



Council of the
ISLES OF SCILLY

Annual Governance Statement

For the year 2020 - 2021

Introduction

The Council's Corporate Plan

The Council of the Isles of Scilly's aim:

To work in partnership to create opportunities for all, care for our community and sustain a diverse and skilled economy in harmony with our beautiful landscape.

Productive	Delivering efficient, responsive high quality services that meet the needs of our community, showing initiative, drive and determination and taking accountability for our actions and decisions.
Ambitious	Challenging ourselves to be the best we can, taking pride in our islands, our residents, our staff and our services and working as a team to secure the best future for the islands and generations to come.
Collaborative	Acting with integrity and transparency, providing local leadership, engaging and designing services with our community, working jointly with partners, fostering mutual respect, healthy debate and resolving issues together.
Enterprising	Making best use of resources, co-producing new and innovative services, enabling and supporting local businesses, developing confidence in making balanced and considered decisions and risks.

The Council's Corporate Plan was updated in February 2021. This is the final year of this Corporate Plan. Over the past 4 years, it has become clearer which areas the Council has fully delivered on, which are progressing, and which areas either no longer reflect current needs or require renewed focus. The main aims of the annual review have been:

- to make it clearer which operational activity relates to each objective;
- to include new objectives which have come to light and that must be started within the life of this plan;
- and to simplify the wording where necessary.

This year the Council made a big change to the layout of the plan, which it hoped would make the intentions behind each objective clearer to the community. Instead of the 37 objectives under 4 headings. The main section of the plan is now divided into 3 headings:

- Place, Economy & Environment
- People & Community
- Our Council

The objectives under each of the headings above are further divided into the 'Principles and Requirements' and 'Targets' for that area. The main difference being that the targets sections capture only those objectives with a specific goal or defined outcome which is achievable within the life of the plan.

The coronavirus pandemic was a major challenge for everyone this year including the Council. In spite of this disruption, the Council has continued to achieve a huge amount. It has made progress against all of the objectives in the Corporate Plan 2019-2022, but in particular, some real strides were made in relation to its 'Top Priorities' which comprise those projects and programmes it feels most effectively preserve and improve the quality of life on the Isles of Scilly.

The Corporate Plan is available on the Council's website.

Good Governance is the backbone of the Council's ability to achieve its aim in accordance with these values. It is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It is important for governance arrangements to be proportionate so that wherever appropriate they empower individuals rather than constrain them.

Good governance leads to effective:

- leadership and management;
- performance and risk management;
- stewardship of public money; and
- public engagement and outcomes for our citizens and service users.

Scope of Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and that it is used economically, efficiently and effectively. In addition, the Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance arrangements including the system of internal control.

This review of effectiveness is informed by those officers within the Council who have responsibility for the development and maintenance of the governance environment, the Chief Executive, S151 and Monitoring Officer, work of the relevant Council Committees, external auditors and other review agencies and inspectorates.

This Annual Governance Statement (AGS) has been prepared to meet the requirements of the Accounts and Audit Regulations 2015 and the principles set out in the 2016 CIPFA/SOLACE Framework: Delivering Good Governance in Local Government (“the Framework”). It has also taken into consideration the CIPFA Guidance on “The Application of the Good Governance Framework” issued in February 2021. The Framework requires the Council to have in place a Local Code of Corporate Governance (“the Code”). This statement describes the extent to which Cornwall Council complies with its Code and how the Code is consistent with the good governance principles.

In discharging its overall responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which include arrangements for managing risk.

Purpose of the Council's Code of Governance

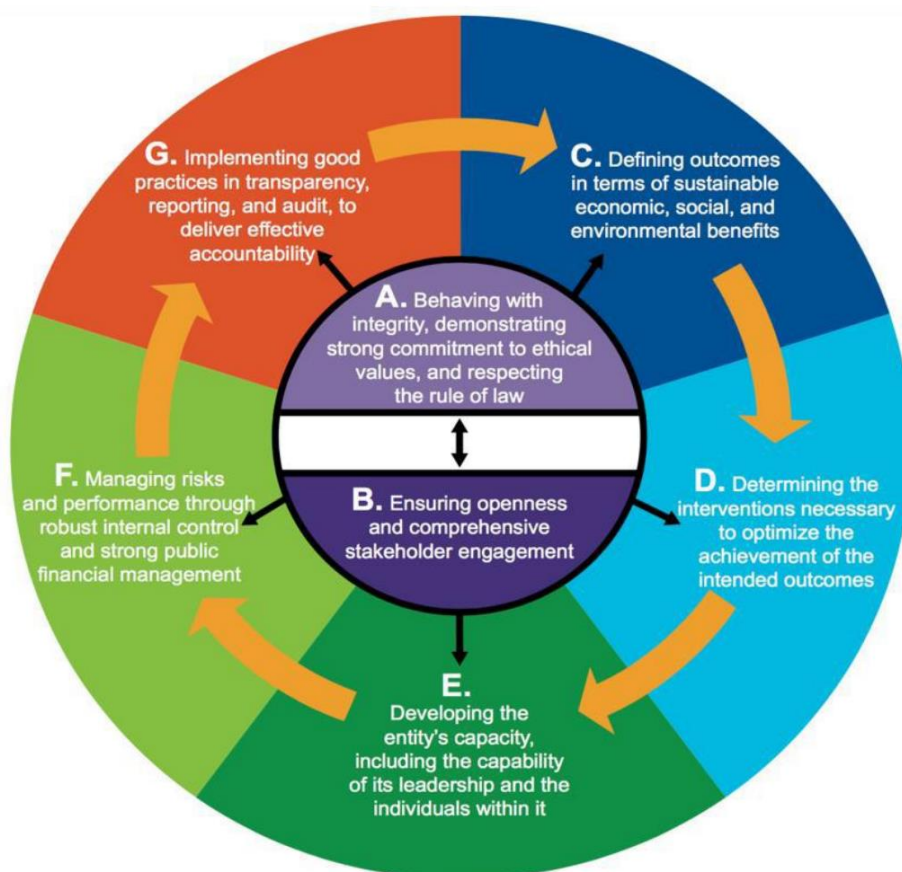
The Council's Code of Governance aims to ensure that in conducting its business the Council:

- operates in a lawful, open, inclusive and honest manner
- makes sure public money is safeguarded, properly accounted for and spent wisely
- has effective arrangements in place to manage and control risk
- secures continuous improvements in the way it operates.

The Code comprises the systems and processes, culture and values and structures by which the Council is directed and controlled. The Code is the sum total of all of these things, and it includes those activities required to enable the Council to engage with, account to and lead the communities it serves. The Code enables the Council to set its strategic objectives and to manage the achievement of the objectives whilst ensuring delivery of appropriate, cost effective services.

The system of internal control is a significant part of that Code and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The Framework envisages that the Code will be organised to ensure a continuous process of seven principles based around two core principles (A and B).



Source: CIPFA/SOLACE

The governance framework and an attendant Code has continued to be in place at the Council of the Isles of Scilly for the year ended 31 March 2021 and up to the date of approval of the statement of accounts.

Key elements of our Code of Governance

The Council's Constitution is updated as necessary and sets out how the Council operates. The Council of the Isles of Scilly has strong member involvement in decision-making with Members being particularly close to the community. Our member decision-making structure is set out in the diagram below.

The key elements of the governance arrangements at the Council during 2020/21, in line with the above structure, were:



How we have fulfilled the principles of good governance

Review of the Council's Code of Governance

As above, the Council's Code is made up of the arrangements that the Council has in place to deliver the requirements of each principle of the Framework. The Code is not a document, it is the sum total of all these systems and processes, culture and values and structures by which the Council is directed and controlled.

In preparing this AGS the Council has:

- reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Government Framework - 2016 Edition' good practice guidance;
- thereby assessed the effectiveness of the Council's Code.

This section sets out some key aspects of how the Council's Code has complied with the seven principles set out in the Framework during 2020/21; it is not intended to be exhaustive.

This AGS for 2020/21 demonstrates how the Council has complied with the Framework and maintained an effective Code. It also meets the requirements of Regulation 6(1)(a) and (b) of the Accounts and Audit Regulations 2015 as amended, which requires the Council to conduct a review of the effectiveness of the system of internal control and prepare an AGS.



CIPFA / SOLACE Principles		Summary of governance arrangements
Principle A: <i>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</i>	<ul style="list-style-type: none">• The Code of Conduct for elected and co-opted Members and the Employee Code of Conduct provide guidance to Members and Officers on the expected standards of behaviour.• The Monitoring Officer assesses and, where relevant, reviews any suspected breaches of the Code.• All complaints made regarding breaches or potential breaches of the Code of Conduct are reviewed by the Scrutiny Committee.• The roles of Full Council, Statutory Officers, and the Scrutiny Committee are clearly defined.• The Member / Officer Protocol provides an effective framework in which Members and officers interact.• The Council has a number of policies such as those relating to Risk Management, Anti-fraud and Corruption and a Complaints Policy that promote ethical behaviours amongst Members and Officers.• Internal Audit investigates all suspected cases of fraud, corruption, and non-compliance with relevant regulations or policies.• The Council's Corporate Plan sets out integrity and transparency as some of the key values for the Council.	

CIPFA / SOLACE Principles	Summary of governance arrangements
Principle B: <i>Ensuring openness and comprehensive stakeholder engagement</i>	<ul style="list-style-type: none"> • All meetings of Full Council and most of the other Council Committees are webcast or are available on other forms of social media in accordance with the Council's principles for the broadcasting of public meetings. All formal member meetings are open for the public to attend, with agenda papers and decisions being published on the Council's website, in accordance with the legislative framework around openness and transparency • Where the Council undertakes consultation then this is made available on the Council's website. • The Council carries out targeted consultation on key issues such as the Local Plan. • The Council maintains a "latest news" section on its website to communicate key issues to the public and other stakeholders. It also has a number of options for contact including post, telephone, email and social media links. Details of how to make a complaint are also included on the Council's website.
Principle C: <i>Defining outcomes in terms of sustainable economic, social and</i>	<ul style="list-style-type: none"> • The Council's Priorities for the Isles of Scilly were identified through a revised Corporate Plan approved by Full Council. The plan is divided into 3 parts: <ul style="list-style-type: none"> - Place, Economy & Environment - People & Community - Our Council <p>The plan identifies a number promises around areas of activity it will protect due to their value to the community and the wider societal values they deliver</p>

CIPFA / SOLACE Principles	Summary of governance arrangements
<i>environmental benefits</i>	<p>The plan also sets out the Council's top priorities which members have identified they want to focus on.</p> <ul style="list-style-type: none"> • The Council has published a Medium Term Financial Plan looking three years ahead in order to ensure that the Council's financial situation is sustainable and aligned with plans to deliver its objectives. • The annual internal audit report for 2020/21 was received by the Scrutiny Committee in June 2021 which set out the work carried out within the year and their opinion and residual risk for each area of work. The opinion in all but one area was one of reasonable assurance with the residual risk either low or medium. One area of limited assurance was around Counter fraud as the Policy was out of date – an updated policy is scheduled to come to Full Council in 2021. • The Council's Internal Auditor has provided a positive opinion. • The internal audit plan for 2021-22 has been agreed and work is underway – the internal audit function is now more aligned with the Council and works with the Council to mitigate risks
Principle D:	<ul style="list-style-type: none"> • The formal statutory powers of intervention of the Monitoring Officer and Section 151 Officer have not been exercised during the reporting period. • A standard reporting template is used to make reports to members is consistently utilised for all committee reports.

CIPFA / SOLACE Principles	Summary of governance arrangements
<p><i>Determining the interventions necessary to optimise the achievement of the intended outcomes</i></p>	<ul style="list-style-type: none"> • The Scrutiny and other committees set out their business in work programmes agreed in public, which support them to discharge their responsibilities. • The Scrutiny Committee is informed throughout the year of the work of Internal Audit. • A comprehensive financial performance report is taken to Full Council quarterly which provide wider financial performance information. Decisions and actions to address performance issues have been taken and monitored to ensure they have been effective. Monthly financial reports to Full Council are produced on an exceptions basis. • The Monitoring Officer and Section 151 Officer have regular stewardship meetings to monitor assurance across the Council and identify any activity required.
<p>Principle E:</p> <p><i>Developing the entity's capacity, including the capability of its leadership and the individuals within it</i></p>	<ul style="list-style-type: none"> • The Council benefits from a wider leadership system through the Cornwall and Isles of Scilly (CloS) Leadership Board which provides strategic 'place leadership'. The Council is focussed on delivery through partnerships as part of a wider leadership system for Cornwall as a whole. The Leadership Board has helped in providing joined up leadership for Cornwall and Isles of Scilly (including the development and endorsement of New Frontiers and oversight of measures being taken to deal with Covid and the replacement of EU funding post Brexit) and the strengthened organisational relationships that have been achieved through collaborative working. In addition the Council actively works in partnership with Cornwall Council to help provide additional expertise and capacity on major and complex issues such as the Levelling Up fund bid for replacement vessels.

CIPFA / SOLACE Principles	Summary of governance arrangements
	<ul style="list-style-type: none"> • The Chief Executive reviewed the capacity and capabilities of the Council and reported back to Full Council with an amended structure to strengthen the management and provide clear accountability and reliance. • Officer capacity in key governance roles remains strengthened by the arrangements with Cornwall Council for the provision of a Monitoring Officer and Section 151 Officer.
Principle F: <i>Managing risks and performance through robust internal control and strong public financial management</i>	<ul style="list-style-type: none"> • The Council has refreshed its Risk Strategy in place with regular monitoring and review of risks now being normal practise and forming part of a quarterly report to Full Council. • The Council's Internal Audit service carries out a risk based comprehensive programme of review focussed on providing an opinion on the effectiveness of the risk, governance and internal control arrangements in respect of key priorities. • Internal Audit provides assurance on an annual basis on the effectiveness of arrangements for organisational data quality and information governance. • Clear and appropriate arrangements are in place for regular reporting to the Scrutiny Committee by Internal Audit • External Audit reports to Full Council on an annual basis and on an exceptions basis. • The Council's statutory officers (monitoring officer and S151 officer) meet regularly along with the Chief Executive and Senior managers to provide collective assurance that statutory risks and responsibilities are being effectively managed and delivered.

CIPFA / SOLACE Principles	Summary of governance arrangements
	<ul style="list-style-type: none"> • There is also a meeting twice a year where the Council's statutory officers meet and discuss assurance reports for their area of responsibility.
Principle G: <i>Implementing good practices in transparency, reporting and audit to deliver effective accountability</i>	<ul style="list-style-type: none"> • All Council and other Committee meetings are webcast live and remain available for public scrutiny after the date of the meeting. • The Corporate Plan 2019-22 which was reviewed and updated for 2021-22 by Full Council in February 2021, is available to view on the internet. • Council and Committee agendas, reports and decisions are published online. • Council and Committee meetings are open to the press and public (other than for exempt items) and are webcast enabling public access after the event. • The Council regularly reports both its financial and non-financial performance against statutory and agreed performance targets. • Outcomes from both external and internal audit activities are regularly reported to the Scrutiny Committee in public meetings, ensuring that decision-makers can be held to account.



Review of effectiveness

The Council's Leadership Team (including the Monitoring Officer and S151 Officer), has reviewed the effectiveness of the Council's Code of Governance, confirming that the arrangements described in this statement are in place. The Council's review of its Code of Governance is not only an annual process but, in line with best practice, it is conducted continuously, including through regular and ongoing assessment by the Council Leadership Team including the statutory Section 151 Officer and Monitoring Officers.

Outside of some matters highlighted in the final section of this report (below), the Council Directors Team have confirmed that corporate governance processes have been in place and operating as intended throughout the year.

Internal Audit

The Council's Scrutiny Committee received the Internal Audit annual report at its meeting of 9th June. The overall audit opinion of the Head of Internal Audit was as follows:

Overall, based on work performed during 2020/21 and my professional knowledge of the organisational control, governance and risk management environment, I am able to provide 'reasonable assurance'* on the adequacy and effectiveness of the Council's arrangements in respect of internal control.

****Reasonable Assurance Definition:** 'There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited'*

The report is shown below as Appendix A

External Audit

External auditors carry out a programme of reviews based upon statutory requirements. The Annual Audit Letter and Audit Findings Report for 2019/20, which included the opinions for the 2019/20 financial statements (unqualified) and value for money (qualified) were published in 2020/21. The Audit Findings Report for 2020/21 will be presented to Full Council at its meeting in October.

Conclusion

The Council's governance arrangements are regarded as generally fit for purpose and are in accordance with the governance framework. The Council is committed to maintaining these arrangements and ensuring that the improvements required are prioritised and sufficiently resourced. The next section of this report highlights some issues arising for attention and areas recently addressed.

Chairman



Date 19th October 2021

Chief Executive



Date 19th October 2021



Council of the
ISLES OF SCILLY

Council of the Isles of Scilly Internal Audit Annual Report 2020/21

Holly Sykes, Chief Internal Auditor

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Executive Summary and Opinion

1 Executive Summary

- 1.1 The Scrutiny Committee, under its Terms of Reference, is required to consider the Chief Internal Auditor's annual report and opinion, a summary of Internal Audit activity and the level of assurance it can give over the Council's governance arrangements. The Accounts and Audit Regulations require that all Authorities need to carry out an annual review of the effectiveness of their internal systems and need to incorporate the results of that review into their Annual Governance Statement, published with the Annual Statement of Accounts.
- 1.2 The achievement of the Council's priorities is dependent on a sound system of control, governance and risk management being in place throughout the Council. A strong control environment and effective risk and governance arrangements enable the Council to secure its assets and ensure that they are used in the best interests of the residents of the Isles of Scilly.



- 1.3 The Internal Audit Plan for 2020/21 was presented to and approved by the Scrutiny Committee in November 2020. The following report set out the background to the audit service provision, reviews the work undertaken in 2020/21 and provides an opinion on the overall adequacy and effectiveness of the Council's control environment.
- 1.4 The Public Sector Internal Audit Standards (PSIAS) require the Chief Internal Auditor to deliver an annual report providing an opinion that can be used by the organisation to inform its Annual Governance Statement.
- 1.5 This report provides a summary of my opinion and goes on to offer a summary of audit work undertaken in 2020/21. Further information is provided in terms of risk management, governance and control and improvements required which are supported by agreed management actions.

2 Opinion

Overall, based on work performed during 2020/21 and my professional knowledge of the organisational control, governance and risk management environment, I am able to provide ‘reasonable assurance’* on the adequacy and effectiveness of the Council’s arrangements in respect of internal control.

***Reasonable Assurance Definition:** ‘There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited’

3 Purpose of Report and Key Information

- 3.1** The purpose of this report is to present to the Scrutiny Committee my opinion on the overall adequacy and effectiveness of the Council’s internal control, governance and risk management arrangements during 2020/21
- 3.2** In accordance with the PSIAS, the Chief Internal Auditor must deliver an annual internal audit opinion that forms a key source of assurance to support the Annual Governance Statement, which is published as part of the Council’s Statement of Accounts. This opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. The internal audit opinions provided across the Council in 2020/21 are illustrated below:

Audit Area	Scope	Opinion	Residual Risk
Financial Systems	Review Housing, Airport and Park House income raising and collection processes. Review employee related transactions	Reasonable Assurance	Low
	Review of Collection Fund locally managed Covid-19 Grants	Reasonable Assurance	Low
	Review of Contract Monitoring	Reasonable Assurance	Medium
Waste and Recycling	Review controls over monitoring and management of waste and recycling and review strategy going forwards.	Reasonable Assurance	Medium
Electoral Registration	Review of processes for maintaining currency of Electoral roll and administration of electoral process	Reasonable Assurance	Medium
Programme and Project Management	Review of programme and project management processes and reporting.	Reasonable Assurance	Medium

Audit Area	Scope	Opinion	Residual Risk
Counter Fraud Health Check	Proactive review considering the Council's fraud risks (internal and external) and the suitability of controls exercised.	Limited Assurance	Medium

- 3.3 I am able to give this reasonable assurance opinion only after taking into account the coverage of audit work completed across the organisation during the year and the results of internal audit work carried out on core systems operated for the Council by Cornwall Council, which include employee related expenditure, procure to pay and order to cash. Internal Audit activity was aligned to the Council's priorities and considered the strategic and critical risks.
- 3.4 Given my reasonable opinion I am confident that the Council has arrangements in place to ensure that known and emerging risks associated with its priorities are being appropriately managed, particularly against the backdrop of the pandemic and the Council's response.
- 3.5 The Council's emergency response to the pandemic demonstrated resilience and agility which also allowed for effective business continuity management.
- 3.6 A summary of the results of work done during 2020/21 is included below.

Financial systems

Invoicing and Collection (Reasonable Assurance, Low Residual Risk)

Invoicing and the collection of income was tested for the airport, housing rents and Park House. Testing was satisfactory across all three areas. At the airport there were some minor miscoding issues of income received and the fees and charges listed on the internet were found to be incorrect; this was resolved.

The Housing service do not carry out tenant surveys, although it is being considered. This would benefit the service, providing direct feedback on performance, allowing them to act quickly and help strengthen the tenant-Council relationship. A limited number of tenants were in arrears and had plans in place to pay back debts. The Council needs to work with Cornwall Council Debt Management to ensure that they have the appropriate tools to follow up on debts efficiently and effectively.

No issues of note were found with Park House invoicing and collection.

Employee related expenditure (Reasonable Assurance, Low Residual Risk)

Testing was carried out on officers pay, allowances and expenses claimed in quarter three of 2020/21, relying on work done at Cornwall Council on Oracle Cloud for underlying assurance. A minor miscoding issue was identified locally. The process has been assessed as reasonable as issues with the underlying system were being fixed at the time of the audit. Oracle Cloud should be more robust in 2021/22.

Collection Fund (*Reasonable Assurance, Low Residual Risk*)

Cornwall Council provide Collection Fund services to the Council; reliance was placed on audit work done for Cornwall Council on revenues and assessments processes to provide assurance to the Council on the effectiveness of its Collection Fund controls.

Testing was carried out on locally managed Covid-19 grant payments. No issues have been identified that cause concern; one instance was identified where the quality of supporting evidence was not as robust as for others, but the validity of the claim was accepted.

Contract Monitoring (*Reasonable Assurance, Medium Residual Risk*)

The Council does not have a contract register for all contracts in place, as specified in the Financial Regulations. It uses Contract Finder to monitor all contracts over £5,000. Testing was carried out on a sample of revenue and capital contracts and no issues were identified that caused concern; one contract did have a variation to terms agreed via email. This allowed for an audit trail but the Council may want to consider using a standard form for variations to ensure the correct information is captured.

Residual risk was assessed as medium, given the volume of work done for the Council by contractors for both revenue and capital purposes.

Waste and Recycling (*Reasonable Assurance, Medium Residual Risk*)

Controls over the current monitoring and management of waste and recycling are reasonable. Contractor performance monitoring needs review, which is recognised by management and will be addressed in new contracts. A new waste strategy is being developed that should help improve the effectiveness and efficiency of waste management, improving alignment with the litter strategy and supporting the Council's green agenda. This requires behavioural change across the islands, which will need support to implement. This has been discussed with management and action is being taken.

Residual risk was assessed as medium given the potential risks associated with the strategy and the links and dependencies with other corporate objectives.

Electoral Registration (*Reasonable Assurance, Medium Residual Risk*)

At the time of the audit the election was an ongoing exercise. Plans were reviewed against government and Electoral Commission guidance, taking into account the local environmental factors; plans were reasonable.

Residual risk was assessed as medium given the importance of the electoral process and the underlying risks associated with any issues arising from an election.

Programme and Project Management (*Reasonable Assurance, Medium Residual Risk*)

Audit work on EU funded programmes showed effective project management processes are in place on these schemes. Plans are in place to implement a standardised approach to project management across the Council, to help improve efficiency. The EU funded work has tools and techniques that can be tailored and used with the proposed approach; this should include clear guidance on project initiation documents and business cases to enable Members to make effective decisions.

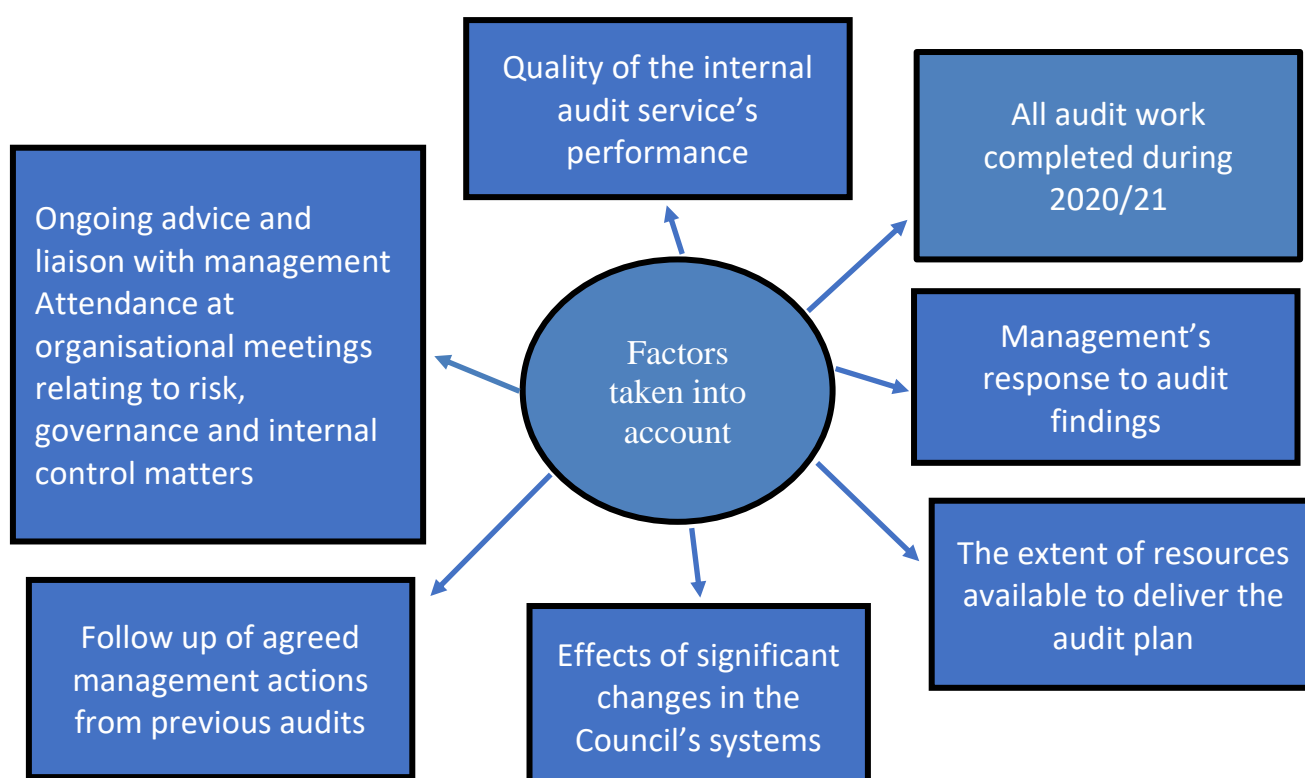
As more of the Council's work is delivered through projects and a standard methodology is proposed, the Council may also benefit from adopting a portfolio management approach for its projects to ensure they all help to deliver corporate objectives. The volume of project-based work and its impact on the Council's performance is reflected in the medium residual risk assessment.

Counter Fraud Health Check (*Limited Assurance, Medium Residual Risk*)

Internal audit work and the Council's Ethical Audit identified a number of policies and procedures that act as a framework for an effective counter fraud culture were in place but were out of date. The counter fraud policy was last updated in 2016, so the Council is not adopting the latest thinking in this area. Plans are being developed to update these procedures. Evidence from discussions with officers showed they were aware of potential fraud risks in their areas of responsibility. This was reflected in the way they carried out their work and they understand how the unique situation in Scilly affects the fraud landscape. They had not received any counter fraud training in the last three years from the Council. The policy and the Council's approach to fraud is also not well known.

- 3.7 The PSIAS require the annual opinion to include a statement on conformance with the PSIAS and ethical governance and the results of the Quality Assurance and Improvement Programme (QAIP). Consistent with this, we can confirm that the QAIP has been subject to continuous review throughout 2020/21. I am confident that our internal audit systems and processes in place comply with the requirements of the PSIAS ethical governance standards.

- 3.8 The opinion and the level of assurance given takes into account:



Internal Control Framework

3.9 The control environment comprises the Council's policies, procedures, and operational systems and processes in place to:

- Establish and monitor the achievement of the Council's priorities and objectives
- Facilitate policy and decision making
- Ensure the effective and efficient use of resources
- Ensure compliance with established policies, procedures, laws and regulations
- Safeguard the Council's assets and interests from losses of all kinds including those arising from fraud, irregularity or corruption.

3.10 During 2020/21, core financial and administrative systems were reviewed by Internal Audit, through specific reviews and internal audits carried out on Cornwall Council systems used to support the Council's activities. With the exception of the limited assurance review of fraud, Internal controls were generally working effectively across the council in the areas we reviewed.

3.11 Where weaknesses were identified, these are being addressed through agreed management actions. The Chief Executive has taken a robust stance in ensuring actions are taken effectively to improve controls within the Council.

Governance

3.12 During 2020/21 core governance systems and arrangements were reviewed by Internal Audit as part of our work following up on issues arising from detailed governance reviews in 2019/20 and in relation to our work on contract management that considered strategic and operational contracts. There is clear evidence of ongoing improvement in the overall governance structures at the Council that help to support an effective control environment.

Risk Management

3.13 During 2019/20 a revised strategic risk management framework and approach was implemented at the Council. This framework was approved by the Scrutiny Committee and reviewed as part of the 2019/20 audit plan. The completion of the assurance framework and map in 2020/21 plus

follow up on actions from work completed in 2019/20 provided assurance that at a strategic level risk management is embedding within the Council. The next step is for the framework to be adopted across all business areas. This is anticipated to begin in 2021/22. No significant risks have been identified that are not already being considered by the Council.

How Internal Audit rose to the challenge of Covid-19

3.14 The impact of Covid 19 on the operations of the Council was built into the work done in year by Internal Audit. Regular liaison between Internal Audit and senior officers at the Council enabled planned work to adapt to issues arising locally. The Council has contingency plans in place to ensure that operations continued despite the risks posed by Covid 19 and was successful in delivering services during the year.

Internal Audit Performance and Agreed Management Actions

3.15 The agreed audit plan for 2020/21 was delivered in line with expectations apart from the audit of Asset Management. At the request of management, due to changes in the management of assets, this work will be completed as part of the 2021/22 audit plan. Performance targets have been set and agreed with the Scrutiny Committee as part of the overarching internal audit strategy for the period 2021-24:

Definition (Effectiveness / Efficiency)	Annual Target
% of draft reports issued within 10 days from End of Fieldwork	100%
% of Final reports issued within 5 days following receipt of management responses	100%

Performance Indicator (PI) Definition	Annual Target
PI (1) The number of agreed management actions implemented by their original due date as a % of the total due	= or > 80%
PI (2a) The number of agreed management actions not implemented either by due date or revised due date as a % of the total due	< or =10%
PI (2b) The number of agreed management actions not implemented for which date extensions were requested during the period	< or =20%
PI (3) The % of high priority implemented agreed management actions independently verified by Internal Audit in accordance with the agreed process	=or> 90%

Implementation of Agreed Management Actions (AMAs) as at 31 March 2021

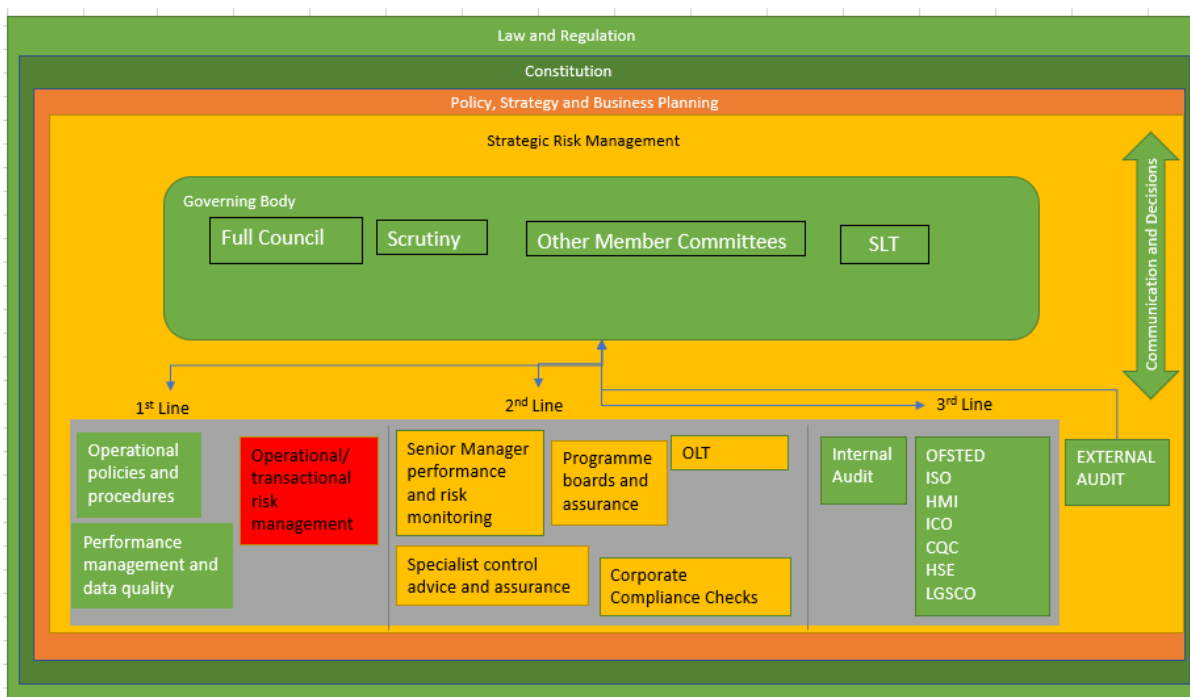
- 3.16** During the year we monitored the implementation of agreed management actions in response to our audits from 2019/20. We were satisfied with progress in implementing these actions. Progress was reported to the Scrutiny Committee in June 2021.
- 3.17** Internal Audit is putting in arrangements for 2021/22 to track AMA's and independently verifying management actions have been implemented. Management will be provided with access to our site to review the actions and update them as appropriate. Training will be provided to officers to enable them to do this. The results will be reported to the Scrutiny Committee as part of Internal Audit's regular reporting cycle.

Organisational Independence

- 3.18** The PSIAS require the Chief Internal Auditor to confirm to the Scrutiny Committee at least annually, the organisational independence of the internal audit activity and this is reinforced in the Internal Audit Charter. Nothing has occurred during the year that has impaired my personal independence or objectivity undertaking my role as Chief Internal Auditor.
- 3.19** Since the Audit Charter was approved by the Scrutiny Committee (January 2021), there have been no organisational changes impacting on the reporting arrangements for the Chief Internal Auditor and it is my view that there are no changes required.

Assurance Framework and Mapping

- 3.20** An assurance framework and map is a way of showing where and how assurance is obtained and how relevant and reliable that assurance is over key aspects of the control environment. In 2020/21 Internal Audit started preparing an assurance framework and map.
- 3.21** Collation of the assurance framework allows for the creation of an assurance map. This focuses on the Council's current strategic risks, linked to the Council's priorities and the sources of assurance. The map supports Internal Audit, as well as the Council in understanding the levels of control within areas of the Council, highlighting both under-control but also potential over-control. This map has been used as a resource to identify internal audit work for 2021/22. Risk mitigations are provided by Council services and so the assessment of assurance available for each risk provides an insight to assurance levels over the Council as a whole.
- 3.22** The assurance framework is presented graphically below, showing how the elements of the framework interact:



3.23 The assurance map is a live document that will be updated as there are changes to the strategic risk and control environment of the Council. This will include considering remapping assurance to corporate outcomes when the new target operating model is developed.

Next Steps

3.24 Internal Audit will work with Officers to assess the effectiveness of controls in each assurance line to decide whether controls are effective or if changes are required. Internal Audit will also consider whether a review is required to provide assurance over controls. This will be discussed and agreed with management and presented to the Scrutiny Committee in 2021/22.

4 Other Significant Information

Whistleblowing

4.1 During the period 1 April 2020 to 31 March 2021 there have been no whistleblowing reports received by Internal Audit. The Council's Whistleblowing Policy requires that the Monitoring Officer is notified of any whistleblowing reports received.

Money Laundering

4.2 During the period 1 April 2020 to 31 March 2021, there were no reports of suspected money laundering made to Internal Audit.



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ISLES OF SCILLY

If you would like this information
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