



## Internal Audit Progress Report 1 September 2023

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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 2023/24 Audit Plan as of 01 September 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  |
|-----------------------------|---|
| <b>Assurance</b>            | <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>               |
| <b>Reasonable Assurance</b> | <i>Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority</i>  |
| <b>Limited Assurance</b>    | <i>Control weaknesses or risks were identified which pose a more significant risk to the Authority</i>  |
| <b>No Assurance</b>         | <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  |
|-------------------------------|--|
| <b>Low Risk (Improvement)</b> | <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>  |
| <b>Medium Risk</b>            | <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>  |
| <b>High Risk</b>              | <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> |
| <b>Critical Risk</b>          | <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

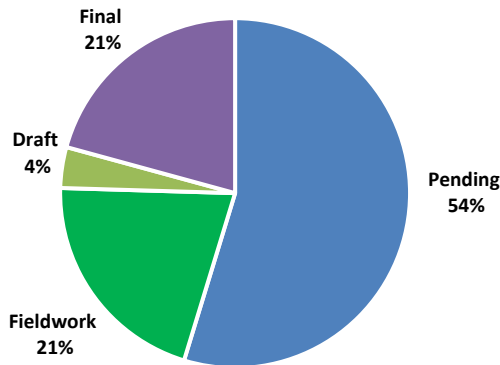
The following table outlines the follow up categories used to describe the outcome of follow up testing completed.

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| Closed: No Longer Applicable    | 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Risk exposure no longer applicable.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



## 6. Audit Plan Progress

### Status Overall



| Status (including follow-ups) | Audits    |
|-------------------------------|-----------|
| Pending                       | 29        |
| Fieldwork                     | 11        |
| Draft                         | 2         |
| Final                         | 11        |
| <b>TOTAL</b>                  | <b>53</b> |

There were 57 reviews set out in the Audit Plan for 2023/24. 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 53, 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 2023/24 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.

### School Financial Value Standard (SFVS)

#### 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 | Assurance            |
| Safeguarding of Assets                       | NAT                  |
| Effectiveness and Efficiency of Operations   | Assurance            |
| Reliability and Integrity of Data            | Reasonable Assurance |

Eight schools were selected for testing to support the s151 Officers statement signing. Of those reviewed arrangements regarding management of the staffing structure (ensuring it follows DFE guidance, is regularly reviewed and sufficiently available, e.g., published on the school website) needs to be improved at one school and contract management arrangements need to be enhanced at another school, in scope for this review. More minor issues were identified at a third school, regarding how the school forecasts future pupil numbers.

### Deferred Payments

#### Exceptions Raised

| Critical | High | Medium | Low |
|----------|------|--------|-----|
| 0        | 0    | 4      | 1   |

#### Overall Assurance Level

Reasonable Assurance

#### Assurance Level by Scope Area

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

The main issues identified relate to oversight to ensure clients have appropriate property insurance, prompt application of legal charges on client properties (to recoup debts) and timeliness of client debt statements/interest calculations. A more minor issue was also identified regarding the robustness of the property valuation process.



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

**UNESCO and Interreg 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.

**UNESCO and Interreg 2**

**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.





## Follow-up Audits in Period

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

### Bereavement (Crematorium and Cemeteries)

| Original Exceptions Raised |      |        |     | Original Assurance Level | Follow-up Level      |
|----------------------------|------|--------|-----|--------------------------|----------------------|
| Critical                   | High | Medium | Low | Reasonable Assurance     | Reasonable Assurance |
| 0                          | 1    | 4      | 1   |                          |                      |

The majority of agreed actions have been fully implemented.

|   |        |  |                  |
|---|--------|--|------------------|
| 1 | Medium | <b>Cremation Capacity</b><br>A paper is scheduled to be presented to cabinet later in 2023/24, setting out options for decision regarding aligning capacity with demand. | In Progress      |
| 2 | Low    | <b>Faith/Belief Arrangements</b><br>Enhanced information is available to the bereaved, covering a more comprehensive range of beliefs.                                   | Closed: Verified |
| 3 | High   | <b>Debt Recovery</b><br>Debt recovery arrangements have been enhanced, confirmed through sample testing.   | Closed: Verified |
| 4 | Medium | <b>Invoicing</b><br>Invoicing arrangements have been enhanced, confirmed through sample testing.   | Closed: Verified |
| 5 | Medium | <b>Fees</b><br>Fee information is pending being updated on the Council's website.  | In Progress      |
| 6 | Medium | <b>Management/Financial Oversight</b><br>Appropriate management and financial oversight arrangements are now in place.   | Closed: Verified |

### Housing Benefits

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

All issues originally identified have been addressed.

|   |        |   |                  |
|---|--------|---|------------------|
| 1 | Medium | <b>Discretionary Housing Payment and Monitoring Reviews</b><br>An appropriate sample of discretionary housing payments is now being reviewed on a monthly basis and staff monitoring arrangements have been enhanced. | Closed: Verified |
|---|--------|---|------------------|



**Public Health Outcomes**

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

Agreed actions have either being addressed or substantively addressed.

|   |     |  |                  |
|---|-----|--|------------------|
| 1 | Low | <b>Integrated Sexual Health Contract</b><br>The planned procurement was unsuccessful with a direct award in progress. Public Health management have confirmed that agreed actions, for example an appropriate oversight regime, will be implemented as part of this process. | In Progress      |
| 2 | Low | <b>Smoking Cessation</b><br>A range of actions have been completed, such as activity and staff wellbeing reporting. Outstanding actions have been substantively addressed, for example the Health Equity Audit report is pending finalisation.                               | Closed, verified |
| 3 | Low | <b>Substance Misuse</b><br>An appropriate set of performance indicators has been agreed and is being reported to and monitored by Public Health Management.  | Closed, verified |

**Brighstone School**

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

Reasonable progress has been made addressing agreed actions.

|   |        |  |                                 |
|---|--------|--|---------------------------------|
| 1 | Low    | <b>SFVS</b><br>The Whistleblowing Policy has been updated.   | Closed: Verified                |
| 2 | Medium | <b>Inventory</b><br>Compiling an asset register is in progress.  | In Progress                     |
| 3 | High   | <b>Premises and Estate Management</b><br>Satisfactory evidence was provided to Internal Audit regarding asbestos, water and fire safety arrangements.  | Closed: verified                |
| 4 | Medium | <b>Income collection processes</b><br>School meal income management has improved, with the process of recovering debts more formalised. Limited progress has been made regarding management of income from the pre-school. | In Progress                     |
| 5 | Medium | <b>PTA/Voluntary Funds</b><br>Oversight has improved, for example a chairman's report has been shared with the school, with further action in progress, for example finalising accounts.                                   | In Progress                     |
| 6 | Medium | <b>Expenditure</b><br>The risk stemming from inconsistent expenditure controls, for example not requiring a formal tender process for higher value procurements in some instances, has been accepted by school management. | Closed: Management Accepts Risk |



**Blue Badges**

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

All issues originally identified have been addressed.

|   |        |   |                     |
|---|--------|---|---------------------|
| 1 | Low    | <b>Staff Training</b><br>Appropriate arrangements are now in place to ensure mandatory training is completed by staff.  | Closed:<br>Verified |
| 2 | Low    | <b>Prevention and Detection of Fraud</b><br>The 'tell us once' service is used to ensure that deceased persons are identified and blue badges cancelled in a timely manner. | Closed:<br>Verified |
| 3 | Medium | <b>Blue Badge Income and Expenditure</b><br>Appropriate budget monitoring arrangements have been implemented by management.   | Closed:<br>Verified |

**IT Assets**

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

Where issues have not yet been fully addressed good progress is being made.

|   |        |  |                     |
|---|--------|--|---------------------|
| 1 | Low    | <b>Strategic Framework</b><br>The Hardware Policy have been reviewed and updated.  | Closed:<br>Verified |
| 2 | Low    | <b>Process Documentation</b><br>Process documentation has been reviewed and updated.   | Closed:<br>Verified |
| 3 | Low    | <b>IT Asset Acquisitions</b><br>A software issues (the underlying reason for anomalies in records) has been identified and resolved. Historic anomalies are in the process of being resolved.  | In Progress         |
| 4 | Medium | <b>Asset Discovery</b><br>Out of date status information for a subset of laptops has been addressed. The process of carried out this action regularly is in the process of being documented.   | In Progress         |
| 5 | Medium | <b>Disposals</b><br>Most of the issues identified regarding how disposals are managed have been addressed. Further work is necessary to resolve a small number of ambiguous 'statuses' in the CMDB and investigate how redundant devices could be reused by a third party. | In Progress         |
| 6 | Medium | <b>End User Issues</b><br>The IT Team does try to recoup costs for unacceptable damage to IT equipment from service areas. However, escalating this to senior management has not yet taken place.  | In Progress         |



|   |     |   |                     |
|---|-----|---|---------------------|
| 7 | Low | <b>Phones</b><br>Historic phone records have been migrated to the current asset register. | Closed:<br>Verified |
|---|-----|---|---------------------|



## 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 2023/24 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                      |
|--|------|-----------------|------------------|-------|-----------|-----------------|-------------------------------|
| <b>Adult Services</b>                        |      |                 |                  |       |           |                 |                               |
| Better Care Fund (subset)                    | ■    |                 |                  |       | Pending   |                 |                               |
| Advocacy                                     | ■    |                 |                  |       | Suspended |                 | Covered by prior review.      |
| Homelessness                                 | ■    |                 |                  |       | Pending   |                 |                               |
| Adults Financial Management (Debt Recovery)  | ■    |                 |                  |       | Fieldwork |                 |                               |
| Hospital Team/Discharge Process              |      | ■               |                  |       | Fieldwork |                 |                               |
| Deferred Payments                            |      | ■               |                  |       | Final     | Reasonable      | Included in this report.      |
| <b>Children's Services</b>                   |      |                 |                  |       |           |                 |                               |
| Direct Contact & Supervision                 | ■    |                 |                  |       | Fieldwork |                 |                               |
| Cowes Primary School                         | ■    |                 |                  |       | Fieldwork |                 |                               |
| Holy Cross Catholic Primary School           | ■    |                 |                  |       | Draft     |                 |                               |
| Wootton Community Primary School             | ■    |                 |                  |       | Suspended |                 | Long term sickness at school. |
| Island Learning Centre (Pupil Referral Unit) | ■    |                 |                  |       | Pending   |                 |                               |
| Out of Area Placements (Care)                | ■    |                 |                  |       | Pending   |                 |                               |
| School Financial Management Standard (SFVS)  | ■    |                 |                  |       | Final     | Reasonable      | Included in this report.      |
| Children's Key Financial Controls            | ■    |                 |                  |       | Pending   |                 |                               |
| Transition, Children to Adults               |      | ■               |                  |       | Pending   |                 |                               |
| St Mary's School                             |      | ■               |                  |       | Pending   |                 |                               |
| Oakfield School                              |      | ■               |                  |       | Pending   |                 |                               |
| Brighstone School                            |      | ■               |                  |       | Final     | Reasonable      | Included in this report.      |
| Early Years                                  |      | ■               |                  |       | Pending   |                 |                               |
| Troubled Families (Children's)               |      |                 |                  | ■     | Fieldwork |                 |                               |



| Audit                                 | Full | First Follow-up | Second Follow-up | Grant | Status      | Assurance Level | Comments                 |
|---------------------------------------|------|-----------------|------------------|-------|-------------|-----------------|--------------------------|
| <b>Corporate Services</b>             |      |                 |                  |       |             |                 |                          |
| Accounts Payable (AP)                 | ■    |                 |                  |       | Pending     |                 |                          |
| Bank and Cash                         | ■    |                 |                  |       | Pending     |                 |                          |
| Payroll                               | ■    |                 |                  |       | Pending     |                 |                          |
| IT Disaster Recovery                  | ■    |                 |                  |       | Fieldwork   |                 |                          |
| Strategic Review of Fleet             | ■    |                 |                  |       | Pending     |                 |                          |
| Duplicate Payments (IDEA)             | ■    |                 |                  |       | Fieldwork   |                 |                          |
| Accounts Receivable (AR)              |      | ■               |                  |       | Fieldwork   |                 |                          |
| Council Tax and NNDR                  |      | ■               |                  |       | Pending     |                 |                          |
| Housing Benefits                      |      | ■               |                  |       | Final       | Assurance       | Included in this report. |
| Fleet and Hire Cars                   |      | ■               |                  |       | Draft       |                 |                          |
| IT Assets (including mobile phones)   |      | ■               |                  |       | Final       | Reasonable      | Included in this report. |
| Blue Badges                           |      | ■               |                  |       | Final       | Assurance       | Included in this report. |
| Software Development                  |      | ■               |                  |       | Fieldwork   |                 |                          |
| <b>Finance</b>                        |      |                 |                  |       |             |                 |                          |
| Capital Accounting                    | ■    |                 |                  |       | Pending     |                 |                          |
| Treasury Management                   | ■    |                 |                  |       | Pending     |                 |                          |
| Tax Evasion                           | ■    |                 |                  |       | Pending     |                 |                          |
| Key Controls                          | ■    |                 |                  |       | Pending     |                 |                          |
| UNESCO and Interreg 1                 |      |                 |                  | ■     | Final       | Assurance       | Included in this report. |
| UNESCO and Interreg 2                 |      |                 |                  | ■     | Added Final | Assurance       | Included in this report. |
| <b>Neighbourhoods</b>                 |      |                 |                  |       |             |                 |                          |
| Car Parking                           | ■    |                 |                  |       | Pending     |                 |                          |
| Highways PFI/Ministry of Justice Land | ■    |                 |                  |       | Pending     |                 |                          |
| Disabled Facilities, Process Review   | ■    |                 |                  |       | Pending     |                 |                          |
| Regulatory Compliance                 |      | ■               |                  |       | Pending     |                 |                          |
| Bereavement                           |      | ■               |                  |       | Final       | Reasonable      | Included in this report. |



| Audit                                       | Full | First Follow-up | Second Follow-up | Grant | Status    | Assurance Level | Comments  |
|---|------|-----------------|------------------|-------|-----------|-----------------|---|
| Disabled Facilities                         |      |                 |                  | ■     | Pending   |                 |   |
| Local Transport Capital Funding             |      |                 |                  | ■     | Final     | Assurance       | Included in this report.                                    |
| Bus Subsidy                                 |      |                 |                  | ■     | Pending   |                 |   |
| <b>Public Health</b>                        |      |                 |                  |       |           |                 |   |
| Public Health Outcomes                      |      | ■               |                  |       | Final     | Assurance       | Included in this report.                                    |
| <b>Regeneration</b>                         |      |                 |                  |       |           |                 |   |
| Project Portfolio Review                    | ■    |                 |                  |       | Suspended |                 | Equivalent review being led by Organisational Intelligence. |
| Venture Quay                                | ■    |                 |                  |       | Pending   |                 |   |
| Project (TBC)                               | ■    |                 |                  |       | Suspended |                 | Projects reduced  |
| Asset Disposals                             |      | ■               |                  |       | Pending   |                 |   |
| Planning and Enforcement                    |      | ■               |                  |       | Pending   |                 |   |
| <b>Strategy &amp; Corporate</b>             |      |                 |                  |       |           |                 |   |
| Contract (TBC from across the organisation) | ■    |                 |                  |       | Pending   |                 |   |
| Budget Savings                              | ■    |                 |                  |       | Fieldwork |                 |   |
| Partnership Governance                      | ■    |                 |                  |       | Suspended |                 | Equivalent review being led by Organisational Intelligence. |
| Risk Management (directorate arrangements)  | ■    |                 |                  |       | Pending   |                 |   |
| Gouldings Project                           |      | ■               |                  |       | Fieldwork |                 |   |