

Isle of Wight Council
Completion Report for Those
Charged with Governance

Year ended 31 March 2024

Report issued - February 2025



10 February 2025



Audit and Governance Committee
Isle of Wight Council
County Hall
High Street
Newport, Isle of Wight
PO30 1UD

Dear Audit and Governance Committee Members

2023/24 Completion Report for Those Charged With Governance.

We are pleased to attach our audit completion report, summarising the status of our audit.

This report considers the impact of Government proposals, which have now been enacted through secondary legislation, to clear the backlog in local audit and put the local audit system on a sustainable footing. The proposals recognise that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Audit and Governance Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Audit and Governance Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements, and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

Given that Statutory Instrument 2024/907 "The Accounts and Audit (Amendment) Regulations 2024 ("SI 2024/907") imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

We have also taken into account SI 2024/907 and Local Authority Reset and Recovery Implementation Guidance Notes issued by the National Audit Office and endorsed by the Financial Reporting Council, together with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

As reported in our 07 November 2024 Audit Completion Report, we issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit. The council was not able to publish its 2023/24 draft financial statements for audit until 27 September 2024. Taken together with the requirement to conclude our work by the 2023/24 back stop date, we have determined that we cannot meet the objectives of the ISAs (UK) to conclude that the 2023/24 financial statements are free from material and pervasive misstatements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

We draw the attention of Audit and Governance Committee members and officers to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix E).

This report is intended solely for the information and use of the Audit and Governance Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Yours faithfully

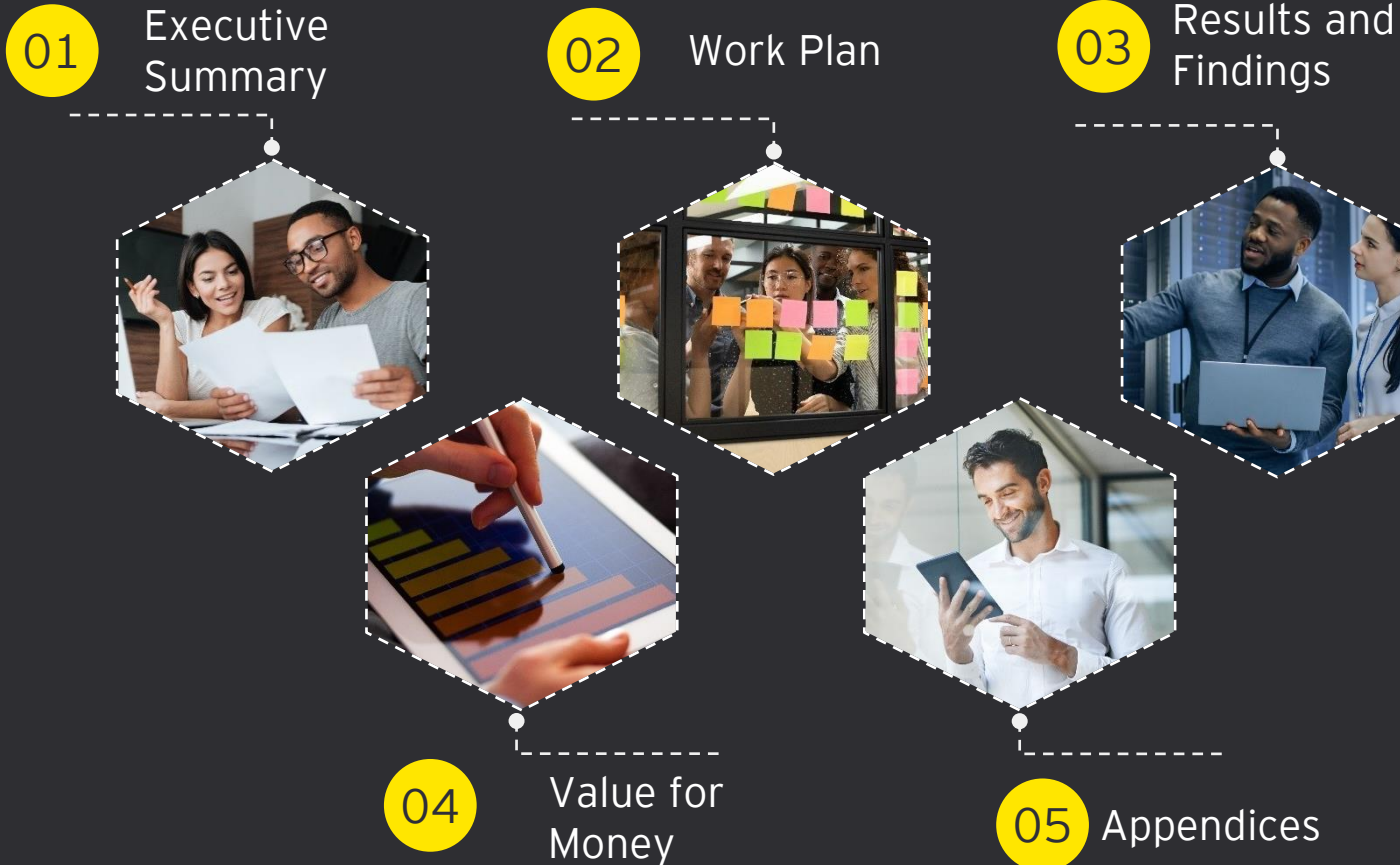
Kevin Suter

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Governance Committee and management of Isle of Wight Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of Isle of Wight Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of Isle of Wight Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary



Executive Summary - Context for the audit

Context for the audit - measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- ▶ Lack of capacity within the local authority financial accounting profession
- ▶ Increased complexity of reporting requirements within the sector
- ▶ Lack of capacity within audit firms with public sector experience
- ▶ Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG (formerly DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. SI **2024/907**, together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). The approach to addressing the backlog consists of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- ▶ Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2023/24 financial statements is 28 February 2025.
- ▶ Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our Audit Completion Report to Those Charged with Governance (November 2024) we issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit.

EY's Head of UK Government and Public Sector Audit wrote to the Section 151 officer at the Council on 21 August 2024 to set out that we would be prioritising those 2023/24 audits that we considered met the following criteria:

- ▶ draft unaudited financial statements were published by 31 July 2024;
- ▶ there was evidence that finance teams could effectively and efficiently support the audit process; and
- ▶ have high-quality audit evidence and supporting information that is delivered in accordance with our agreed timetable and in advance of the commencement of the audit.

The Council published their draft financial statements on 27 September 2024. We therefore did not undertake our planned procedures on the 2023/24 financial statements as set out within our Audit Planning Report of 10 May 2024, and have not been able to start rebuilding assurance ahead of the backstop date of 28 February 2025 for the year ended 31 March 2024. We have determined that we cannot meet the objectives of the ISAs (UK) to conclude that the 2023/24 financial statements are free from material and pervasive misstatement, and we anticipate issuing a disclaimed audit report.



02 Work Plan



Work Plan – Audit Scope

Audit scope

This Completion report covers the work that we performed in relation to:

- ▶ Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2024 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 4.

We also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit also includes the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

Given that SI 2024/907 imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78)

Taking the above into account, for the year ended 31 March 2024 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.

Work Plan - Materiality

Materiality

Planning materiality

£9.12m

Materiality for y/e 31 March 2024 has been set at £9.12m, which represents 2% of 2024 gross expenditure on provision of services.

Performance materiality

£6.84m

Performance materiality for y/e 31 March 2024 has been set at £6.84m, which represents 75% of planning materiality.

Audit differences

£456K

We will report all uncorrected misstatements relating to the primary statements greater than £456K for y/e 31 March 2024. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit and Governance Committee.

In order to ascertain the significance of issues in the draft financial statements we updated our materiality based on the draft 2023/24 financial statements audit year. We determined that our audit procedures should be performed using a materiality of £9.12m.

Work Plan – Significant, inherent and other risk areas

The following ‘dashboard’ summarises the significant accounting and auditing matters identified as part of our planning work, as reported in May 2024. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for the year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from previous completed audit (2021/22)	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue recognition - inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Private Finance Initiative (PFI) Accounting	Significant risk	Increased risk to significant	PFI accounting is a complex area, and a detailed review of these arrangements was undertaken by our internal specialist when the PFI was introduced. There has been a significant change in the PFI accounting during the current year and we will require our internal specialists to perform a review of the changes and the impact on the accounting entries and disclosures in relation to PFI.
Pension Liability Valuation	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Investment Property Valuations	Inherent risk	Risk reduced this year	The value of Investment Properties represents a significant balance in the Council’s accounts and is subject to valuation changes, impairment reviews and market fluctuations. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. Due to the nature of the Council’s investment property portfolio, no changes in the valuer and no issues identified in prior years we have reduced the risk from significant to higher inherent risk.

Work Plan – Significant, inherent and other risk areas

The following 'dashboard' summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for the year

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Valuation of Land and Buildings	Inherent risk	Risk reduced this year	Property, Plant and Equipment Land and Buildings (L&B) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. Due to no changes in the valuer and no pervasive issues identified in prior years we have reduced the risk from significant to higher inherent risk.



03 Results and findings



Results and findings

Status of the audit

The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- ▶ Completion of subsequent events procedures;
- ▶ Receipt of a signed management representation letter

Given that the audit process is still ongoing, we will continue to consider existing and new information which could influence our final audit opinion.

Value for Money

Our value for money (VFM) work is complete and reported in Section 4 of this report. We had identified no risks of significant weaknesses in arrangements]. Having updated and completed the planned procedures in these areas we did not identify a significant weakness. See Section 4 of the report for further details.

Audit differences

We identified no differences

Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We will complete the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts. We do not expect any issues in performing this work as the Council falls below the threshold set within the guidance from HM Treasury and the group audit instructions for 2023/24 on which our work is based. We will not be able to formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of Isle of Wight Council

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We did not identify any issues which required us to issue a report in the public interest.



Results and findings

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial financial statements of Isle of Wight Council. We concluded we would disclaim the audit and therefore have not completed detailed audit testing on these areas but instead have reported any matters that came to light from the work we did complete.

In this instance there are no matters to report.

We request that you review these and other matters set out in this report to ensure there are no further significant issues you are aware of to be considered before the Statement of Accounts is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Governance Committee.

Control observations

During the audit, we identified no significant deficiencies in internal control:

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern;
- ▶ Consideration of laws and regulations; and
- ▶ Group audits

We have no further matters to report.

Results and findings - Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISLE OF WIGHT COUNCIL

Disclaimer of Opinion

We were engaged to audit the financial statements of Isle of Wight Council ('the Council') for the year ended 31 March 2024. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement
- the related notes 1 to 52 including material accounting policy information and including the Expenditure and Funding Analysis.
- Collection Fund and the related notes CF1 to CF6

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 required any outstanding accountability statements for years ended 31 March 2015 to 31 March 2023 to be approved not later than 13 December 2024 and the accountability statements for the year ended 31 March 2024 to be approved not later than 28 February 2025 ('the backstop date').

The audit of the financial statements for the year ended 31 March 2023 for the Council was not completed for the reasons set out in the disclaimer of opinion on those financial statements dated 10 December 2024.

Due to the disclaimer of opinion on the prior year, delays in receiving draft financial statements and associated audit evidence and the limited time between the backstop dates we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the Council's financial statements for the year ended 31 March 2024.

Therefore, we are disclaiming our opinion on the financial statements.

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

Results and findings - Audit Report (cont'd)

Draft audit report

Our opinion on the financial statements

- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in these respects.

Responsibility of the Director of Finance and Section 151 Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 5, the Director of Finance and Section 151 Officer is responsible for the preparation of the Statement of Accounts 2023-24, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, 2023/24, for being satisfied that they give a true and fair view and for such internal control as the Director of Finance and Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Section 151 Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether Isle of Wight Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Isle of Wight Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether Isle of Wight Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Results and findings - Audit Report (cont'd)

Draft audit report

Our opinion on the financial statements

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of Isle of Wight Council.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Isle of Wight Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council members as a body, for our audit work, for this report, or for the opinions we have formed.



04 Value for Money



VFM - Executive Summary

VFM scope and content

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2024 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this commentary is to explain the work we have undertaken during the year and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 23/24.

The report sets out the following areas :

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- Where relevant, an explanation of the planned responsive audit procedures to the significant risks identified;
- Findings from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria set by the National Audit Office through the Code of Audit Practice 2024, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the Director of Finance;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We did not identify any risks of significant weakness.

VFM - Executive Summary (continued)

Reporting

Our final commentary for 2023/24 is set out over pages 21 to 24. The commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2023/24..

Appendix D includes the detailed arrangements and processes underpinning the reporting criteria.

In accordance with the NAO's 2024 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

The council has appropriate arrangements in place to ensure financial sustainability.

The medium term financial strategy (MTFS) is updated annually, looking forward over a 3-year period.

Throughout 2023/24, the MTFS in place was the "Budget and Council Tax Setting 2023/24 & future years forecasts". This was presented at Council in February 2023 and was prepared on the basis of delivering services at pre-pandemic levels i.e. the "steady state".

Some of the legacy Covid costs relating to care services have now been embedded within the Council's Budget from 2023/24 and are a component part of the Council's £20m of unplanned Budget Pressures which are addressed as part of the Administration's Budget proposal. For those remaining legacy Covid costs that are likely to reduce over time (i.e. are not "structural"), these are planned to be met from the Council's Covid Contingency. At present the Covid Contingency is forecast to be £4.2m at the end of 2023/24 but fully utilised over the following 2-year period to cover care related costs.

The 2023/24 budget also included a target of £3.9m savings and a further forecast of £2m savings per annum over the following 3 years. Reserves in 2023/24 are forecasted at £11.9m and is expected to increase to £12.3m by 2025/26 (£12.3m in 2026/27) assuming the £2.0m p.a. savings are achieved.

Subsequent to the year we are assessing, the Financial Strategy for 2024/25 to 2027/28 and was revised and approved by Council in February 2024. The forecast indicates that there continues to be a number of spending pressures facing the Council over the coming years as core funding sources are expected to fall whilst unavoidable costs increase. A balanced budget was set for 2024/25 however, this requires the Council to draw on General Reserves of £1.2m leaving a headroom of £2.9m above the £8m minimum level of reserves in 2024/25. There are no significant gaps in the future years to 2027/28 albeit with the £1.0m p.a. savings are achieved.

Any potential gaps will need to be addressed by the Council in the forthcoming periods, but the Council has a good track record of addressing gaps and achieving savings targets through their annual budget processes and putting in place arrangements to do so in advance of the annual budgets based on their forward projections.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

No significant weakness identified

The Council had arrangements in place to ensure it made informed decisions and properly managed its risks.

The Council has in place frameworks for risk and performance management alongside the strategy and policy that sets out the framework arrangements and responsibilities for the successful delivery of agreed priorities and intended outcomes. Risks and performance are monitored and reported to corporate management team and review is undertaken by the Corporate Scrutiny Committee.

Internal Audit conduct audits annually which confirm that there are authorisation controls around accounting transactions and corrections which reduce the risk of fraud or error.

The Audit and Governance Committee are also presented with quarterly updates from Internal Audit on its programme of internal audits which cover a broad range of operational areas. This gives the Committee assurance over the effective operation of internal controls and includes reporting on areas of fraud detected. The Council also takes part in the National Fraud Initiative work.

The Audit and Governance Committee receives an annual report on the incidence of fraud within the Council, which also informs them of the range of processes, policies and strategies which the Council has for identifying and responding to fraud or error. The Audit and Governance Committee has the opportunity to review the Council's draft accounts and reviews the Annual Governance Statement. Any weaknesses in the system of internal control would be highlighted in the Statement.

The Council has a call over process whereby a panel of officers chaired by the monitoring officer and including legal, finance, democratic services and communications review and discuss all draft reports with the report authors prior to publication. Reports are presented to Scrutiny Committee in advance of decision at Cabinet Meetings to allow challenge and transparency and for Scrutiny to give any recommendations to Cabinet.

The Audit and Governance Committee has been charged, under its terms of reference to oversee the work required to deliver Full Council's decision at its meeting on 1 May 2024 to implement a committee system of governance with effect from the Council's Annual Meeting in May 2025.

The Audit and Governance Committee provide effective governance by receiving a wide range of key reports including from external and internal audit, periodic reports on strategic risks, annual governance statement, statement of accounts, treasury management strategy and contract monitoring.

The Monitoring Officer and Director of Finance maintain their legal responsibilities to ensure that the Council acts legally and within its financial means.

The Council did not publish its 2023/24 accounts to the timetable of 31 May 2024 established by the Accounts & Audit Regulations 2015. This was due to a vacancy within the accounting team for capital accounting, combined with a significant volume of assets requiring valuing this year under the Council's 5-year cycle.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks (continued)

No significant weakness identified

On the basis of the track record of good quality financial reporting and the Council supporting its audit within the year (for the previous financial statements), and that this issue did not have a bearing on internal reporting and revenue outturn (due to the statutory overrides for capital) we have taken the judgment that this does not represent a significant weakness.

We note that the vacancy within the finance team has now been filled.

Furthermore, during the year there have been issues raised at the Council regarding the budget setting and the concept of an 'alternative budget'. Legal advice has been taken which recommended some improvements to the wording of the Constitution. It also clarified that an entirely different 'alternative budget' may only be put forward if the majority of the vote is against the motion to approve the recommended budget.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to make informed decisions and properly manage its risks.

Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The Council has arrangements in place to improve economy, efficiency and effectiveness. These derive from the Corporate Plan, setting out the Council's priorities and objectives. The Cabinet and Corporate Management Team (CMT) are collectively responsible for delivery of the Corporate Plan and monitors progress against the key projects, budgets and performance measures on a regular basis.

To track performance and judge how well the Council are delivering their services, financial and performance information is discussed regularly at Directorate Service Boards, CMT and Cabinet. Performance information is collated, particularly in the form of the service level agreement report and discussed to identify areas for improvement. Reporting of performance is combined with financial monitoring in Quarterly Performance and Finance Reports.

The Council has engaged in a Corporate Peer Review to review and challenge the way it sets priorities, determines strategy and delivers its services in a financially sustainable way. Benchmarking takes place within many service areas to compare performance with national and statistical neighbours to identify where there are opportunities for improvement. At year end performance is measured in relation to the Corporate Plan.

In accordance with section 135 of the Local Government Act 1972 the Council has a set of contract standing orders (CSOs) that governs how the Council conducts procurement processes and awards contracts.

The Council has a procurement and contract monitoring team who oversees the Council's procurement activity and actively manages, alongside the lead commissioner, any procurement. The Council has revised Contract Standing Orders in September 2024 which will be effective on 24 February 2025. This ensures compliance with the new Procurement Act 2023 which will take effect with the same date, and other associated legislation such as the Public Services (Social Value) Act 2012.

Reporting of the Council's procurement and contract activity is made on a 6 monthly basis to the Corporate Management Team and the Audit and Governance Committee. These highlight the contract management framework which is still new and still developing and monitors performance of all contracts.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to use information about its costs and performance to improve the way it manages and delivers services.



05 Appendices

Appendix A – Management representation letter

Management representation letter

This is the draft management letter template for management to complete and return, signed and dated, prior to the opinion being issued.

Management Representation Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young

**Grosvenor House,
Grosvenor Square,
Southampton SO15 2BE**

This letter of representations is provided in connection with your audit of the financial statements of Isle of Wight Council ("the Council") for the year ended 31 March 2024. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Isle of Wight Council as of 31 March 2024 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, that are free from material misstatement, whether due to fraud or error.

Appendix A – Management representation letter

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5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.
6. We confirm the Council does not have securities (debt or equity) listing on a recognised exchange.

B. Non-compliance with law and regulations, including fraud

1. **We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.**
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial improprieties;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;

- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the use of all applications or tools using artificial intelligence, including generative artificial intelligence, that are reasonably likely to have a direct or indirect material effect in the financial statements.
4. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: *[list date]*.
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees,

Appendix A – Management representation letter

Management representation letter

non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

6. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.
7. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 1.29 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.
3. We confirm that the Annual Governance Statement for 2023/24 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2023/24 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter

Appendix A – Management representation letter

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H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, aligned with the statements we have made in the other information or other public communications made by us.

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral, other than those that are disclosed in the financial statements. All assets to which the Council has satisfactory title appear in the balance sheet.

J. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings classified as property, plant & equipment, investment property, valuation of IAS 19 pension liabilities and the business rates appeals provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any

instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Estimates

1. We confirm that the significant judgments made in making the valuation of land and buildings classified as property, plant & equipment, investment property, valuation of IAS 19 pension liabilities and the business rates appeals provision (the accounting estimates) have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the accounting estimates.
3. We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to carry out any specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.
5. We confirm that appropriate specialized skills or expertise has been applied in making the accounting estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

Appendix A – Management representation letter

Management representation letter

M. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

(Director of Finance and Section 151 Officer)

(Chairman of the Audit & Governance Committee)

Appendix B – Independence & Fees

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and Isle of Wight Council, and its directors and senior management and its affiliates, including all services provided by us and our network to Isle of Wight Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

Confirmation

We confirm that, in our professional judgment, EY is independent, our integrity and objectivity is not compromised, and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partner, manager and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

We confirm that we have communicated with the Council, information about the proposed non-audit service to enable them to make an informed assessment about the independence impact of the provision of the proposed services.

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2024 and can be found here: [EY UK 2024 Transparency Report | EY - UK](#).

Relationships

There are no relationships from 1st April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by EY

Details of the non-audit services that we have provided and the related threats and safeguards are set out in the table below.

Description of service	Related independence threat	Safeguards adopted and reasons considered to be effective
We are engaged by the Council to perform an agreed upon procedure engagement for the Harbour Accounts for the financial year 2021/22.	▶ Self-Interest	▶ The service is permissible under the NAO's Auditor Guidance Note 01. because this service is required by the awarding central government department. We have remained within the audit to non-audit fee ratios permitted by the Ethical Standards.
	▶ Self-Review	▶ The external audit conclusion is not reliant upon the conclusion of our AUP engagement. The scope of the engagement is to agree the values for the harbour accounts are correctly reflected from the underlying records of the Council. The work is completed after the opinion on the statutory accounts. ▶ No advice will be given in relation to accounting treatment.

As at the date of this report, we expect to complete the same non-audit service for the financial years 2022/23 and 2023/24.

Appendix B – Independence & Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The original fees for these years were based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council;
- ▶ The Council has an effective control environment
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

Due to the reset, the above clearly will not be achieved and we will be liaising with PSAA Ltd to discuss and agree fees.

	2023/24	2022/23
	£	£
Scale fee	326,180	111,952
Total audit	Tbc	tbc
Other non-audit services (Harbour Accounts)	6,000	0
Total other non-audit services	6,000	0
Total fees	tbc	Tbc

All fees exclude VAT

Note 1 - PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fees in respect of 2022/23 and 2023/24.

In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and if relevant have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

Appendix C – Required communications with the Audit and Governance Committee

We have detailed the communications that we must provide to the Audit and Governance Committee.

Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> ▶ The planned scope and timing of the audit ▶ Any limitations on the planned work to be undertaken ▶ The planned use of internal audit ▶ The significant risks identified <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	Audit Planning Report, May 2024.
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit) 	This Completion report for Those Charged with Governance

Appendix C – Required communications with the Audit and Governance Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	This Completion report for Those Charged with Governance
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	This Completion report for Those Charged with Governance
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit and Governance Committee responsibility 	This Completion report for Those Charged with Governance

Appendix C – Required communications with the Audit and Governance Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	This Completion report for Those Charged with Governance
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> ▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	This Completion report for Those Charged with Governance
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	This Completion report for Those Charged with Governance
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of 	This Completion report for Those Charged with Governance

Appendix C – Required communications with the Audit and Governance Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	This Completion report for Those Charged with Governance
Representations	Written representations we are requesting from management and/or those charged with governance	This Completion report for Those Charged with Governance
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	This Completion report for Those Charged with Governance
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	This Completion report for Those Charged with Governance
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	This Completion report for Those Charged with Governance

Appendix D – VFM - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Arrangements in place

In-year pressures are identified through monthly Service Board Reporting to each Directorate. A summary report is then prepared for the monthly Corporate Management Team (CMT) (Directors) and the Corporate Leadership Team (Directors & Cabinet Members) which provides a focused discussion on the mitigation of budget pressures and identifies further financial risks. Pressures are firstly dealt with at a Directorate/Portfolio level with the aim of resolving them on an on-going basis. Any pressures which cannot be resolved on an on-going basis will then be considered as additions to the budget when the Medium Term Financial Strategy (MTFS) is reviewed during the process to develop the Budget Report for approval each year in February. Unavoidable pressures, inflation, growth and funding levels are then assessed and a savings plan developed to produce a balanced budget.

The Council holds a Corporate Contingency which has been increased to £4m to deal with both known and unknown unavoidable risks in year. Any risks that require on-going funding are then built into future budget through the budget process.

A Covid contingency is still in place to provide for known risks associated with the legacy impact of Covid particularly in relation to 11. Adult Social Care (impact from the hospital discharge process during Covid which resulted in more people being placed in residential and nursing care) and Leisure Centre income where numbers of customers have taken time to recover. The Covid contingency is planned to remain until 2025/26 when it is expected that these pressures will have been removed from the system and the contingency exhausted.

How the body plans to bridge its funding gaps and identifies achievable savings

As part of the preparation for the 2024/25 budget each Directorate identified budget pressures arising from increases in demand and prices (inflation), unachieved savings which were part of previous year's budget setting and any bids for growth. Directors were asked to identify mitigation which could be achieved to reduce the pressures and the overall impact. A series of meetings were held to establish the final set of budget pressures that would be accommodated in the MTFS and to identify any remaining risks that would be provided for within the council's contingency and reserves. This resulted in the identification of c£19.5m cost pressures facing the Council for 2024/25.

After considering changes in funding the remaining funding gap then dictates the amount of savings that need to be identified. The council uses a savings model to allocate the savings targets plus an amount of headroom to each portfolio. The model uses a weighted scoring approach which takes into account the service priority, the recognition of financial pressures, the ability to generate income and the opportunity to make further efficiency gains. Directors and Portfolio Holders are charged with developing a plan of on-going savings to reach the target set. A series of Star Chamber meetings will be held between the Director, Portfolio Holder, Leader, Cabinet Member with the responsibility for Finance and Senior Officers including the Chief Executive, the Director of Finance and Asst. Director of Finance to scrutinise the options for impact and deliverability. The process begins in the Summer to allow a significant amount of time for plans to be considered and finalised.

Appendix D - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations

Arrangements in place

How the body plans to bridge its funding gaps and identifies achievable savings (continued)

At the end of the process a list of savings options amounting to (or preferably exceeding the total savings target to offer some choice) will be discussed with the Cabinet and the final list of savings amounting to the total required will be determined.

In parallel with this work a budget consultation exercise with the public is undertaken. For the 2024/25 budget this consisted of an on-line survey (running from 18 December 2023 to 26 January 2024 with 824 responses) to determine the public preferences for making savings against service areas or raising income from fees and charges and raising council tax charges. These views are then taken into account when determining the final proposed list of indicative savings. The council also held meetings with the Union, Town and Parish Councils and the Voluntary sector and Business Sector.

Savings with a lower impact will be prioritised and opportunities to make efficiencies or generate income will be favoured over reductions in services. In the last two rounds of budget planning, service reductions have amounted to just 16% (2023-24) and 17% (2024-25) of the total savings requirement.

The Budget that is approved by Full Council each year, includes the list of indicative savings, however, these savings are indicative only and indicate the most likely way in which the budget will be delivered. If a particular saving is later not considered to be deliverable or deliverable in full then the Portfolio Holder and Director have the option to identify another alternative saving of equal value having due regard to the duty to produce an Equality Impact Assessment and to consult if applicable. Despite significant financial challenges and the scale of the budget pressures identified a balanced budget for 2024-25 was approved in February 2024.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council has an approved MTFs, organised into themes which describes how the Council will approach the delivery of its necessary savings requirements. This covers the use of both Revenue and Capital Resources.

Savings targets are developed and allocated to each Portfolio of services (as previously described) by using a model which takes into account the strategic and statutory priorities of the council. Priority is given to the statutory services in terms of a lower proportion of the savings and taken together with other budget allocations awarded often results in a net annual gain for these services. For example in 2023/24 there were net gains of 11.6% in Adult Social Care and 14% in Children's Services and in 2024/25 there were net gains of 9.4% in Adult Social Care and 15.3% in Children's Services.

Adults and Children's social care account for c 70% of council spending, therefore when there has been the opportunity to raise an additional council tax precept for Adult Social Care this has been taken and passported directly to the service to help ensure that service delivery can be sustained. Similarly, all grants relating to Adults and Children's services are allocated directly to those service areas.

Appendix D - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations

Arrangements in place

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities (continued)

In addition the MTFS recognises that there are risks to the delivery of savings targets particularly across the statutory services where demand can be more difficult to manage or changes can take time to implement. Mitigation is therefore put in place, including the use of the Transformation Fund to pump prime investments required to deliver savings. Central budget allocations are also held to mitigate for the risk of either savings not being achieved or unexpected and unavoidable demand in the statutory services.

The Star Chamber process also examines in detail cost pressures and estimated demand pressures that service areas are experiencing in particular around Adult Social Care and Children's Services (as described above). The data is subject to significant challenge and scrutiny and where the pressure is confirmed and determined will present a risk even after mitigation then this will be considered as growth to be built in to the MTFS e.g. a total of £11.3m of pressures built into the MTFS for Adults & Children's Social Care in 2024/25

Additionally, the Council uses the outcome of the Budget Consultation to inform its spending priorities of both a revenue and capital investment nature.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The Council's Medium Term Financial Strategy is consistent with the Corporate Plan. One of the primary objectives of the Corporate Plan is to achieve financial sustainability and deliver a balanced budget. The integration of other plans also feature in the Councils approved Medium Term Financial Strategy.

The capital programme is a key driver for the future financial sustainability of the Council and this is recognised in the MTFS. The Capital budget is developed in conjunction with the revenue budget each year. In terms of funding for the Capital Programme contributions from the revenue account are an important feature of the MTFS as other capital resources are very limited and without planning to support the programme in this way the council would have insufficient resources to fund essential capital spend.

The Capital Strategy is also reflected in the MTFS and approved alongside the main budget, annually in February. The Capital Strategy reflects the capital plans as approved in the main budget and supports the Corporate Plan priorities by balancing priorities and resources and sets out the 3 core aims of the approach to capital planning :

- Aim 1 - to support a medium term outlook
- Aim 2 - to maximise the capital resources available and the flexibility of their application
- Aim 3 - targeted capital investment

Appendix D - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations

Arrangements in place

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system (continued)

Investment plans such as the Regeneration Programme has in recent years seen an approval for £25m of borrowing built into the capital programme to deliver on its Regeneration plan for the Island which in the longer term will lead to revenue income streams and improved economic conditions/opportunities for the Island. Borrowing costs associated with the Regeneration schemes are factored into the revenue budget.

An Investment Strategy is also approved in line with the MTFS at Full Council in February each year.

Despite the challenges of the forecasting the on-going impact of the pandemic and the uncertainty around Government Funding until the Provision Finance Settlement was announced in December and the Final Settlement announced in early February the council was able to agree a balanced budget for 2024/25 and future years forecast were thoroughly reviewed and updated. The programme of work to achieve this was overseen by the Executive Leadership Team throughout the year. Members have also been engaged in this process via Cabinet and Scrutiny committee meetings.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

A strong focus on financial management is embedded throughout the council via a finance business partnering model which allocates dedicated financial staff resources to teams based on the risks of managing the budget due to demand challenges and the statutory nature of the service and the severity of the impact that any budget overspend may have on the council. Through this dedicated team structure the early identification of changes in demand/budget pressures is enabled and remedial action implemented as soon as possible. In addition to the focus within individual Directorates the monthly reporting of the council's overall financial position to CMT and CLT as described above provides the opportunity for a focused approach to the identification of mitigating actions to address any emerging budget pressures during the year.

In the event that an in-year financial pressure cannot be contained within a portfolio then the council has a corporate contingency budget and reserves to accommodate these events and other financial shocks.

The Council also holds a level of "headroom" over and above the minimum level of General Reserves, the minimum level being £8m. In addition, the Council holds specific Earmarked Reserves for specific risks. Examples include a Risk and Insurance Reserve, a Repair and Renewals Reserve and a Business Rates Reserve.

The council's budget plans (including the savings plan) are subject to scrutiny at the Star Chambers (as outlined above) which will also test out the underlying assumptions and data about future demand. Key areas of the council that are demand led such as Adult and Children's Social Care are subject to detailed budget planning each year (in effect zero based budgeting) where current/past trends are analysed and adjusted for estimated future changes to effectively re-set the care budget each year to align with the best estimate of demand and available resources.

Appendix D - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans (continued)

Arrangements in place

Early identification of pressures is key to maintaining financial resilience, for example the early identification of unfunded estimated pressures relating to COVID-19 enabled the council in July 2020 to develop a Deficit Recovery Strategy of £11.5m providing resilience not only for that financial year but also in the medium term. The legacy impact of Covid is still being experienced in 2023-24 and the Covid Contingency will continue to provide support for associated budget pressures in this year and into future years (up to 2025/26) where the impact is still being experienced e.g. Adult Social Care and leisure income. Detailed risk registers are also held for every service area and reported regularly to Service Boards. The key risks to the council are contained within the Strategic Risk Register which is also reported within the QPMR reports to Cabinet and as a standalone report to the Audit Committee. The Strategic Risk Register includes two financial risks relating to the in-year achievement of the council's budget and a risk relating to the achievement of the MTFS.

Appendix D - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Arrangements in place

The Council complies with the CIPFA Codes of Practice and Finance staff are appropriately qualified, trained, supervised and engage in CPD training. The council has a range of processes, policies and strategies to counter the risk of fraud including: a counter fraud strategy, codes of conduct for staff and elected members, comprehensive financial regulations, procurement rules, contract standing orders, policies governing gifts and hospitality, registers of interest, whistle blowing procedure, complaints procedure and on-going internal audit reviews. The Tax Evasion Policy was updated and approved by Audit and Governance Committee in March 2024.

Internal Audit conduct audits annually which confirm that there are authorisation controls around accounting transactions and corrections e.g. journals, accounts payable and receivable and treasury management which reduce the risk of fraud or error.

The Audit and Governance Committee are also presented with regular updates from Internal Audit on its programme of internal audits which cover a broad range of operational areas. This gives the committee the assurance of the effective operation of internal controls and includes reporting on areas of fraud detected. Follow-up audit reports are also presented to the Audit Committee to give assurance that a plan of action is being implemented where any significant weaknesses have been identified in the original audit.

The Council experiences the specific risk of fraud in relation to Benefits Administration, Direct Payments, Contracts and Payroll. These areas are appropriately covered within the Council's annual audit plan.

The 2023/24 Internal Audit Annual Report states that "No audit has resulted in a 'no assurance' opinion and while three areas have been rated as 'limited assurance'." And "The overall annual opinion remains at 'reasonable assurance'". The limited assurance are mainly related to the following: (i) Homelessness, (ii) Direct Contact & Supervision, (iii) Children's Key Financial Controls.

Each of the Limited Assurances shown above, an action plan has agreed to implement control improvements relating to these audited. All actions arising from audit reports are agreed with the management responsible for the area/function.

The Council also takes part in the National Fraud Initiative work.

Appendix D - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud (continued)	<p>The Audit and Governance Committee receives an annual report on the incidence of fraud within the council, which also informs them of the range of processes, policies and strategies which the council has for identifying and responding to fraud or error.</p> <p>The Audit and Governance Committee reviews the Annual Governance Statement. Any weaknesses in the system of internal control would be highlighted in the Statement.</p> <p>There are areas in the Council which are more prone to fraud than others as described above. Housing and Council Tax benefits are examples of where fraud is experienced on a regular basis and as such the council maintains a strong interaction with the single fraud investigation team managed by the DWP. Other areas of the Council such as treasury management, procurement cards, procurement of contracts and payments in general are all areas that management are aware of and has taken appropriate steps to manage the risk of fraud. Audit reviews of these areas are also undertaken on a risk basis.</p> <p>The council produces quarterly Performance, Finance and Risk reports which include the strategic risks for each portfolio, this is taken to formal Cabinet meetings after having been through the Corporate Scrutiny Committee. In addition a separate Strategic Risk Report is taken to the Audit and Governance Committee on a regular basis after having been through internal governance such as CMT and CLT.</p>
How the body approaches and carries out its annual budget setting process	<p>Each year the MTFS forecasts the savings requirement for a three year period, so that work can begin on developing savings plans early in the budget process, usually around July.</p> <p>The rolling four year Medium Term Financial Plan is refreshed each year taking into account a large range of factors, including the latest assumptions about inflation, cost pressures (as identified by the budget monitoring process in-year but which are considered to be unavoidable and on-going), unachievable prior year savings, growth in demand, external pressures (such as increases in the National Living Wage which has a significant impact on care providers and therefore pressure for fee uplifts from the council), changes in income levels from fees and charges (volume and price) and estimated changes in funding from government grants, council tax (tax base, proposed fee increases) and business rates.</p> <p>All of these factors are considered in detail to arrive at a four-year forecast plus current year of expenditure against funding, the gap being the savings requirement. The forthcoming year's total savings target is then either confirmed as the amount set in the previous budget or adjusted and then allocated as described above to each portfolio and a series of Star Chambers held to scrutinise the savings for deliverability and impact. A final list of indicative savings is then produced after budget consultation has been undertaken.</p>

Appendix D - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations

Arrangements in place

How the body approaches and carries out its annual budget setting process (continued)

This is a collaborative approach between senior officers and cabinet members. The process is a lengthy and detailed one commencing in the late Summer each year. The savings target is set for the forthcoming year plus three years and therefore this gives the council a significant amount of time to consider and plan not only the next year's detailed savings plan, but also the direction of travel required to be able to deliver the further two years savings.

During the year there has been issues raised at the Council regarding the budget setting and the concept of an 'alternative budget'. Legal advice has been taken which recommends some improvements to the wording of the Constitution.

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

As described above, the council operates its financial management via a business partnering approach. Each Directorate has a dedicated team of finance staff assigned to it and led by a qualified and experienced accountant.

The finance teams are involved in day to day financial operations of the service areas and are included in service management teams and attend a large range of service meetings from which they have developed a significant knowledge of the service areas enabling them to identify early any activity/demand trends that may lead to financial pressures and in turn enabling corrective actions to be taken where possible.

Service Board reports are produced and presented on a monthly basis which depending on the nature of the service include non-finance performance information e.g. number of clients in care to allow the service to build a fuller picture of activity and finance and the ability to identify changes in trends which may present a financial risk in the future.

The Service Board Reports therefore contain bespoke information for each service but also contain standard information for each Directorate including overall revenue budget forecast, progress of savings targets, key balance sheet items and progress on the capital programme (where applicable).

A monthly summary report is then produced consisting of the revenue forecast, capital programme and savings progress. This is presented to CMT and CLT whereby Directors will be held to account for the reasons for variances and the proposed plan of action. This provides for the opportunity to take remedial action.

Appendix D - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed (continued)

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

Arrangements in place

Regarding statutory financial reporting, the Council did not publish its 2023/24 accounts to the timetable of 31 May 2024 established by the Accounts & Audit Regulations 2015. This was due to a vacancy within the accounting team for capital accounting, combined with a significant volume of assets requiring valuing this year under the Council's 5 year cycle. On the basis of the track record of good quality financial reporting and the Council supporting its audit within the year (for the previous financial statements), and that this issue did not have a bearing on internal reporting and revenue outturn (due to the statutory overrides for capital) we have taken the judgment that this does not represent a significant weakness. We note that the vacancy within the finance team has now been filled.

The council has a Call Over process whereby a panel of officers chaired by the monitoring officer and including legal, finance, and democratic services review and discuss all draft reports with the report authors prior to publication to ensure they are written in such a way as to comply with the council's standards including clear options and evaluation of options leading to a recommendation that clearly states inter alia financial and legal implications to allow the decision maker to make a fully informed decision.

Reports also undergo review at a Pre-Cabinet Meeting where Cabinet Members and report authors can ensure that the reports are complete and accurately reflect the decision to be taken - the reports are then taken forward to the Call Over process. Reports are presented to Scrutiny Committee in advance of decision at Cabinet Meetings to allow challenge and transparency and for Scrutiny to give any recommendations to Cabinet.

Those decisions delegated to Cabinet Members or key Officer Decisions are published on the council's website where required, reports will be subject to consultation and an Equality Impact Assessment. The Monitoring Officer will also when needed, write reports to challenge and implement change. The Audit & Governance Committee provide effective governance by receiving a wide range of key reports including from External and Internal Audit, periodic reports on Strategic Risks, Annual Governance Statement, Statement of Accounts, Treasury Management Strategy and Contract monitoring.

Appendix D - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Arrangements in place

The council monitors that it meets legislative/regulatory requirements and standards in terms of officer or member behaviour through the appropriate involvement of legal officers, horizon-scanning of public interest reports to use to seek out best practice from where mistakes have occurred and reports from the Committee on Standards in Public Life and through deliver of training and/or advice notes. Also the review of member register of interests takes place periodically.

The Monitoring Officer also provides guidance on issues such as elections (pre-election guidance) and the member protocol for the annual budget meeting. The Monitoring Officer also provides reports of the Independent Remuneration Panel on the Member's Allowance Scheme to ensure that the approved members allowance scheme is in line with the IRP's statutory recommendations.

The Monitoring Officer will also advise on other issues as they arise such as the correct protocol for proposing amendments and guidance on Motions of Notice.

There is a standing agenda item at each committee pertaining to any conflict of interest declarations that is needed to be made by the members or officers. Officers and Members of the Council also need to submit an annual declaration of interest which is also included on the Council's website.

The accounts staff undertake a specific search of transactions and agreements to identify significant or unusual transactions to include in the annual accounts. The Council also sends an email to all members and key management staff requesting declarations of interests. As part of the Statement of Accounts process Related Parties transactions are reported upon both for Members and their family and Officers.

Alongside this, the register of interests is a key source of information that underpins the Council's considerations of its related party disclosures. Following enactment of the Localism Act 2011, failure by Members of a council to comply with the requirement to register pecuniary and non-pecuniary interests is now a criminal offence.

Appendix D - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

Reporting criteria considerations

How financial and performance information has been used to assess performance to identify areas for improvement

Arrangements in place

Financial and performance information is discussed regularly at Directorate Service Boards, CMT and Cabinet. The Service Board meetings are the primary opportunity for finance and performance information to come together to prompt discussions on any pressure points or opportunities within each service area - it is in these meetings that finance business partners help shape any remedial actions required and any mitigations that can be made including changes to operational service delivery.

Further discussions will also take place when the Council begins the budget setting process for the next financial year and Star Chambers discuss opportunities for savings or income generation. This will include using information that has been provided in terms of performance and finance from service boards and other management meetings throughout the year.

Wightcare Business Unit - Business Model Development - Following the identification of a growing budget gap between the cost of delivery of the service and income Cabinet agreed to retain the Wightcare service in-house and develop two-year cost recovery model from April 2023 to achieve financial breakeven, reducing dependency on public funds and stabilising the service for the future under statutory charging guidance. The budget for 2024-25 approved the final changes required to achieve financial breakeven.

Home to School Transport - Increasing costs in home to school transport highlighted through budget monitoring reports led to a bid to the Transformation Fund in 2022/23 to introduce spend to save minibus schemes for schools/FE setting and stronger enforcement of SEN eligibility decision making. Increase in taxi spend in Home to School transport highlighted through budget monitoring led to in depth analysis of taxi arrangements to make routes more cost effective and investment in Q route software which reduces the taxi spend through route optimisation. Changes to the transport policies are continuing as a result of the increased costs seen in 2023/24 and reports presented to the Cabinet in May 2024 will create cost savings.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Quarterly Performance Monitoring Report (QPMR) presented to Cabinet contains a large number of performance measures structured for Portfolio responsibilities which measures performance over time so that trends can be analysed. The QPMR report also contains a section on Performance Exceptions to draw attention to areas where there is a difference in performance between periods that may require particular focus, this is set out in the covering report. The detailed appendices for each portfolio area contain information on performance measures and also a section on service updates which provides a service update on a broad range of services and activities within the portfolio. This appendix also includes the Strategic Risks relating to each portfolio which tracks the changes in the risk scores over time.

Benchmarking takes place within many service areas to compare performance with national and statistical neighbours to identify where there are opportunities for improvement. E.g. Libraries. Peer Reviews are used across the council e.g. in Adult Social Care in June 2023 to identify areas for improvement.

Resident surveys - Annual waste & recycling satisfaction survey has some examples of improvements IOWC has done as a result of customer feedback.

Appendix D - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

Reporting criteria considerations

Arrangements in place

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

Each partnership is set-up on an individual basis and with individual terms of reference and objectives which will be monitored within the partnership by using action plans and the development of key metrics where applicable. Key strategic partnerships such as the Health and Wellbeing Board (HWB) and the Isle of Wight Health and Care Partnership (IWHCP) have senior council representation including the Chief Executive and Directors. The Council Leader is the Chairman of the HWB and the Council's Chief Executive is the Exec lead for the HCPB. In order to ensure that the whole Cabinet also have oversight of the activity of the IWHCP and are able to monitor its performance as key stakeholders, the minutes of this partnership board are presented to the Corporate Leadership Team meetings each month.

Regular project boards including both internal and external stakeholders. E.g Ventnor Esplanade Emergency and Urgent works board is a partnership between the Council and Environment Agency for coastal improvement works at Ventnor Esplanade. Numerous stakeholders including Southern Water, Ventnor Parish Council and external construction engineers are involved. Other key projects which may not have formal partnership arrangements are presented to a Members Board on a regular basis to give them oversight of progress against key milestones and to enable them to hold the project managers to account.

In May 2022 the Corporate Scrutiny Committee added a scoping document to its workplan around the council's partnership arrangements, the focus of which is:

- Is there a formal framework for entering partnership arrangements so that its purpose and expected outcomes are fully understood and that the Council's agreed priorities and objectives are met?
- How are performance, value for money, outputs, and financial incentives measured?
- Is provision made for the scrutiny of partnerships?
- Are all partner organisations expected to provide information to the council to enable councillors to conduct a full review if required?
- Are expected outcomes being delivered?

The report was presented at the June 2023 meeting.

Appendix D - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	<p>In accordance with section 135 of the Local Government Act 1972 the council has a set of contract standing orders (CSOs) that governs how the council conducts procurement processes and awards contracts. The key principles of the CSOs are:</p> <ul style="list-style-type: none">(i) To achieve good value for money through appropriate market competition, so that we offer best value services to Isle of Wight residents;(ii) To be transparent to our residents about how we spend their money through our procurement processes;(iii) To ensure compliance with the legislation and regulations which govern the spending of public money;(iv) To ensure against any criticism or allegation of wrongdoing in the buying of goods and services or in the commissioning of works;(v) To support sustainability and social value objectives, the public sector equality duty, and encouraging local businesses on the Isle of Wight. <p>The council has procurement and contract monitoring teams who oversees the council's procurement activity and actively manages, alongside the lead commissioner, any procurement where the whole life value of the contract is over £25,000. This ensures compliance with CSOs and the Public Contract Regulations 2015 (where applicable) and other associated legislation such as the Public Services (Social Value) Act 2012. The council has an in house procurement and contract management training programme that will be recommenced early 2024 which trains council commissioners and contract managers in the following areas; procurement landscape, specification drafting, tender evaluations and contract management. This is designed to embed the knowledge and skills in relation to procurement and contracts within the commissioning services.</p> <p>The council has a Contract Management Framework which has been developed to assist officers in setting robust contract performance monitoring regimes, managing relationships with suppliers and to provide a structure for recording contract compliance which can be reported to Senior Managers, Elected Members and other key stakeholders. To support the Contract Management Framework, the council is in the process of rolling out a contract monitoring system which will be a central point for recording the performance of the council's contracts.</p> <p>Reporting of the council's procurement and contract activity is made on a 6 monthly basis to the Corporate Management Team and the Audit Committee. These highlight the contract management framework which is still new and still developing and monitors performance of all contracts.</p>

Appendix E – PSAA Statement of Responsibilities

Our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- *prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- *ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- *assign responsibilities clearly to staff with the appropriate expertise and experience;*
- *provide necessary resources to enable delivery of the plan;*
- *maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- *ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- *ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- *during the course of the audit provide responses to auditor queries on a timely basis.*

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

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