Internal Audit Progress Report 20 February 2022

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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 2022/23 Audit Plan as of 20 February 2023 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	*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*

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)	*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.*
Medium Risk	*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.*
High Risk	*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*
Critical Risk	*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*

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Closed: *No Longer Applicable*	*Risk exposure no longer applicable.*

6. Audit Plan Progress

Status Overall

Fieldwork, 12%

Draft, 10%

Final, 76%
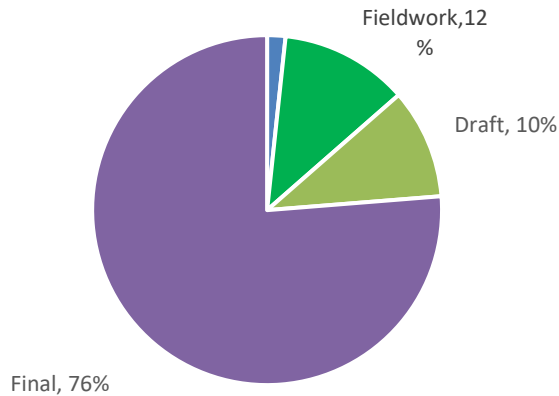
Status (including follow-ups)	Audits
Pending	1
Fieldwork	7
Draft	6
Final	45
TOTAL	59

There were 53 reviews set out in the Audit Plan for 2022/23. 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 59 more detail is provided in section eight of this report.

In addition to core assurance Internal Audit is providing further, ongoing support to the Council, by utilising IDEA software to highlight potential duplicate invoices.

All reviews currently included in the 2022/23 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.

Hospital Team/Discharge Process

Exceptions Raised

Critical	High	Medium	Low
0	0	5	2

Overall Assurance Level

Reasonable Assurance

Assurance Level by Scope Area

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

The Team need to fully respond to the findings of a prior review by the Principal Social Worker and put in place an appropriate Team Plan. Issues were also identified regarding the discharge process, for example delays in making contact as soon as possible, post discharge while documentation and reporting/oversight arrangements also need to be enhanced.

Software Development

Exceptions Raised

Critical	High	Medium	Low
0	0	4	0

Overall Assurance Level

Reasonable Assurance

Assurance Level by Scope Area

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

All issues identified through this audit relate to the need to introduce a greater degree of formality to how developments are managed and overseen. For example, ensuring that evidence for alternative options investigated, prior to going down the in-house development route and decisions made during the development process is always retained and that multiple developers are always involved in individual developments, to minimise any overreliance on single team members.

Planning and Enforcement

Exceptions Raised

Critical	High	Medium	Low
0	0	2	1

Overall Assurance Level

Reasonable Assurance

Assurance Level by Scope Area

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

The most significant issues identified relate to a backlog in the serving of enforcement notices, potentially linked to use of less efficient paper-based records and performance indicators which are insufficiently ambitious and/or do not sufficiently monitor performance against legislative requirements. The overarching Local Enforcement Policy also needs to be updated, to align with current legislation.

Children's Disability and Transitions

Exceptions Raised

Critical	High	Medium	Low
0	0	3	0

Overall Assurance Level

Reasonable Assurance

Assurance Level by Scope Area

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

Gaps were identified in arrangements to identify 'eligible persons', for example, proactive work with schools, information sharing protocols with third parties and appropriate policies/procedures, to support working with third party agencies.
This review also followed up on actions agreed in the prior audit of the Children's Disability Team. Both actions (Surplus Balances and Account Capping and Accounts receiving both Social Care and Continuing Healthcare (CHC) funding being verified as closed.

Annual Governance Statement (AGS)

Exceptions Raised

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

Overall Assurance Level

Reasonable Assurance

Assurance Level by Scope Area

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

Work to support the AGS focussed primarily on an agreed subset of 30 policies/strategic documents, agreed with the Strategic Manager, Organisational Intelligence and other stakeholders and relevant to AGS assertions. Audit review confirmed that the Policy Portfolio is substantively fit for purposes. While eight of the 30 policies are overdue review, corrective action is planned by relevant senior managers.

Alongside the above a short survey was also carried out of directors. This asked nine questions, covering cost saving plans, VfM and arrangements services have in place to manage cost of living pressures. The main gap identified through the survey is that the council currently undertakes limited work, for example benchmarking, to confirm its services provide VfM.

Financial Governance (Adults)

Exceptions Raised

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

Overall Assurance Level

N/A

Assurance Level by Scope Area

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

This review was commissioned from Internal Audit, due to issues being identified relating to financial controls. A full review was carried out across financial processes, with results shared with senior management, to inform control enhancements.

Duplicate Payments

Exceptions Raised

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

Overall Assurance Level

N/A

Assurance Level by Scope Area

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

The IDEA data analytics tool was used across the full range of payments made by the council, to identify potential duplicate payments. Potential duplicates were then passed to the service, for investigation and further action where necessary.

Weights Management Service Grant

Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level

Assurance

Assurance Level by Scope Area

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

Testing was performed in accordance with the conditions of the funding to enable sign off by the Chief Executive Officer and Chief Internal Auditor.

School Condition 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 in accordance with the conditions of the funding to enable sign off by the Chief Executive Officer and Chief Internal Auditor.

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 in accordance with the conditions of the funding to enable sign off by the Chief Executive Officer and Chief Internal Auditor. The process review in this area will be reported in due course.

Follow-up Audits in Period

Updates are provided below for follow-up activity, since the Audit Committee las met.

Workforce Development			

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

All agreed actions have been substantively implemented.

1	Medium	**Workforce Development** The initiative to update/enhance the Council's Workforce Development arrangements, supported by the Local Government Association (LGA), has been completed, with revised guidance cascaded to service areas supported by training. Workforce Development Plans in service areas are in the process of being finalised.	**Closed: Verified**

CCTV			

Original Exceptions Raised				First Follow-up Level	Second Follow-up Level
Critical	**High**	**Medium**	**Low**	**Limited Assurance** ➤	**Reasonable Assurance**
0	2	0	1		

All agreed actions are now implemented or pending final completion.

1	High	**Overarching CCTV Arrangements/Public CCTV Network** A senior officer has now taken responsibility, for leading the Council's overarching CCTV arrangements. A revised CCTV Code is in final draft, pending finalisation post sign off by all stakeholders.	**Closed: Verified**
2	High	**CCTV used in Council Properties** An initial assessment of when CCTV is in place and provisional high-level documentation has been completed. Overseen by the senior officer identified above, enhanced processes are pending being implemented across the council's properties.	**In Progress**
3	Low	**Bodycams, Civil Enforcement Officers & Floating Bridge Staff (CEOs)** A revised Body Worn Video Policy has been finalised.	**Closed: Verified**

Homes in Multiple Occupancy (HMOs)

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

Issues originally identified have been substantively addressed. For context some risks have been accepted by the service, leading to the assurance level remaining at reasonable.

1	**Medium**	**HMO Records** Follow-up testing has confirmed that appropriate records are being maintained, including reporting and management oversight.	**Closed: Verified**
2	**Medium**	**HMO Inspections** Performance and record keeping have improved, since the time of the original audit, with a particular focus on ensuring higher risk issues identified through inspections have been addressed.	**Closed: Verified**
3	**Low**	**HMO Records** Issues regarding information from HMO records being present on the Council's website have been addressed.	**Closed: Unverified**

Risk Management

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

Agreed actions have been largely implemented.

1	**Low**	**Strategic Risk Reporting** Agreed enhancements to risk reporting presented to the Audit Committee have been implemented.	**Closed: Verified**
2	**Medium**	**Consistency of Risk Management** Enhancements are being implemented to risk management in service areas, with Adult Service now fully in line with corporate expectations and appropriate visibility in place corporately, as to how risks are managed in Children's Services.	**In Progress**
3	**Medium**	**Planned Enhancements** The Risk Management Framework and supporting documentation have been reviewed and updated. As per action two above these are in the process of being implemented.	**Closed: Verified**

Asset Management

Original Exceptions Raised				**Second Follow-up Level**	**Third Follow-up Level**
Critical	High	Medium	Low	Reasonable Assurance	Reasonable Assurance
0	0	2	0		

Agreed actions have been substantively addressed.

1	Medium	**Oversight of Insurance Policies** Remaining insurance obligations on tenants (one let property) are in the process of moving to the council.	Closed, Verified
2	Medium	**Current Leases and Licenses** A small number (48) of properties with expired leases are either being renegotiated with the tenants or have revised arrangements being reviewed by Legal. Of these 33 are low value, less than £500 per year.	In Progress

School Landlord Responsibility

Original Exceptions Raised				**First Follow-up Level**	**Second Follow-up Level**
Critical	High	Medium	Low	Reasonable Assurance	Reasonable Assurance
0	2	0	0		

Measurable progress has been made, towards addressing issues identified, since the point of last follow-up.

1	High	**Risk Management** Training has been provided to management within Regeneration, with risk regarding School Landlord arrangement pending being added to the Service Risk Register.	In Progress
2	High	**Oversight System Design/Reporting** A clear flowchart, setting out at what point noncompliance by schools with be escalated. There has been a marked improvement in the compliance status of schools since the point of last follow-up.	In Progress

Insurance

Original Exceptions Raised				First Follow-up Level	Second Follow-up Level
Critical	**High**	**Medium**	**Low**	**Reasonable Assurance**	**Reasonable Assurance**
0	0	2	0		

Good progress has been made addressing issues originally identified, since the prior follow-up of this area.

1	**High**	**Insurance Portfolio** A risk appetite statement has been adopted by management and appropriate records are being kept, for example regarding how recharges are arrived at.	**Closed, verified**
2	**Medium**	**Service objectives, approach, operational policies and procedures** No specific documentation has been developed, beyond the risk appetite statement identified above; development of an 'insurance manual' is planned.	**In Progress**
3	**High**	**Property Portfolio** Corporate visibility of the property portfolio has improved. However, 27% of insured properties do not have an up to date valuation, increasing the risk of properties being under insured.	**In Progress**
4	**Medium**	**KPIs and Management Information** An appropriate portfolio of performance indicators is now in place.	**Closed, verified**
5	**Medium**	**Recharges** Appropriate mechanisms are now in place, ensuring the involvement of corporate finance in the recharge process.	**Closed, verified**

8. Audit Status

The table below summarises audit status including detail regarding audits now scheduled, either where the area of focus had not been confirmed at the time the 2022/23 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							
Hospital Team/Discharge Process	■				**Final**	Reasonable	Included in this report.
Deferred Payments					**Suspended**		Rescheduled to quarter one, 2023/24
Deprivation of Liberty (DOLs)					**Suspended**		Provisionally rescheduled to quarter three 2023/24.
Ukrainian Accommodation Support	■				**Fieldwork**		New review.
Weights Management Service Grant				■	**Final**	Assurance	Included in this report, new review.
Financial Governance	■				**Final**	N/A	Included in this report, new consultancy review.
Children's Services							
Direct Contact & Supervision					**Suspended**		To be reconsidered for inclusion in later audit planning cycles.
Oakfield School	■				**Final**	Reasonable	Reported in September.
Brighstone	■				**Final**	Reasonable	Reported in November.
St Mary's School	■				**Draft**		Pending presentation to CMT.
Children with Disability (to include Transition children's to adults)	■	■			**Final**	Reasonable	Included in this report.
School Condition Funding				■	**Final**	Assurance	Included in this report, new review.
Edge of Care (Barnardo's Contract)			■		**Final**	Assurance	Reported in September.
Early Years		■			**Draft**		
Arreton School					**Suspended**		Limited follow-up suspended, due to

Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
							change in school management.
Broadlea School		■			**Final**	**Assurance**	Reported in November.
Troubled Families (Children's)				■	**Ongoing fieldwork**		Grant certifications carried out throughout year.
School Financial Management Standard (SFVS)	■				**Final**	**Reasonable**	Reported in September.
Corporate Services							
Accounts Payable (AP)		■			**Final**	**Assurance**	Reported in November.
Accounts Receivable (AR)	■				**Draft**		Pending presentation to CMT.
Bank and Cash	■				**Fieldwork**		
Council Tax and NNDR	■				**Final**	**Reasonable**	Reported in November.
Duplicate Payments	■				**Final**	**N/A**	Additional consultancy, included in this report.
Housing Benefits	■				**Final**	**Reasonable**	Reported in November.
Payroll		■			**Final**	**Reasonable**	Reported in November.
IT Assets (including mobile phones)	■				**Final**	**Reasonable**	Reported in September.
Blue Badges	■				**Final**	**Assurance**	Reported in September.
Software Development	■				**Final**	**Reasonable**	Included in this report.
Technology Forge (IT System)		■			**Final**	**Reasonable**	Reported in September.
Fleet/Hire Cars		■			**Draft**		
Insurance		■			**Final**	**Reasonable**	Included in this report.
Test and Trace £500				■	**Final**	**Assurance**	Reported in September.
Omicron Business Grant				■	**Final**	**Assurance**	Reported in November.
Modern Slavery			■		**Final**	**Assurance**	Reported in November.

Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Freedom of Information (FOI)/Subject Access Requests (SARs)			■		Final	Reasonable	Reported in November.
Agency (temporary staff, across Council)			■		Final	Reasonable	Reported in November.
Pension Administration			■		Final	Reasonable	Reported in November.
Workforce Development (including Wellbeing)		■			Final	Assurance	Included in this report.
IT Follow-Up		■			Draft		
Finance							
Capital Accounting					Suspended		To be reconsidered for inclusion in later audit planning cycles.
UNESCO and Interreg				■	Final	Assurance	Reported in September.
Neighbourhoods							
Food Safety (Regulatory Compliance)	■				Fieldwork		
Bereavement	■				Final	Reasonable	Reported in November.
Disabled Facility Process	■				Draft		
Disabled Facilities				■	Final	Assurance	Included in this report.
Local Transport Capital Funding				■	Final	Assurance	Reported in September.
CCTV			■		Final	Reasonable	Included in this report.
Leisure Centres					Suspended		Suspended, due to changes in service arrangements.
HMOs			■		Final	Reasonable	Included in this report.
Public Health Funerals (Community)					Suspended		To be reconsidered for inclusion in later audit planning cycles.
Bus Subsidy				■	Final	Assurance	Reported in November.
Public Health							
Public Health Outcomes	■				Final	Reasonable	Reported in September.
Contain Outbreak Management Fund (COMF)				■	Final	Assurance	Reported in September.

Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Universal Drug Treatment				■	Final	Assurance	Reported in September.
Regeneration							
Asset Disposals	■				Fieldwork		
Planning and Enforcement	■				Final	Reasonable	Included in this report.
Section 106		■			Final	Reasonable	Reported in November.
Asbestos		■			Pending		
Asset Management			■		Final	Reasonable	Included in this report.
School Landlord Responsibility		■			Final	Reasonable	Included in this report.
Creative Biosphere Grant				■	Fieldwork		
Strategy & Corporate							
Advocacy Contract (Adults)	■				Final	Assurance	Reported in September.
Gouldings Project	■				Final	Reasonable	Reported in November.
Annual Governance Statement (AGS)	■				Final	Reasonable	Included in this report.
Key Controls	■				Fieldwork		New review.
Risk Management		■			Final	Assurance	Included in this report.