



ISLE *of*  
WIGHT  
COUNCIL

## Internal Audit Progress Report 26 September 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 2022/23 Audit Plan as of 22 August 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 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 competition 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

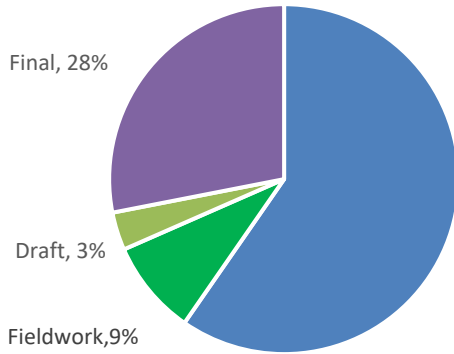
The following table outlines the follow up categories used to describe the outcome of follow up testing completed.

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	34
Fieldwork	5
Draft	2
Final	16
<b>TOTAL</b>	<b>57</b>

There were 53 reviews set out in the Audit Plan for 2022/23. 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 57 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 2022/23 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.

### Advocacy Contract (Adults)

#### 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	Assurance
Effectiveness and Efficiency of Operations	Assurance
Reliability and Integrity of Data	NAT

This audit reviewed the contract with the provider, for advocacy services, which was signed in April 2021. No issues were identified, audit testing confirming that the Contract is correctly constituted and overseen, with payments being made, as set out in the Contract.

### Oakfield School

#### Exceptions Raised

Critical	High	Medium	Low
0	0	4	1

#### Overall Assurance Level

Reasonable Assurance
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#### Assurance Level by Scope Area

Achievement of strategic objectives	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

Management of expenditure, income and inventory need to be more robust. For example, by including date of hire on letting invoices, consistent reconciliation of cash income and annual asset checks. A more minor issue was also identified, with the scheme of delegation needing to be updated, to reflect current governance arrangements.

**School Financial Management Standard (SFVS)****Exceptions Raised**

Critical	High	Medium	Low
0	0	4	0

**Overall Assurance Level**

Reasonable Assurance

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

Evidence submitted by eight schools, to support the assertions made in their SFVS returns, was reviewed by Internal Audit. One school was not able to sufficiently evidence governing body financial skills, one school governing body financial interests, one school linking raising standards to financial strategies and one school benchmarking. For context this is an improvement on prior year results.

**IT Assets****Exceptions Raised**

Critical	High	Medium	Low
0	0	3	4

**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	Reasonable Assurance
Effectiveness and Efficiency of Operations	Reasonable Assurance
Reliability and Integrity of Data	NAT

Issues were identified regarding asset discovery (checking the status of in use devices), asset disposals and potential lack of sufficient care towards Council IT equipment by staff. These need to be addressed by ensuring devices regularly report their status/investigating any potential issues, process changes, to ensure hard drives are securely wiped at the earliest opportunity and better capturing potential mistreatment of equipment, to enable management to take action. Minor issues were identified regarding documentation requiring update, ensuring asset status is set correctly and some reliance on spreadsheets to manage assets.





**Blue Badges**

**Exceptions Raised**

Critical	High	Medium	Low
0	0	1	2

**Overall Assurance Level**

Assurance
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**Assurance Level by Scope Area**

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

Potential enhancements only were identified, regarding monitoring of income and expenditure, fraud prevention and staff training.

**Test and Trace £500**

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



**UNESCO and Interreg**

**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.

**Local Transport Capital Funding**

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



**Public Health Outcomes**

**Exceptions Raised**

Critical	High	Medium	Low
0	0	0	3

**Overall Assurance Level**

Reasonable Assurance
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Agreed actions are scheduled to be implemented by the 31<sup>st</sup> April 2023

**Assurance Level by Scope Area**

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

No significant issues were identified by Internal Audit. The three contracts reviewed (Smoking Cessation, Substance Misuse and Sexual Health) are correctly constituted, with payments made in line with contract terms. However, there have been delays in fully implementing elements of contracts due to COVID-19, primarily related to how reporting and oversight operate. For clarity the Service plan to fully implement most outstanding contract elements by mid-year.

**Contain Outbreak Management Fund (COMF)**

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



**Universal Drug Treatment 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 in accordance with the conditions of the grant to enable sign off by the Chief Executive Officer and Chief Internal Auditor.



## Follow-up Audits in Period

Updates are provided below for follow-up activity, since the start of the 2022/23 financial year.

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

Some progress has been made since the time of the original audit. Importantly the planned move to the Cloud based version of Technology Forge has the potential to substantively address most of the issues identified by Internal Audit.

1	Medium	<b>Contract/Vendor Management</b> Initial discussions have been held with the vendor and issues identified (formality and performance management) will be addressed when the Council migrates to the Cloud based version of Technology Forge.	In Progress
2	High	<b>Continuity</b> Draft continuity intentions have been shared with Internal Audit and a continuity exercise is planned for August 2022. As above continuity will be enhanced by moving to the Cloud based version of Technology Forge.	In Progress
3	High	<b>Roles and Responsibilities</b> User management is to continue being managed by operational staff within the service. The risk of not having segregation of duties has been accepted by the Director of Regeneration.	Closed, Management Accept Risk
4	High	<b>Change Management</b> There have been no changes in the 12 months since the original audit and changes up to the implementation of the Cloud based system will be limited to emergency changes. Once migrated to Cloud there will be no ongoing requirement from the Council's IT department to support change management.	No Longer Applicable

Barnardo's Contract (Early Help)				Original Assurance Level	Follow-up Level
Original Exceptions Raised				Reasonable Assurance	Assurance
Critical	High	Medium	Low		
0	0	0	2		

All agreed actions now implemented.

1	Low	<b>Management and Oversight of the Contract</b> Evidence provided to Internal Audit, confirming Contract managed in line with terms.	Closed: Verified
2	Low	<b>Monitoring Visits</b> Onsite monitoring visits resumed.	Closed: Verified



## 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 2022/23 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>							
Hospital Team/Discharge Process	■				Fieldwork		
Reablement/Outreach	■				Pending		
Deferred Payments	■				Fieldwork		
Plene Dene	■				Pending		
Deprivation of Liberty (DOLs)		■			Pending		
<b>Children's Services</b>							
Direct Contact & Supervision	■				Pending		
Oakfield School	■				Final	Reasonable	Included in this report.
Brighstone	■				Final	Reasonable	Pending CMT reporting.
Elective Home Education	■				Pending		
St Mary's School	■				Pending		
Children with Disability (to include Transition children's to adults)		■			Pending		
School Condition Funding				■	Pending		
Edge of Care (Barnardo's Contract)			■		Final	Assurance	Included in this report.
Scheduled reduced Follow-up; to cover:		■			Pending		
• Early Years		■			Pending		
• Arreton School		■			Pending		
• Broadlea School		■			Pending		
Troubled Families (Children's)				■	Pending		
School Financial Management Standard (SFVS)	■				Final	Reasonable	Included in this report.



Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
<b>Corporate Services</b>							
Accounts Payable (AP)		■			Pending		Amended to follow-up, from full audit.
Accounts Receivable (AR)	■				Pending		
Bank and Cash	■				Pending		
Council Tax and NNDR	■				Final	Reasonable	Pending CMT reporting.
Housing Benefits	■				Draft		
Payroll		■			Pending		Amended to follow-up, from full audit.
IT Assets (including mobile phones)	■				Final	Reasonable	Included in this report.
Blue Badges	■				Final	Assurance	Included in this report.
Software Development	■				Fieldwork		
Technology Forge (IT System)		■			Final	Reasonable	Included in this report.
Paris (IT System)					Suspended		Delays in Project timeline; to be revisited as part of 23/24 planning.
Fleet/Hire Cars		■			Pending		
Insurance		■			Pending		
Test and Trace £500				■	Final	Assurance	Post payment assurance certification required; included in this report.
Omicron Business Grant				■	Fieldwork		
<b>Scheduled reduced Follow-up; to cover:</b> <ul style="list-style-type: none"> <li>• Modern Slavery</li> <li>• Freedom of Information (FOI)/Subject Access Requests (SARs)</li> <li>• Agency (temporary staff, across Council)</li> <li>• Pension Administration</li> <li>• IT Follow-Up</li> <li>• Workforce Development (including Wellbeing)</li> </ul>		■			Fieldwork		



Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
<b>Finance</b>							
Capital Accounting	■				Pending		
UNESCO and Interreg				■	Final	Assurance	Included in this report.
<b>Neighbourhoods</b>							
Regulatory Compliance	■				Pending		
Car Parking					Suspended		To accommodate additional grant reviews.
Bereavement	■				Final	Reasonable	Pending CMT reporting.
Disabled Facilities				■	Pending		
Local Transport Capital Funding				■	Final	Assurance	Included in this report.
Green Homes Grant 2					Suspended		No second-year funding received.
Emergency Active Travel				■	Pending		
CCTV		■			Draft		
Scheduled reduced Follow-up; to cover: <ul style="list-style-type: none"> <li>Leisure Centres (pending results)</li> <li>Homes in Multiple Occupancy (HMOs)</li> <li>Public Health Funerals (Community) (pending results)</li> </ul>		■			Pending		
Bus Subsidy				■	Pending		
<b>Public Health</b>							
Risk Management	■				Pending		
Public Health Outcomes	■				Final	Reasonable	Included in this report.
Contain Outbreak Management Fund (COMF)				■	Final	Assurance	Included in this report.
Universal Drug Treatment				■	Final	Assurance	New grant; included in this report.
HIV Prep					Suspended		Rolled into main PH grant.
<b>Regeneration</b>							
Building Control	■				Pending		





Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Asset Disposals	■				Pending		
Planning and Enforcement	■				Pending		
Section 106		■			Pending		
Asbestos		■			Pending		
Scheduled reduced Follow-up; to cover: <ul style="list-style-type: none"> <li>Asset Management</li> <li>School Landlord Responsibility</li> </ul>		■			Pending		
<b>Strategy &amp; Corporate</b>							
Advocacy Contract (Adults)	■				Final	Assurance	Included in this report.
Gouldings Project	■				Fieldwork		
Annual Governance Statement (AGS)	■				Pending		
Scheduled reduced Follow-up; to cover: <ul style="list-style-type: none"> <li>Risk Management</li> </ul>		■			Pending		