 Balance £m	30.09.21 Weighted Average Rate Percent	30.09.21 Weighted Average Maturity (years) Percent
Public Works Loan Board	192.7	(6.4)	186.3	3.23%	15.33
Banks (LOBO)	5.0	-	5.0	4.27%	20.17
Local authorities (short-term)	45.0	(10.0)	35.0	0.15%	0.28
Total Borrowing	242.7	(16.4)	226.3	2.78%	13.11

The council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the council's long-term plans change being a secondary objective.

In keeping with these objectives, no new borrowing was undertaken, while £10.0 million of short-term, and £3.5 million of PWLB existing loans were allowed to mature without replacement. The council considered it to be more cost effective in the near term to use internal resources and as such the council has been able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

The council's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short- and long-term borrowing was maintained.

PWLB funding margins have lurched quite substantially and there remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields plus 0.80 percent. The council will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.

LOBO loans: The council continues to hold £5 million of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the council has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the quarter.

The council, in association with Arlingclose, continues to evaluate the potential to negotiate a settlement of the LOBO loan towards the end of this current financial year.

Other Debt Activity

Although not classed as borrowing, the council has not raised any additional capital finance for Highway Improvements via Private Finance Initiative during this period. Total debt other than borrowing stood at £ 100.8 million on 30 September 2021, taking total debt to £327.1 million

Treasury Investment Activity

Between April 2020 and June 2021, the council received central government funding to support small and medium businesses during the coronavirus pandemic through grant schemes. The amount received was £121.8 million, which was temporarily invested in short-dated, liquid instruments such as call accounts and Money Market Funds. By 31 July, when all grant schemes were closed, £99.7 million had been paid to local businesses, £11.6 million was returned to government and the remaining £9.5 million is held in reserve for potential repayment, pending the conclusion of the government reconciliation process.

The council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves. During the year, the council's investment balances ranged between £94.8 and £67.3 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31/3/21 Balance	2021/22 movement	30/9/21 Balance	30/9/21 rate	30/09/21 WAM days
Banks & Building societies (unsecured)	10.0	1.0	11.0	0.12%	1.00
Isle of Wight Pension Fund	5.5	(0.5)	5.0	0.10%	120.00
Gouvernement including Local Authorities	38.0	(12.5)	25.5	0.10%	276.73
Money Market Funds	14.8	22.2	37.0	0.01%	1.00
	68.3	10.2	78.5	0.27%	60.01

Both the CIPFA Code and government guidance require the council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Ultra-low short-dated cash rates which have been a feature since March 2020, when Bank Rate was cut to 0.1 percent, have resulted in the return on sterling low volatility net asset value money market funds (LVNAV MMFs) being close to zero, even after some managers have temporarily waived or lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee cuts or waivers should result in MMF net yields having a floor of zero, but the possibility cannot be ruled out.

Deposit rates with the Debt Management Account Deposit Facility (DMADF) are also largely around zero.

Given the decision not to replace short-term local authority debt when it matures the council has increased the amount of cash held in MMF's and instant access bank accounts. It is anticipated that the level of funds held in these accounts will reduce before the year end.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2021	4.71	A+	36%	75	0.14%
30.06.2021	4.74	A+	52%	101	0.09%
30.09.2021	4.76	A+	61%	98	0.06%
Similar LA's	4.67	A+	63%	30	0.06%
All LA's	4.69	A+	69%	10	0.08%

Non-Treasury Investments

The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the council as well as other non-financial assets which the council holds primarily for financial return. This is replicated in the Investment Guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG) and Welsh Government, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

The council also held £40.5 million of such investments in

- directly owned property £35.1 million.
- shared ownership housing £4.0 million.
- loans to local businesses £1.4 million.

A full list of the council's non-treasury investments is available in the Isle of Wight Council Statement of Accounts 2020/21.

These investments generated £0.6 million of investment income for the council after taking account of direct costs, representing a rate of return of 3.62 percent. This rate of return is related to the directly owned property only.

Treasury Performance

The council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 6 below.

Table 6: Performance

	Actual @ 30/09/21 £m	Actual @ 30/09/21 %	Forecast to 31 March 2021 £m	Full Year Budget	Over / under
Cost of borrowing	(2.20)	2.56%	(8.30)	(9.70)	1.40
PFI & Fin Leases			(8.90)	(8.90)	0.00
Total cost of Borrowing and Debt	(2.20)	2.56%	(17.20)	(18.60)	1.40
Investment Income	0.03	0.09%	0.10	0.20	(0.10)
Total Investment Income	0.03	0.09%	0.10	0.20	(0.10)
Net cost of borrowing	(2.17)		(17.10)	(18.40)	1.30

Estimates for income 2021/22

Investment income in the council's 2021/22 budget was set against a very different economic backdrop. Although the bank rate in February 2021 was the same rate as it is currently, as can be seen from above, the average interest rate has reduced to 0.09 percent as 30 September 2021. This has resulted in a forecast shortfall against the budget of £40,000 as at the end of September.

Compliance

The Director of Finance and S151 Officer reports that all treasury management activities undertaken during the quarter complied fully with the CIPFA Code of Practice and the council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Compliance with the authorised limit and operational boundary for external debt is also demonstrated in table 7 below.

Table 7: Debt Limits

	H1 Maximum	30.9.21 Actual	2021/22 Operational Boundary	2021/22 Authorised Limit	Complied? Yes/No
Borrowing	234.8	226.3	359.0	450.0	Yes
PFI and Finance Leases	100.8	100.8	111.0	140.0	Yes
Total debt	335.6	327.1	470.0	590.0	Yes

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Table 8: Investment Limits

	H1 Maximum	30.9.21 Actual	2021/22 Limit	Complied? Yes/No
Local authorities & other government entities	39.0	26.0	Unlimited	Yes
Banks (unsecured)	12.0	11.0	24.0	Yes
Banks (operational)	20.9	5.6	12.0	No
Money market funds	40.3	37.4	Unlimited	Yes

As can be seen from the table above, there was an issue of non-compliance in relation to the limits on the operational bank account. There were two occasions where the limit was breached.

The first occasion was on 11 May 2021, when the balance in the account exceeded the limit by £374 thousand. This breach arose due to the level of cash receipts on that particular day. The account balance reverted to below the limit on the following day.

The second occasion was on 27 May 2021, when the balance in the operational bank account was £20.9 million, which is in excess of the £12 million limit. This arose as a large repayment to the Department for Business, Energy and Industrial Strategy of the Covid-19 grant income originally received throughout 2020/21, was delayed by one day. As soon as the issue came clear the Director of Finance and S151 Officer was notified. The account balance reverted to below the limit on the following day.

Treasury Management Indicators

The council measures and manages its exposures to treasury management risks using the following indicators.

Security: The council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	30.9.21 Actual	2021/22 Target	Complied?
Portfolio average credit score	4.76	5.00	Yes

Liquidity: The council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

	30.9.21 Actual	2021/22 Target	Complied?
Total cash available within 3 months	48.4	26.5	Yes

Interest Rate Exposures: This indicator is set to control the council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1 percent rise or fall in interests was:

Interest rate risk indicator	30.9.21 Actual	2021/22 Limit	Complied?
Upper limit on one-year revenue impact of a 1 percent <u>rise</u> in interest rates	-£0.2m	-£0.4m	Yes
Upper limit on one-year revenue impact of a 1 percent <u>fall</u> in interest rates	+£0.2m	+£0.4m	Yes

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

Maturity Structure of Borrowing: This indicator is set to control the council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	30.9.21 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	48%	50%	0%	Yes
12 months and within 24 months	2%	30%	0%	Yes
24 months and within 5 years	9%	30%	0%	Yes
5 years and within 10 years	16%	75%	0%	Yes
10 years and above	25%	95%	0%	Yes

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than a year: The purpose of this indicator is to control the council's exposure to the risk of incurring losses by seeking early repayment of its investments.

The council has not invested any funds for a period longer than one year.

Further Developments

Revisions to CIPFA Codes

In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These followed the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. In June, CIPFA provided feedback from this consultation.

In September 2021 CIPFA issued the revised Codes and Guidance Notes in draft form and opened the latest consultation process on their proposed changes. These changes are expected to, come into force for the 2022/23 Treasury Management Strategy. The changes include:

- Clarification that
 - o local authorities must not borrow to invest primarily for financial return
 - o it is not prudent for authorities to make any investment or spending decision

that will increase the Capital Financing Requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the council.

- Categorising investments as those
 - o for treasury management purposes,
 - o for service purposes and
 - o for commercial purposes.
- Defining acceptable reasons to borrow money:
 - o financing capital expenditure primarily related to delivering a local council's functions,
 - o temporary management of cash flow within the context of a balanced budget,
 - o securing affordability by removing exposure to future interest rate rises and
 - o refinancing current borrowing, including replacing internal borrowing.
- For service and commercial investments, in addition to assessments of affordability and prudence, an assessment of proportionality in respect of the council's overall financial capacity (i.e., whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services).
- Prudential Indicators
 - New indicator for net income from commercial and service investments to the budgeted net revenue stream.
 - Inclusion of the liability benchmark as a mandatory treasury management prudential indicator. CIPFA recommends this is presented as a chart of four balances – existing loan debt outstanding; loans CFR, net loans requirement, liability benchmark – over at least 10 years and ideally cover the council's full debt maturity profile.
 - Excluding investment income from the definition of financing costs.
- Incorporating ESG issues as a consideration within TMP 1 Risk Management.
- Additional focus on the knowledge and skills of officers and elected members involved in decision making

MHCLG Improvements to the Capital Finance Framework

MHCLG published a brief policy paper in July 2021 outlining the ways it feels that the current framework is failing and potential changes that could be made. The paper found that “while many authorities are compliant with the framework, there remain some authorities that continue to engage in practices that push the bounds of compliance and expose themselves to excessive risk”.

The actions announced include greater scrutiny of local authorities and particularly those engaged in commercial practices; an assessment of governance and training; a consideration of statutory caps on borrowing; further regulations around Minimum Revenue Provision (MRP) and ensuring that MHCLG regulations enforce guidance from CIPFA and the new PWLB lending arrangements.

A further consultation on these matters is expected soon.

Arlingclose's Economic Outlook for the remainder of 2021/22 (based on the October 2021 interest rate forecast)

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Official Bank Rate													
Upside risk	0.00	0.15	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.10	0.10	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.15	0.15	0.15	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

Arlingclose expects Bank Rate to rise in Q2 2022. We believe this is driven as much by the Bank of England's desire to move from emergency levels as by fears of inflationary

pressure. Investors have priced in multiple rises in Bank Rate to 1 percent by 2024. While Arlingclose believes Bank Rate will rise, it is by a lesser extent than expected by markets.

The global economy continues to recover from the pandemic but has entered a more challenging phase. The resurgence of demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. This is particularly apparent in the UK due to the impact of Brexit.

While Q2 UK GDP expanded more quickly than initially thought, the 'pingdemic' and more latterly supply disruption will leave Q3 GDP broadly stagnant. The outlook also appears weaker. Household spending, the driver of the recovery to date, is under pressure from a combination of retail energy price rises, the end of government support programmes and soon, tax rises. Government spending, the other driver of recovery, will slow considerably as the economy is taken off life support.

Inflation rose to 3.2 percent in August. A combination of factors will drive this to over 4 percent in the near term. While the transitory factors affecting inflation, including the low base effect of 2020, are expected to unwind over time, the MPC has recently communicated fears that these transitory factors will feed longer-term inflation expectations that require tighter monetary policy to control. This has driven interest rate expectations substantially higher.

The supply imbalances are apparent in the labour market. While wage growth is currently elevated due to compositional and base factors, stories abound of higher wages for certain sectors, driving inflation expectations. It is uncertain whether a broad-based increase in wages is possible given the pressures on businesses.

Government bond yields increased sharply following the September Federal Open Market Committee (FOMC) and Monetary Policy Committee (MPC) minutes, in which both central banks communicated a lower tolerance for higher inflation than previously thought. The MPC in particular has doubled down on these signals despite softer economic data. Bond investors expect higher near-term interest rates but are also clearly uncertain about central bank policy.

The MPC appears to be playing both sides, but has made clear its intentions to tighten policy, possibly driven by a desire to move away from emergency levels. While the economic outlook will be challenging, the signals from policymakers suggest Bank Rate will rise unless data indicates a more severe slowdown.

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Committee report

Committee	AUDIT COMMITTEE
Date	6 DECEMBER 2021
Title	PROCUREMENT ACTIVITY REPORT FOR THE HALF YEAR 1 APRIL 2021 – 30 SEPTEMBER 2021 (Q1&2 2021/22)
Report of	DIRECTOR OF CORPORATE SERVICES

EXECUTIVE SUMMARY

1. This report provides the committee with a high-level overview of the council's procurement and contract monitoring activity for the period 1 April 2021 to 30 September 2021 inclusive.
2. The committee is asked to note the report.

BACKGROUND

3. The Procurement and Contract Monitoring Team (the PCMT) is a central resource, providing advice and guidance to all council departments on procurement and contract monitoring related matters primarily where the contract value is over £25,000. The PCMT is also responsible for drafting the council's contractual terms and conditions with its suppliers and for giving contract management advice and guidance.
4. A key role of the PCMT is to ensure compliance with the Public Contracts Regulations 2015 (PCR15). These regulations apply to the majority of procurements with a total value over a specified threshold. Procurements which are below threshold are not covered by the PCR15 but are still subject to the council's own contract standing orders (CSOs).
5. The UK's transition out of the European Union ended on the 31 December 2020. On the 15 December 2020, the Cabinet Office published a Green Paper putting forward proposals to transform public sector procurement post transition. The consultation on the proposals ended on the 10 March 2021 and the Cabinet Office received over 600 responses. The Cabinet Office has concluded their analysis of the feedback on the proposals and are now in the process of finalising the new regime. The latest update given by the Cabinet Office in October 2021 states that the reform is an "*opportunity to leverage public procurement spend to deliver national and local government priorities to a greater extent than has previously been possible*". The plans for reform shall be closely monitored by the PCMT and when the final proposals are known, work will commence to understand how these can be implemented locally. It is anticipated that the new regime will come into force in 2023 at the earliest.

STRATEGIC CONTEXT

6. The council's Procurement Strategy, CSOs and the activity of the PCMT and council commissioners supports the achievement of the council's commitments and key priorities as identified within the Corporate Plan 2021-2025.

PROCUREMENT ACTIVITY 1 APRIL 2021 – 30 SEPTEMBER 2021 (Quarters 1 & 2 of financial year 2021/22)

PROJECTS INITIATED

7. During the period 1 April 2021 to 30 September 2021 a total of 97 procurement processes were initiated through the PCMT. This ranged from Invitation to Tenders (ITTs), above threshold ITTs (which are tenders that are run in accordance with the PCR15 where a contract notice must be published on Find a Tender), Request for Quotations (RFQs), call offs and direct awards on public sector framework agreements and waivers to CSOs. **Table 1** shows a breakdown of the procurement procedures initiated in the reported period, by directorate. A comparison to the previously reported data has also been provided.

Table 1

Directorate	Quantity Q1&2 2021/22	Comparison data Q3&4 2020/21	Comparison data Q1&2 2020/21
Adult social care & community well-being	18	14	11
Children's services	16	15	17
Corporate services	24	17	18
Covid19 response	-	-	7
Fire and rescue service	-	-	2
Financial management	3	2	-
Neighbourhoods	11	9	13
Public health	2	-	3
Regeneration	21	28	11
Strategy	2	-	-
TOTAL	97	85	82

CONTRACTS AWARDED

8. During the reporting period a total of 65 contracts were awarded. **Table 2** below shows a comparison, by directorate, of the number of contracts awarded in the previous two reporting periods. A detailed breakdown of the contracts awarded can be seen at **Appendix 1**.

Table 2

Directorate	Quantity 2021/22 Q1&2	Comparison data 2020/21 Q3&4	Comparison data 2020/21 Q1&2
Adult social care & community well-being	9	22	4
Children's services	20	12	22
Corporate services	9	11	12
Covid19 response	-	-	7
Financial management	1	1	-
Fire and rescue service	-	-	1
Neighbourhoods	12	9	9

Public health	1	2	2
Regeneration	12	16	7
Strategy	1	-	-
TOTAL	65	73	64

9. The total whole life value of contracts awarded during the current reporting period is £10.3 million. A breakdown by directorate is provided at **Table 3**.

Table 3

Directorate	Category of spend	2021/22 Q1&2	Comparison data 2020/21 Q3&4	Comparison data 2020/21 Q1&2
		£000	£000	£000
Adult social care & community well-being	Revenue	2,191	140,189	242
Children's services	Capital	1,716	-	6,621
	Revenue	1,371	8,799	13,603
	Capital and revenue	-	-	2,029
Corporate services	Capital	127	160	321
	Revenue	648	588	2,355
Covid19 response	Covid19 funds	-	-	1,857
Financial management	Revenue	25	75	-
Fire and rescue service	Capital	-	-	33
Neighbourhoods	Capital	358	370	-
	Revenue	656	444	858
	Capital and revenue	-	-	100
Public health	Revenue	326	1,178	540
Regeneration	Capital	1,751	2,809	69
	Revenue	1,188	1,143	1,316
	Capital and revenue	-	3,360	-
Strategy	Revenue	20	-	-
TOTAL		10,377	159,115	29,944

CONTRACT DATABASE

10. The PCMT maintains a database of contracts with a whole life value of over £25,000. There are currently 293 entries with a whole life value totalling over £1.2 billion, broken down as follows:

Directorate	Number of entries	£m
Adult Social Care & Community Well-being	62	157
Children's Services	49	45
Corporate Services	89	18
Finance	5	2
Neighbourhoods	39	952
Public Health	25	27
Regeneration	20	10
Strategy	4	0.4
TOTAL	293	1,211

WAIVERS OF CONTRACT STANDING ORDERS

11. Service areas have the ability to request a waiver of the CSOs. Waivers may be sought in unforeseen or exceptional circumstances but must not be sought for reasons of poor planning nor as a means to by-pass the CSOs. Waivers cannot be given if they would contravene the Public Contracts Regulations 2015 or any other applicable legislation. Waivers may be utilised where it can be demonstrated that the ability to act quickly to engage a single supplier would make economic sense and fit with service requirements, in circumstances where there is no more effective way to secure the capacity.
12. For waivers and contract price variations, the Procurement Board will consider the request. The membership of the board comprises the director of corporate services, procurement and contracts manager, technical finance manager and the strategic manager for legal services.
13. During the period, 42 waivers were approved. **Table 4** below sets out a high level overview of the waivers with a comparison to the data collated for the previous two half yearly reports.

Table 4

Directorate	Q1&2 2021/22		Comparison data Q3&4 2020/21		Comparison data Q1&2 2020/21	
	Number	£000	Number	£000	Number	£000
Adult social care & community well-being	8	£342	10	£567	3	£198
Children's services	15	£1,371	11	£2,105	13	£3,394
Corporate services	4	£139	2	£97	1	£103
Covid19 response	-	-	-	-	5	£234
Financial management	-	-	1	£75	-	-
Neighbourhoods	7	£545	1	£38	4	£325
Public health	1	£326	-	-	2	£540
Regeneration	7	£444	8	£489	3	£104
Strategy	-	-	-	-	-	-
TOTAL	42	£3,167	33	£3,371	31	£4,898

14. The committee will note there has been an increase in the number of waivers within this reporting period, although the total value has decreased for a second period.
15. The higher level of waivers can be attributed to the work undertaken with adult social care and community well-being and children's services around their off-framework placement agreements. During this period, they collectively accounted for 21 of the waivers.
16. The children's services commissioners are working with off framework suppliers to encourage them to join the regional framework agreement to avoid future waivers in this area.
17. While the rise in number may seem high it is positive that these contracts are being documented in the right way and that there is an audit trail in place as CSOs requires. A detailed list of the waivers can be seen at **Appendix 2**.

PROCUREMENT STRATEGY REVIEW

18. The principal purpose of the Procurement Strategy (the strategy) is to set the overall context for procurement and contract management in the council. The strategy builds on existing good practice and maps the future developments and likely improvements in the way the council approaches its procurement and contract management activities.
19. It is increasingly important that the council ensures value for money and identifies the full potential of procurement and contract management as a tool for delivering the council's long-term goals set out in the Corporate Plan.
20. The strategy is currently being reviewed with the updated strategy due to be presented to Cabinet in early 2022. The review shall focus on enhancing/updating the following areas:
 - (a) Alignment with the new Corporate Plan 2021-2025;
 - (b) Community wealth commitments;
 - (c) Social value commitments;
 - (d) Environmental commitments;
 - (e) Modern slavery;
 - (f) Contract monitoring improvements;
 - (g) Changes to national legislation.
21. The strategy will map out planned activities for the three-year term in the form of an action plan.

CONTRACT MONITORING

22. The PCMT is eleven months in to the roll out of the new contract management framework and the accompanying systems and processes.
23. A toolkit has been created to assist officers in setting robust contract performance monitoring regimes, managing relationships with suppliers and provides a structure for recording contract compliance which can be reported to senior managers, elected members and other key stakeholders.
24. The monitoring system will be used to ensure suppliers to the council are fulfilling their contractual obligations and will highlight where contracts are not performing. This will allow early intervention to remedy issues and will automatically flag to senior management where a supplier's performance is falling below an acceptable level.
25. The monitoring system also trigger alerts for reviews, it asks contract managers to confirm that they have received their supplier monitoring reports and it is a central location for contract data to be stored.
26. There are currently 34 contracts loaded in the contract monitoring system with a combined total of 1,014 performance measures. Table 5 breaks this down by directorate.

Table 5

Directorate	Number of contracts	Number of KPIs
Adult social care & community well-being	18	725
Children's services	4	223

Corporate services	4	19
Financial management	0	0
Neighbourhoods	6	14
Public health	0	0
Regeneration	2	33
Strategy	0	0
TOTAL	34	1,014

27. The roll out of the system is averaging around three new contracts being uploaded per month. An internal audit on contract management activity highlighted the slow pace of the roll out, however, it was acknowledged at the time that there would be no additional resource allocated to the project to increase the pace.
28. As well as monitoring contract performance against each key performance indicator, the system provides an overall RAG (red, amber, green) rating for each contract. Presently, all contracts being managed through the system are rated 'green' which means they are performing well.
29. Contracts that are not yet loaded in to the contract monitoring system are being managed by each service and each contract manager is responsible for ensuring the contract is performing as it should and that appropriate records are being kept to evidence this.

MODERN SLAVERY

30. Modern slavery is often a hidden crime involving one person denying another person his or her freedom. It includes slavery, servitude, forced and compulsory labour and human trafficking.
31. To tackle these crimes, the Modern Slavery Act 2015 (the Act) was introduced. The Act consolidates and clarifies modern slavery offences; toughens penalties and prosecution; and introduces greater support and protection for victims.
32. The prevention, detection and reporting of modern slavery in any part of the council's business or supply chains is the responsibility of all those working for the council. It is important that we consider modern slavery when we are letting and managing our contracts and the mitigation of modern slavery risks should be considered throughout the procurement process.
33. As standard, we have criteria built in to our procurement documents where we can exclude suppliers from our procurement processes where they have committed offences under the Act. We also ask all suppliers with a turnover of £36 million+ to confirm that they are meeting their obligations to publish statements about what they are doing to prevent modern slavery in their supply chains, however, some contracts may require us to go further than that.
34. Some contracts will carry a higher risk in terms of where modern slavery can present itself. Additional evaluation and contract monitoring criteria can be built in to the procurement process to enable a proper and thorough assessment of suppliers to ensure they are compliant with the Act and that they are monitoring their supply chains as well.

35. Section 54 of the Modern Slavery Act 2015 requires large employers to produce a modern slavery statement each financial year. The council's modern slavery statement can be viewed [here](#).

FINANCIAL / BUDGET IMPLICATIONS

36. There are no direct financial or budgetary implications arising from this report although all procurement decisions directly contribute to the council's total expenditure and therefore any reduction in the amount of spend as a result has a direct beneficial impact on the council's budget position.

CLIMATE, ENVIRONMENT & UNESCO BIOSPHERE IMPACT

37. The council has set a target to achieve net zero emissions:
- in its business and delivery of services by 2030;
 - across the school estate by 2035; and
 - as an island by 2040.
38. Greenhouse gas emissions result from energy use in buildings, street lighting, fleet vehicles, business travel, water use, waste disposal, air conditioning, and contractor's services.
39. The application of environmental and sustainability requirements in contract performance monitoring/reporting, tender evaluation criteria and specifications must be relevant and proportionate to the subject matter of the contract. Where appropriate, this will be extended to evaluate environmental management through supply chains in relation to how the council's suppliers will encourage sustainability amongst its sub-contractors.
40. Commissioners are required to consider climate, environment and UNESCO biosphere impact in the pre procurement planning stages of their project and build appropriate criteria into their procurement documents. This will include greenhouse gas/carbon reporting.
41. Any procurement decision will aim to minimise harm to the environment and to promote conservation of natural resources.

LEGAL IMPLICATIONS

42. Procurement by public bodies is subject to a rigorous regulation principally via the Public Contracts Regulations 2015 (which came into force on 26 February 2015). In addition the council has its own contract standing orders. The council is also required to comply with other legislation when carrying out procurements, for example that relating to equality, modern slavery and social value.
43. All procurements with a whole life value over £25,000 are overseen by the PCMT ensuring robust governance of the council's procurement activity in accordance with our contract standing order requirements.

RISK MANAGEMENT

44. Failure to observe the relevant legislation and the council's contract standing orders has the potential to pose a significant threat to the council's financial health and reputation. Such risk could take many forms including the risk of legal challenge

resulting in financial penalties and the potential for negative publicity together with the risk that a contract could be deemed to be void.

45. These risks are mitigated with the involvement of the PCMT in all procurements valued over £25,000. The risks are considered higher at this value as this is the trigger for advertised open market competition where the risk of challenge is greater.
46. Commissioners are offered a four day, in house, training programme to ensure they understand how to conduct a procurement process and adhere to the council's CSOs and Public Contracts Regulations 2015.
47. Any purchase order valued over £20,000 is sent to the PCMT. This is an additional approval step prior to financial approval where the PCMT will check that the spend complies with the relevant procurement rules and regulations.

EQUALITY AND DIVERSITY

48. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it.
49. There are no direct equality and diversity implications arising from this report. However, commissioners are required to consider equality and diversity matters in the pre procurement planning stages of their project and build appropriate and proportionate criteria in to their procurement documents.

RECOMMENDATION

50. The report be noted.

APPENDICES ATTACHED

- | | |
|-------------------|---|
| Appendix 1 | Contracts awarded in the period 1 April 2021 to 30 September 2021 (Q1 and 2 2021/22). |
| Appendix 2 | Details of waivers approved in the period 1 April 2021 to 30 September 2021 (Q1 and 2 2021/22). |

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CLAIRE SHAND
Director of Corporate Services

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

APPENDIX 1 - Contracts awarded in the period 1 April 2021 to 30 September 2021 (Q1 and 2 2021/22)

Directorate	Contract title	Capital/revenue	Contract value £000
Adult social care & community well-being	Adult social care within HMP Isle of Wight	Revenue	1,850
	Independent health complaints advocacy	Revenue	11
	Mainland residential placements x 6	Revenue	322
	Care fees negotiation tool software	Revenue	8
Children's services	Residential/education placements for children and young people x 15	Revenue	1,371
	Refurbishment of modular buildings at Clatterford 6th form, Watergate Road - phase one	Capital	750
	Works at Broadlea Primary School – boiler and domestic hot water plant replacement	Capital	116
	Internal alterations and demolition of mobile and other associated Works at Cowes Primary School	Capital	145
	Island VI form hall roof works	Capital	113
	Main building alterations and refurbishment for Clatterford 6th form - phase two	Capital	592
Corporate services	Fuel cards	Revenue	415
	Learning and development practitioner - Level 3	Revenue	16
	Air gap back up (ICT)	Capital	127
	Blue badge case management system	Revenue	8
	Software licence, maintenance and support for datto backupify Saas protect for office 365	Revenue	70
	Data synch support and maintenance and DSM object sync for ERP system	Revenue	40
	Mental health first aid	Revenue	12
	Apprenticeship to fund children's services data science - Level 4	Revenue	45
	Vehicle maintenance and bodyworks for council's fleet	Revenue	42
Financial management	Pension fund legal services	Revenue	25
Neighbourhoods	Seasonal entertainment at medina theatre	Income	Profit share of ticket sales
	Beach management zoning service	Revenue	90
	Highways PFI programme management support	Revenue	329
	E-Cycle roadshow	Revenue	30
	E-Cycle corridor	Revenue	19

	Engineering consultancy for MS14 programme highways PFI	Revenue	91
	Beach management zoning equipment	Capital	28
	Department for Transport access fund programme management	Revenue	97
	Ryde harbour dredging	Capital	42
	Floating bridge 6 dry dock shipyard	Capital	68
	Floating bridge 6 technical works	Capital	100
	Floating bridge 6 north drive motor	Capital	120
Public health	Supervised asymptomatic covid-19 pharmacy testing	Revenue	326
Regeneration	Branstone business park phase 1 work	Capital	1,375
	East Cowes masterplan	Revenue	45
	Building 41 design consultants	Revenue	69
	Cycle 2 Work scheme	Revenue	20
	Gas supply to council sites	Revenue	350
	Supply of half hourly and non half hourly electric to council sites	Revenue	600
	Parkhurst estate – camphill project management	Revenue	35
	New electricity supply for medina leisure centre	Capital	43
	Branstone business park managing agent	Revenue	33
	Branstone business park letting agent	Revenue	36
	Increase in sites electricity supply – howard house	Capital	100
	Electricity supply to branstone business park and brewery	Capital	233
Strategy	Purchase of office chairs	Capital	20

**APPENDIX 2 - Details of waivers approved in the period 1 April 2021 to 30 September 2021
(Q1 and 2 2021/22)**

Contract title	Value £000	Directorate	Details of the waiver	Long term action plan
Mainland care placement x 6	322	Adult social care & community well-being	The council has a well-established network of contracts across the Island but not for ad hoc mainland placements, therefore the service utilised the waiver process as a route to award the contracts.	The frequency of mainland placements is being monitored. It is felt at present that they aren't frequent enough to justify a full open market competitive procurement process as the work required to do this is disproportionate to the need for these services.
Independent health complaints advocacy	11	Adult social care & community well-being	The council has a statutory duty under the Health and Social Care Act 2012 to commission this service. The waiver sought to extend the current contract by three months while an open market competitive procurement process is carried out.	Open market competitive procurement process has commenced.
Care fees negotiation tool software	8	Adult social care & community well-being	The waiver sought to continue using the current system for a 12-month period. It was considered important to continue with the current system as local providers are trained on the system and consequently, the tool is trusted by local parties as a fair way to set fees.	Adult social care commissioning has committed to reviewing placement pricing with the care home sector over the coming months which will inform the ongoing need for the fee tool.
Residential/education placements for children and young people x 15	1,371	Children's services	The children's services commissioning team utilise the waiver process as a route to commissioning a placement in the following situations: <ul style="list-style-type: none"> • When no suitable supplier can be commissioned through the framework agreement; • Where the placement is made at the request of the family/family legal representatives; 	The suppliers have been approached to join the framework agreement.

			<ul style="list-style-type: none"> Where the council is responsible for paying fees due to the "belonging regulation". 	
Data synch support and maintenance and DSM object sync for ERP system	40	Corporate services	The waiver sought to continue to engage with the supplier on the basis that they are the only provider able to support their software (sole source of supply).	The council's future use of the SAP/ERP system is being reviewed. Ongoing support and maintenance services beyond the expiry of the waiver will be subject to the outcome of the review.
Mental health first aid	12	Corporate services	The waiver was submitted to continue to support staff and ensure refresher training was provided for existing Mental Health First Aiders, avoiding a lapse in requalification and loss of investment already made in those staff. The cost had been relatively low value each year until recently with the increased demand and level of support now offered to staff.	Due to the increased value, a competitive procurement process will be carried out.
Apprenticeship children's services data science - Level 4	45	Corporate services	The waiver was sought to be able to engage directly with the supplier to deliver specialist training. There is no other identified training provider who offers the desired course. The supplier is not on the council's dynamic purchasing system for apprenticeships and training services and so the waiver route was deemed to be the most appropriate way to engage the supplier within the timescale available.	One off contract.
Vehicle maintenance and bodyworks for council's fleet	42	Corporate services	The recommissioning of the council's vehicle maintenance contract is underway. The contract is now being set up as an approved supplier list which can be accessed by other organisations on the Island who can utilise the preferential rates agreed under the contract. This is far more complex than the previous contract. Progress on carrying out the procurement has been delayed as the fleet and facilities manager and team have been heavily involved with the extra work caused by the pandemic which has included setting up of the vaccination centre at	Open market competitive procurement process has commenced.

			Westridge and the lateral flow testing centres across the Island together with management of PPE supplies and supporting the local resilience forum role of enabling pharmacies to provide a testing collection service. The waiver was sought to allow additional time to carry out the procurement process.	
Engineering consultancy for MS14 programme highways PFI	91	Neighbourhoods	<p>A specialist supplier of structural engineers and inspectors were engaged to commence the review of MS14 remedial works and certification of the Highways PFI contract. The waiver was sought as a full competitive procurement process could not be carried out in the timescales required for the works.</p> <p>To ensure value for money is achieved, the commissioners sought quotes and awarded to the best value supplier. The funding for these services is to be met by the Highways PFI Contractor.</p>	One off contract.
Beach management zoning equipment	28	Neighbourhoods	The pre procurement estimated value of the equipment was below the £25k threshold meaning the service area needed to seek 3 quotes in order to satisfy contract standing orders. Quotations were sought from 6 suppliers with only 3 submitting quotations. The cost of the equipment exceeded the estimation as well as the £25k threshold therefore the waiver was sought to allow the service area to award a contract to the best value supplier without needing to restart the process.	One off contract.
Department for Transport (DfT) access fund programme management	97	Neighbourhoods	<p>The original access fund programme management contract was tendered via an open market competitive procurement process in 2017.</p> <p>Due to Covid 19 the DfT access fund was extended to 31 March 2022 and the waiver was to align the programme management support with the revised date from the DfT.</p>	If further funding is anticipated beyond 31 March 2022, a competitive procurement process shall be carried out to procure the support services.
Ryde harbour dredging	42	Neighbourhoods	The waiver was sought to permit the service area to award a contract to the supplier who is named on the Marine Management Organisation (MMO) dredging license.	One off contract.

Floating bridge 6 dry dock shipyard	68	Neighbourhoods	<p>The Maritime and Coastguard Agency (MCA) require that Floating bridge 6 must be subjected to an out of water inspection every five years. Staff have worked with advisors to develop a detailed programme for the inspection to take advantage of the period when the vessel is withdrawn from service to undertake key maintenance tasks.</p> <p>The supplier has the closet dry dock that can accommodate floating bridge 6 and are able to provide an onsite/in-house contractor service required to deliver the dry dock inspection and works.</p>	One off contract.
Floating bridge 6 technical works	100	Neighbourhoods	<p>The supplier is a specialist engineering contractor and have considerable experience of floating bridge and its systems; they have undertaken a considerable amount of work on floating bridge 6 including the fabrication and replacement of guide wheels as well as extensive repairs to the loading ramps.</p> <p>A waiver was sought to engage the supplier to carry out technical engineering works to remedy the issues with floating bridge 6.</p>	One off contract.
Floating bridge 6 north drive motor	120	Neighbourhoods	<p>The supplier is a specialist hydraulics supplier who the service area sought to engage with directly to supply two new drive motors for the floating bridge 6. Due to the lead times of the equipment, a waiver was requested to enable the service area to order the items without conducting an open market competitive procurement process.</p>	One off contract.
Supervised asymptomatic covid-19 pharmacy testing	326	Public health	<p>All pharmacies across the Isle of Wight were approached and given the opportunity to express an interest in carrying out supervised asymptomatic covid-19 testing. 17 pharmacies expressed an interest and the waiver sought to offer all 17 a contract.</p>	One off contract.
Parkhurst estate – camphill project management	35	Regeneration (in conjunction with Neighbourhoods)	<p>Urgent specialist technical project management support was required to assist the council's highways PFI team with completing a costed schedule of works to enable Island Roads as the PFI contractor to</p>	One off contract.

			<p>identify, survey, cost and commence emergency works in a short time frame on the Parkhurst prison estate.</p> <p>The identified supplier had previously been engaged on the same project at an earlier stage by the highways PFI team and was deemed to be best placed to be able to pick up the work quickly.</p>	
New electricity supply for medina leisure centre	43	Regeneration	<p>A new electricity supply into medina leisure centre was required to separate the leisure centre from the nearby school's power supply as part of works commissioned using Salix grant funding. The waiver was sought to be able to directly award the contract to the distribution network operator who is the only contractor able to carry out the works.</p>	One off contract.
Branstone business park managing agent	33	Regeneration	<p>The waiver sought to award a concession contract to the anchor tenant at the new Branstone Business Park for them to take on the responsibility of letting agent (marketing the units, liaising with potential tenants, negotiating terms, instructing solicitors, seeing the matter through to completion of lease and occupation by the tenant) at a reduced rent. The service area felt that open market competition wouldn't be appropriate as the anchor tenant was already secured and they were deemed best placed to deliver these services.</p>	Future commissioning options will be explored when current contract is up for renewal.
Branstone business park letting agent	36	Regeneration	<p>The waiver sought to directly award a contract to its business park anchor tenant to act as the council's managing agent of the business park (commissioning and delivery of on-site services, calculating service charges, invoicing of rents and service charges, rent/service charge collection, chasing late payments, liaising with tenants, managing communal areas, overseeing minor repair & maintenance works) for which it will receive a fee based on a percentage of the income received. The service area felt that open market competition wouldn't be appropriate as the anchor tenant was already secured and they were deemed best placed to deliver these services.</p>	Future commissioning options will be explored when current contract is up for renewal

Increase in sites electricity supply – howard house	100	Regeneration	There was a requirement to substantially increase the existing buildings electricity supply involving new connections to the mains high voltage network within the adjoining carriageway and new substation. The waiver sought to directly award the contract to the distribution network operator who is the only contractor able to carry out the works.	One off contract.
Supply of non-half hourly electricity, half hourly electricity and gas to council sites	N/A	Regeneration	The waiver sought to waive the requirement within contract standing orders to seal contracts valued over £250k. This is due to the time constraints between receiving bids and needing to award the contract.	N/A
Electricity supply to branstone business park and brewery	233	Regeneration	Works were required to provide an electricity supply to Branstone Business Park and the new brewery and visitors centre. The waiver sought to directly award the contract to the distribution network operator who is the only contractor able to carry out the works.	One off contract.



Purpose: For Decision

Committee report

Committee	AUDIT COMMITTEE
Date	6 DECEMBER 2021
Title	THE COUNCIL'S RISK PROFILE
Report of	ASSISTANT CHIEF EXECUTIVE & 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 third 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 2021-25 was approved by Full Cabinet on 17th November 2021 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 – December 2021
- (2) Directors and Senior Managers – December 2021 – February 2022
- (3) Staff – November 2021 ongoing

(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 Q2 report took place on 11 November 2021. The dates for subsequent reports are shown below:

- (a) Quarter 3 (October 21 – December 21) – 10 February 2022
- (b) 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. The risk scoring matrix from which these scores are derived is shown below. Further explanation of how scores are calculated can be seen in Appendix 2.

Likelihood/Probability	4 V. Likely	7 Medium	11 Medium	14 High	16 <u>VERY HIGH</u>
	3 Likely	4 Low	8 Medium	12 High	15 <u>VERY HIGH</u>
	2 Unlikely	2 Low	5 Low	9 Medium	13 High
	1 Remote	1 Low	3 Low	6 Low	10 Medium
	Scale	1 Low	2 Medium	3 High	4 Major

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 (27 September 2021) and this current report are summarised in the table below (paragraph 13). The register was circulated to CMT in September and October 2021 and all risk owners provided additional content.
11. An additional risk has been recommended by CMT for inclusion in the Strategic Risk Register. “Dealing ***with threats to business continuity (including cyber incidents)***”. The predominant mitigation for this risk is to increase the robustness of individual services Business Continuity Planning under the leadership of the Council’s Emergency Planning Team with support from ICT.

STRATEGIC CONTEXT

12. 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 Q2 report took place on 11 November 2021.

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

Risk no.	Risk Title	Score (Oct 2021)	Score (Sep 2021)	Score (July 2021)	Comment
1	Lack of financial resource and the ability to deliver the council's in-year budget strategy for 2021/22	9 AMBER	12 RED	12 RED	<p><i>The latest financial report for quarter two forecasts that the IWC will be within budget for 2021-22</i></p> <p><i>As at the end of quarter two the main impact forecast is the income loss being incurred in council services and which results in an estimated circa £2.4 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 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>
2	Lack of financial resource and the ability to deliver the council's medium-term financial strategy	16 RED	16 RED	16 RED	<p><i>The budget process for 2022/23 is well under way. 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.</i></p>
3	Insufficient staffing capacity and skills	9 AMBER	9 AMBER	9 AMBER	<p><i>The on-going legacy issues that have emerged as a result of Covid-19 continue to place demands upon some service areas, however these are being managed effectively and regular monitoring undertaken. We continue to move towards a new hybrid model of working to afford people the means to work from wherever they are best placed to deliver success.</i></p> <p><i>Recruitment and retention project scope has now been approved by the board with full initiation documentation completed to set out the programme of work to be undertaken, and planning is underway in readiness to commence with main workstreams (requirements and activity) identified. Pilot work for Workforce planning due to commence mid-November.</i></p> <p><i>Agreed action plan is in place with an associated project board to underpin delivery.</i></p> <p><i>The annual flu vaccination programme for front line staff and other business critical roles is now underway and clinics will commence during November and run through to the end of December.</i></p>

Risk no.	Risk Title	Score (Oct 2021)	Score (Sep 2021)	Score (July 2021)	Comment
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	<p><i>The next iteration of the council's organisational development strategy has now been approved by the corporate management team and the associated action plan is now in operation.</i></p> <p><i>The Big Action Plan has been incorporated into the strategy to allow for greater coherence and co-ordination.</i></p>
5	Failure to improve educational attainment	10 AMBER	10 AMBER	10 AMBER	<p><i>Good proportions of children of school age attending school during the first half of autumn term 2021 – Primary school attendance between 92-93 percent (in line with national average of 91 percent), Secondary school attendance between 84-85 percent (slightly below national average of 86 percent)</i></p> <p><i>Live webinars delivered at the end of August / start of September 2021 to ensure the new DfE guidance was understood by all educational settings.</i></p> <p><i>Where schools have experienced positive cases, headteachers are able to seek advice from the Local Authority's school improvement team and public health team. The DfE has issued guidance to schools outlining the measures they should consider in the case of the outbreak threshold being met. The Director of Public Health and Assistant Director, Education and Inclusion have written to all headteachers to ensure they are aware of the key measures they can introduce.</i></p> <p><i>73 percent of IW schools are currently rated good or outstanding and signs from inspections undertaken last academic year would suggest that this will improve over the coming months once Ofsted inspections resume after their current suspension due to the Covid-19 pandemic. Since the last update Christ the King College has been reinspected. Previously judged inadequate, the college is now judged to require improvement with good judgements in leadership and management, sixth form provision and behaviour and attitudes.</i></p>

Risk no.	Risk Title	Score (Oct 2021)	Score (Sep 2021)	Score (July 2021)	Comment
					<i>Continued development of strong relationships and synergies between the range of departments and agencies that work with children including social care, health, and the SEN service</i>
6	Failure to identify and effectively manage situations where vulnerable children are subject to abuse	7 AMBER	7 AMBER	7 AMBER	<p><i>Ofsted undertook a focussed inspection in July 2021 of the Isle of With Children's Social Care Service. The letter of findings was published early September 2021.</i></p> <p>Headline findings <i>'The senior leadership team has continued at pace with their transformation project since the previous inspection in November 2018, when they were judged to be good. During the pandemic, they have implemented a new social work model and approach, which has had a positive impact on social work practice. The new approach is evident in children's records and other documents which are written directly to the child and family. Senior leaders acknowledge that further development and embedding of the approach across all areas of practice would strengthen the impact of this model on improving children's circumstances.'</i> Ofsted 2021</p> <p><i>A new Quality Improvement Plan (QUIP) has been developed. The self-evaluation is being updated covering 2021 ahead of the annual conversation the Director and senior managers have with Ofsted in March 2022.</i></p>
7	Failure to recruit acceptable quality of professional practice across Adult Social Care (ASC) and Housing Needs	8 AMBER	8 AMBER	8 AMBER	<p>All ASC staff continue to be focused on protecting vulnerable adults in the Islands communities.</p> <p><i>We are currently undertaking recruitment for a number of key senior roles within the department which have recently become vacant, and focus remains on the recruitment to specialist roles in the Mental Health Social Work team. Against a backdrop of a national skills shortage in this area we are offering existing staff the opportunity to train as Approved Mental Health Professionals (AMHPs).</i></p> <p><i>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</i></p>

Risk no.	Risk Title	Score (Oct 2021)	Score (Sep 2021)	Score (July 2021)	Comment
8	Failure to identify and effectively manage situations where vulnerable adults are subject to abuse	10 AMBER	10 AMBER	12 RED	<p><i>Safeguarding continues to be a key area of focus and September 2021 saw an increase in the number of safeguarding referrals received by the team with a noticeable increase in the referrals from residential care homes, home care agencies and the ambulance service. The number of concerns and enquiries from those referrals has seen a small decrease. Performance continues to be good with over 98 per cent of safeguarding meetings being held within 7 days demonstrating timely and effective triage.</i></p> <p><i>A full review of all outstanding Deprivation of Liberty Safeguards (DoLS) referrals has been undertaken to identify the most effective way of addressing the backlog which has built up following a change in the legal framework and the pandemic. We have seen a small reduction in the number of applications awaiting assessment and we continue to closely monitor the situation and to triage all referrals ensuring that those which are a priority receive prompt attention</i></p>
9	Failure to secure the required outcomes from the integration of adult social care and health	10 AMBER	10 AMBER	12 RED	<p><i>The national scheme to provide additional funding to Health partners to support with Hospital Discharge (HDS1 and HDS2) will now continue to 31/03/2022. We have seen an increase in financial liability for care and support as a result of the Discharge to Assess policy implementation and continue to review on a monthly basis the impact of these arrangement to mitigate so far as is possible long term effect.</i></p> <p><i>The focus on improving and maintaining hospital flow continues to drive a number of process changes. The System Resilience Board takes ownership of the programmes of work arising from escalation and monitors the delivery of actions in a timely way.</i></p> <p>The key challenge in relation to responsiveness to hospital escalation continues to be the fragility in the workforce across the Island.</p>
10	Independent Social Care Sector Sustainability (care Homes and Home Care)	12 RED	12 RED	N/A	<p><i>The National Living Wage increase and impact are now known and will form the basis of the consultation to determine the fair cost of care locally for the next financial year. 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</i></p>

Risk no.	Risk Title	Score (Oct 2021)	Score (Sep 2021)	Score (July 2021)	Comment
	(Previously ASC care provider failure)				<p>to recruit staff more easily and to better manage retention. It is likely that any increase in staff wage will be reflected in the consultation and passported to the council as part of the financial pressures indicated by providers during the forthcoming fee consultation for 2022/2023.</p> <p>Workforce pressures have impacted on care homes and home care providers over recent 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.</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>Island Roads are making good progress in the work required relating to structures for Milestone 14. The programme of contract savings is continuing with a majority of the first two phases having been agreed and Ringway Island Roads have agreed to forward fund the savings amounts in the budget by end of March 2022.</p> <p>Ongoing discussions are taking place to resolve outstanding PFI contract issues by end 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>Costs incurred by the delay of Hot Commissioning of the Energy from Waste Plant will not be at the council's cost. All construction delay and associated additional cost is entirely at the financial risk of the service provider and does not affect the diversion of waste from landfill or the recycle rates being achieved on the island.</p> <p>All household collections have continued during the Covid-19 restrictions. Recycling rates and service satisfaction levels have remained high.</p>
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.

Risk no.	Risk Title	Score (Oct 2021)	Score (Sep 2021)	Score (July 2021)	Comment
					<p><i>A new Corporate Plan was approved by Full Council in November 2021 - The delivery of the plan will be tracked through the Quarterly Performance Management Report that is presented to the IWC Cabinet.</i></p> <p><i>Our request to increase Information, Advice and Guidance (IAG) and specialist housing court desk services to meet the increasing need that is reported /projected was agreed. We successfully secured RSI4 funding to continue and develop our response to single rough sleepers. In addition, we also submitted and were successful in our bid for RSAP (Rough Sleeper Accommodation Programme) funding (£390,000 capital + £82,500 revenue). This will see the IWC purchase and renovate 5 single units of accommodation for people that have or are experiencing rough sleeping.</i></p>
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><i>An Incident Response Plan specifically produced for the joint public health team, in concert with staff receiving specific training set to role allocations will enhance the team's overall response capability, linked to the authority's own response arrangements and those of the LRF to allow greater prominence within the command-and-control structures that are established.</i></p> <p>In line with the UK Government 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.</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> <p><i>A dashboard of the situation on the Isle of Wight with regard to Covid infections, deaths, hospitalisations, and vaccinations is published daily</i></p>

Risk no.	Risk Title	Score (Oct 2021)	Score (Sep 2021)	Score (July 2021)	Comment
15	Dealing with threats to business continuity (including cyber incidents)	9 AMBER	N/A	N/A	<p><i>It is critical that all services have a business continuity plan (BCP) in place for how they will function in the case of loss of ICT services for delivery to their customers. All department management must create a business continuity plan, register it with Emergency Management (EM) and then train all staff in its existence and what actions they should all take in the event of loss of ICT services.</i></p> <p><i>All Services have been advised and reminded of this requirement – 27 of 30 BCP's have been completed, with only Highways PFI, Planning & Regeneration outstanding. This is being followed up regularly.</i></p> <p><i>A Cyber Incident Response Plan has been drafted to provide a structured and systematic incident response process for all cyber security incidents that affect any of the Isle of Wight Council's information technology (IT) systems, network, data, and information assets, including the council's data held or IT services provided by third-party vendors or other service providers.</i></p> <p><i>Isle of Wight Council is part of a response framework at county level should an incident occur that identifies key considerations in the event of a cyber-attack that has a wider impact than one of the organisations individually.</i></p>

CONSULTATION

14. 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

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

LEGAL IMPLICATIONS

16. 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

17. 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

18. Option 1 - Audit Committee approves the strategic risks of the council as set out in paragraph 13 and Appendix 1.
Option 2 - Audit Committee does not approve the strategic risks of the council as set out in paragraph 13 and Appendix 1.

RISK MANAGEMENT

19. 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 – That the Strategic Risks of the council as set out in paragraph 13 and Appendix 1 be approved.

APPENDICIES ATTACHED

Appendix 1: Full Strategic Risk Register

Appendix 2: IWC Risk Scoring Matrix

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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 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		
			Sep 21	Jul 21	Feb 21
16 RED	5 GREEN	9 AMBER	12 RED	12 RED	14 RED
Mitigation					
<p>Close monitoring of both Capital and Revenue spend (including income and savings targets)</p> <p>Position reviewed at the end of each quarter. Next review due January 2022</p>	<p>Budget positions are reported quarterly to service management, CMT and Cabinet.</p> <p><i>The latest report for quarter two indicates a forecast balanced budget. There is a net pressure relating to income losses as a result of the pandemic of circa £2.4 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 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> <p><i>The total capital budget for 2021/22 is £53.3m. As at quarter two the council is forecasting actual expenditure of £35.3m. There is slippage in spending forecast at £18.0m from 2021/22 into future years (for example, simply representing budgeted spending that is forecast not to take place in 2021/22 but will now fall into 2022/23).</i></p>				
<p>Manage the Financial Impact of the COVID-19 Pandemic on the Isle of Wight Council</p> <p>Position reviewed at the end of each quarter. Next review due January 2022</p>	<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 financial years.</i></p> <p><i>As at the end of quarter two the main impact forecast is the income loss being incurred in council services and which results in an estimated circa £2 million being required to be funded from the contingency, this will be kept under review as the financial year progresses.</i></p>				
<p>Charging of severely disabled people for social care (Norfolk decision)</p> <p>Next review date 31/12/21</p>	<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 into 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. This approach creates risk of potential legal challenge for all local authorities to mitigate the risk, we are seeking advice and</p>				

	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.
Provider Annual Fee Review Due date 31/03/2022	<i>The next annual fee review will commence in September 2021 for fees in the 2022-23 financial year</i>
NHS Funding for discharge Next review date 31/12/21	<p><i>The national scheme to provide additional funding to Health partners to support with Hospital Discharge (HDS1 and HDS2) will now continue to 31/03/2022. We have seen an increase in financial liability for care and support as a result of the Discharge to Assess policy implementation and continue to review on a monthly basis the impact of these arrangement to mitigate so far as is possible long term effect.</i></p> <p><i>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 1 April 2022. 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 COMPLETE	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.

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		
			Sep 21	Jul 21	Feb 21
16 RED	9 AMBER	16 RED	16 RED	16 RED	16 RED
Mitigation					
Updated medium term financial strategy (MTFS) Due date 28/2/21		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 COMPLETED	<p>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.</p>
2022/23 budget setting process Due date 28/2/21	<p><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 Chancellor of the Exchequer announced the Comprehensive Spending Review alongside the Budget in October 2021. The Spending Review sets Government Department Budgets for the period up to and including 2024-25.</i></p>

STRATEGIC RISK 3					
Insufficient staffing capacity and skills			Assigned to: Director of Corporate Services		
Inherent score	Target score	Current score	Previous scores		
			Sep 21	Jul 21	Feb 21
16 RED	8 AMBER	9 AMBER	9 AMBER	9 AMBER	9 AMBER
Mitigation					
Monitoring Staff Capacity Next review due 31/12/21	<p><i>The on-going legacy issues that have emerged as a result of COVID-19 continues to place demands upon some service area, 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. However, these continue to be managed effectively and regular monitoring and review is being undertaken. 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. Continued effort is being given to developing agile working practices, taking learning from the pandemic into consideration as we move towards a new model of hybrid working which for those who are able affords the means to work from where they are best placed to deliver services.</i></p> <p>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.</p> <p>It is considered that the rating of this risk remains at Amber but with a continuing improvement on service resilience.</p>				
Delivery of recruitment and retention strategy and action plan	<p>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</p>				

<p>Due date 31/03/22</p>	<p>to managers in their use and these remain under review for further improvements to be identified.</p> <p>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.</p> <p><i>The project scope has now been approved by the recruitment project board and the full project initiation document completed to set out the programme of work to be undertaken. The project planning is now underway in readiness to commence the main workstreams of identified requirements and activity.</i></p>
<p>Regular monitoring, analysis, and review of organisational health indicators</p> <p>Next review date 31/12/21</p>	<p>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 given to month by month changes and comparison with previous year periods to allow for greater scrutiny of issues of concern.</p> <p>The joint consultative meetings with the council's recognised trade unions also have 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>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:</p> <ul style="list-style-type: none"> • Investigating the relationship between sickness and new agile working arrangements • Continued training and support for managers in handling attendance management issues/learning from best practice examples • Refreshing the council's attendance management policy • 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 • Proactive wellbeing initiatives with a particular focus on building personal resilience • Continuing to build upon the internal occupational health service as a source of professional support for managers and staff <p><i>An agreed action plan is now in place and associated project board in place to monitor its delivery.</i></p>
<p>Workforce planning</p> <p>Next review date 31/12/21</p>	<p>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. <i>The pilot work for this activity is due to commence in mid-November.</i></p>

<p>Reducing the impact of loss of staff through sickness or self-isolation on service delivery</p> <p>Next review date 31/12/21</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"> • 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. • Personal protective equipment (PPE) is in use in accordance with public health England guidelines and appropriate supplies being maintained. • There are regular communications with staff to remind them of good hygiene practises and social distancing requirements. • Regular staffing reports are in place to monitor and review staffing levels in critical services to enable redeployment to areas of need. <p>The mandatory vaccination programme for front line care staff in line with the legislative change is being delivered.</p> <p><i>The annual flu vaccination programme for front line staff and other business critical roles is now underway and clinics will commence during November and run through to the end of December</i></p>
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STRATEGIC RISK 4					
<p>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</p>			<p>Assigned to: Director of Corporate Services</p>		
Inherent score	Target score	Current score	Previous scores		
			Sep 21	Jul 21	Feb 21
16 RED	6 GREEN	6 GREEN	6 GREEN	6 GREEN	6 GREEN
Mitigation					
<p>Leadership and management development</p> <p>Due Date 31/12/21</p>	<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 COVID-19 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> <p><i>The strategy has now been approved by the corporate management team and the associated action plan is now in operation. Sarah Teague is leading and operating a regular project group. Quarterly reports will be provided to CMT.</i></p>
<p>Workforce development programmes/ Initiatives</p> <p>Next review date 31/12/21</p>	<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 council's 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 future of learning and for work which aims to build staff/manager responsibility for their own learning and that of their teams.</p>
<p>Delivery of the council's BIG Action Plan</p> <p>Next review date 31/12/21</p>	<p>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:</p> <ul style="list-style-type: none"> • Continuous development of the agile workforce concept • Continuous personal development • Health and wellbeing • Being an employer of choice • Equality, diversity, and inclusion • Personal performance management • Intrapreneurial and commercial acumen • Customer engagement and consultation • Outcomes based accountability • Digital transformation <p>The Big Action Plan is now included in the Strategic Programme Report that is reviewed bi-monthly by CMT with any key issues being escalated to Councillors via the Leader of the Council. <i>This has been incorporated into the People Organisational Development strategy to allow for greater coherence and co-ordination.</i></p>
<p>Maintaining ICT Networks and systems to facilitate large scale agile working</p> <p>Next review date 31/12/21</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		
			Sep 21	Jul 21	Feb 21
16 RED	6 GREEN	10 AMBER	10 AMBER	10 AMBER	11 AMBER
Mitigation					
<p>Ensure schools open successfully for all pupils <i>subject to any Department of Education guidance on Covid safety measures.</i></p> <p>Next review date 31/01/22</p>		<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 2021, 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. <i>The Isle of Wight has had good proportions of children of school age attending school during the first half of autumn term 2021. During the last week of half term, primary school aged attendance was between 92 percent and 93 percent on the Island. National was between 90 percent and 91 percent so the Island was broadly in line – marginally better but probably not significantly so. In secondary schools, attendance is lower. Attendance was between 84 percent and 85 percent on the Island in the last week of half term. National was between 85 percent and 86 percent so again broadly in line with national – marginally worse but probably not significantly so.</i> <i>Live webinars were delivered at the end of August / start of September 2021 to ensure the new DfE guidance was understood by all educational settings. Separate webinars took place for early years settings, primary schools, secondary schools, Post 16 providers and specialist settings.</i> <i>Where schools have experienced positive cases, headteachers are able to seek advice from the Local Authority's school improvement team and public health team.</i> 			
<p>Ensure schools have contingency plans should positive cases rise and meet the criteria for an outbreak i.e., 5 positive cases or 10 percent of the cohort for most schools</p> <p>Next review date 31/01/22</p>		<ul style="list-style-type: none"> <i>The Department for Education (DfE) has issued guidance to schools outlining the measures they should consider in the case of the outbreak threshold being met.</i> <i>The Director of Public Health and Assistant Director, Education and Inclusion have written to all headteachers to ensure they are aware of the key measures they can introduce. These include:</i> <ul style="list-style-type: none"> <i>Bringing back the wearing of face coverings in indoor or communal spaces in secondary schools</i> <i>Daily Lateral Flow (LFD) testing for siblings and household contacts of positive cases while waiting for result of PCR test – if they remain asymptomatic</i> <i>Increased daily testing for specific secondary age groups with high numbers of positive cases for a defined period, minimum 5 days, with the last day being a school day</i> <i>One off round of LFD testing for a wider cohort in a secondary school</i> <i>For primary school pupils identified as close contacts (NHS Test and Trace) or household contacts - advise parents to use LFD to test their children (at parents' discretion) while waiting for result of the PCR test - as long as they remain asymptomatic</i> <i>Staggered start/end arrangements</i> 			

	<ul style="list-style-type: none"> • <i>Reduction in opportunities for wider mixing such as assemblies</i> • <i>Limit residential visits, open days, transition days</i> • Where there have been positive cases at or above threshold, headteachers are seeking public health advice and acting upon it. • 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><i>Building on the improvements in standards</i></p> <p><i>Next review date</i> <i>31/01/22</i></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 undertaking 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 data since the 2019 attainment data sets. • The secondary school improvement team is continuing with the planned programmes of support which have also been flexed in light of the lack of data since the 2019 attainment data sets. • The school improvement team's shift to more traditional school improvement work is being delivered through both remote work and face to face meetings in schools, with appropriate risk assessments in place. • Supporting governing bodies to improve. • Training opportunities that raise awareness and improve safeguarding practices. • Identifying a 'targeted offer' of <i>school improvement activities</i>. • Implementing a high quality and cohesive professional development offer. • 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. This has started again this term.</i> • 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.
<p><i>Ensuring schools are good (as rated by Ofsted) for all children</i></p> <p><i>Next review date</i> <i>31/01/22</i></p>	<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. • <i>Work with local stakeholders to develop a better transition between schools, post 16 education and employment.</i> • Develop support to parents of home educated children. • <i>73 percent of IW schools are currently rated good or outstanding and signs from inspections undertaken last academic year would suggest that this will improve over the coming months once Ofsted inspections resume after their current suspension due to the COVID-19 pandemic. Since the last update Christ the King College has been reinspected. Previously judged inadequate, the college is now judged to require improvement with good</i>

	<i>judgements in leadership and management, sixth form provision and behaviour and attitudes.</i>
Leading a cohesive system for children based on effective partnership working Next review date 31/01/22	<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. • <i>Continued development of strong relationships and synergies between the range of departments and agencies that work with children including social care, health, and the SEN service</i>

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		
			Sep 21	Jul 21	Feb 21
16 RED	5 GREEN	7 AMBER	7 AMBER	7 AMBER	7 AMBER
Mitigation					
COVID-19 Response Next review date 31/12/21	<p>All of our statutory timescales for visits and meetings remain the same. We have significantly increased face to face visiting to nearly normal levels and where this is not possible continue using technology to ensure 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 percent 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><i>Next review date</i> 31/12/21</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 2021 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><i>Next review date</i> 31/12/21</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><i>Next review date</i> 31/12/21</p>	<p>Performance reports are viewed regularly by the Policy and Scrutiny Committee for Children’s Services. Most recently at the meeting held on 2 September 2021. The next meeting will be on 9 December 2021</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, percent of child protection conferences held within timescales and numbers of children entering care, percent of staff sickness. This is supporting our</p>

	<p>understanding and response to the impact of COVID-19 and subsequent planning for recovery.</p>								
<p>Regular scrutiny of social work caseloads</p> <p>Next review date 31/12/21</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 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>Next review date 31/12/21</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 has been 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 – <i>This has not been commented on by Ofsted.</i></p>								
<p>Annual self-evaluation and annual conversation between Director and Ofsted</p> <p>Next review date 31/12/21</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"> <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>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.</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								

	<p>Ofsted undertook a focussed inspection in July 2021 of the Isle of With Children's Social Care Service. <i>The letter of findings was published early September 2021.</i> 50168714 (ofsted.gov.uk)</p> <p>Headline findings <i>'The senior leadership team has continued at pace with their transformation project since the previous inspection in November 2018, when they were judged to be good. During the pandemic, they have implemented a new social work model and approach, which has had a positive impact on social work practice. The new approach is evident in children's records and other documents which are written directly to the child and family. Senior leaders acknowledge that further development and embedding of the approach across all areas of practice would strengthen the impact of this model on improving children's circumstances.'</i> Ofsted 2021</p> <p><i>A new Quality Improvement Plan (QUIP) has been developed. The self-evaluation is being updated covering 2021 ahead of the annual conversation the Director and senior managers have with Ofsted in March 2022.</i></p>
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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		
			Sep 21	Jul 21	Feb 21
14 RED	6 GREEN	8 AMBER	8 AMBER	8 AMBER	8 AMBER
Mitigation					
Pride in Practice – growing our own social work workforce Complete	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 Next review date – 31/12/21	Focus is also on the recruitment to specialist roles (Approved Mental Health Professionals - AMHPs) 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 Next review date 31/12/21	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. This reduction trend is continuing.				

	<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>
<p>ASC Learning and Development) Plan</p> <p><i>Complete</i></p>	<p>Ongoing work with Human Resources and Learning and Development 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 are complemented by the ongoing offer from the ASC Practice Development Unit.</p>
<p>New person-centred, strengths-based assessment forms</p> <p><i>Complete</i></p>	<p>We have experienced some delay in finalising the work in this area as a direct result of the impact of the pandemic.</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					
<p>Failure to identify and effectively manage situations where vulnerable adults are subject to abuse</p>			<p>Assigned to: Director of Adult Social Care Assistant Director of Operations</p>		
Inherent score	Target score	Current score	Previous scores		
			Sep 21	Jul 21	Feb 21
16 RED	6 GREEN	10 AMBER	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>Next review date 31/12/21</p>	<p>We continue to support care providers with our daily bulletin and weekly calls from commissioners to provide bespoke support.</p> <p><i>Safeguarding continues to be a key area of focus and September 2021 saw an increase in the number of safeguarding referrals received by the team from 307 to 354 with a noticeable increase in the referrals from residential care homes, home care agencies and the ambulance service. The number of concerns and enquiries from those referrals has seen a small decrease which means that the conversion rate has dropped slightly to 49 percent from 54 percent in the preceding month. Performance continues to be good with over 98 percent of safeguarding meetings being held within seven days demonstrating timely and effective triage.</i></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>Next review date 31/10/21</p>	<p><i>A full review of all outstanding DOLs referrals has been undertaken to identify the most effective way of addressing the backlog which has built up following a change in the legal framework and the pandemic. We have this month seen a small reduction in the number of applications awaiting assessment from 513 to 506 and we continue to closely monitor the situation and to triage all referrals ensuring that those which are a priority receive prompt attention.</i></p>
<p>Mental Health Action Plan</p> <p>Next review 31/12/2021</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>Due date - TBC</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>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.</p>
<p>Centralisation of outreach teams</p>	<p>Service now located at Sandown Barrack Block and CM2000 system is fully operational.</p>

Complete	The Outreach team have received their first formal inspection from the Care Quality Commission (CQC) and have been rated 'Good' across all domains				
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		
			Sep 21	Jul 21	Feb 21
16 RED	6 GREEN	10 AMBER	10 AMBER	12 RED	12 RED
Mitigation					
COVID-19 Response Next review date 31/12/21	<p><i>The national scheme to provide additional funding to Health partners to support with Hospital Discharge (HDS1 and HDS2) will now continue to 31/03/2022. We have seen an increase in financial liability for care and support as a result of the Discharge to Assess policy implementation and continue to review on a monthly basis the impact of these arrangement to mitigate so far as is possible long term effect.</i></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 Next review date 31/12/21	<p>The onwards 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 and Discharge Team • The Regaining Independence services • 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 Next review date 31/12/21	<p><i>The focus on improving and maintaining hospital flow continues to drive a number of process changes. The System Resilience Board, chaired by the Director of Adult Social Services (DASS), engaging all system partners including representatives from the Independent Sector, takes ownership of the programmes of work arising from escalation and monitors the delivery of actions in a timely way. The key challenge in relation to responsiveness to hospital escalation continues to be the fragility in the workforce across the Island.</i></p>				

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STRATEGIC RISK 10					
Independent Social Care Sector Sustainability (care Homes & Home Care)			Assigned to: Director of Adult Social Care		
Inherent score	Target score	Current score	Previous scores		
			Sep 21	Jul 21	Feb 21
16 RED	6 GREEN	12 RED	12 RED	N/A	N/A
Mitigation					
Occupancy Levels Next review date 31/12/21	<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>				
Levels of Fees Due date 31/3/21	<p><i>Formal consultation in relation to the fee review process is scheduled to commence in November 2021 to inform the council's fee setting for 2022/2023.</i></p> <p><i>The National Living Wage increase and impact are now known and will form the basis of the consultation to determine the fair cost of care locally for the next financial year in line with the council's duties. 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 recruit staff more easily and to better manage retention. It is likely that any increase in staff wage will be reflected in the consultation and passported to the council as part of the financial pressures indicated by providers during the forthcoming fee consultation for 2022/2023.</i></p>				
Personal Protective Equipment Completed	<p>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>				
Workforce pressures Next review date 31/12/21	<p>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.</p>				
Market Capacity – Homecare Next review date 31/12/21	<p><i>The workforce pressures highlighted have impacted on care homes and home care providers over the past three 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>				
Capacity Tracker Completed	<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</p>				

	become a concern. Access to this information is enabling early support to be provided and the market to become more stable.
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STRATEGIC RISK 11					
Failure of the Highways PFI contract resulting in significant financial and operational disruption for the council and its residents			Assigned to: Director of Neighbourhoods		
Inherent score	Target score	Current score	Previous scores		
			Sep 21	Jul 21	Feb 21
16 RED	5 GREEN	8 AMBER	8 AMBER	8 AMBER	8 AMBER
Mitigation					
PFI – Establish and deliver available savings Next Review Due 31/12/21		<p>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 is satisfying the performance standards as set out in the contract.</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. <i>Island Roads are making good progress in the work requires relating to structures for Milestone 14.</i></p> <p>The programme of contract savings is continuing with a majority of the first two phases having been agreed <i>and Ringway Island Roads have agreed to forward fund the savings amounts in the budget by end of March 2022</i> The third phase of savings are to be agreed and completed by September 2023.</p>			
PFI - Successfully resolve anomalies in the contract specification Due date 28/2/21		<p><i>Ongoing discussions are taking place to resolve other outstanding contract issues by end March 2023.</i></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		
			Sep 21	Jul 21	Feb 21
16 RED	5 GREEN	8 AMBER	8 AMBER	8 AMBER	8 AMBER
Mitigation					
Ensure the delivery of Key Facilities through robust contract management Due Date 31/01/22		<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><i>All and any costs incurred by the delay will not be at the council's cost. All construction delay and associated additional costs of treating waste and recycling is entirely at the financial risk of the service provider and does not affect the diversion of waste from landfill or the recycle rates being achieved on the island.</i></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>The contract is now achieving a 99.8 percent diversion from landfill of all contract waste and continues to exceed recycling targets.</p> <p>The Household Waste and Recycling Centre (HWRC) booking system 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>Regular monitoring of performance of the contract</p> <p>Next review date 31/03/22</p>	<p><i>All household collections have continued during the COVID-19 restrictions. Recycling rates and service satisfaction levels have remained high.</i></p> <p>Performance of the contract is monitored through reporting by Amey and proactive 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 and 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> <p>Performance is currently good with almost 100 percent of municipal waste now being diverted from landfill and over 58 percent of household waste being recycled or composted</p>

STRATEGIC RISK 13					
Achieving the vision for the Island			Assigned to: Chief Executive		
Inherent score	Target score	Current score	Previous scores		
14 RED	6 GREEN	12 RED	Sep 21	Jul 21	Feb 21
			12 RED	12 RED	12 RED
Mitigation					
<p>Isle of Wight Corporate Plan 2021-25</p>	<p><i>A new Corporate Plan was approved by Full Council in November 2021.</i></p> <p><i>The vision from the plan is making the Isle of Wight a place where everyone: -</i></p> <ul style="list-style-type: none"> <i>• Can develop their skills and fulfil their potential</i> <i>• Is part of the community and enjoys good health</i> 				

<p>Next review date 28/2/22</p>	<ul style="list-style-type: none"> • <i>Enjoys the benefits of a green and thriving economy</i> • <i>Understands the work of the council and the challenges it faces</i> <p><i>The key areas for action identified in the plan were:</i></p> <ul style="list-style-type: none"> • <i>Provision of affordable housing for Island residents</i> • <i>Responding to climate change and enhancing the biosphere</i> • <i>Economic recovery</i> <p><i>The plan identifies that these key priorities will be delivered with the following core values directing its approach:</i></p> <ul style="list-style-type: none"> • <i>Being customer and community focused</i> • <i>Working together</i> • <i>Being effective and efficient</i> • <i>Being fair and transparent</i> <p><i>The delivery of the plan will be tracked through the Quarterly Performance Management Report that is presented to the IWC Cabinet which will contain updates against the key actions in the plan through evidence provided from performance metrics</i></p>
<p>Quarterly Performance Management Report (QPMR) updates</p> <p>Next review date – 28/2/22</p>	<p><i>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.</i></p> <p><i>The new corporate plan was approved by Full Council in November 2021. This plan is aligned to the council's vision for the Island and all of the council's key activities and performance metrics derive from it. Service plans and individual employee objectives are being refreshed and will align to the corporate plan.</i></p>
<p>Strategic capacity and interventions</p> <p>Next review date 28/2/22</p>	<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</p>
<p>Robust Programme Management</p> <p>Next review date 30/11/21</p>	<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.</p>
<p>Regeneration programme</p>	<p><i>The pandemic has impacted on the timing and practical delivery of the projects contained in the regeneration programme. Each of the initial opportunities identified on establishing the programme have been investigated, appraised and developed where appropriate, where a potential ROI has been established.</i></p>

<p>Next review date 31/12/21</p>	<p><i>Necessary permissions, planning etc have been secured or are in the process of being secured enabling market interest, in terms of development partners and end occupiers to be tested in light of a post pandemic boost of interest in the island as a place to live and work.</i></p> <p><i>The Alliance administration have highlighted housing delivery and cultural regeneration as key priorities for the programme from 2021 onwards and necessary staff and budget resources are being adjusted to reflect these.</i></p> <p><i>The regeneration programme is still on track to deliver revenue returns, council tax, increased jobs and business rates in addressing medium term financial plan objectives as well as improving wider prosperity and quality of life for islanders</i></p>
<p>Strategic risk register</p> <p>Next review date 6/12/21</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>Next review 31/12/21</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. <i>However, as at the end of August this has not been necessary and no family with children has been placed in Bed and Breakfast Accommodation for more than six weeks since October 2019</i></p>
<p>Increase in levels of unmet Housing Needs – Prevention</p> <p>Next review 31/12/21</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><i>Our request to increase Information, Advice and Guidance (IAG) and specialist housing court desk services to meet the increasing need that is reported /projected was agreed.</i></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>Next review date 31/12/21</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 was enhanced further by the opening of 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 are 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. This is being addressed through the Housing Strategy albeit recognising the local challenges.</p>

<p>Increase in levels of unmet Housing Needs - Recovery</p> <p>Next review date 31/12/21</p>	<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><i>We successfully secured RSI4 funding to continue and develop our response to single rough sleepers. In addition, we also submitted and were successful in our bid for RSAP (Rough Sleeper Accommodation Programme) funding (£390,000 capital + £82,500 revenue). This will see the IWC purchase and renovate 5 single units of accommodation for people that have or are experiencing rough sleeping.</i></p>
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STRATEGIC RISK 14					
Additional demands placed upon the Isle of Wight Council and partners owing to pandemic flu or similar large-scale outbreaks			Assigned to: Director of Public Health		
Inherent score	Target score	Current score	Previous scores		
			Sep 21	Jul 21	Feb 21
16 RED	12 RED	16 RED	16 RED	16 RED	16 RED
Mitigation					
<p>Preparedness for other novel infectious disease (including COVID-19)</p> <p>Next review date 31/12/21</p>	<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 Influenza Plans are linked into other Council and Multi-agency Emergency Response Plans.</p>				
<p>Partner Organisations</p> <p>Next review 31/12/21</p>	<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 				

	<ul style="list-style-type: none"> • IOW Integrated Care Partnership • Local Resilience Forums (LRFs) • Other Local Authorities
<p>Internal arrangements</p> <p>Next review 31/3/21</p>	<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><i>An Incident Response Plan specifically produced for the joint public health team, and in concert with staff receiving specific training set to role allocations will enhance the team's overall response capability. This plan is linked to the authority's own response arrangements and those of the LRF to allow greater prominence within the command-and-control structures that are established.</i></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 and IOW Local Health Resilience Partnership (LHRP) Health Protection Incident and Outbreak Plan.</p> <p>Revision of the national pandemic framework is taking place with a requirement that agencies do maintain existing plans (once revised, to then reflect national recommendations) furthermore a Pandemic Framework is being developed to advise the body corporate, to aid inter departmental and wider agency work should a pandemic type event occur again around both response but addressing service continuity needs.</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 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>
<p>External arrangements</p> <p>Next review 31/12/21</p>	<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>

	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.
Provision of up to date information Next review due 31/12/21	<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> <p>A dashboard of the situation on the Isle of Wight with regard to Covid infections, deaths, hospitalisations and vaccinations is published daily</p>

STRATEGIC RISK 15					
<i>Dealing with threats to business continuity (including cyber incidents)</i>			<i>Assigned to: Assistant Chief Executive and Director of Strategy</i>		
<i>Inherent score</i>	<i>Target score</i>	<i>Current score</i>	<i>Previous scores</i>		
			<i>Sep 21</i>	<i>Jul 21</i>	<i>Feb 21</i>
12 RED	6 LOW	9 AMBER	N/A	N/A	N/A
Mitigation					
Revised BC Plans completed Due date 26-10-21	<p>Emergency Management will issue a revised template to include listing of all ICT systems, consequence of failure and the continuity arrangements. These will be issued to all services managers requiring a new version of their BCP be registered with emergency management within four weeks of receiving them from the EM team</p> <p>Due date 26-10-2021</p> <p>27 of 30 BCPs completed, the following are still outstanding:</p> <ul style="list-style-type: none"> • Highways PFI • Planning • Regeneration 				
Secure paper copies of Revised BC Plans Due date 26/10/21	<p><i>All services must ensure that there is a paper copy of their current BCP that is copied and circulated to key staff so that the BC plan can be enacted in the event of significant loss of ICT systems</i></p> <p><i>All service areas have been reminded of this requirement</i></p>				
Revised BC Plans distributed, and staff trained Due date 26/10/21	<p><i>All services will distribute the BCP to their teams and ensure appropriate training is in place for the staff to know what actions they should all take in the event of loss or disruption to services</i></p> <p><i>All services have been advised of this requirement</i></p>				

<p>IWC - Cyber Incident Response Plan</p> <p>Due date 31/12/21</p>	<p><i>A Cyber Incident Response Plan has been drafted to provide a structured and systematic incident response process for all cyber security incidents that affect any of the Isle of Wight Council's information technology (IT) systems, network, data and information assets, including the council's data held or IT services provided by third-party vendors or other service providers.</i></p>
<p>Hampshire, Isle of Wight and Thames Valley Cyber Resilience Framework</p> <p>Completed, next review March 2023</p>	<p><i>Isle of Wight Council is part of a response framework at county level should an incident occur that identifies key considerations in the event of a cyber-attack that has a wider impact than one of the organisations individually.</i></p>

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Appendix 2 - Risk Prioritisation Matrix

Likelihood/Probability	4 V. Likely	7 Medium	11 Medium	14 High	16 <u>VERY HIGH</u>
	3 Likely	4 Low	8 Medium	12 High	15 <u>VERY HIGH</u>
	2 Unlikely	2 Low	5 Low	9 Medium	13 High
	1 Remote	1 Low	3 Low	6 Low	10 Medium
	Scale	1 Low	2 Medium	3 High	4 Major
Impact/Severity					

15 - 16	Red	V. high risk
12 - 14	Red	High risk
7 - 11	Amber	Medium risk
1 - 6	Green	Low risk

Likelihood/Probability Criteria

FACTOR	SCALE	THREATS - DESCRIPTION	INDICATORS
Very likely	4	More than 75% chance of occurrence	Regular occurrence Circumstances frequently encountered - daily/weekly/monthly
Likely	3	40% - 75% chance of occurrence	Likely to happen at some point within the next 1-2 years Circumstances occasionally encountered (few times a year)
Unlikely	2	10% - 40% chance of occurrence	Only likely to happen 3 or more years
Remote	1	Less than 10% chance of occurrence	Has happened rarely/never before

Impact/Severity Criteria

Factor	Scale	Effect on Service	Embarrassment/reputation	Personal Safety	Personal privacy infringement	Failure to provide statutory duties/meet legal obligations	Financial	Effect on Project Objectives/Schedule Deadlines
Major	4	Major loss of service, including several important areas of service and /or protracted period. Service Disruption 5+ Days	Adverse and persistent national media coverage Adverse central government response, involving (threat of) removal of delegated powers Officer(s) and/or Members forced to resign	Death of an individual or several people	All personal details compromised/revealed	Litigation/claims/fines from Departmental £250k + Corporate £500k +	Costing over £500,000	Complete failure of project/ extreme delay – 3 months or more
High	3	Complete loss of an important service area for a short period Major effect to services in one or more areas for a period of weeks Service Disruption 3-5 Days	Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community Adverse local publicity of a major and persistent nature	Major injury to an individual or several people	Many individual details compromised/revealed	Litigation/claims/fines from Departmental £50k to £125k Corporate £100k to £250k	Costing between £50,000 and £500,000	Significant impact on project or most of expected benefits fail/ major delay – 2-3 months
Medium	2	Major effect to an important service area for a short period Adverse effect to services in one or more areas for a period of weeks Service Disruption 2-3 Days	Adverse local publicity /local public opinion aware Statutory prosecution of a non-serious nature	Severe injury to an individual or several people	Some individual details compromised/revealed	Litigation/claims/fines from Departmental £25k to £50k Corporate £50k to £100k	Costing between £5,000 and £50,000	Adverse effect on project/ significant slippage – 3 weeks–2 months
Low	1	Brief disruption of important service area Significant effect to non-crucial service area Service Disruption 1Day	Contained within section/Unit or Directorate Complaint from individual/small group, of arguable merit	Minor injury or discomfort to an individual or several people	Isolated individual detail compromised/revealed	Litigation/claims/fines from Departmental £12k to £25k Corporate £25k to £50k	Costing less than £5,000	Minimal impact to project/ slight delay less than 2 weeks



Committee report

Committee	AUDIT COMMITTEE
Date	6 DECEMBER 2021
Title	FUTURE EXTERNAL AUDIT ARRANGEMENTS FROM 2023/24
Report of	DIRECTOR OF FINANCE AND SECTION 151 OFFICER

EXECUTIVE SUMMARY

1. This report sets out proposals for appointing the external auditor to the Council/Authority for the accounts for the five-year period from 2023/24.
2. The committee is asked to recommend to Full Council that the Council accepts Public Sector Audit Appointments' (PSAA) invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

RECOMMENDATION

3. Option 1 - The committee recommends to Full Council that the Council accepts Public Sector Audit Appointments' (PSAA) invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023

BACKGROUND

4. The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Council/Authority opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
5. PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. During Autumn 2021 all local government bodies need to make important decisions about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.

6. If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at Full Council. The opt-in period starts on 22 September 2021 and closes on 11 March 2022. To opt into the national scheme from 2023/24, the Council/Authority needs to return completed opt-in documents to PSAA by 11 March 2022.

STRATEGIC CONTEXT

7. The council's external audit arrangements supports the achievement of the council's commitments and key priorities as identified within the Corporate Plan 2021-2025.

FINANCIAL / BUDGET IMPLICATIONS

8. There is a risk that current external audit fee levels could increase when the current contracts end. It is clear that the scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market.
9. Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large scale collective procurement arrangement.
10. If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees from 2023/24.

IMPACT ON YOUNG PEOPLE AND FUTURE GENERATIONS

11. There are no implications arising from this report

CLIMATE, ENVIRONMENT & UNESCO BIOSPHERE IMPACT

12. There are no implications arising from this report

LEGAL IMPLICATIONS

13. The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2015 to ensure that the Council's budgeting, financial management, and accounting practices meet the relevant statutory and professional requirements. Councillors must have regard to and be aware of the wider duties placed on the Council by various statutes governing the conduct of its financial affairs.
14. Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council/Authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.
15. Section 12 makes provision for the failure to appoint a local auditor. The Council/Authority must immediately inform the Secretary of State, who may direct the Council/Authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council/Authority.

16. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a sector-led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

EQUALITY AND DIVERSITY

17. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
18. There are no direct equality and diversity implications arising from this report.

OPTIONS

19. The options available to the committee are:-
1. The committee recommends to Full Council that the Council accepts Public Sector Audit Appointments' (PSAA) invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023
 2. The committee recommends to Full Council that the Council does not opt into the sector led option and commences the process to establish an independent auditor panel to make a stand-alone appointment
 3. The committee recommends to Full Council that the Council does not opt into the sector led option and commences the process to join with other authorities to establish a joint auditor panel

RISK MANAGEMENT

20. The principal risks are that the Council/Authority:
- fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or
 - does not achieve value for money in the appointment process.

EVALUATION

21. The sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally because:
- collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements;

- if it does not use the national appointment arrangements, the Council will need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract;
 - it is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement; and
 - supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term
22. If the Council/Authority did not opt in there would be a need to establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council/Authority itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council/Authority's external audit.
23. Alternatively, the Act enables the Council/Authority to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council/Authority under the Act and the Council/Authority would need to liaise with other local authorities to assess the appetite for such an arrangement.
24. These would be more resource-intensive processes to implement for the council, and without the bulk buying power of the sector-led procurement would be likely to result in a more costly service. It would also be more difficult to manage quality and independence requirements through a local appointment process. The council is unable to influence the scope of the audit and the regulatory regime inhibits the council's ability to affect quality.
25. The Council/Authority and its auditor panel would need to maintain ongoing oversight of the contract. Local contract management cannot, however, influence the scope or delivery of an audit.
26. The national offer provides the appointment of an independent auditor with limited administrative cost to the council. By joining the scheme, the council would be acting with other councils to optimise the opportunity to influence the market that a national procurement provides.
27. The recommended approach is therefore to opt in to the national auditor appointment scheme.

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*Director of Finance
and Section 151 Officer*

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

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AUDIT COMMITTEE WORKPLAN 2021/22 – 2022/23

EXTERNAL AUDIT	Responsibility	26 July 2021	27 Sept 2021	6 Dec 2021	14 Mar 2022	July 2022	Sept 2022	Dec 2022	Mar 2023
Auditors Annual Report	Ernst & Young			✓				✓	
Annual Audit Plan – Isle of Wight Council	Ernst & Young				✓				✓
Annual Audit Plan – Isle of Wight Pension Fund	Ernst & Young				✓				✓
Annual Letter of Representation - Isle of Wight Council	Ernst & Young			✓			✓		
Annual Letter of Representation - Isle of Wight Pension Fund	Ernst & Young			✓			✓		
Annual Audit Results Report - Isle of Wight Council	Ernst & Young			✓ Moved from Sept 2021			✓		
Annual Audit Results Report - Isle of Wight Pension Fund	Ernst & Young			✓ Moved from Sept 2021			✓		
ACCOUNTS	Responsibility	26 July 2021	27 Sept 2021	6 Dec 2021	14 Mar 2022	July 2022	Sept 2022	Dec 2022	March 2023
Annual Approval of the Final Accounts	Chris Ward			✓ Moved from Sept 2021			✓		
GOVERNANCE FRAMEWORK	Responsibility	26 July 2021	27 Sept 2021	6 Dec 2021	14 Mar 2022	July 2022	Sept 2022	Dec 2022	March 2023
The Council's Risk Profile	Dave Martin	✓	✓	✓	✓	✓	✓	✓	✓
Annual Governance Statement	Debbie Downer	✓ DRAFT	✓ FINAL			✓ DRAFT	✓ FINAL		
Bi-Annual Property Investment Portfolio Report	Graeme Haigh		✓ Moved from March 2021						✓
Half-Yearly Procurement Report	Hayley Holden	✓		✓		✓		✓	
Half-Yearly Treasury Management Report	Jo Thistlewood			✓				✓	
Annual Treasury Management Report	Jo Thistlewood	✓				✓			
Annual Approval of Treasury Management Strategy	Jo Thistlewood				✓				✓

INTERNAL AUDIT	Responsibility	26 July 2021	27 Sept 2021	6 Dec 2021	14 Mar 2022	July 2022	Sept 2022	Dec 2022	March 2023
Annual Approval of Internal Audit Plan	Lizzi Goodwin				✓				✓
Annual Chairman's Audit Committee Report	Lizzi Goodwin						✓		
Annual Fraud & Irregularity Report (including Whistleblowing)	Lizzi Goodwin			✓				✓	
Annual Internal Audit Report (including Opinion)	Lizzi Goodwin	✓				✓			
Internal Audit Progress Report (<i>including high risk reports in full if necessary</i>)	Lizzi Goodwin	✓	✓	✓	✓	✓	✓	✓	✓