Internal Audit Progress Report 28 November 2022

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 2022/23 Audit Plan as of 1 November 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
Assurance	*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*
Reasonable Assurance	*Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority*
Limited Assurance	*Control weaknesses or risks were identified which pose a more significant risk to the Authority*
No Assurance	*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*

Audits rated No Assurance are reported in their entirety to Audit Committee along with Director's comments

4. Exception Risk Ranking

The following table outline the exceptions raised in audit reports, reported in priority order and are broadly equivalent to those previously used.

Priority Level	Description
Low Risk (Improvement)	*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.*
Medium Risk	*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.*
High Risk	*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*
Critical Risk	*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*

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	*No action has been taken on agreed action.*
Pending	*Actions cannot be taken at the current time but steps have been taken to prepare.*
In Progress	*Progress has been made on the agreed action however they have not been completed.*
Implemented but not Effective	*Agreed action implemented but not effective in mitigating the risk.*
Closed: *Verified*	*Agreed action implemented and risk mitigated, verified by follow up testing.*
Closed: *Not Verified*	*Client has stated action has been completed but unable to verify via testing.*
Closed: *Management Accepts Risk*	*Management have accepted the risk highlighted from the exception.*
Closed: *No Longer Applicable*	*Risk exposure no longer applicable.*

6. Audit Plan Progress

Status Overall

Final, 51%

Fieldwork, 18%
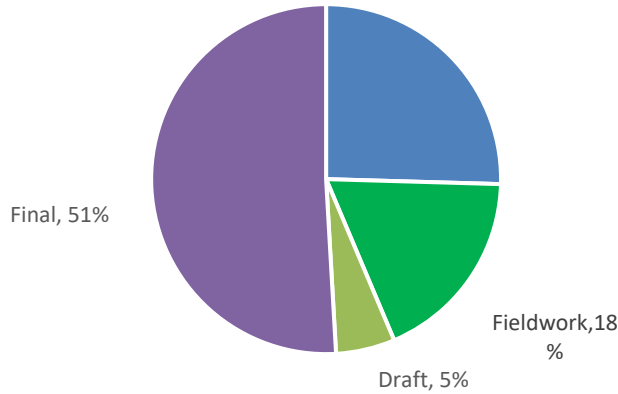
Draft, 5%

Status (including follow-ups)	Audits
Pending	14
Fieldwork	10
Draft	3
Final	28
TOTAL	55

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 55 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.

Brighstone School

Exceptions Raised

Critical	High	Medium	Low
0	1	3	1

Overall Assurance Level

Reasonable Assurance

Assurance Level by Scope Area

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

The most significant issue identified related to premises management where evidence was lacking to demonstrate appropriate checks had been carried out, by the school or its contractors.

Further issues were identified regarding inventory, oversight of voluntary funds, income collection and how expenditure is controlled. These need to be addressed by gaining oversight of funds, implementing an asset register, more robustly managing of school meal debt and more formality, for example implementing contracts were appropriate, regarding expenditure. A minor issue was also identified, with the Whistleblowing Policy showing an incorrect review date.

Housing Benefits

Exceptions Raised

Critical	High	Medium	Low
0	0	1	0

Overall Assurance Level

Reasonable Assurance

Assurance Level by Scope Area

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

One issue only was identified, regarding discretionary housing payments and monitoring reviews. A minor error was identified, leading to an overpayment of £10 per week. More importantly monitoring reviews are currently four months behind schedule, which potentially will lead to delays in identifying and addressing any errors in payments.

Council Tax and NNDR

Exceptions Raised

Critical	High	Medium	Low
0	2	2	0

Overall Assurance Level

Reasonable Assurance

Assurance Level by Scope Area

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

The most significant issues identified relate to Discounts/Exemptions and Write Offs. Regarding the first of these areas a more robust approach needs to be taken in ensuring that individuals provide evidence of their entitlement. Whilst write-offs performed need to comply with financial rules, specifically within delegated authority levels.

More minor issues were identified regarding the need to take more robust action to recover long term debts and better management oversight of discounts, exemptions and disregards.

Bereavement

Exceptions Raised

Critical	High	Medium	Low
0	1	4	1

Overall Assurance Level

Reasonable Assurance

Assurance Level by Scope Area

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

The most significant issue identified relates to debt recovery. The current approach to debts is insufficiently formal and needs to be addressed by a documented process, which is followed consistently.

Other issues identified relate to the need to ensure the Crematorium remains viable in the long term, improving the clarity of the invoicing process, ensuring published fee schedules on the website are up to date, increasing the level of formality regarding senior management/finance reporting and enhancing information available to better accommodate different faith/belief needs.

Gouldings Refurbishment - Project Governance

Exceptions Raised

Critical	High	Medium	Low
0	0	4	0

Overall Assurance Level

Reasonable Assurance

Assurance Level by Scope Area

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

While at a relatively early stage (actual refurbishment is not scheduled to commence until after the facility close in March 2023, with a contractor not yet procured), no significant issues were identified with project governance at the point of fieldwork. A small number of actions are outstanding, from the Project Healthcheck carried out by Organisational Intelligence in September, current project staffing will need to be revisited, as the demands of the Project increase during the 'core' delivery phase, more work is required on stakeholders to ensure the refurb progresses as smoothly as possible and reporting needs to be improved, to ensure any issues are identified and escalated at the earliest opportunity.

Omicron Business Grant - Fraud assessment

Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level

Assurance

Assurance Level by Scope Area

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

Automated tests were run over the full population of grants paid, to identify any potential instances of fraud, for example multiple grants paid to the same bank account but where the named individuals differed. This exercise identified a small number of payments for further, manual investigations. On the completion of investigations, no fraudulent payments were identified.

Bus Subsidy

Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level

Assurance

Assurance Level by Scope Area

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

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

Follow-up Audits in Period

Updates are provided below for follow-up activity, since the Audit Committee las met.

Broadlea Primary School

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

All agreed actions have been implemented.

1	**Medium**	**SFVS** Agreed actions were evidenced as implemented during follow-up testing.	**Closed: Verified**
2	**Medium**	**Hire Agreements** Agreed actions were evidenced as implemented during follow-up testing.	**Closed: Verified**
3	**Medium**	**Inventory** Agreed actions were evidenced as implemented during follow-up testing, with the exception of inventory governor checks which are scheduled for January 2023.	**Closed: Not Verified**

Accounts Payable (AP)

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

All agreed actions now implemented.

1	**Low**	**Purchase Orders** No issues with purchase orders were identified in follow-up testing.	**Closed: Verified**
2	**High**	**SAP Access** Staff have been reminded of the importance of actioning access change requests in a timely manner; no issues with effective access were identified in follow-up testing.	**Closed: Verified**
3	**High**	**Vendor Changes** An enhanced process has been implemented, to improve the security over changes to vendor information; no issues were identified in follow-up testing.	**Closed: Verified**
4	**Low**	**Due Diligence Checks** Effective due diligence checks are being carried out, confirmed through sample testing.	**Closed: Verified**

Payroll

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

Progress is being made implementing agreed actions.

1	Medium	**Additional Hours** Agreed actions were evidenced as implemented during follow-up testing.	Closed: Verified
	Medium	**FPS Submission** Agreed actions were evidenced as implemented during follow-up testing.	Closed: Verified
	Low	**Attendance Management Policy & Procedures** Agreed actions were evidenced as implemented during follow-up testing.	Closed: Verified
	Low	**Leavers** Agreed actions were evidenced as implemented during follow-up testing. However, retesting identified that the actions were not effective.	Implemented but not effective
2	High	**SAP Access** The agreed actions were evidenced as having been partially completed during follow up testing. However, work is still ongoing.	In Progress

Modern Slavery

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

Agreed actions have been fully implemented.

1	Low	**Annual Statement** The new Council website has an appropriate statement, linked to from the home page.	Closed: Verified
2	Medium	**Contract Management & Corporate Reporting** Biannual reports are now presented to the Audit Committee and annual checks on contracts are required by the Contract Management system.	Closed: Verified

Freedom of Information (FOI)/Subject Access Requests (SARs)

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

Agreed actions are pending being addressed.

1	**Medium**	**Publication Scheme** Information on the new Council website is pending.	**In Progress**

Agency Workers

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

Agreed actions are pending being addressed.

1	**Medium**	**Framework Agreements** Work is ongoing, to maximise the use of framework contracts across the Council.	**In Progress**

Pension Administration

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

Implementation of the enhanced software, identified in the original audit report, continues to progress.

1	**Medium**	**System Changes to members contributions** The proportion of employers using the I-Connect system continues to increase.	**In Progress**
2	**Medium**	**Timely Processing of New Starters** See above; I-Connect will address the issues originally identified, with slow processing of new starters to the pension administrative system.	**In Progress**

Section 106 Agreements

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

Progress is being made implementing agreed actions.

1	High	**Monitoring procedures are in place to ensure compliance with the terms of the S106 Agreement** Formal monitoring and performance oversight arrangements are pending being implemented.	In Progress
2	Medium	**Section 106 Agreements-Adequate Accounting Records are maintained** Wightnet forms are now used to raise invoices, with routine budget oversight by corporate finance now in place. Documentation is planned, to formalise cross department oversight.	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 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
Adult Services							
Hospital Team/Discharge Process	■				**Draft**		Pending presentation to CMT.
Reablement/Outreach					**Suspended**		Suspended; to be revisited in scoping for 2023/24
Deferred Payments	■				**Fieldwork**		
Plene Dene					**Suspended**		Suspended; to be revisited in scoping for 2023/24
Deprivation of Liberty (DOLs)		■			**Pending**		
Children's Services							
Direct Contact & Supervision	■				**Pending**		
Oakfield School	■				**Final**	Reasonable	Reported in September.
Brighstone	■				**Final**	Reasonable	Included in this report.
Elective Home Education					**Suspended**		Suspended; to be revisited in scoping for 2023/24
St Mary's School	■				**Fieldwork**		
Children with Disability (to include Transition children's to adults)		■			**Fieldwork**		
School Condition Funding				■	**Pending**		
Edge of Care (Barnardo's Contract)			■		**Final**	Assurance	Reported in September.
Scheduled reduced Follow-up; to cover: • Early Years		■			**Fieldwork**		
• Arreton School		■			**Draft**		
• Broadlea School		■			**Final**		Included in this report.

Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Troubled Families (Children's)				■	Fieldwork		
School Financial Management Standard (SFVS)	■				Final	Reasonable	Reported in September.
Corporate Services							
Accounts Payable (AP)		■			Final	Assurance	Included in this report.
Accounts Receivable (AR)	■				Pending		
Bank and Cash	■				Pending		
Council Tax and NNDR	■				Final	Reasonable	Included in this report.
Housing Benefits	■				Final	Reasonable	Included in this report.
Payroll		■			Final		Amended to follow-up, from full audit. Included in this report.
IT Assets (including mobile phones)	■				Final	Reasonable	Reported in September.
Blue Badges	■				Final	Assurance	Reported in September.
Software Development	■				Fieldwork		
Technology Forge (IT System)		■			Final	Reasonable	Reported in September.
Fleet/Hire Cars		■			Pending		
Insurance		■			Fieldwork		
Test and Trace £500				■	Final	Assurance	Reported in September.
Omicron Business Grant				■	Final	Assurance	Included in this report.
Modern Slavery			■		Final	Assurance	Included in this report.
Freedom of Information (FOI)/Subject Access Requests (SARs)			■		Final	Reasonable	Included in this report.
Agency (temporary staff, across Council)			■		Final	Reasonable	Included in this report.
Pension Administration			■		Final	Reasonable	Included in this report.
Scheduled reduced Follow-up; to cover: • IT Follow-Up		■			Fieldwork		

Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
• Workforce Development (including Wellbeing)							

Finance

Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Capital Accounting	■				Pending		
UNESCO and Interreg				■	Final	Assurance	Reported in September.

Neighbourhoods

Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Regulatory Compliance	■				Pending		
Bereavement	■				Final	Reasonable	Included in this report.
Disabled Facilities				■	Fieldwork		
Local Transport Capital Funding				■	Final	Assurance	Reported in September.
Emergency Active Travel					Suspended		Suspended.
CCTV		■			Draft		
Scheduled reduced Follow-up; to cover: • Leisure Centres (pending results) • Homes in Multiple Occupancy (HMOs) • Public Health Funerals (Community) (pending results)		■			Pending		
Bus Subsidy				■	Final	Assurance	Included in this report.

Public Health

Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Risk Management					Suspended		Suspended; to be revisited in scoping for 2023/24
Public Health Outcomes	■				Final	Reasonable	Reported in September.
Contain Outbreak Management Fund (COMF)				■	Final	Assurance	Reported in September.
Universal Drug Treatment				■	Final	Assurance	Reported in September.

Regeneration

Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Building Control					Suspended		Alternative assurance provided, through third party

Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
							review with positive conclusion.
Asset Disposals	■				**Pending**		
Planning and Enforcement	■				**Fieldwork**		
Section 106		■			**Final**	Reasonable	Included in this report.
Asbestos		■			**Pending**		
Scheduled reduced Follow-up; to cover: • Asset Management • School Landlord Responsibility		■			**Pending**		
Strategy & Corporate							
Advocacy Contract (Adults)	■				**Final**	Assurance	Reported in September.
Gouldings Project	■				**Final**	Reasonable	Included in this report.
Annual Governance Statement (AGS)	■				**Fieldwork**		
Scheduled reduced Follow-up; to cover: • Risk Management		■			**Pending**		