



Internal Audit Progress Report 10 November 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 10 November 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	<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

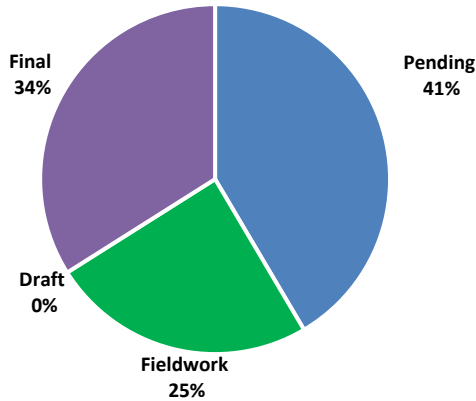
The following table outlines the follow up categories used to describe the outcome of follow up testing completed.

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: 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	22
Fieldwork	13
Draft	0
Final	18
TOTAL	53

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.

Strategic Fleet

Exceptions Raised

Critical	High	Medium	Low
0	1	2	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	NAT
Reliability and Integrity of Data	NAT

The high-risk finding raised relates to the Council's longer term, fleet planning. While significant work has been carried out to meet the Council's net zero objectives there has been limited engagement from service areas with requests from the central team regarding their longer term, three to five year, needs. This will be required to fully meet the Council's wider strategic objectives, for example to minimise future vehicle use.

Issues were also identified regarding the need to fully plan for any potential increased costs from the move to electric vehicles, for example insurance premiums and progress an appropriate charging infrastructure, to support the increasing use of electric vehicles.

Lower risk issues were identified, regarding the need to take a more robust approach to assessing residual vehicle values and assessing potential costs, associated with the maintenance of electric vehicles.

Holy Cross Catholic Primary School

Exceptions Raised

Critical	High	Medium	Low
0	0	6	1

Overall Assurance Level

Reasonable Assurance

Assurance Level by Scope Area

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

The school is required to put a contract register in place and ensure that purchasing authorisations are always recorded. Income management also needs to be enhanced, for example by documenting and taking a consistent approach to debt collection.



The Estate management should be approached more holistically, with all relevant information easily available in one place (in line with current DFE guidance). Associated with this reactive maintenance needs to be better recorded (as identified in a recent external best practice review).

Regarding IT the emergency plan should be updated, to include backup and restoration arrangements. A general data cleansing and review of logins should also be carried out, to ensure only current staff have access to systems, using unique logins.

Two policies on the school’s website require updating (Sports Premium and Equality and Diversity). Minor issues were also identified, regarding the need to better integrate sport and pupil premium funding into the school’s overall financial planning.

Cowes Primary School

Exceptions Raised				Overall Assurance Level
Critical	High	Medium	Low	Reasonable Assurance
0	0	4	1	

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

Most importantly the school should implement a robust strategy to tackling the deficit position, supported by budget monitoring/forecasting.

Governors oversight is recommended for improvement, for example where staff hold multiple roles and of overtime claims.

Income management needs to be enhanced, for example by ensuring timely recording of income/banking and implementing more comprehensive reconciliation of income.

The school’s approach to petty cash should be formalised. While only minor discrepancies were identified in audit testing the current approach, with petty cash replenished from offsite income at varying value, makes this more complex to reconcile and potentially facilitates fraud. Petty cash should not be used to reimburse staff expenses.

The school should ensure its asset register is up to date and improve its control over portable assets, for example iPads.

Potentially enhancements are necessary to align with the latest DFE guidance on estate management. As a starting point DFE guidance should be reviewed, to identify any changes necessary.



Family Hubs and Start for Life programme

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 Grant (sign off)

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 Internal Auditor.



Follow-up Audits in Period

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

Gouldings Project

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

The project is now substantively complete with the establishing scheduled to reopen shortly.

1	Medium	Project Health Check, Outstanding Actions A Data Privacy Impact Assessment (DPIA) has been produced for the project. Use of MS Project was evaluated but not progressed, as this would have impacted on the ability of wider team members to contribute to project planning.	Closed: Verified
2	Medium	Risk Management Appropriate support was provided to the Project Manager, to enable them ensure project management was appropriately resourced.	Closed: No Longer Applicable
3	Medium	Communications Plan A revised Communications Plan was provided to Internal Audit, referencing how key stakeholders will be engaged with.	Closed: Verified
4	Medium	Oversight and Reporting Highlight reporting was produced in sufficient detail and shared in advance of board meetings, to enable board members to oversee the project.	Closed: Verified

Fleet and Hire Cars

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

Progress has been made regarding providing photographic evidence of accident damage, however progress in other areas is more limited.

1	High	Contract Finalising a contract covering hire cars has been delayed, primarily due to the need to clarify contract terms.	In Progress
2	Medium	Pre and Post Journey Checks Revised logbooks need to be rolled out, to enable staff to record checks with an appropriate level of detail. For example, specifying whether checks are 'pre' or 'post' journey.	Open
3	Medium	Accident and Incident Reporting For 50% of the sample (ten incidents) reviewed by Internal Audit were not reported within the required 48 hours, although photographic evidence was provided for all bar one of the ten incidents reviewed.	In Progress



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
Adult Services							
Better Care Fund (subset)	■				Pending		
Homelessness	■				Pending		
Adults Financial Management (Debt Recovery)	■				Fieldwork		
Hospital Team/Discharge Process		■			Suspended		Suspended, due to reorganisation in Service, impacting this team.
Deferred Payments		■			Final	Reasonable	Reported in September.
Children's Services							
Direct Contact & Supervision	■				Fieldwork		
Cowes Primary School	■				Final	Reasonable	Included in this report.
Holy Cross Catholic Primary School	■				Final	Reasonable	Included in this report.
Island Learning Centre (Pupil Referral Unit)	■				Pending		
Out of Area Placements (Care)	■				Fieldwork		
School Financial Management Standard (SFVS)	■				Final	Reasonable	Reported in September.
Children's Key Financial Controls	■				Fieldwork		
Transition, Children to Adults		■			Pending		
St Mary's School		■			Fieldwork		
Oakfield School		■			Pending		
Brighstone School		■			Final	Reasonable	Reported in September.
Early Years		■			Fieldwork		
Family Hubs and Start for Life programme				■	Final	Assurance	Additional grant, included in this report.
Troubled Families (Children's)				■	Fieldwork		



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



Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Bereavement		■			Final	Reasonable	Reported in September.
Disabled Facilities				■	Final	Assurance	Included in this report.
Local Transport Capital Funding				■	Final	Assurance	Reported in September.
Bus Subsidy				■	Pending		
Public Health							
Public Health Outcomes		■			Final	Assurance	Reported in September.
Regeneration							
Venture Quay	■				Fieldwork		
Asset Disposals		■			Pending		
Planning and Enforcement		■			Pending		
Strategy & Corporate							
Contract (TBC from across the organisation)	■				Pending		
Budget Savings	■				Fieldwork		
Risk Management (directorate arrangements)	■				Pending		
Gouldings Project		■			Final	Assurance	Included in this report.