

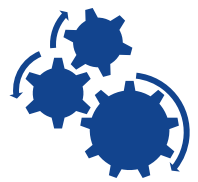


ISLE *of*
WIGHT
COUNCIL

**Isle of Wight Council
Annual Audit Report
2021/22**



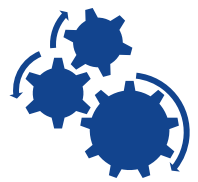
Elizabeth Goodwin, Chief Internal Auditor



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Background

Public Sector Internal Audit Standards

1.1 On 1st April 2013 the *Public Sector Internal Audit Standards (PSIAS, the Standards)* were formally adopted in respect of local government across the United Kingdom. The *PSIAS* apply to all internal audit providers, whether inhouse, shared services or outsourced. The *PSIAS* were revised from 1st April 2016, to incorporate the *Mission of Internal Audit* and *Core Principles for the Professional Practice of internal Auditing*.

1.2 The *Accounts and Audit Regulations 2015 Section 5*, define the requirement for an internal audit function within local government, stating that:

A relevant authority must 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

1.3 The responsibility for maintaining an adequate and effective system of internal audit within Isle of Wight Council lies with the Director of Finance (Section 151 Officer).

1.4 The Chief Internal Auditor is responsible for effectively managing the internal audit activity, in accordance with the definition of internal auditing, the *Code of Ethics* and the *Standards*.

1.5 In accordance with the *PSIAS* the definition of internal auditing is:

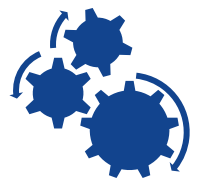
Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes

1.6 In addition the Chief Internal Auditor will provide an Annual Internal Audit Opinion, based on an objective assessment of the Authority's framework of governance, risk management and control.

1.7 The Annual Internal Audit Opinion must incorporate:

- The Opinion;
- A summary of the work that supports the Opinion; and
- A statement on conformance with *PSIAS* and the results of the quality assurance and improvement programme.



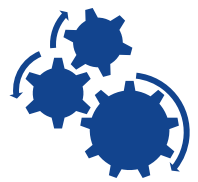


- 1.8** An annual self-assessment is carried out, as part of PSIAS. The assessment for 2021/22 confirmed that the Isle of Wight Council Internal Audit Service is compliant with requirements.

Statement of Organisational Independence

- 1.9** The Internal Audit Section has no operational responsibilities for any financial systems, including system development and installation.
- 1.10** The Chief Internal Auditor is free from interference, although has due regard for the Authority's key objectives and risks and consults with Members and Officers charged with governance, when setting the priorities of the annual audit plan, for example, in determining the scope and objectives of work to be carried out and in performing the work and communicating the results of each audit assignment. There must be and is no compromise on the ability of Internal Audit to provide an independent assurance on the control framework.
- 1.11** The Internal Audit Section has free and unfettered access to the Section 151 Officer, Chief Executive, Monitoring Officer the Leader of the Council, and the Chair of the Audit Committee.





Annual Opinion for 2021/22

2.1 With effect from the 1st April 2019 and in partnership with Portsmouth City Council an in-house team to provide audit service has been established. The team currently consists of an Audit Manager and one Senior Auditor. The service is provided by a combination of the in-house provision and colleagues from Portsmouth City Council overseen by a shared Chief Internal Auditor employed by Portsmouth City Council. Specific COVID 19 assurance work has been performed by Audit and Counter Fraud, where overall 'Reasonable Assurance' has been attributed that the Governance framework remained effective despite significant pressures on the Authority.

2.2 Over the course of 2021/22 Internal Audit has completed 55 reviews out of a revised 55 review plan. These include a combination of full audits, follow up reviews and grant verification.

No audit has resulted in a 'no assurance' opinion and only three areas have been rated as 'limited assurance'. In addition, there has been improvement noted relating to the implementation of agreed actions, as evidenced in follow up reviews, where actions have been closed in a timely manner. All of these results indicate a stable internal control framework.

The types of issues identified through 2021/22 are consistent with those identified during 2020/21, for example governance, management reporting, and general compliance are common themes, although all show an improvement from the previous year.

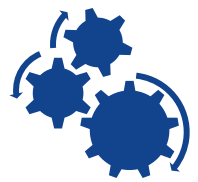
The overall annual opinion will therefore remain at '**reasonable assurance**'.

2.3 Four audit opinion levels are in place, and these are: no assurance, limited assurance, reasonable assurance and full assurance. Where there are mainly medium or low risk exceptions the annual audit opinion would be reasonable or full assurance. As a result of the findings identified the audit opinion for 2021/22 is **Reasonable Assurance**.

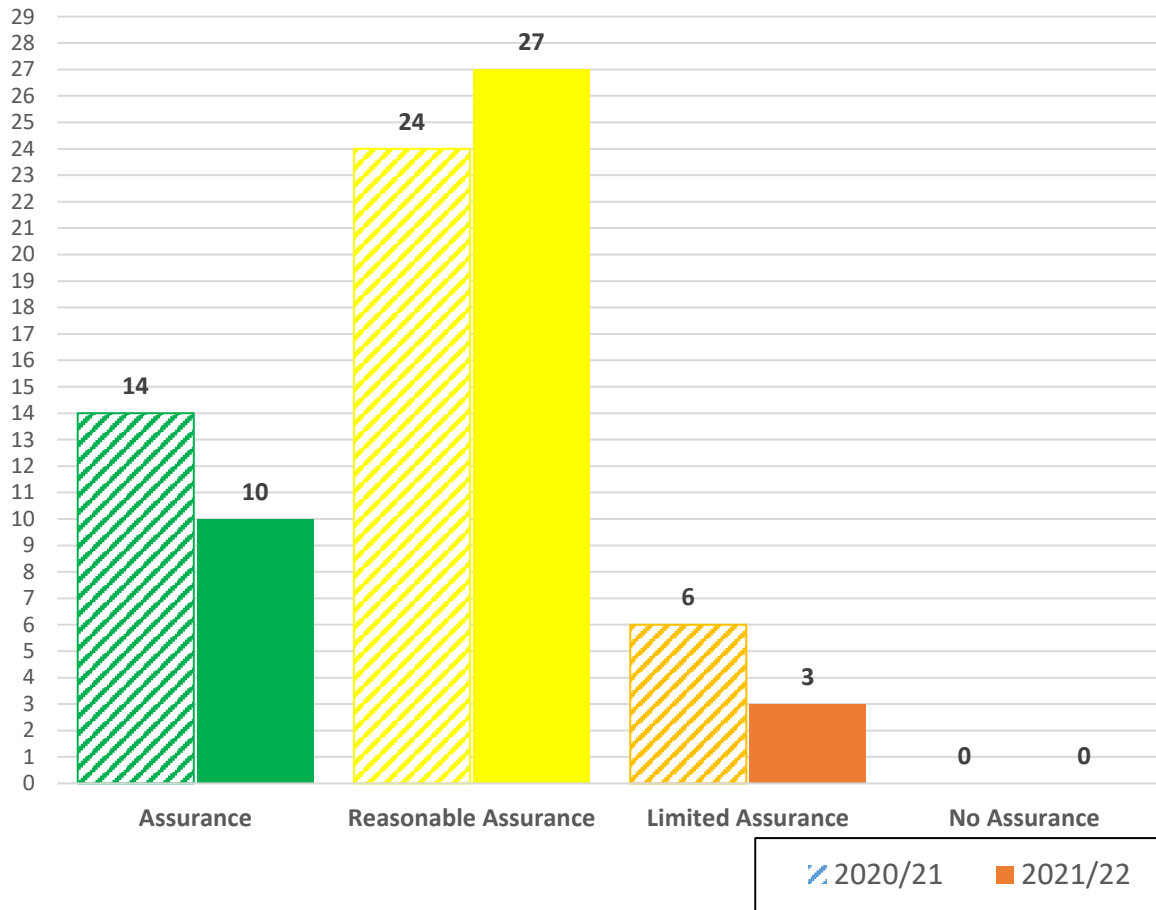


2.4 Any significant corporate weaknesses and agreed actions will be reflected in the Annual Governance Statement. The impact of the Internal Audit work for 2021/22 may affect that year's work for External Audit. It may also inform their work for 2022/23 and where they consider there are weaknesses in control that could materially affect the accounts, they may need to carry out further work to gain the necessary audit assurance required for a true and fair view of the financial position and compliance with professional codes of practice.





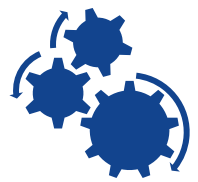
Comparative 2020/21 & 2021/22 Audit Assurance Levels



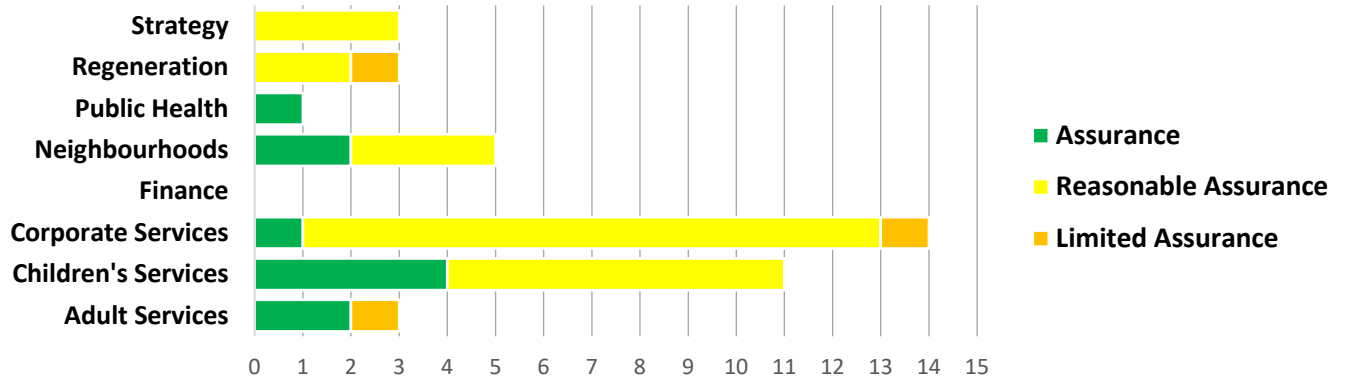
	2020/21	2021/22
Assurance	14	10
Reasonable Assurance	24	27
Limited Assurance	6	3
No Assurance	0	0
TOTAL	44	40*

**As per the 2020/21 Annual Report grant verification reviews are excluded from the figures above. For context the number of grants requiring review and sign off by Internal Audit has increased from ten in 2020/21, to 15 in 2021/22.*





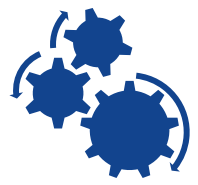
2021/22 Audit Assurance by Directorate



	Assurance	Reasonable Assurance	Limited Assurance	No Assurance	TOTAL
Adult Services	2	0	1	0	3
Children's Services	4	7	0	0	11
Corporate Services	1	12	1	0	14
Finance	0	0	0	0	0
Neighbourhoods	2	3	0	0	5
Public Health	1	0	0	0	1
Regeneration	0	2	1	0	3
Strategy	0	3	0	0	3
TOTAL	10	27	3	0	40*

**As per the 2020/21 Annual Report grant verification reviews are excluded from the figures above. For context the number of grants requiring review and sign off by Internal Audit has increased from ten in 2020/21, to 15 in 2021/22.*





Key Areas of Concern

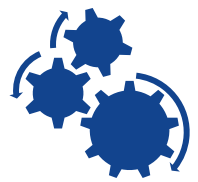
5.1 During 2021/22 no reviews have resulted in **no assurance** reports; high risk exceptions, from audits rated limited assurance, are summarised below:

1. **Asbestos** Operationally the Council has a central team, who effectively 'leads' on managing the Council's asbestos safety arrangements, including ensuring any remedial works necessary are carried out. However, documentation is both overdue a review and incorrect, regarding which officers/postholders are responsible for different elements of asbestos safety, for example carrying out regular inspections of asbestos where present. This includes Council's 'let' buildings, where it is unclear what tenants are responsible for. There is also a general lack of formality from an oversight perspective, for example ensuring that senior officers have the information they need to positively assert that asbestos is effectively managed.
2. **Deprivation of Liberty (DOLs)** DOLs are a legislative mechanism, used when individuals are deprived of their liberty, in order to provide care or treatment. The main issue identified by Internal Audit is the failure of the Council to meet statutory timescales in 95% of instances. A range of other issues were also identified, including out of date documentation and a waiting list of applications. For context delays in processing DOLs is a widespread issue, with a backlog nationally of 119,740; comparative figures published by NHS Digital actually show that the Isle of Wight Council is generally performing better than its peers in this area.
3. **Technology Forge** Technology Forge is the IT system used to manage the Council's property portfolio. This audit focussed on the 'technical' management of the system, for example administering users and applying changes to the system. Gaps were identified in segregation of duties, potentially meaning that unauthorised changes could be made to property information, which could not be attributed to a specific user. Other weaknesses were identified in change testing, business continuity arrangements and the relationship with the system vendor, for example the absence of a written contract.

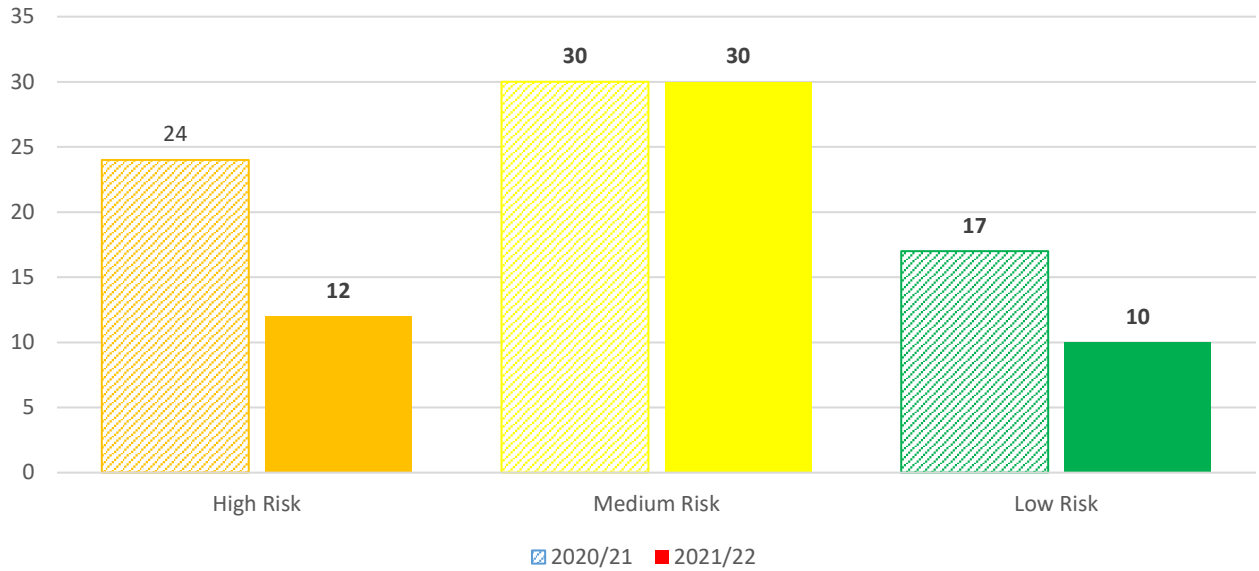
5.2 Follow up reviews to ascertain the current position for audits where medium or high-risk exceptions have been raised during 2021/22, including all of the areas summarised above, will be performed during 2022/23. Until this work is completed these will remain areas of concern.

5.3 During 2021/22 Internal Audit carried out follow-up reviews on all areas where one or more high risk exception was raised during 2020/21. While progress implementing actions has improved from 2020/21 (despite the impact of COVID 19) there are still areas where not all actions are fully implemented at the point of follow-up. Consequently, to ensure all actions are fully implemented, Internal Audit will continue the approach established in prior years, with second follow-ups carried out where this is the case.





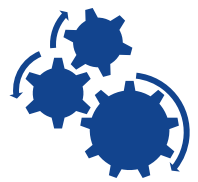
Comparative 2020/21 & 2021/22 Exception Risk Rankings



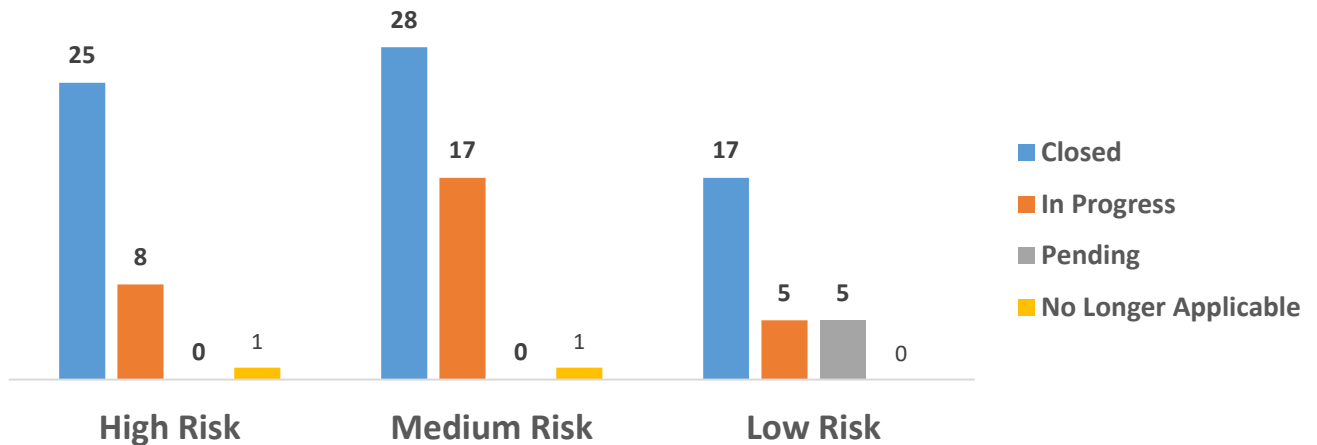
	2020/21	2021/22
Critical Risk	0	0
High Risk	24	12
Medium Risk	30	30
Low Risk	17	10
TOTAL	71	52*

** The increased number of grants requiring review and sign off by Internal Audit in 2021/22 (15 vs 10 in 2020/21) has impacted the number of reviews focussed on Internal Audit's core assurance role. This has resulted in a reduced number of findings being raised in 2021/22, as identified above.*





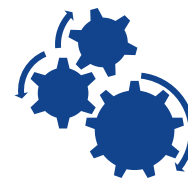
2021/22 Follow Up Analysis



	Closed	In Progress	Pending	No Longer Applicable	TOTAL
Critical Risk	0	0	0	0	0
High Risk	25	8	0	1	34
Medium Risk	28	17	0	1	46
Low Risk	17	5	5	0	27
TOTAL	70	30	5	2	107

The Internal Audit Service follows up all audits where at least one high risk exception has been raised. These audits are followed up in the next financial year to allow for agreed actions to be sufficiently implemented. Any critical risk exceptions are followed up within 3 months due to the potential severity of the risks identified. The overall position of the 107 exceptions followed up through 2020/21 shows that 67% have been closed or are no longer applicable, with 33 % pending or in progress.

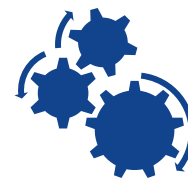




2021/22 Full Audit Summary

Audit	Directorate	Status	Assurance Level	Comments
Deprivation of Liberty (DOLs)	Adult Services	Final	Limited	
Early Years	Children's Services	Final	Reasonable	
Barnardo's Contract: Early Help	Children's Services	Final	Reasonable	
Arreton St George School	Children's Services	Final	Assurance	
Broadlea School	Children's Services	Final	Reasonable	
Accounts Payable (AP)	Corporate Services	Final	Reasonable	
Accounts Receivable (AR)	Corporate Services	Final	Reasonable	
Bank and Cash	Corporate Services	Final	Reasonable	
Payroll	Corporate Services	Final	Reasonable	
Workforce Development (including Wellbeing)	Corporate Services	Final	Reasonable	
Technology Forge (IT System)	Corporate Services	Final	Limited	
Fleet/Hire Cars	Corporate Services	Final	Reasonable	
School Financial Management Standard (SFVS)	Children's Services	Final	Reasonable	
COVID Assurance	Finance	Final	Reasonable	
Asbestos	Regeneration	Final	Limited	
Risk Management	Strategy & Corporate	Final	Reasonable	
Annual Governance Statement (AGS)	Strategy & Corporate	Final	Reasonable	

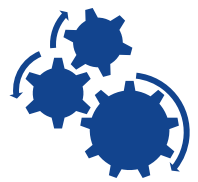




2021/22 Follow-up Audit Summary

Audit	Directorate	Status	Assurance Level	Comments
Deputyships/ Appointeeships	Adult Services	Final	Assurance	
Direct Payments	Adult Services	Final	Assurance	
Beaulieu House	Children's Services	Final	Reasonable	
Children with Disability	Children's Services	Final	Reasonable	
Home to School Transport	Children's Services	Final	Reasonable	
Bembridge	Children's Services	Final	Assurance	
Wroxall	Children's Services	Final	Assurance	
Greenmount	Children's Services	Final	Assurance	
Council Digital Strategy	Corporate Services	Final	Reasonable	
Insurance	Corporate Services	Final	Reasonable	
Pension Administration	Corporate Services	Final	Reasonable	
Agency Contract Monitoring	Corporate Services	Final	Reasonable	
Freedom of Information (FOI)/Subject Access Requests (SARs)	Corporate Services	Final	Reasonable	
Modern Slavery	Corporate Services	Final	Reasonable	
Leisure Centres	Neighbourhoods	Final	Reasonable	
Homes in Multiple Occupancy (HMOs)	Neighbourhoods	Final	Reasonable	
Public Health Outcomes	Public Health	Final	Assurance	
School Landlord Responsibility	Regeneration	Final	Reasonable	

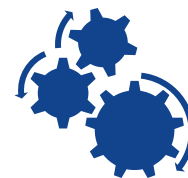




During 2021/22 a number of areas were followed up for a second time, due to action not being complete at first follow-up; these areas are listed below.

Audit	Directorate	Status	Assurance Level	Comments
Social Media	Corporate Services	Final	Assurance	
Beach Huts	Neighbourhoods	Final	Assurance	
Water Safety	Neighbourhoods	Final	Assurance	
Public Health Funerals (Community)	Neighbourhoods	Final	Reasonable	
Asset Management	Regeneration	Final	Reasonable	

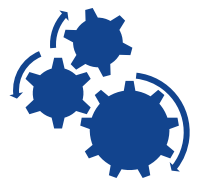




2021/22 Grant Audit Summary

Audit	Directorate	Status	Assurance Level	Comments
Rough Sleeping Initiative	Adult Services	Final	Assurance	
Homelessness Prevention Grant	Adult Services	Final	Assurance	
Bus Subsidy	Neighbourhoods	Final	Assurance	
Disabled Facilities	Neighbourhoods	Final	Assurance	
Local Transport Capital Funding	Neighbourhoods	Final	Assurance	
Supporting Families	Children's Services	Final	Assurance	
Income Compensation	Finance	Final	Assurance	
Green Homes Grant 1	Neighbourhoods	Final	Assurance	
Lifeline Grant	Finance	Final	Assurance	
Test and Trace Support Grant	Corporate Services	Final	Assurance	
USAC Interreg Project Part 1	Finance	Final	Assurance	
USAC Interreg Project Part 2	Finance	Final	Assurance	
Additional Dedicated Home 2 School Tranche	Neighbourhoods	Final	Assurance	
HIV Prep Pre Exposure	Public Health	Final	Assurance	





Counter Fraud & Audit Unplanned Reactive Work

11.1 A summary has been provided of Counter Fraud and Audit reactive work conducted during the 2021/22 year.

Blue Badge Misuse and Fraud

11.2 In June 2021 training was provided to the IOW Council Parking Officers to address the issue of Blue Badge misuse and fraud on the Isle of Wight. Counter Fraud have worked with the Isle of Wight Blue Badge Team to introduce a process for referring criminal cases for investigation. As a result of the training one case has been passed through to the Counter Fraud Team. The decision was taken that as it was a first offence a Formal Caution would be administered in place of a prosecution.

Adult Social Care Direct Payment

11.3 Over the years two Adult Social Care Direct payment have been investigated and are awaiting prosecution. Invoices have been raised totalling £91,539.64. There are an additional three new cases undergoing preliminary investigations.

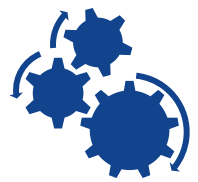
Council Tax & Single Persona Discount Fraud

11.4 One joint investigation is currently with the Criminal Prosecution Service awaiting prosecution. In addition, there are four open Council Tax & Single Persona Discount Fraud under investigation. Regarding the previous 42 IOW joint working case report in the previous year. At the beginning of Covid, the DWP had disbanded the Fraud Teams, and redeployed the Officers to assist with the high demand of new benefit applications. This has meant that there has been no DWP Fraud Service since Covid began and the DWP is only now beginning to resume some fraud investigation. Unfortunately, this has meant that the IOW Council have been informed that the open cases have been closed and cannot be pursued as the Summary Offences relating to these cases will now 'Time Barred' due to Delay.

Ongoing NFI

11.5 Counter Fraud and Audit are responsible for the management and administration of the Authority's participation in the National Fraud Initiative (NFI), which is a mandatory scheme in which multiple data sets are uploaded and analysed. The results are then presented back to the Council for investigation. NFI does not run in financial years but spans a period of 18 months, therefore the data included in this report relates to results the Isle of Wight Council received in 2021/22. As of June 2022, the Isle of Wight Council had received 4,850 'matches' for investigation. Responsibility for investigating the referrals is split across multiple teams; to date, the Council has investigated and closed 4,275 matches.

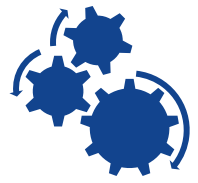




Money Laundering

11.6 Counter Fraud are responsible for the monitoring and investigation of any suspected money laundering cases presented to the council. The Isle of Wight's policy outlines that any cash payment received over £10,000 will be investigated. During 2021/22 no instances of suspected money laundering have been investigated at the Isle of Wight. This is likely to be due to low levels of cash handling, or no money laundering happening.





Quality Assurance

12.1 As part of the *Public Sector Internal Audit Standards* the Chief Internal Auditor is required to maintain a quality assurance and improvement programme (QA&IP) that covers all aspects of the internal audit activity. This QA&IP must include both internal and external assessments, which are detailed below under section 10.

In addition to this, quality and improvement requirements are assessed by means of:

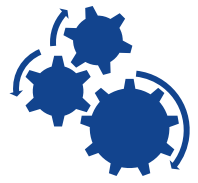
- Sign off by the Chief Internal Auditor or Deputy of all key stages of an audit, for example the scope of work and level of testing to be performed, the conclusion of the work and opinion formed followed by a review of the draft and final reports.
- Weekly or bi-weekly 1:1s with all members of staff, within Internal Audit and colleagues who undertake Counter Fraud activities.
- Annual performance reviews of all staff, including the identification and provision of training. The majority of training needs are provided by a combination of external professional studies, supporting by in-house provisions and mentoring.
- All staff above Auditor level are required to undertake professional training or have achieved an education level of degree or above. For those that have completed professional studies as part of their professional body membership, they must complete the required Continuous Professional Development.
- An annual skills gap analysis across the team, (this includes the wider team) to determine specific potential shortages or gaps. Whilst no major gaps are noted at present, historical gaps in areas such as project auditing, contract auditing and IT auditing have been identified following the departure of employees (including retirement). These shortfalls have been addressed by specified recruitment, bespoke training or if required short term, by means of additional sign off/ mentoring of staff. Areas requiring improvement for this year's assessments are noted below, Skills Gap Analysis Results (12.2).
- All staff complete an annual declaration of interests including a nil return, to avoid any impingement on independence or conflict of interest.
- Feedback has been received during 2021/22 from key stakeholders, all feedback supported the quality assurance assessment reflecting that the service provided complies with *PSIAS* criteria.

Skills Gap Analysis for 2021/22

12.2 Essential Areas: where greater coverage of skills is needed moving forward:

- *Auditing, Specialist IT Auditing skills:* these are limited within the overall service (Partnership) with only two officers currently qualified. To address this shortfall, professional training will continue for a third officer and use will also be made of

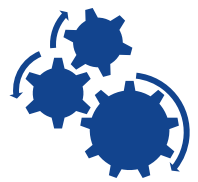




resources employed elsewhere under the various partnerships and shared service arrangements.

- *Counter Fraud skills:* whilst there are three officers qualified in Counter Fraud (CF) and investigative practice these resources are limited. The vacant post for a fourth officer has been successfully filled. These resources are employed within the wider partnership, not directly by the Isle of Wight Council. There has been a significant increase in investigating and counter fraud work which has placed this area of the service under extreme pressure.
- *Qualified Accountants:* the final area to note is in relation to the level of qualified auditors, specifically 'accountancy qualified'. Following the retirement of three officers within the partnership a gap has emerged representing a shortfall in this area. One implication is the ability to verify certain grant work, where the accounting qualification is restricted. Recruitment is in the process of taking place and further discussions will be held with the s151 officer to review the arrangements moving forward relating to both the accountancy qualifications and counter fraud skills.





Public Sector Internal Audit Standards

- 13.1** Under the *Public Sector Internal Audit Standards (PSIAS, the Standards) Standard 1310* requires that, as part of the quality assurance and improvement programme internal and external assessments (of conformance with the *PSIAS*) must be undertaken. *Standard 1311* allows for periodic self-assessments, which for Portsmouth City Council has been carried out each year since the standards were introduced. The results of the self-assessments have been communicated annual alongside the annual audit opinion to this committee.
- 13.2** *Standard 1312* requires that an external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Standards state that a qualified assessor demonstrates competence in two areas; the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. An independent assessor means not having an actual or perceived conflict of interest and not being part of, or under the control of, the organisation to which the internal audit activity belongs. During 2017/18 an external assessment was undertaken on Portsmouth City Council's Internal Audit & Counter Fraud Service. A second external assessment is planned for the financial year 2022/23.

