

September 2014

Isle of Wight Council
FINAL Audit Committee Internal Audit Progress
Report

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1) Introduction and Internal Audit Overview

Introduction

This report presents a summary of the activities of Internal Audit for the period June to September 2014. It provides executive summaries for the four 2014/15 reports issued as final since the last meeting of the Audit Committee and the remaining 2013/14 report Creditors, not yet reported to the Committee; it also details progress regarding the wider 2014/15 Plan.

Internal Audit Overview

Summary of progress against Plan

Following June's Audit Committee meeting, two Quarter 1 and two Quarter 2 reports have been issued as final. One Quarter 2 report is pending finalisation, with fieldwork underway for the remaining Quarter 2 reviews. Scoping has also been completed for the majority of Quarter 3 reviews.

As noted above, Section 2 of this report includes the executive summary of our 2013/14 review of Creditors. Although rated medium risk overall we were informed of a BACS payment made in error on 20 November 2013 for £517,878. This payment was made to a company in administration; the recovery of the payment is the subject of legal proceedings, these are ongoing, it has not yet proved possible to recover the erroneous payment.

To avoid any potential adverse impact on the likelihood of this payment being recovered we agreed to delay reporting to the Audit Committee to September's meeting, the Committee Chair being made aware of this decision. There were a number of contributing control weaknesses which enabled the payment to be erroneously processed, for example the lack of additional validity checks on large payments. Amongst other enhancements implemented since the payment was made, a report is now run identifying all items over £100,000 for additional validation prior to any payment being made.

As reported to Audit Committee in June, progress against the action plan, stemming from the LGA (Local Government Association) led Peer Review of Adult Safeguarding is being closely monitored by both senior management and members. To enable time for the action plan to be completed, our scheduled review of Adult Safeguarding has been postponed till 2015/16. Following discussions with senior management we have also suspended our scheduled review of the Longer Term Interventions Team, a Service wide restructure is ongoing, with areas covered by the Team likely to be delivered differently subsequent to the restructure; any review of current arrangements by Internal Audit would be of limited value. However an additional follow-up review of this area is scheduled for this year, for detail see below.

We have also postponed our scheduled review of the Destination Management Organisation (DMO). The Council's agreement with the

DMO is structured with increased expectations regarding private sector funding from 2015/16, delaying our review will mean that we will be able to include assessment of progress against these revised expectations in our review.

Time freed by the changes outlined above has enabled us to schedule an additional review of Deputyships, reported to Committee in Section 2 of this report, a follow-up review to our 2013/14 review of the Adult Social Care Service at the end of Quarter 3, with remaining time allocated elsewhere in our programme of work, for example additional time for our school reviews.

As previously reported to the Audit Committee, Internal Audit are in the process of implementing the TrAction agreed audit action follow-up tool. While this is substantively complete, final go live has been delayed to enable time for status confirmation regarding historic access to be provided by action owners. Status reporting is scheduled to be provided to Committee from December 2014.

Full details regarding progress against the 2014/15 Plan is set out in Appendix 1 of this report.

Summary of performance against key performance indicators



We have met the key performance indicators which were within internal audit's control in relation to providing a high quality internal audit service to the Council.

Full details of performance against key performance indicators for 2014/15 can be found in Appendix 2 within this report.

2) Executive Summaries from Internal Audit Reports

In this Section we provide the executive summaries for the five reports which have been issued as final since the Audit Committee last met, in June 2014.

Executive summary – IT Change, Configuration and Release (CCR)

<p>Report classification</p> <p style="text-align: center;"> Low Risk</p>	<p>Trend</p> <p style="text-align: center;"></p> <p>This is the first year we have reviewed IT CCR.</p>	Total number of findings					
			Critical	High	Medium	Low	Advisory
		Control design	0	0	1	4	0
		Operating effectiveness	0	0	0	0	0
		Total	0	0	1	4	0

Summary of findings:

The purpose of this audit was to review the effectiveness of the management of IT CCR (Change, Configuration, Release) related processes, in overview this covered:

- *IT Change Management*: from change requests being submitted, through needs assessment, to asset provision where necessary.
- *IT Asset Recording*: ensuring the Council has an up to date and accurate record of all IT assets.
- *IT Asset Disposal*: ensuring that IT assets are handled appropriately when they are no longer needed by a service area, or have reached the end of their usable life at the Council.


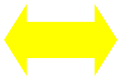
Current arrangements are broadly in line with good practice, while the IT Department are currently enhancing their processes across the board, including those related to CCR, as part of their ongoing ITIL (IT Infrastructure Library, a framework defining a set of good practice IT processes) implementation. Areas where enhancements should be considered as part of this process are summarised below:

- *Change Process*: the core change process is sound but would benefit from a number of improvements, for example: replacing the currently used MS Word Change Request form for an e-form, with required fields, more quantified capture of information and workflow incorporating line management approval of change requests; implementing assessment guidance, for example a decision tree to help ensure the assessment is consistent; and ensuring that all of the functionality available in LANDesk is used to best support the change process, for example reporting of decisions made and their rationale. This has been raised as a **low risk** finding.
- *CMDB (Configuration Management Database)*: while the Council has a record of its key IT assets, information is spread across a number of repositories (e.g. servers are recorded in spreadsheets, while metrics regarding end user devices are spread across Appsense, Active Directory and LANDesk, separate IT systems with limited integration). The processes for maintaining this information could also be improved, for example some responsibilities are split across teams outside of CCR and the discovery element of LANDesk (used to crawl the network to ‘discover’ connected devices) has been used to repopulate the CMDB, where its use should be limited to validating information sourced from core CCR processes. This has been recognised by IT Management and as part of their ongoing ITIL implementation all information regarding IT assets, with enhanced maintenance processes, will be maintaining within LANDesk/CMDB within 12 months. This has been raised as a **low risk** finding.
- *Performance Indicators*: no specific performance indicators are monitored and reported specific to CCR. Ideally measures covering efficiency and effectiveness /satisfaction should be identified, captured, monitored and reported. This has been raised as a **medium risk** finding.

- *Change Advisory Board (CAB)*: while this is functioning well, it is substantively an IT led function (the purpose of a CAB is to assess ‘non-standard’ proposed changes against the business benefits offered versus the impact, for example on IT). CAB would benefit from being refocused on significant change, with enhanced membership from the business (to ensure decisions are made against business benefits, for example cost savings), with improved recording and reporting. This has been raised as a **low risk** finding.
- *Disposals Process*: the disposals policy is currently in draft and needs to be progressed to final as planned; the disposal process itself should be enhanced, to ensure that a full record of how assets are disposed of is kept, to ensure that the Council can account for all of its IT assets, from acquisition to disposal. This has been raised as a **low risk** finding.

In the terms of reference for this review we also identified that we would confirm the current status of our recommendations made in our 2013/14 review of PCI DSS regarding patch management (a CCR related process). In our 2013/14 review (quarter four) we recommended that the Patch Management Policy was reviewed and updated, with a target date of September 2014. We have confirmed with IT management that this is on course to be met.

Executive summary – Risk Management

<p>Report classification</p>  <p>Medium Risk</p>	<p>Trend</p>  <p>This is the first year we have reviewed Risk Management</p>	Total number of findings					
			Critical	High	Medium	Low	Advisory
		Control design	0	0	3	2	0
		Operating effectiveness	0	0	1	0	0
		Total	0	0	4	2	0

Summary of findings:



The purpose of this audit was to review the effectiveness of arrangements in place to manage risk across the Council, covering both strategic and operational risks. Historically the Council has invested heavily in Risk Management, with a comprehensive framework documenting the approach and expectations, supported by dedicated staff and specific Risk Management software; this is reflected in the CIPFA Risk Management benchmarking, the Council scoring significantly above average in three, average in two and below average in only two of the seven assessed attributes. In common with other areas, resources available to support Risk Management have been significantly reduced in the last two years, with a corresponding drop in full compliance with current expectations; the two areas assessed as below average being ‘Partnerships and Resources’ and ‘Outcomes and Delivery’. To date documentation and expectations have only had limited revision, specifically they have not been fully revised to reflect the ‘new reality’. Risk Management would benefit from an across the board review, specifically focussed on what is realistic to expect of a non-statutory function, while ensuring that key risks are identified and appropriately mitigated. Our findings are summarised below:

- Documentation and Training:* the Risk Management Strategy was produced in September 2011, the Risk Management Practical Guide in October 2011 and the Performance Management Framework, in May 2010. All are overdue review and identify officers, teams and forums which no longer exist; for example the Policy and Performance Unit, Risk Manager and the Directors’ Team. With the increase in services being delivered by partner organisations it was noted that the Partnership Standards, dated 2010, is marked as draft despite being published on the Intranet, as with the core Risk Management documentation this is reflective of officers and organisational structures at the time the document was drafted. All of this documentation needs to be reviewed and updated. This should be done pragmatically, specifically with the aim of delegating responsibility to service areas (as is the case with other areas which historically have enjoyed significant support from the corporate centre, for example HR and Procurement). The role of the corporate centre needs to be limited to offering support, in line with their level of resourcing and a sustainable level of oversight/quality assurance. Once revised, training should be proactively provided and recorded, informed, for example, by the quality of information held on JCAD (corporate Risk Management Software). We have raised this as a **medium risk** finding.
- Risk Management Framework:* from our fieldwork, including review of sample service risk registers and interviews with heads of service, it is highly likely that current expectations are not being met. As above, documentation needs to be updated, implementing arrangements/expectations which are realistic and sustainable. While setting out the best way forward is beyond the scope of this report, areas which would benefit from being considered include: proportionate expectations, ensuring that robust arrangements are in place for statutory services, with a more light touch (implicitly higher ‘risk appetite’) approach for other areas, taking a more integrated approach, potentially drawing on practice in Children’s Services and Fire and Rescue, focussing on partnership risk (with the increased move to commissioning services) and continuing to enhance the escalation and reporting of significant service risk. Ultimately risks which are identified must be appropriately managed. We have raised this as a **medium risk** finding, with a related risk, covering the updating of service risk registers, rated as **low risk**.

- *Strategic Risks:* simplistically, strategic risks are anything which could impact on the achievement of the Council's strategic objectives. However there is not, currently, a shared understanding of this amongst some senior officers and councillors, linked to the limited documentation associated with their identification and management. Enhanced documentation and guidance, potentially supported by training, should be investigated, more quantified reporting of mitigation progress and ensuring that information regarding strategic risks in JCAD is up to date. We have raised this as a **medium risk** finding.
- *Members:* ensuring that members are appropriately equipped to fulfil their roles, for example training on risk applicable to their portfolio/committee responsibilities and ensuring that the right people and sufficient time are available to enable Audit Committee to effectively enquire/challenge arrangements and ultimately gain comfort that they are sufficiently robust. We have raised this as a **medium risk** finding.

In addition to the above we have raised a specific risk regarding the ongoing alignment of risk management in Children's Services, which is in progress. This have raised this as **low risk**.

Executive summary – Deputyships

Report classification  Medium Risk	Trend  This is the first year we have reviewed Deputyships	Total number of findings					
			Critical	High	Medium	Low	Advisory
		Control design	0	0	2	2	0
		Operating effectiveness	0	0	0	0	0
Total		0	0	2	2	0	

Summary of findings:

The purpose of this audit was to review the efficiency and effectiveness of the management of Deputyships, the term used where the Council manages individuals' finances where they are not capable of managing them themselves and no one else, for example a relative, is available to take on the responsibility for them. Generally the conclusion of our review is positive, identifying a number of examples of good practice:



- A good level of documentation, recently reviewed and covering core responsibilities, for example start-up, closedown and daily payment processing, in detail.
- Deputyships are subject to a high level of scrutiny from the Court of Protection, for example annual inspection of all accounts on their anniversaries and by random in year inspection; supplemented at the Council by further externally sourced quality assurance by an experienced practitioner from the mainland, no issues have been identified regarding the Team's management of client funds in the last 12 months.

As part of our fieldwork we sampled 25 payments, five clients entering deputyship arrangements and the closedown of five deputyship arrangements where clients were deceased. Payments made all had matching invoices and were correctly recorded on the spreadsheets used to 'manage' individual client accounts, while new deputyship arrangements and the closedown of accounts were all managed in line with documentation.

Our review also identified a number of areas which would benefit from enhancement, these are:

- *Documentation:* while generally good there are areas which could be improved, for example: the documentation and method of retention for evidence regarding the decision that a deputyship arrangement is necessary, management oversight and disposal of client's property. We have raised this as a **medium risk** finding.
- *Team Costs:* Deputyships are a discretionary service. While broadly revenue neutral (nationally set fees are levied by the Service), there is a revenue shortfall of £16,403 when corporate recharges are included, although it is important to note that when these are excluded the Team makes a small surplus of £2,818. The focus of work in the short term should be on increasing the efficiency of the team, with investigatory work to benchmark costs against other councils. We have raised this as a **low risk** finding.
- *Third Party Services/Contracts:* a number of these, for example insurance and house clearances, have been in place for a number of years and should be revalidated to confirm they still represent the best option and value for money for clients. We have raised this as a **medium risk** finding.
- *Systems:* The work of the Deputyships' Team is excessively manual across all processes. The IT systems used are not integrated, often involve rekeying information, do not provide sufficient management information and generally introduce additional overhead rather than adding value to the Deputyships function. This has been recognised by management who are actively investigating options, for example new functionality which may be available in Paris, which is pending as replacement software for Swift in Adult Social Service. We have raised this as a **low risk** finding.

Executive summary – Benefits

Report classification  Low Risk	Trend  Consistent Risk Rating with Prior Year	Total number of findings					
			Critical	High	Medium	Low	Advisory
		Control design	0	0	0	0	0
		Operating effectiveness	0	0	1	2	0
		Total	0	0	1	2	0

Summary of findings:

Benefits are a key financial system and assessed by internal audit each year. The Benefits Team process two types of benefit:

- Housing Rent Benefit (HB)
- Local Council Tax Support (LCTS); replaces Council Tax Benefit (CTB)

HB and LCTS payments for 2014/15 are estimated to be approximately £53,839,739 (not including the Admin Grant of £845,984) and £12,087,887 respectively. As part of the 2014/15 internal audit plan we performed audit procedures relating to Housing Benefit and Local Council Tax Support controls and processes. This review was performed in accordance with the agreed terms of reference. Historically, this has proved to be an area of strong control operation and design this year's audit is consistent, with one medium and two low risk exceptions noted.

The benefits system at the Council is well managed, with a variety of robust controls in place to ensure that benefits are only paid once the corresponding paperwork has been supplied. In addition, the benefits team have a significant focus on the accuracy and completeness of the year-end subsidy claim, analysing in detail some of the riskier areas to ensure an accurate submission. Testing of 25 new benefit claims in the current financial year found that the benefits team were practicing sufficient scrutiny, ensuring that all relevant information was received prior to processing the claim on the Northgate benefit system. Additional information is often requested by the team and only once this has been received and documented are the claims either processed or cancelled. There were no exceptions noted within our testing.

Benefits are paid after the application date, unless a valid case for backdating the payment has been documented. We tested a sample of 20 backdated claims to ensure that these were for valid reasons. On seven occasions, we noted that these were not valid backdated items, part of the documentation required to correctly categorise the claim for the subsidy, had not been completed accordingly. We discussed this with management, who explained that at the year end, all backdated claims are examined and audited for accuracy. A strong culture of internal verification work exists in the department and whilst this is a mitigating control to prevent an overclaim on the subsidy, an operating efficiency finding has been noted.

In addition we noted two instances when the reason for the backdated payment was in respect to a Council error. We were informed that the onus is often on the Council to evidence where they have provided advice or correspondence. As claimants are likely to be positively favoured at a tribunal, if the Council cannot locate sufficient evidence that they provided correct advice, and therefore they were not the cause, they will record the error as Council related. Currently the Council does not have a system for recording phone conversations, where advice is often given, although sections for detailing conversations with claimants via notes are utilised within their individual benefit accounts.

The recording of conversations was also noted within our testing of the collection of overpayments. Of those paying off overpayments who were still in receipt of benefits, we noted no exceptions from the 12 instances we checked. For those who are no longer in receipt of any benefit, any overpayment is collected as a sundry debtor via an invoicing process. In this instance it is common for claimants to set up long term payment plans to repay the debt in agreement with the

Council. In the prior year, we noted two exceptions in respect of details of the payment plan not being recorded in the claimant's notes. In the current year, our testing of 25 sundry debt collections identified a further instance of a similar omission of documentation.

The nature of the above exceptions means that they are similar in nature and relate to instances of incomplete documentation to support the benefits process, specifically in relation to overpayments. We have collated these findings together into one **medium** risk finding to address this.



Two other areas of detailed testing were undertaken, with a sample of 13 extended payment claims processed accordingly on the basis of information supplied by the DWP. In addition to this, we analysed the Council's interpretation of the Risk Based Verification (RBV) Policy, noting that it clearly identifies the criteria and the relevant information to be obtained in order to process a new claim accordingly. To test this, we incorporated examining the evidence obtained in support of the RBV during our testing of 25 new claims in the current year, noting no exceptions with this.

To record the value of benefit payments in the financial accounts, details are uploaded directly from the Northgate benefits system. A reconciliation between the general ledger and the benefits system is performed formally on a monthly basis; however we noted that the reconciliation for April had been completed in June, which does not constitute timely preparation and review, although we recognise that this was primarily due to competing priorities stemming from the end of year subsidy closedown and bulk housing benefit payment run. This has been raised as a **low** risk finding.

In respect of the Council's response to legislated benefit changes, we noted this is an ad hoc process. Recent developments in this area include the removal of the Council Tax benefit from the subsidy claim at year-end, being replaced with the Local Council Tax Support scheme. This had no specific bearing on our testing, with the assessment for identifying and evaluating claimants using the same controls and systems as the previous Council Tax Benefit process, and was thus tested accordingly.

Looking forward, the rollout of Universal Credit payments will have an impact on this process. The future of this is currently uncertain and is difficult to plan for. The Council will be dependent on political developments and instruction from the DWP. Through discussion with key management, we noted that this is something they are mindful of and awaiting further clearer instruction. It is the intention of the Council to stay informed of the developments in this area and discuss with the DWP any concerns as to how this affects processing on a local level; an approach which we support.

Executive summary – Creditors

Report classification  Medium Risk	Trend  Deterioration from previous year	Total number of findings					
			Critical	High	Medium	Low	Advisory
		Control design	0	0	1	0	0
		Operating effectiveness	0	0	1	2	0
Total		0	0	2	2	0	

Summary of findings:

Accounts Payable (AP) are responsible for paying debts owed by the Council, such as invoices relating to goods and services received. As part of the internal audit plan for 13/14, this review has considered the processes and procedures in place at the Council in respect of its AP function, in line with the agreed terms of reference.

Specifically, we have considered the following:

- Policy and procedure notes;
- Segregation of duties;
- Raising of orders;
- Validation of invoices;
- Supplier payments and payment runs;
- Reconciliation to the general ledger;
- Integrity of standing data; and
- Implementation of prior year audit findings.

Policy and procedure notes -The Council’s most recent Financial Regulations were obtained; it was noted that these were last updated in November 2012 with the 2013 review having been postponed; therefore work performed has been based on the 2012 version.

It was identified that Accounts Payable maintain a selection of relevant policy and procedure notes, most notably including the Creditors Procedure Manual accompanied by a variety of process related Transaction User Guides (TUGs). Through examination of applicable documents, it was identified that TUGs are appropriate for their use during staff training.

Segregation of duties - In order to ensure effective segregation of duties individuals should not participate in the raising of purchase orders, processing of invoices and initiation of payment runs. Contrary to these principles, it was identified that two users have access to both the SRM (ordering) and SAP (accounts payable) systems. Furthermore, one of these individuals also has the ability to initiate transaction 110 which enables users to create a payment proposal and execute a payment run.

However, it is important to note that our sample testing did not identify any instances where fraudulent transactions occurred as a result we were also informed that a comprehensive review on effective SAP permissions, across functional areas, is underway, led by the SAP technical team, in consultation with service areas. This has been raised as a **medium risk** finding.

Raising of orders - Sample testing of 25 purchase orders was performed to ensure that all had been raised in accordance with policy and procedures, and were appropriately documented, coded and properly authorised within a prescribed time limit. No issues were noted.

Validation of invoices - Testing of 25 payments was undertaken, focussing on several payment types. The sample included: eight invoice related payments, one emergency CHAPS payment, five personal budget payments and eleven self-bill payments. Testing identified that all items examined related to goods/services genuinely received, from bona fide suppliers; and that if applicable, invoices were appropriately priced. It was noted that three instances of retrospective ordering were identified during testing. Testing also noted one instance where there was a delay of 66 days between the invoice date and the payment date. This has been raised as a **low risk** finding.

Furthermore, ten instances were noted where vendor set up forms could not be viewed to confirm the validity of the supplier. This was because the suppliers were exported from the previous system, Wealden, but the vendor set up forms had not been transferred. An additional instance was noted where a vendor set up form could not be viewed as it was password protected. This has been raised as a **low risk** finding.

Supplier payments and payment runs - As confirmed by the sample testing performed in relation to the validation of payments, all items were paid to the correct supplier for the correct amount. With the exception of the incidence noted above, all payments were made on a timely basis. It was ascertained that creditors are paid promptly, with statistics per the monthly Corvu reports demonstrating that 98.01% of invoices were cleared within 30 days during November 2013. A BACS payment run was observed, with current practice confirmed to accurately reflect the related process note procedures. However, the Council informed PwC of a BACS payment made in error on 20 November 2013 for £517,878; this payment had not received appropriate authorisations. This payment was made to a company in administration; the recovery of the outstanding payment is the subject of legal proceedings. The Council has subsequently implemented changes to control design and developed an action plan to remedy the root causes of this error. This has been raised as a **medium risk** finding.

Reconciliation to the general ledger - A monthly reconciliation between the general ledger and the creditors system is not performed due to the integrated nature of the systems. Testing therefore focused on the Goods Received Not Invoiced account, as this is where posting errors most frequently occur. The GRNI account clearing process was investigated and was confirmed to be operating effectively, with appropriate audit trails being maintained. There were no balances older than August 2013 identified within the live January 2014 GRNI account, demonstrating that all balances older than six months were resolved in line with Council policy.

Integrity of standing data - It was ascertained that access to cheques, electronic fund transfers and the accounts payable system was secure with the integrity of the accounts payable standing data being maintained. It was noted that vendor set up is performed by a separate team to the Accounts Payable function, therefore in principle displaying effective segregation of duties. However, through conversations with key personnel it was ascertained that certain members of the Creditors team could set up a vendor due to the access permissions granted to them. To prevent unauthorised changes to vendors from occurring, the Payments Manager performs a weekly review of all vendor amendments, however in order to achieve optimum segregation of duties this should ideally be performed by an individual separate to the Creditors team.

Implementation of prior year findings - Follow up testing was performed to ensure that effective progress is being made to implement last year's internal audit recommendations; two out of the three agreed actions had been partially implemented. The first relates to producing a GRNI report which shows the service areas where the discrepancies originated, however due to system limitations this has not been implemented. The second relates to inactive suppliers; the Council are due to perform a thorough vendor review in the upcoming future, in addition to the continuous monitoring already performed.

Classification of report findings





Assessment rationale

Finding rating	Effect on Service	Embarrassment/ reputation	Personal Safety	Personal privacy infringement	Failure to provide statutory duties/meet legal obligations	Financial	Effect on Project Objectives/ Schedule Deadlines
Critical	<p>A finding that could result in a:</p> <ul style="list-style-type: none"> Major loss of service, including several important areas of service and /or protracted period. Service Disruption 5+ Days 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Adverse and persistent national media coverage Adverse central government response, involving (threat of) removal of delegated powers Officer(s) and/or Members forced to resign 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Death of an individual or several people 	<p>A finding that could result in:</p> <p>All personal details compromised/ revealed</p>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Litigation/claims/ fines from Department £250k + Corporate £500k + 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Costs over £500,000 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Complete failure of project/ extreme delay – 3 months or more
High	<p>A finding that could result in a:</p> <ul style="list-style-type: none"> Complete loss of an important service area for a short period Major effect to services in one or more areas for a period of weeks <p>Service Disruption 3-5 Days</p>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community Adverse local publicity of a major and persistent nature 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Major injury to an individual or several people 	<p>A finding that could result in:</p> <p>Many individual personal details compromised/ revealed</p>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Litigation/claims/fines from Department £50k to £125k Corporate £100k to £250k 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Costs between £50,000 and £500,000 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Significant impact on project or most of expected benefits fail/ major delay – 2-3 months

Finding rating	Effect on Service	Embarrassment/ reputation	Personal Safety	Personal privacy infringement	Failure to provide statutory duties/meet legal obligations	Financial	Effect on Project Objectives/ Schedule Deadlines
Medium	<p>A finding that could result in a:</p> <ul style="list-style-type: none"> Major effect to an important service area for a short period Adverse effect to services in one or more areas for a period of weeks <p>Service Disruption 2-3 Days</p>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Adverse local publicity /local public opinion aware Statutory prosecution of a non-serious nature 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Severe injury to an individual or several people 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Some individual personal details compromised/ revealed 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Litigation/claims/fines from Department £25k to £50k Corporate £50k to £100k 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Costs between £5,000 and £50,000 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Adverse effect on project/ significant slippage – 3 weeks–2 months
Low	<p>A finding that could result in a:</p> <ul style="list-style-type: none"> Brief disruption of important service area Significant effect to non-crucial service area <p>Service Disruption 1 Day</p>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Contained within section/Unit or Directorate Complaint from individual/small group, of arguable merit 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Minor injury or discomfort to an individual or several people 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Isolated individual personal detail compromised/ revealed 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Litigation/claims/fines from Department £12k to £25k Corporate £25k to £50k 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Costs less than £5,000 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Minimal impact to project/ slight delay less than 2 weeks
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.						

Report classifications

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification	Points
 Low risk	6 points or less
 Medium risk	7– 15 points
 High risk	16– 39 points
 Critical risk	40 points and over

Appendix 1 -Progress on the 2014/15 internal audit plan

Audit name	Audit days in plan	Audit days completed at 9th September 2014	Current Status	Report classification for those audits completed
Adult Safeguarding *	30	-	Suspended	-
Adult Social Care Follow-Up *	30	3	Planning	-
Benefit Payments	30	30	Final Report	Low Risk
Cash and Bank	25	-	Planning	-
Contact Centre	25	-	Planning	-
Corporate Governance	30	-	Planning	-
Creditors	25	-	Planning	-
Custody of funds	30	-	Planning	-
Debtors	25	3	Planning	-
Deputyships *	30	30	Final Report	Medium Risk
Development Control	25	-	Planning	-
General Ledger	30	-	Planning	-

Audit name	Audit days in plan	Audit days completed at 9th September 2014	Current Status	Report classification for those audits completed
Grant Sourced Spend	30	-	Planning	-
Hampshire Strategic Partnership	30	-	Planning	-
Highways PFI - Delivery Phase Client Relationship	30	-	Planning	-
Housing / Safe & Secure Homes	30	3	Planning	-
Income Generation	30	-	Planning	-
Information Management	30	3	Planning	-
ISMS (Information Security Management System)	30	-	Planning	-
IT Change & Configuration Management	30	30	Final Report	Low Risk
Licensing	25	10	Fieldwork	-
Local Taxation	30	3	Planning	-
Longer Term Interventions Team *	30	-	Suspended	-
Medina	25	25	Fieldwork	-
Payment Card Industry, Data Security Standard (PCI DSS)	20	-	Planning	-

Audit name	Audit days in plan	Audit days completed at 9th September 2014	Current Status	Report classification for those audits completed
Payroll	35	-	Planning	-
Public Health	30	-	Planning	-
Recruitment and retention	25	10	Fieldwork	-
Risk Management	30	30	Final Report	Medium Risk
Schools' Audits	30	3	Planning	-
Sickness absence	25	3	Planning	-
Software Development	30	15	Fieldwork	-
Tourism/Destination Management Organisation (DMO) *	30	-	Suspended	-
Waste Procurement	30	3	Planning	-
WightNet (Intranet)	25	-	Planning	-

* Our scheduled reviews in Adult Social Services (Adult Safeguarding and the Longer Term Interventions Team) and our review of the Destination Management Organisation (DMO) have been suspended, substantively being replaced by reviews of Deputyships and a follow-up of our high level review across the Adult Social Care Service, along with additional time allocated elsewhere within the Audit Plan; context regarding these changes is reported elsewhere in this report.

As of 9th September 2014 we have delivered 22% of planned audit days (in addition to the above this figure includes audit time spent on support activities, for example contract management).

Appendix 2 - Internal audit performance against key performance indicators, as at 9th September 2014

Key performance indicator	Adult Safeguarding *	Adult Social Care Follow-Up *	Benefit Payments	Cash and Bank	Contact Centre	Corporate Governance	Creditors	Custody of funds	Debtors	Deputyships *	Development Control	General Ledger	Grant Sourced Spend	Hampshire Strategic Partnership	Highways PFI	Housing / Safe & Secure Homes	Income Generation	Information Management	ISMS	IT Change & Configuration	Licensing	Local Taxation	Longer Term Interventions Team *	Medina	PCI DSS	Payroll
Scope agreed prior to fieldwork commencing?	-	Y	Y	-	-	-	-	-	Y	Y	-	-	-	-	-	Y	-	Y	-	Y	Y	Y	-	Y	-	-
Exit meeting held?	-	-	Y	-	-	-	-	-	-	Y	-	-	-	-	-	-	-	-	-	Y	-	-	-	Y	-	-
Draft report issued within 10 working days of completion of exit meeting?	-	-	Y	-	-	-	-	-	-	Y	-	-	-	-	-	-	-	-	-	Y	-	-	-	-	-	-
Draft report issued within 10 working days of receiving documentation from auditee?	-	-	Y	-	-	-	-	-	-	Y	-	-	-	-	-	-	-	-	-	Y	-	-	-	-	-	-
Management response received?	-	-	Y	-	-	-	-	-	-	Y	-	-	-	-	-	-	-	-	-	Y	-	-	-	-	-	-
Final report issued within five working days of agreement of management response?	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Y	-	-	-	-	-	-
Client satisfaction survey score (if received)?	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9.8	-	-	-	-	-	-

* Our scheduled reviews in Adult Social Services (Adult Safeguarding and the Longer Term Interventions Team) and our review of the Destination Management Organisation (DMO) have been suspended, substantively being replaced by reviews of Deputyships and a follow-up of our high level review across the Adult Social Care Service, along with additional time allocated elsewhere within the Audit Plan; context regarding these changes is reported elsewhere in this report.

Key performance indicator

	Public Health	Recruitment and retention	Risk Management	Schools' Audits	Sickness absence	Software Development	Tourism/DMO *	Waste Procurement	WightNet (Intranet)
Scope agreed prior to fieldwork commencing?	-	Y	Y	Y	Y	Y	-	Y	-
Exit meeting held?	-	-	Y	-	-	-	-	-	-
Draft report issued within 10 working days of completion of exit meeting?	-	-	Y	-	-	-	-	-	-
Draft report issued within 10 working days of receiving documentation from auditee?	-	-	Y	-	-	-	-	-	-
Management response received?	-	-	Y	-	-	-	-	-	-
Final report issued within five working days of agreement of management response?	-	-	-	-	-	-	-	-	-
Client satisfaction survey score (if received)?	-	-	-	-	-	-	-	-	-

Our scheduled reviews in Adult Social Services (Adult Safeguarding and the Longer Term Interventions Team) and our review of the Destination Management Organisation (DMO) have been suspended, substantively being replaced by reviews of Deputyships and a follow-up of our high level review across the Adult Social Care Service, along with additional time allocated elsewhere within the Audit Plan; context regarding these changes is reported elsewhere in this report.