



ISLE *of*
WIGHT
COUNCIL

Internal Audit Progress Report 1st September 2020

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 2020/21 Audit Plan as at 1st September 2020 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 an important exception would be the introduction of controls to detect and prevent fraud.</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 and corrective action needs to be taken immediately.</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

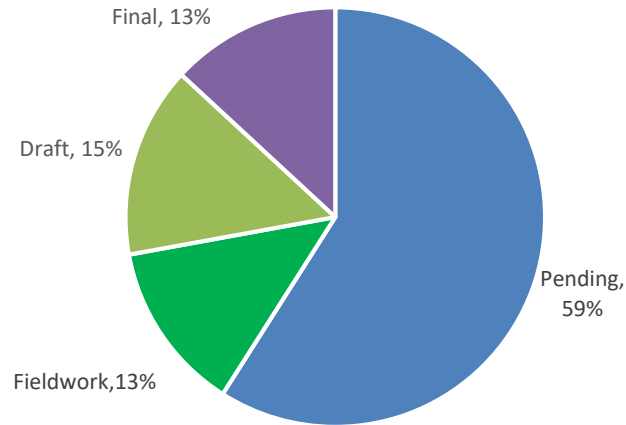
The following table outlines the follow up categories used to describe the outcome of follow up testing completed.

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: <i>Verified</i>	<i>Agreed action implemented and risk mitigated, verified by follow up testing.</i>
Closed: <i>Not Verified</i>	<i>Client has stated action has been completed but unable to verify via testing.</i>
Closed: <i>Management Accepts Risk</i>	<i>Management have accepted the risk highlighted from the exception.</i>
Closed: <i>No Longer Applicable</i>	<i>Risk exposure no longer applicable.</i>

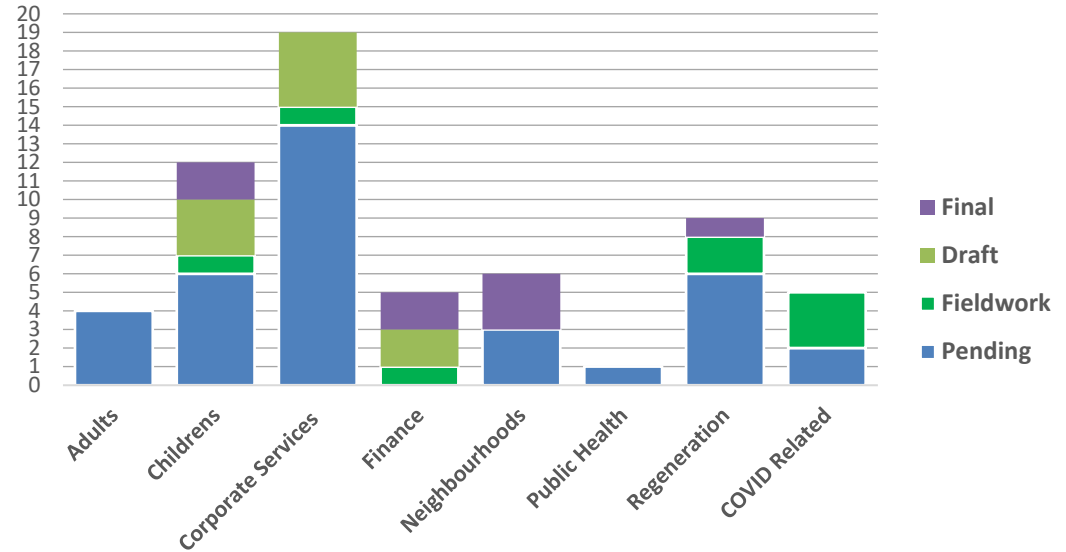


6. Audit Plan Progress

Status Overall



Status By Directorate*



Status (including follow-ups)	Audits
Pending	36
Fieldwork	8
Draft	9
Final	8
TOTAL*	62

* Certifying Supporting Families grants is carried throughout the year.

There are 62 reviews set out in the revised Audit Plan for 2020/21, post COVID19; a mixture of full and follow-up audits, grant certifications and additional reviews, specifically focused on COVID19 related initiatives.

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.

All reviews included in the 2020/21 programme of work are included in summary information on this page. Detail regarding changes to the Audit Plan is provided in the 'Audit Status' section, later in this report.



7. Audits in Period

Summaries for reports finalised since the last meeting of the Audit Committee in July 2020 are provided below.

Grant Verification: 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 evidenced that the Authority received permission from the Department for Transport (DfT) to roll the 19/20 funding into the 2020/21 financial year.

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



8. Follow-up Audits in Period

Updates are provided below for follow-up activity, finalised since the last meeting of the Audit Committee in July 2020.

Beach Huts				Original Action Date: October 2019	Original Assurance Level	Follow-up Assurance Level
Original Exceptions Raised				Revised Action Date: September 2020	Reasonable Assurance	Reasonable Assurance
Critical	High	Medium	Low			
0	0	1	1			

Control design issues have been addressed, with comprehensive documentation now in place. While likely future income is clearer, until all agreements with Beach Hut holders have been completed income projection reporting cannot be finalised.

1	Medium	Income Projection Reporting Work is ongoing, to finalise agreements with Beach Huts holders, once these are finalised income projections will be revisited, to ensure management have access to accurate information on which to base their decisions.	In Progress
2	Low	Processing Notes Processing notes have now been produced, covering the management of beach huts.	Closed

Water Safety				Original Action Date: October 2019	Original Assurance Level	Follow-up Assurance Level
Original Exceptions Raised				Revised Action Date: September 2020	Reasonable Assurance	Reasonable Assurance
Critical	High	Medium	Low			
0	0	2	2			

Immediate, operational issues identified through the audit have been addressed, strategic enhancements have been delayed due to COVID19.

1	Medium	Strategic Framework While work has commenced towards drafting a Strategic Framework this has been delayed, due to COVID19.	In Progress
2	Low	Council Services This action is dependent on the finalisation of the Strategic Framework, as it relates to reviewing what Council services are provided at different locations and what the Council is trying to achieve through provision. As such this action cannot be addressed until the strategic direction is finalised.	Pending



3	Low	Water Quality Information Processes to ensure published information is both accurate and up to date are now functioning effectively.	Closed
4	Medium	Life Saving equipment Glasdons have been re-inspected and repaired equipment, further evaluation of future provision is dependent on the finalisation of the Strategic Framework above and has consequently been delayed.	In Progress

Independent Fostering

Original Exceptions Raised				Original Action Date: February 2020 Revised Action Date: n/a	Original Assurance Level	Follow-up Assurance Level
Critical 0	High 0	Medium 1	Low 2		Reasonable Assurance	Assurance

Documentation issues regarding IPAs have been addressed, with better integration between children’s evolving needs and placement provision.

1	Medium	Signing of Independent Placement Agreements (IPAs) All IPAs finalised during 2020/21 have been returned signed and in a timely manner. Process documentation has been revised, highlighting that only IPAs received from known email addresses will be accepted.	Closed
2	Low	Reviews IPAs are now actively updated, to reflect changes from reviews and meetings to ensure that social work teams are fully aware of this requirement have either been held or are scheduled.	Closed
3	Low	Form Fs Form Fs (detail regarding fosterers) are now consistently held alongside IPAs.	Closed



Special Educational Needs and Disability (SEND)

Original Exceptions Raised

Critical	High	Medium	Low
0	2	0	0

Original Action Date: June 2019
Revised Action Date: March 2020

First Follow-up

Reasonable Assurance



Second Follow-up

Assurance

Education Health and Care (EHC) needs assessment performance is ahead of national average and robust action has been taken, to ensure that Education Health and Care Plans (EHCPs) are reviewed by schools, with the central Capita system kept up to date.

1	High	<p>Education Health and Care (EHC) needs assessment Regular reporting is produced, against deadlines; these are provided to senior management. While there are still a small number of instances where deadlines are still being missed performance on the Island is ahead of the national average.</p>	Closed
2	High	<p>Education Health and Care Plans (EHCPs) Alerts are sent to schools highlighting reviews required and their due dates, with information updated centrally on the Capita system. If not received in a timely manner a review confirmation is chased centrally, until satisfactorily resolved.</p>	Closed

Income Management

Original Exceptions Raised

Critical	High	Medium	Low
0	1	1	0

Original Action Date: September 2019
Revised Action Date: March 2020

First Follow-up

Reasonable Assurance



Second Follow-up

Assurance

Procedural documentation has been updated and good financial practice by Floating Bridge staff promoted. With the removal of the option for cash payments there are no longer any unexplained discrepancies between system reported and actual income.

1	High	<p>TransIQ system The Floating Bridge now only takes contactless payments and there are no unexplained discrepancies between system reported and actual income.</p>	Closed
2	Medium	<p>Floating Bridge procedures A specific list of key requirements has been provided to all floating bridge staff, regarding their management of cash. Sign off slips, confirming further guidance has been read, has also been completed.</p>	Closed



Nicholson Road

Original Exceptions Raised

Critical	High	Medium	Low
0	1	2	0

Original Action Date: December 2019
Revised Action Date: N/A

Original Assurance Level

Limited Assurance



Follow-up Assurance Level

Assurance

The 2018/19 audit focussed on the Council’s management of the Nicholson Road initiative. While the initiative remains marginally viable gaps identified in the original review have been substantively addressed, with improved record keeping. This will provide members with the correct information to inform the decision at the Full Business Case (FBC) stage as to whether/how to best to progress the initiative.

1	High	<p>Viability Costs have been bottomed out as fully as possible at the current time, towards informing a robust business case for decision by members. No further actions are pending at the current time.</p>	Closed
2	Medium	<p>Planning/Documentation Recommended actions in the Outline Business Case (OBC) have been revisited, to ensure that as much of the ‘preparatory work’ as possible had been completed. The Council now has an internally management project plan.</p>	Closed
3	Medium	<p>Governance/Change Authorities are now quantified/documented and minutes provide a clear record of decisions/discussions.</p>	Closed



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 20120/21 Audit Plan (revised, post COVID19) was produced or where changes have been made subsequently, for example to respond to service requirements, in year.

Audit	Directorate > Service	Status	Projected	Actual/ Revised	Assurance Level	Comments
Grant Verification: Supporting Families	Childrens Services > Social Care	Ongoing	All	All		Certification is carried out in-year.
Children with Disability	Childrens Services > Social Care	Fieldwork	Q2	Q2		
School 1	Childrens Services > Education		Q3			Schools scheduled for review will be confirmed in September 2020.
School 2	Childrens Services > Education		Q3			Schools scheduled for review will be confirmed in September 2020.
Deputyships/ Appointeeships	Adult Services >		Q3			
Safeguarding (ASC)	Adult Services >		Q4			
Accounts Payable (AP)	Resources > Business Centre		Q3			
Accounts Receivable (AR)	Resources > Business Centre		Q3			
Bank and Cash	Resources > Business Centre		Q3			
Council Tax and NNDR	Resources > Business Centre		Q3			



Audit	Directorate > Service	Status	Projected	Actual/ Revised	Assurance Level	Comments
Housing Benefits	Resources > Business Centre		Q3			
Payroll	Resources > Business Centre		Q3			
Insurance	Resources > Legal Services	Fieldwork	Q2	Q2		
Council Digital Strategy (New iwight.com)	Resources > IT		Q3			
Ethics	Resources > Democratic Services		Q3			
Freedom of Information (FOI)/Subject Access Requests (SARs)	Resources > Legal Services	Draft	Q2	Q2		
Modern Slavery	Resources > Legal Services	Draft	Q2	Q2		
Annual Governance Statement (AGS)	Resources > Business Effectiveness		Q3			
Contracts	Resources > Legal Services	Draft	Q2	Q2		Originally scheduled for 2019/20; postponed to 2020/21 due to COVID19.
Homes in Multiple Occupancy (HMOs)	Neighbourhoods > Regulatory Services		Q3			
Asset Management (Property)	Regeneration > Property		Q4			
School (Landlord)/Asbestos	Regeneration > Property	Fieldwork	Q2	Q2		
Financial Management (Regeneration)	Regeneration	Fieldwork	Q3	Q3		



Audit	Directorate > Service	Status	Projected	Actual/ Revised	Assurance Level	Comments
Island Plan	Regeneration > Planning		Q3			Originally scheduled for 2019/20; postponed to 2020/21 due to COVID19.
Grant Verification: Bus Subsidy	Finance	Final	Q2	Q2		
Grant Verification: Disabled Facilities	Finance	Fieldwork	Q2	Q2		
Grant Verification: Local Transport Capital Funding	Finance	Final	Q2	Q2		
School Financial Management Standard (SFVS)	Finance	Draft	Q1	Q1		
Lifeline Grant	COVID Related	Fieldwork	Q2	Q2		Grant verification.
Test & Trace Grant	COVID Related		Q2			Grant verification.
Business Grant	COVID Related		Q2			Grant verification.
Infection Control Grant	COVID Related	Fieldwork	Q2	Q2		Grant verification.
Assurance Reporting	COVID Related	Fieldwork	Q2	Q2		Post COVID 19 Central Government requirement - envisage will cover provider payment, equipment distribution, vouchers etc..



Audit	Directorate > Service	Status	Projected	Actual/ Revised	Assurance Level	Comments
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Follow-up Reviews

During 2020/21 Internal Audit will follow-up all findings raised during 2019/20, rated as medium risk or higher. For each applicable 2019/20 audit separate follow-up reviews will be carried out during 2020/21, in four phases from quarter one, as detailed below. Due to a high number of actions remaining 'open' from 2019/20 follow-up reviews (covering actions raised in 2018/19 audits) a number of additional follow-up reviews have been scheduled for 2020/21, as detailed below.

Beaulieu House	Childrens Services > Social Care		Q4			
Bembridge Primary School	Childrens Services > Education		Q3			
Independent Fostering	Childrens Services > Social Care	Final	Q1	Q1	Assurance	
Home to School Transport	Childrens Services > Education		Q3			Home to School Transport was audited in 2018/19. Due to COVID19 follow-up review was postponed from 2019/20 to 2020/21.
Special Education Needs & Disability	Childrens Services > Education	Final	Q2	Q2	Assurance	Audit was carried out in 2018/19, initial follow-up in 2019/20. Further follow-up carried out in 2020/21, confirming that all actions have now been completed.
School: Barton	Childrens Services > Education	Draft	Q2	Q2		
School: Binstead	Childrens Services > Education	Draft	Q2	Q2		
School: Hunnyhill	Childrens Services > Education	Draft	Q2	Q2		
Looked after Children (LAC)	Childrens Services > Social Care		Q2			Audit was carried out in 2018/19, initial follow-up in 2019/20. Further follow-up is scheduled for 2020/21, to confirm that all actions have been completed.



Audit	Directorate > Service	Status	Projected	Actual/ Revised	Assurance Level	Comments
Direct Payments/Personal Budgets	Adult Services > Contract Management		Q4			
Domiciliary Care	Adult Services >		Q2			Audit was carried out in 2018/19, initial follow-up in 2019/20. Further follow-up is scheduled for 2020/21, to confirm that all actions have been completed.
Pension Administration	Resources > Business Centre	Draft	Q2	Q2		
IT System: Paris	Resources > IT		Q3			
Contract Management	Resources > Legal Services		Q2			Audit was carried out in 2018/19, initial follow-up in 2019/20. Further follow-up is scheduled for 2020/21, to confirm that all actions have been completed.
IT General Control	Resources > IT		Q2			Audit was carried out in 2018/19, initial follow-up in 2019/20. Further follow-up is scheduled for 2020/21, to confirm that all actions have been completed.
General Data Protection Regulation (GDPR)	Resources > Legal Services		Q2			Audit was carried out in 2018/19, initial follow-up in 2019/20. Further follow-up is scheduled for 2020/21, to confirm that all actions have been completed.
Social Media & CCTV	Resources > Legal Services		Q3			Social Media & CCTV was audited in 2018/19. Due to COVID19 follow-up review was postponed from 2019/20 to 2020/21.
Beach Huts	Neighbourhoods > Commercial Services	Final	Q1	Q1	Reasonable	
Leisure Centres	Neighbourhoods > Leisure		Q4			
Water Safety	Neighbourhoods > Commercial Services	Final	Q1	Q1	Reasonable	



Audit	Directorate > Service	Status	Projected	Actual/ Revised	Assurance Level	Comments
Community Funerals	Neighbourhoods > Regulatory Services		Q4			
Income Management (Floating Bridge)	Neighbourhoods > Commercial Services	Final	Q2	Q2	Assurance	Audit was carried out in 2018/19, initial follow-up in 2019/20. Further follow-up carried out in 2020/21, confirming that all actions have now been completed.
Section 106 Agreements	Regeneration > Property		Q3			
Newport Harbour	Regeneration		Q4			
Regulatory Compliance	Regeneration > Property		Q3			Audit was carried out in 2018/19, initial follow-up in 2019/20. Further follow-up is scheduled for 2020/21, to confirm that all actions have been completed.
Asset Management	Regeneration > Property		Q3			Audit was carried out in 2018/19, initial follow-up in 2019/20. Further follow-up is scheduled for 2020/21, to confirm that all actions have been completed.
Nicholson Road	Regeneration	Final	Q2	Q2	Assurance	Audit was carried out in 2018/19, initial follow-up in 2019/20. Further follow-up carried out in 2020/21, confirming that all actions have now been completed.
Public Health Outcomes	Public Health		Q3			
Treasury Management	Finance	Draft	Q2	Q2		