



ISLE *of*  
WIGHT  
COUNCIL

## Internal Audit Progress Report 1 June 2022

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## 1. Introduction

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

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

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

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

## 2. Purpose of report

The purpose of this report is to update the Audit Committee on the progress of the 2021/22 Audit Plan as at 1 June 2022 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</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</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

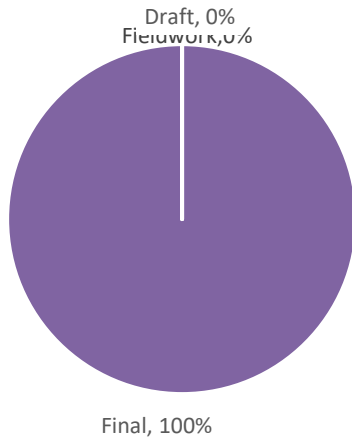
The following table outlines the follow up categories used to describe the outcome of follow up testing completed.

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	0
Fieldwork	0
Draft	0
Final	54
<b>TOTAL</b>	<b>54</b>

There were 66 reviews set out in the Audit Plan for 2021/22. 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 55 more detail is provided in section nine of this report.

All reviews currently included in the 2021/22 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.

### Homelessness Prevention Grant

#### Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

#### Overall Assurance Level

Assurance
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#### 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.

### Protect & Vaccinate

#### Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

#### Overall Assurance Level

Assurance
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#### 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.



**Accounts Receivable (AR)**

**Exceptions Raised**

Critical	High	Medium	Low
0	2	1	1

**Overall Assurance Level**

Reasonable Assurance
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Agreed actions are scheduled to be implemented by the 30<sup>th</sup> September 2022

**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	NAT

The most significant issue identified relates to a lack of robustness in how debts to the Council are pursued, including failing to consistently follow aged debt process steps consistently and limited oversight of overdue invoices. For context the SAP finance system shows £4.4m of overdue invoices, running from 2009 up to October 2021. Other issues were identified regarding delays in revoking SAP system access when staff leave the authority and delays in issuing initial invoices.

**Bank and Cash**

**Exceptions Raised**

Critical	High	Medium	Low
0	0	4	1

**Overall Assurance Level**

Reasonable Assurance
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Agreed actions are scheduled to be implemented by the 31<sup>st</sup> December 2022

**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	Reasonable Assurance
Reliability and Integrity of Data	NAT

A range of medium risk issues were identified: documentation which needs to be reviewed, most importantly the core Financial Procedure Rules, which have not been updated since 2016; delays in completing an annual compliance report, a requirement in order to meet the Payment Card Industry Data Security Standards (PCI DSS) expectations and a range of issues relating to how cash is managed, for example breaches of the £1000 insurance limit for storage of cash in safes, most significantly regarding car parking income.





**COVID Assurance**

**Exceptions Raised**

<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
n/a	n/a	n/a	n/a

**Overall Assurance Level**

<b>Reasonable Assurance</b>
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**Assurance Level by Scope Area**

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

During the course of the Covid-19 Pandemic Internal Audit carried out 13 additional pieces of assurance work. The majority of these covered specific grants, which have been individually reported to Audit Committee over the last two years. However, there are a number of further assurance activities, for example covering how loan equipment, to support home working, was managed by the Council and how procurement arrangements were maintained etc No significant issues were identified and therefore Reasonable Assurance was provided overall.



## Follow-up Audits in Period

Updates are provided below for follow-up activity, finalised since the last meeting of the Audit Committee in March 2022.

Council Digital Strategy			
Original Exceptions Raised			
Critical	High	Medium	Low
0	5	1	0

Original Assurance Level	Follow-up Level
Limited Assurance	Reasonable Assurance

Issues identified through the original audit regarding how the Project was being 'run' have been substantively addressed.

1	High	<p><b>Scope, Planning &amp; Progress</b> A comprehensive and credible plan is now in place for the initiative. Funding has been approved for current planned work and senior management have receiving up to date information on progress, to enable them to make informed decisions.</p>	Closed
2	High	<p><b>Resourcing</b> Project resourcing has been enhanced, most notably by Project Management moving to the Organisational Development Team (who are best able to offer support in this area). However, while efforts are ongoing, it has not been possible to recruit extra resource to the Software Development Team.</p>	In Progress
3	High	<p><b>Governance/Project Management</b> Corporate templates are now being used for project planning and reporting. Highlight reports include financial performance and the Project Board is attended by the finance business partner, to provide financial support.</p>	Closed
4	High	<p><b>Accessibility</b> Due to the scale of the work required 12 months' funding for a senior post to lead work in this area has been approved. While complementary to the website initiative, this will be led from outside of the Project.</p>	No Longer Applicable
5	High	<p><b>Publishing Legally Required Information</b> A report, summarising completed and planned work to ensure the Council publishes all information it is legally required to publish, was provided to Internal Audit. The Project Sponsor has confirmed that this has been presented to Project Board and signed off as fit for purpose.</p>	Closed
6	Medium	<p><b>Stakeholders/Engagement</b> A copy of the final Engagement Plan, setting off completed and planned engagement with stakeholders, signed off by Project Board was provided to Internal Audit.</p>	Closed



**Leisure Centres**

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

Progress is being made, regarding addressing the issues identified through audit review.

1	Medium	<b>Cash and Bank Processes</b> Operation at the Fairway site has ceased.	No Longer Applicable
2	Low	<b>Marketing Expenditure</b> Minimal marketing, due to COVID19; not possible to progress action, to evidence the effectiveness of marketing spend, due to reduced attendance.	In Progress
3	Medium	<b>Private Hire Arrangements</b> Processes, regarding fees, charging and banking, have been enhanced. However, it has not been possible to complete audit testing, to confirm processes are effective, due to the low levels of hiring.	In Progress

**Public Health Funerals (Community)**

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

Progress is being made in all areas.

1	High	<b>Adequate Records of Property Searches</b> Appropriate processes, with records kept, are now in place regarding searches of deceased individuals' properties.	Closed
2	High	<b>Security and Disposal of Items</b> First follow-up confirmed that documentation had been updated, regarding the security and disposals of deceased individuals' possessions. Second follow-up identified that review of items held is planned, but had not occurred.	In Progress
3	High	<b>Procurement Process</b> Tendering is complete, with an appropriate contract in place with a funeral director.	Closed



**Public Health Outcomes**

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

All agreed actions have either been addressed or are in the process of being addressed.

1	High	<b>Public Health Outcomes, from Contracted Services</b> Internal Audit has been informed that funding levels and outcomes to be achieved have been agreed with individual directors.	Closed
2	High	<b>Outcome Reporting to Corporate Management Team (CMT)</b> High level delivery of outcomes is periodically reported to CMT.	Closed
3	High	<b>Evidence of Outcome Delivery</b> Detailed reporting of outcome achievement by services delivered by the wider Council is monitored by the Public Health Service Board.	Closed
4	Medium	<b>Outcome Reporting, against Service Level Agreements (SLAs)</b> Appropriate targets, linked to public health outcomes, are specified in SLAs, with regular highlight reporting provided to Public Health.	Closed

**School Landlord Responsibility**

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

A more effective and robust approach is in place, to ensure that schools are meeting their landlord responsibilities, with senior management kept apprised of the current position.

1	High	<b>Overarching Plan</b> A timeline for evidence requests to schools, covering all areas of 'landlord responsibilities', is in place, with good progress being made sourcing information.	Closed
2	High	<b>Risk Management</b> An annual assurance report covering school landlord responsibilities was presented to CMT by the Director of Resources in January 2022. Operational risk registers are in the process of being implemented within the directorate.	In Progress
3	High	<b>Sufficiently Timely Progress</b> Progress is being made, ensuring schools have appropriate arrangements for building safety in place and CMT have been provided with up to date information regarding progress.	Closed
4	High	<b>Oversight System Design/Reporting</b> A robust escalation process is in place and schools are being pursued more robustly, to ensure they provide satisfactory evidence of compliance with their landlord responsibilities.	In Progress



## 8. Audit Status

The table below summarises audit status including detail regarding audits now scheduled, either where the area of focus had not been confirmed at the time the 2021/22 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>							
Deprivation of Liberty (DOLs)	■				Final	Limited	
Deputyships/ Appointeeships		■			Final	Assurance	Reported in March 2022.
Direct Payments		■			Final	Assurance	Reported in December 2021.
Rough Sleeping Initiative				■	Final	Assurance	Reported in December 2021.
Homelessness Prevention Grant				■	Final	Assurance	Included in this report.
<b>Children's Services</b>							
Early Years	■				Final	Reasonable	Reported in March 2022.
Supporting Families				■	Closed	Assurance	Work completed across the year for each submission
Barnardo's Contract: Early Help	■				Final	Reasonable	Reported in September 2021.
Arreton St George School	■				Final	Assurance	Reported in December 2021.
Broadlea School	■				Final	Reasonable	Reported in March 2022.
Beaulieu House		■			Final	Reasonable	Reported in March 2022.
Children with Disability		■			Final	Reasonable	Reported in December 2021.
Home to School Transport		■			Final	Reasonable	Reported in March 2022.
Bembridge		■			Final	Assurance	Reported in September 2021.
Wroxall		■			Final	Assurance	Reported in September 2021.
Greenmount		■			Final	Assurance	Reported in March 2022.



Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
<b>Corporate Services</b>							
Accounts Payable (AP)	■				Final	Reasonable	Reported in March 2022.
Accounts Receivable (AR)	■				Final	Reasonable	Included in this report.
Bank and Cash	■				Final	Reasonable	Included in this report.
Test and Trace Support Grant				■	Final	Assurance	Reported in December 2021.
Payroll	■				Final	Reasonable	Reported in March 2022.
Workforce Development (including Wellbeing)	■				Final	Reasonable	Reported in December 2021.
Technology Forge (IT System)	■				Final	Limited	Reported in December 2021.
Fleet/Hire Cars	■				Final	Reasonable	Reported in March 2022.
Council Digital Strategy		■			Final	Reasonable	Included in this report.
Insurance		■			Final	Reasonable	Reported in March 2022.
Pension Administration		■			Final	Reasonable	Reported in December 2021.
Agency Contract Monitoring		■			Final	Reasonable	Reported in March 2022.
Freedom of Information (FOI)/Subject Access Requests (SARs)		■			Final	Reasonable	Reported in September 2021.
Modern Slavery		■			Final	Reasonable	Reported in September 2021.
Paris (IT System)			□		Suspended		Audit included additional elements, covering progress sourcing successor IT system. Due to delays with this project audit rescheduled to 2022/23.
IT Follow-Up			□		Suspended		Due to delays progressing enhancements to IT infrastructure audit rescheduled to 2022/23, to enable review of



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Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
							enhancements to be included in audit scope.
Social Media			■		Final	Assurance	Reported in March 2022.
<b>Finance</b>							
School Financial Management Standard (SFVS)	■				Final	Reasonable	Reported in September 2021.
COVID Assurance	■				Final	Reasonable	Included in this report.
Income Compensation				■	Final	Assurance	Reported in September 2021.
Lifeline Grant				■	Final	Assurance	Reported in September 2021.
USAC Interreg Project Part 1				■	Final	Assurance	Reported in March 2022.
USAC Interreg Project Part 2				■	Final	Assurance	Additional grant, requiring certification by Internal Audit. Included in this report.
<b>Neighbourhoods</b>							
CCTV			□		Suspended		Rescheduled to 2022/23
Additional Dedicated Home 2 School Tranche				■	Final	Assurance	Reported in December 2021.
Bus Subsidy				■	Final	Assurance	Reported in December 2021.
Leisure Centres		■			Final	Reasonable	Included in this report.
Disabled Facilities				■	Final	Assurance	Reported in December 2021.
Green Homes Grant 1				■	Final	Assurance	Reported in December 2021.
Local Transport Capital Funding				■	Final	Assurance	Reported in December 2021.
Homes in Multiple Occupancy (HMOs)		■			Final	Reasonable	Reported in December 2021.
Beach Huts			■		Final	Assurance	Reported in September 2021.
Water Safety			■		Final	Assurance	Reported in September 2021.



Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Public Health Funerals (Community)			■		Final	Reasonable	Included in this report.
<b>Public Health</b>							
Public Health Outcomes		■			Final	Assurance	Included in this report.
HIV Prep Pre Exposure				■	Final	Assurance	Reported in September 2021.
Protect & Vaccinate				■	Final	Assurance	Additional grant sign off added to the plan March 2022. Included in this report.
<b>Regeneration</b>							
Asbestos	■				Final	Limited	Included in this report.
School Landlord Responsibility		■			Final	Reasonable	Included in this report.
Asset Management			■		Final	Reasonable	Reported in September 2021.
<b>Strategy &amp; Corporate</b>							
Risk Management	■				Final	Reasonable	Reported in March 2022.
Annual Governance Statement (AGS)	■				Final	Reasonable	Reported in March 2022.