



ISLE *of*  
WIGHT  
COUNCIL

## Internal Audit Progress Report 11 July 2021

Elizabeth Goodwin, Chief Internal Auditor



## 1. Introduction

Internal Audit is a statutory function for all local authorities. The Isle of Wight Council's Internal Audit service has an in-house team and a shared Chief Internal Auditor with Portsmouth City Council (PCC). The in-house audit team is supported by audit and counter fraud staff from PCC under a collaborative working arrangement.

The requirement for an Internal Audit function in local government is detailed within the Accounts and Audit Regulations 2015 as to:

*Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*

The standards for 'proper practices' are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

## 2. Purpose of report

The purpose of this report is to update the Audit Committee on the progress of the 2020/21 Audit Plan as at 11 July 2021 and to highlight any significant risk exposure and control issues, including fraud and governance risks.



### 3. Assurance Levels

Internal Audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives for the area under review.

Assurance Level	Description / Examples
<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

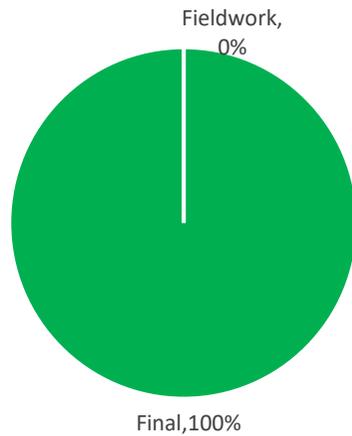
The following table outlines the follow up categories used to describe the outcome of follow up testing completed.

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: <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>



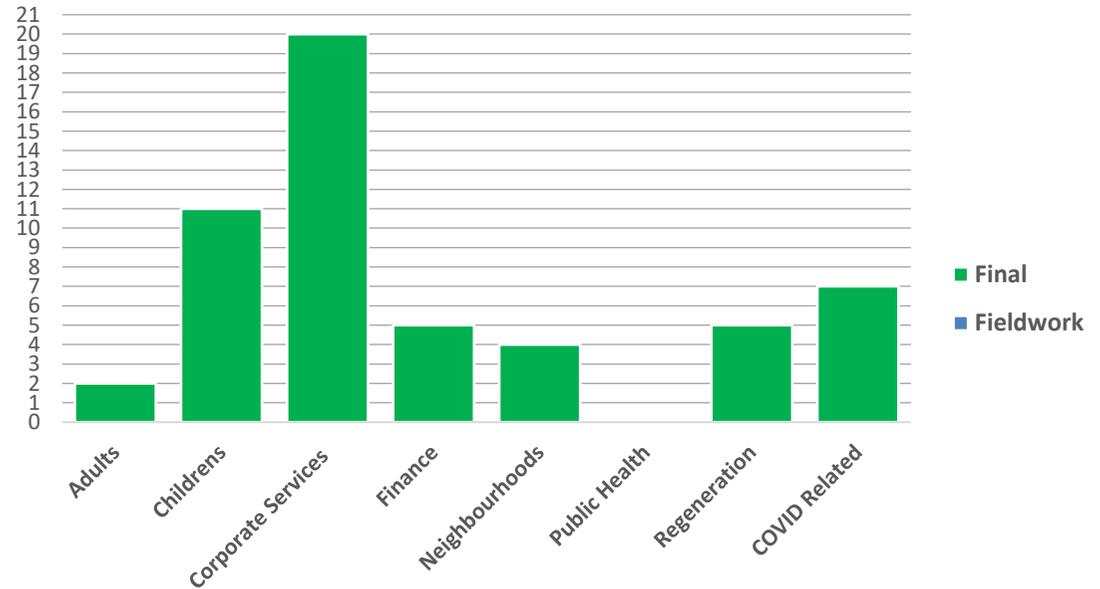
## 6. Audit Plan Progress

### Status Overall



Status (including follow-ups)	Audits
Fieldwork	0
Final	54
<b>TOTAL</b>	<b>54</b>

### Status By Directorate



There were 62 reviews set out in the revised Audit Plan for 2020/21, post COVID19. There have subsequently been changes, primarily due to COVID19, with a number of reviews suspended these have already been previously reported; currently there are 54 reviews included in the programme of work. All reviews currently 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.

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

Three reports finalised since the last Internal Audit report presented to Audit Committee in March 2021 have been rated as ‘limited assurance’. Expanded summaries for these reports are provided for Audit Committee below.

CCTV				Overall Assurance Level	Assurance Level by Scope Area																		
<b>Exceptions Raised</b> <table border="1"> <tr> <td>Critical</td> <td>High</td> <td>Medium</td> <td>Low</td> </tr> <tr> <td>0</td> <td>2</td> <td>0</td> <td>1</td> </tr> </table>				Critical	High	Medium	Low	0	2	0	1	<b>Limited Assurance</b> Agreed actions are scheduled to be implemented by the 30 <sup>st</sup> September 2021	<table border="1"> <tr> <td>Achievement of strategic objectives</td> <td>NAT</td> </tr> <tr> <td>Compliance with Policies, Laws &amp; Regulations</td> <td>NAT</td> </tr> <tr> <td>Safeguarding of Assets</td> <td>NAT</td> </tr> <tr> <td>Effectiveness and Efficiency of Operations</td> <td>Limited Assurance</td> </tr> <tr> <td>Reliability and Integrity of Data</td> <td>NAT</td> </tr> </table>	Achievement of strategic objectives	NAT	Compliance with Policies, Laws & Regulations	NAT	Safeguarding of Assets	NAT	Effectiveness and Efficiency of Operations	Limited Assurance	Reliability and Integrity of Data	NAT
Critical	High	Medium	Low																				
0	2	0	1																				
Achievement of strategic objectives	NAT																						
Compliance with Policies, Laws & Regulations	NAT																						
Safeguarding of Assets	NAT																						
Effectiveness and Efficiency of Operations	Limited Assurance																						
Reliability and Integrity of Data	NAT																						

The Council is ultimately responsible for the public CCTV network on the Island (operation is substantively carried out by Island Roads), deploys CCTV extensively across its building portfolio, with body worn cameras also used by a number of teams, for example Civil Enforcement Officers (CEOs). This audit followed up on the 2018/19 audit of CCTV (which covered the public network only), with an expanded scope, covering both CCTV use in Council buildings and body worn camera usage. There are a range of legislative requirements applicable to CCTV, for example GDPR, with a good practice code set out by the Home Office.

The initial audit in 2018/19 was rated limited assurance, linked to a lack of clarity regarding CCTV in the agreement with Island Roads (specifically where the boundary sits between Council and Island Roads responsibilities). Gaps were identified primarily at the ‘strategic’ level, the responsibilities which remain with the Council, although there were also gaps identified regarding the Council’s oversight of Island Roads operational arrangements. Follow-up has identified that progress has been made, with an initial strategic document provided for Internal Audit review. However, the strategic document is in draft and further work is necessary, to definitively agree where responsibilities sit and the oversight/reporting arrangements required to enable the Council to satisfy itself regarding the adequacy of Island Roads operational arrangements. All actions are scheduled to be completed by September 2021.

CCTV use in Council buildings is inconsistent, falling short of both Home Office good practice expectations and legislative requirements in a number of areas. For example, no instances of Data Protection Impact Assessments (DPIAs), required by GDPR to ensure ‘privacy’ concerns are identified and addressed, were identified during fieldwork, signage does not comply with Home Office expectations and minimal documentation regarding operation is in place across sites. Importantly there is no one individual or team responsible for CCTV corporately, contributing to the current position and making it more difficult to address.



Regarding body worn cameras a current and fit for purpose strategic document was provided for Internal Audit review. However, the Council is in the process of expanding usage of body worn cameras, for example to Floating Bridge staff. While strategic documentation is in the process of being updated to reflect this is in the process of being finalised and a low risk finding has been raised accordingly.

Digital Strategy				Overall Assurance Level	Assurance Level by Scope Area																		
<b>Exceptions Raised</b> <table border="1"> <tr> <td><b>Critical</b></td> <td><b>High</b></td> <td><b>Medium</b></td> <td><b>Low</b></td> </tr> <tr> <td>0</td> <td>5</td> <td>1</td> <td>0</td> </tr> </table>				<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	0	5	1	0	<b>Limited Assurance</b> Agreed actions are scheduled to be implemented by the 30 <sup>th</sup> June 2021	<table border="1"> <tr> <td>Achievement of strategic objectives</td> <td>Limited Assurance</td> </tr> <tr> <td>Compliance with Policies, Laws &amp; Regulations</td> <td>Limited Assurance</td> </tr> <tr> <td>Safeguarding of Assets</td> <td>Limited Assurance</td> </tr> <tr> <td>Effectiveness and Efficiency of Operations</td> <td>Limited Assurance</td> </tr> <tr> <td>Reliability and Integrity of Data</td> <td>NAT</td> </tr> </table>	Achievement of strategic objectives	Limited Assurance	Compliance with Policies, Laws & Regulations	Limited Assurance	Safeguarding of Assets	Limited Assurance	Effectiveness and Efficiency of Operations	Limited Assurance	Reliability and Integrity of Data	NAT
<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>																				
0	5	1	0																				
Achievement of strategic objectives	Limited Assurance																						
Compliance with Policies, Laws & Regulations	Limited Assurance																						
Safeguarding of Assets	Limited Assurance																						
Effectiveness and Efficiency of Operations	Limited Assurance																						
Reliability and Integrity of Data	NAT																						

The Council’s Digital Strategy is currently being updated, with a revised version scheduled to be finalised in the first part of 2021/22. A key component of the updated Strategy will be an enhanced Council website built around site users, improving functionality across the range of devices used to access the site, for example smartphones. This audit reviewed the Council’s progress towards developing a new website.

The Initiative has been adversely impacted by COVID-19, most importantly leading to reduced availability of key staff and the increasing difficulty of ‘engaging’ with services and key site users, resulting in weaknesses in the project management arrangements.

Most importantly there are significant weaknesses in Project Management. Corporate templates have not been used to manage the Project, contributing to key documents not being sufficiently available to the full Project Team and upward reporting not giving a full picture of how the Project is progressing (covering time, cost and quality). Linked to this the project assurance lead and key members of the communication team were redeployed to COVID-19 response, there is an absence of detailed planning and, again linked to COVID-19, financial control has been weak – ultimately it is not possible to identify definitely how much has been spent on the new website to date nor what this has been spent on.

Associated with how the Project has been planned there has been a failure to sufficiently consider cross cutting elements, most importantly accessibility and information the Council is legally required to publish, for example around freedom of information. Tackling these areas piecemeal increases the risk that the new website will ultimately not be fit for purpose.

As identified above it has been difficult to engage with site users, due to COVID-19. However, engagement with site users will be key to maximising the value the Council gets from its investment in the new website and this area needs to be addressed as a priority, as soon as possible.



Ultimately much of the Council’s website is over 10 years’ old and not redeveloping the site is not an option. A modern, fit for purpose digital presence is key to the Council providing its services in the most effective and efficient manner possible. Subsequent to the completion of core fieldwork Internal Audit notes that the governance arrangements have been considerably strengthened, with the central Organisational Intelligence Team taking on direct control of Project Management elements. This has the potential to get the Initiative ‘back on track but the Project will need to be kept under close and ongoing review by senior management, to ensure that any issues/resource limitations are identified and addressed at the earliest opportunity.

Greenmount				Overall Assurance Level	Assurance Level by Scope Area																		
<b>Exceptions Raised</b> <table border="1"> <tr> <td><b>Critical</b></td> <td><b>High</b></td> <td><b>Medium</b></td> <td><b>Low</b></td> </tr> <tr> <td>0</td> <td>6</td> <td>2</td> <td>1</td> </tr> </table>				<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	0	6	2	1	<b>Limited Assurance</b> Agreed actions are scheduled to be implemented by the 31 <sup>st</sup> July 2021	<table border="1"> <tr> <td>Achievement of strategic objectives</td> <td>Limited Assurance</td> </tr> <tr> <td>Compliance with Policies, Laws &amp; Regulations</td> <td>Reasonable Assurance</td> </tr> <tr> <td>Safeguarding of Assets</td> <td>Reasonable Assurance</td> </tr> <tr> <td>Effectiveness and Efficiency of Operations</td> <td>Limited Assurance</td> </tr> <tr> <td>Reliability and Integrity of Data</td> <td>NAT</td> </tr> </table>	Achievement of strategic objectives	Limited Assurance	Compliance with Policies, Laws & Regulations	Reasonable Assurance	Safeguarding of Assets	Reasonable Assurance	Effectiveness and Efficiency of Operations	Limited Assurance	Reliability and Integrity of Data	NAT
<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>																				
0	6	2	1																				
Achievement of strategic objectives	Limited Assurance																						
Compliance with Policies, Laws & Regulations	Reasonable Assurance																						
Safeguarding of Assets	Reasonable Assurance																						
Effectiveness and Efficiency of Operations	Limited Assurance																						
Reliability and Integrity of Data	NAT																						

Internal Audit’s programme of school audits focusses on the effectiveness of financial control and wider governance arrangements, as set out in the overarching expectations of the School Financial Value Standard (SFVS).

Significant gaps were identified at Greenmount both in governance and financial management arrangements. Minutes of oversight forums, including the Governing Body, do not evidence challenge or approval of budgetary decisions, exacerbated by the school failing to regularly review and plan to address gaps identified in the skillset of the school’s Governing Body and staff with financial duties. Linked to this information regarding the Governing Body and its meetings online are out of date, last updated in July 2020, with overarching constitutional documents last updated in September 2019. The school was also unable to evidence effective business continuity plans.

Issues were also identified regarding retention of information related to employment checks, failure to carry out annual inventory checks or to oversee Parent Teacher Association (PTA) funds and accounts sufficiently.

Overall Internal Audit is unable to confirm that the assertions made by the School in its 2020 SFVS return is supported by evidence reviewed.



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

**Accounts Receivable**

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
Critical	High	Medium	Low	Reasonable Assurance		
0	2	1	1			Achievement of strategic objectives
					Compliance with Policies, Laws & Regulations	Reasonable Assurance
					Safeguarding of Assets	NAT
					Effectiveness and Efficiency of Operations	Reasonable Assurance
					Reliability and Integrity of Data	NAT

The most significant issues identified related to the timeliness of recovery action, with overdue recovery in nine out of 25 invoices checked, this was recognised for the services that monitor their own debts as well as the central team. Other issues were identified regarding documentation which is out of date and not reflective of current practice and minor inaccuracies in invoices raised.

**Accounts Payable**

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
Critical	High	Medium	Low	Reasonable Assurance		
0	0	3	3			Achievement of strategic objectives
					Compliance with Policies, Laws & Regulations	Reasonable Assurance
					Safeguarding of Assets	NAT
					Effectiveness and Efficiency of Operations	Reasonable Assurance
					Reliability and Integrity of Data	Reasonable Assurance

The most significant issues identified was three instance (25 checked) where purchase orders were raised after invoice dates, one instance where an officer had access to modify master data, where it was not required for their job role and five instance where the correct process was not followed when bank account master data was updated. More minor issues were identified regarding one instance where a vendor had not been notified when due diligence checks had been completed, one instance (25 checked) where an invoice was not paid within the 30 days identified in Council terms and one instance where the reason VAT could not be recovered was not recorded.



**Payroll**

**Exceptions Raised**

Critical	High	Medium	Low
0	0	2	1

**Overall Assurance Level**

<b>Reasonable Assurance</b>
-----------------------------

**Assurance Level by Scope Area**

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

The most significant issue identified was one instances (25 checked) where an overpayment was not recovered, due to being omitted from the overpayment report and out of date documentation related to acting up and secondment. A minor issue was also identified regarding delayed notification of leavers to the central team in two instances (25 checked), leading to overpayments.

**Wroxall**

**Exceptions Raised**

Critical	High	Medium	Low
0	2	1	1

**Overall Assurance Level**

<b>Reasonable Assurance</b>
-----------------------------

**Assurance Level by Scope Area**

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

The most significant issues identified relate to excessive retention of pre employee check documentation for staff, insufficient security applied to staff records and the failure to have an adequate inventory of school assets. More minor issues were identified regarding controls to ensure that the school minibus is only used for legitimate purposes and the failure to submit, ratify and approve Parent Teach Association (PTA) accounts by the Governing Body.



## 8. Follow-up Audits in Period

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

Bank and Cash				Original Action Date: June 2020	First Follow-up Level	Second Follow-up Level
<b>Original Exceptions Raised</b>				Revised Action Date: N/A	Limited Assurance	Reasonable Assurance
<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>			
0	2	6	1			

All issues originally identified have been addressed, apart from safe insurance limits, which are in the process of being addressed, as below.

1	Medium	<b>Cash Handling Procedures</b> Documentation has been updated.	Closed
2	Medium	<b>Income Records</b> Revised guidance (as above) has been highlighted to staff, sample testing confirms this is being complied with.	Closed
3	Medium	<b>Safe Insurance Limits</b> A project is planned, to ensure these are appropriate; progress will be assessed by Internal Audit in 2021/22.	Pending Assessment
4	Low	<b>Safe Security</b> Risks associated with current access arrangements to safe keys are accepted by the Council.	Closed
5	High	<b>Cash Payment</b> Staff have been reminded of correct processes and Internal Audit has been informed that there have been no reoccurrences of incorrectly processed/secured cash payments taken by the Council.	Closed
6	High	<b>Cash Collection</b> Staff have received additional training and are now considered 'specialist security services' and not subject to normal cash handling limits.	Closed
7	Medium	<b>Contract Monitoring</b> An issues log is in place, with quarterly meetings held to ensure the treasury management service is monitored.	Closed
8	Medium	<b>Access Permissions</b> The Bank Mandate has been updated, correctly referencing staff.	Closed



9	Medium	<b>Suspense Account Clearing</b> Monthly reconciliations are now being undertaken consistently, with issues escalated as necessary.	Closed
---	--------	--	--------

**Newport Harbour**

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

While work is ongoing to address issues identified in the initial report are ongoing all actions possible at the current time have been taken.

1	Medium	<b>Key Dependencies</b> All actions identified at initial review (most importantly the Harbour Revision Order) have been completed. Remaining dependencies are in the process of being addressed.	In Progress
2	Medium	<b>Emerging Requirements/Issues</b> Issues identified in the initial review are in the process of being addressed. For example, consultants have been engaged to quantify flood risks, which will be used to inform/revise the masterplan.	In Progress
3	Medium	<b>Members Board</b> Board meetings during 2020 have been attended by senior officers, to ensure member decisions are appropriately informed.	Closed



**Section 106 Agreements**

**Original Exceptions Raised**

Critical	High	Medium	Low
0	1	1	0

**Original Assurance Level**

Reasonable Assurance
----------------------

**Follow-up Assurance Level**

Reasonable Assurance
----------------------



Progress regarding addressing issues identified in the initial review has been impacted by COVID19.

1	High	<b>Monitoring procedures are in place to ensure compliance with the terms of the S106 Agreement</b> Work is ongoing regarding enhancing reporting and monitoring arrangements.	In Progress
2	Medium	<b>Section 106 Agreements-Adequate Accounting Records are maintained</b> Work is ongoing regarding enhancing record keeping arrangements.	In Progress