

February 2015

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 December 2014 to February 2015. It provides executive summaries for the seven 2014/15 reports issued as final since the last meeting of the Audit Committee; it also details progress regarding the wider 2014/15 Plan.

## Internal Audit Overview

### Summary of progress against Plan

Following December's Audit Committee meeting, one Quarter 2 and six Quarter 3 reports have been issued as final. All Quarter 2 reports have now been issued as final, with the remaining three Quarter 3 pending finalisation. Fieldwork is either underway or due to start imminently for all Quarter 4 reviews.

At December's meeting of the Committee we provided an update regarding the ongoing implementation of the TrAction agreed internal audit action follow-up system. Two sets of e-mails have now been sent to owners of actions stemming from our 2012 – 2014 internal audit work, requesting that updates be provided regarding their current status on TrAction; summary status for these actions is provided below:

Status	Count
Open	93
Completed	83

Additional work will be carried out by the Head of Internal Audit to manually follow-up where status updates have not been provided by action owners; we will provide a further update to the Committee at their April meeting regarding the status of agreed actions, stemming from our Internal Audit work.

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.

## **Preparation for 2015/16**

Our draft Internal Audit Plan is presented under a separate item on the agenda for today's meeting. This takes into account feedback given at December's meeting of the Audit Committee and from the Corporate Management Team, who considered our proposed programme of work for 2015/16 in January. Thank you for your comment and feedback which was very helpful.

## **Local State We're In 2015**

Now in its fifth year, our annual Local State We're In survey provides a definitive and comprehensive assessment of the views of Leaders and Chief Executives across the local government sector, tracking the remarkable transformation of local government in the face of austerity. With continued austerity on the cards no matter who wins the 2015 General Election, where do local authorities look next to balance the books and deliver better outcomes for their people and places? Please follow the link for the publication:

<http://www.pwc.co.uk/local-government/publications/the-local-state-we-are-in-2014/index.jhtml>



## **Transformation Workshop**

To further support the Council's ongoing transformation we have recently led two transformation workshops held at County Hall, attended by senior councillors and members of the Transformation Team; these were supported by a sector specialist from our co-sourced partner and senior members of the Internal Audit Team.

## 2) Executive Summaries from Internal Audit Reports

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

# Executive summary – Local Taxation

<p><b>Report classification</b></p> <p style="text-align: center;"></p> <p style="text-align: center;"><b>Low Risk</b></p>	<p><b>Trend</b></p> <p style="text-align: center;"></p> <p>Consistent risk rating with prior year</p>	<b>Total number of findings</b>					
			<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Advisory</b>
		<b>Control design</b>	0	0	0	0	1
		<b>Operating effectiveness</b>	0	0	0	2	0
		<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>1</b>

**Summary of findings:**

The responsibility for the collection of both Council Tax and Non Domestic Rates (NDR) falls under the Revenues Section. Customer account information such as property details is held on the Council’s Northgate system. Bills are raised with reference to the property bandings provided by the Valuation Office. Such charges are updated annually in line with Council Tax and NDR rates setting process. Amendments for new properties and changes in occupancy are applied through the Northgate system as and when the Council is informed by the Valuation Office Agency. Income collected is recorded and posted daily to the appropriate individual/business account; our testing of a sample of 25 income collections did not note any discrepancies. A monthly report is produced containing information on collection rates and other performance measures and this is reported to management within the Council’s Residents Services department and shared more widely to both the Council’s Financial Services team and to Executive via the quarterly performance report.

The approach of the audit was to focus on the following areas; billing of Council Tax and NDR, recording and posting of income, debt recovery action, suspense accounts and reconciliation to the general ledger. The 2014/15 scope also included a control objective identifying and reviewing the Councils’ measures in place to ensure effective methods of local taxation payments and whether the Council have responded appropriately to the localism agenda regarding retention of a proportion of business rates, generated by new businesses.

We found that the approach the Council have taken with regard to this control objective is reasonable; this is evident from the recorded increase in effective payments methods year on year. However there is scope to further strengthen and develop the process and mitigate future risk, particularly in regard to the business rate retention scheme. As such an **advisory** finding has been raised.

When conducting the testing of 25 Council Tax and NDR billings, particularly in regard to changes in ownership items, for three items there were notified changes that had yet to be actioned by the revenues section as at the date of audit review. A period of one month has already passed since the notification of the change was received and the date the change is effective from for all three items. Though the changes have now been subsequently applied in the Northgate system; this finding indicates the possibility that some changes may not be applied to accounts until very late, potentially causing unnecessary additional work at a later stage for the Council and/or resulting in the tax/rate payer being billed incorrectly. We acknowledge that the revenues section have begun to seek further detailed reporting functionality within their systems for the purpose of exception reporting for events such as this. As such a **low** risk finding has been raised to address this.

Testing performed over the reconciliation process between local taxation transaction data within the Northgate system and the general ledger identified that this is a monthly activity and is reviewed appropriately by the Revenues Manager. Thus demonstrating good practice.


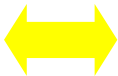
The review of the debt recovery process identified a new procedure effective from the beginning of the local taxation year involving the issue of a post liability order 14 day notice letter. As a result of the review of 25 outstanding debt balances, two accounts had reached this stage in the recovery process; however the information regarding dates when the letter was issued could not be identified on the Northgate or Civica systems. In the absence of such information that is

readily accessible to other staff involved in the process this could disrupt debt recovery. It is important to note that upon further investigation we were able to locate the details we required, though this information should be recorded on relevant systems. As such a **low** risk finding has been raised to address this.

The Enforcement Agent collection report detailed a significant decrease in cases that were past their review date compared to previous years. A next review date is input into the system by officers assessing the cases, being informed by the level of collection activity that has occurred or is occurring. This is a reasonable and efficient approach taken by the Council. Through implementing this, the performance of the Enforcement Agents is monitored, addressing the issue raised in the prior year report.

Section three of the full report recognises the implementation of the prior year review 2013/14 agreed actions.

# Executive summary – Accounts Receivable

<p><b>Report classification</b></p>  <p><b>Medium Risk</b></p>	<p><b>Trend</b></p>  <p>Consistent with prior year risk rating</p>	<b>Total number of findings</b>					
			<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Advisory</b>
		<b>Control design</b>	0	0	1	0	0
		<b>Operating effectiveness</b>	0	0	2	1	0
		<b>Total</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>0</b>

## Summary of findings:

The Accounts Receivable (AR) function is responsible for collecting debts due to the Council. As part of the internal audit plan for 2014/15, this review has considered the processes and procedures in place at the Council in respect of its Accounts Receivable function.

**Policies and segregation of duties** - The Council's most recent Financial Regulations were obtained; these were last updated in April 2014; audit work performed has been based on the updated 2014 version. There have been some changes to implement previous audit recommendations, particularly to ensure consistency with the relevant policy and procedure notes. These include the Sundry Income Policy which is accompanied by a variety of Finance Guidance Notes and process related Transaction User Guides (TUGs). The changes ensure that authorisation thresholds and authorisers are consistent. Through discussion with the AR function Team Leader, these guidance notes remain separate and not part of a consolidated formal Finance Guide, however regular review and update where necessary is applied through the adherence to a scheduled timetable for review. Through implementing this schedule, a regular review of AR policies and guidance is undertaken, addressing the issue raised in the prior year report.

This work also reviewed the physical security controls in place for the safekeeping of AR records and cash received. Review identified that adequate security controls are in operation and no exceptions have been noted.

**Raising of invoices** - Sample testing of 25 sales invoices was performed to ascertain if they were accurate, complete, contained all necessary information, were appropriately authorised and despatched promptly. This testing identified that the information contained within the sales orders were consistent with the invoices raised.

Sales orders and their subsequent invoices are not subject to authorisation or approval limits; it was identified this is due to limitations imposed by the SAP system. Furthermore, and consistent with the 2013/14 review, sales orders raised by individuals are not routinely inspected to ensure they are accurate and valid before processing and dispatching. A prior year recommendation was made to the Accounts Receivable function to address this; however the control implemented in year, to review all invoices over £20k, was not operating effectively. This gives rise to the potential risk that erroneous sales orders are converted into invoices and dispatched, leading to unidentified customer over or under payments. However as our testing did not identify any erroneous invoices, a **low risk** finding has been raised in respect of this issue.

**Allocation of payments** - Sample testing of 25 payments identified that all payments examined had been made for the correct amount and allocated to the correct customer. Furthermore, a walkthrough was performed in relation to the daily reconciliation between Capita Cash Receiving and SAP process which confirmed it to be operating effectively.

**Debt recovery** - At the time of the review, the aged debtors listing totalled £4,713,067. Of this figure approximately £2,066,793 related to overdue debtors; 44% of the total Accounts Receivable balance. In general, debt recovery procedures remain consistent with the conclusions in the prior year review.

Sample testing was performed over 25 current aged debtors to ensure their non-payment was pursued satisfactorily by AR, and that appropriate recovery action



was being taken. One instance was identified where appropriate recovery action has been undertaken, although it should now be considered to be exhausted for recovery and uneconomic to pursue any further. This balance relates to an amount of £1,427.

Two instances where the debt was not pursued satisfactorily have been identified; in these cases no debt recovery action has occurred for over a period of greater than one month. The individual values of these invoices are £7,933 and £177. A **medium risk** finding has been raised.

**Write offs, refunds and credit notes** - Sample testing of 25 write offs, 25 refunds and 25 credit notes was performed to ensure the transaction was valid, appropriately authorised and processed on a timely basis. In relation to write offs, testing identified all write offs had been authorised in line with stipulations provided within the Council's Financial Regulations, highlighting an improvement on the prior year. However, once authorisations had been obtained there were three instances where the write off had not been processed on a timely basis. There is a risk, particularly during the monthly review of debts for write off; any debts already approved may be processed through the write off approval process again. Any impact resulting from these instances are mitigated by the AR function's process in flagging these approved write off debts to ensure that there is no duplication of work.

Detailed testing of credit notes identified that they are appropriately authorised and were processed swiftly. SAP provides a detailed audit trail of the transaction process alongside a paper trail.

Refund testing noted one instance where there was an inappropriate authorisation. In this particular case, the authoriser had exceeded their authorisation level as per the Council's formal policy. As this was a refund of a value greater than £10,000, a **medium risk** finding has been raised. On average, refund processing time across the sample of 25 equalled less than four working days which demonstrates that refunds are processed quickly addressing our 2013/14 recommendation regarding the timely processing of refunds.

Write offs, refunds and credit notes in our sample testing were found to have attributable business reasons supporting their validity.



**Reconciliation to the general ledger** - It was confirmed that the general ledger is agreed on a monthly basis to the debtor system through the inspection of a sample of the Accounts Receivable reconciliations; these were appropriately authorised by both the Revenue Manager and the AR Team Leader.

**Integrity of standing data** - The integrity of accounts receivable standing data is susceptible to being compromised due to the large number of users who hold key access permissions. It was noted that 160 users hold AR Data Entry access, which enables sales orders to be raised. As identified above, the majority of sales orders are not subject to secondary authorisation or accuracy checks; this heightens the risk of fraudulent or erroneous transactions that are not identified.

Furthermore, in order to ensure effective segregation of duties, the Accounts Receivable Central Team users should not participate in the raising of sales orders, with the exception of housing benefit overpayments. Contrary to these principles, it was identified that 16 out of the 17 individuals holding AR Central Team access also hold AR Data Entry permissions. This may mean that they can raise sales orders and customer invoices, which could lead to segregation of duties being compromised despite only two team members processing housing benefit overpayments. However, sample testing of 25 invoices did not identify any instances where the sales order was raised by the same individual that processed the invoice. Our prior year audit identified this issue, a review of progress against the recommendation and agreed action has identified that as this is an ongoing initiative led by SAP technical team with minimal progress at date of this review, therefore this has been raised as a **medium risk** finding consistent with our prior year rating. We recognise that the SAP access permissions review is an organisational wide initiative across all functional areas.

**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 agreed actions. It was identified that the Council has fully implemented all agreed actions, with the exception of the SAP permissions review and partial implementation of sales order authorisations and debt recovery as highlighted above.

# Executive summary – Recruitment, Retention and Redundancy Policy

<b>Report classification</b>  <b>Medium Risk</b>	<b>Trend</b>  Consistent with prior year risk rating	<b>Total number of findings</b>					
			<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Advisory</b>
		Control design	0	0	1	1	0
Operating effectiveness	0	0	3	0	0		
<b>Total</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>1</b>	<b>0</b>		

## Summary of findings:

We have undertaken a review of the Council’s recruitment, retention and redundancy policies and redundancy procedures at the Council.

### (i) Policy and process documentation

The Council has a range of combined policy and process documentation in place which covers the recruitment and redundancy processes. It was identified that the ‘Redeployment Policy’ had not been reviewed since January 2011, although it has a review date of 2013.

As a result of staff interviews and through inspection of Wightnet, it was highlighted that recruitment and redundancy information is readily available to managers. Several areas of improvement were identified where additional supporting documentation should be developed. These procedural issues have been incorporated into a **medium risk** finding.

Recruitment training for managers and processing staff is not compulsory; as a consequence, only 38 key personnel actively involved in recruitment had completed training within the period under examination, out of approximately 300. It was also noted that there is currently no redundancy training programme offered by the Council to ensure application employment law and Council procedure are followed. Training has been raised as a **medium risk** finding.

### (ii) Workforce development

The Council have a hierarchy of plans in place to support the overall ‘People Strategy’, including the ‘Organisational Development Strategy’ which focuses on the role of HR and employee development on the successful delivery of the Council’s strategic priorities. It was identified that the Council do not have a standalone workforce development strategy; the concept predominantly covered by the ‘Organisational Development Strategy’, with elements incorporated into other strategies within the hierarchy. As a consequence of this approach, strategic consideration has not been afforded to several key workforce development concepts. These issues have been raised as a **medium risk** finding.

### (iii) Redundancy processing



Sample testing of 20 redundancies concluded that in the majority of cases, staff members were exited from the Council in line with the ‘Redundancy Policy’ for compulsory redundancies, and the ‘Selective Voluntary Termination of Employment Scheme’ for voluntary redundancies. However, for three individuals, key documentation was not made available; redundancy documentation is maintained by line managers as opposed to Human Resources. Through conversations with key personnel, it was noted that the Council are keen to maintain decentralised documentation storage for redundancies. However, due to the risk of this documentation being lost in the event of staff turnover or inappropriately accessed this has been raised as a **medium risk** finding.

### (iv) Management oversight

In order to share and learn from good practice, the Council are a member of the CIPFA Human Resources Benchmarking Club. This enables the Council to draw comparisons to similar organisations on an annual basis in relation to areas such as HR staff costs, workload and HR cost per employee however this does not specifically examine or report recruitment and redundancy performance metrics. It On a quarterly basis, the Employment Committee acts as a forum for the

discussion of relevant issues. However, it was noted that a range of internal key performance indicators (KPI's) are not regularly gathered, reported and monitored by this committee thus limiting the level of management oversight of the HR function. This has been raised as a **low risk** finding.

# Executive summary – Sickness Absence

<b>Report classification</b>    <b>Medium Risk</b>	<b>Trend</b>    Consistent with prior year risk rating	<b>Total number of findings</b>					
			<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Advisory</b>
		Control design	0	0	0	1	0
		Operating effectiveness	0	0	3	1	0
		<b>Total</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>2</b>	<b>0</b>

## Summary of findings:

We have undertaken a review of sickness absence procedures and controls at the Council. With the Council undergoing a period of unprecedented change, there is likely to be a general impact on staff wellbeing and more specifically on rates of sickness absence. Service managers are crucial to ensuring that sickness absence is appropriately managed and action is being taken to drive down the number of sickness days. This audit will review a sample of sickness instances to ensure that management are actively fulfilling their responsibilities in line with the HR sickness policies/expected protocols. We will also review steps which are being taken centrally to minimise the level of sickness at the Council. The key findings from this review are set out below.

### (v) Documentation and expectations

The Council have detailed sickness absence procedure notes in place which describe the process in place for each group of stakeholders; Employees, Service Areas and the Payroll and HR Team. A **low risk** finding has been raised to highlight that the documentation is not regularly reviewed, with several relevant TUG's not updated since 2010.

### (vi) Delivery

The latest 'Attendance Management Policy and Procedure' is appropriately visible, published on both the Council's website and Intranet portal. This Policy document is reviewed on a two yearly basis; however this is not considered sufficient considering the changing scope of employment legislation. For example, the right to time off for antenatal appointments from October 2014. This has been raised as a **low risk** finding.

Attendance management training is not mandatory for key personnel. The training is considered a useful resource, providing important updates on the Council's approach to the management of attendance, including sickness absence. As a consequence of it not being mandatory, only 80 out of 301 Line Managers had received training as at September 2014; this issue has been raised as a **medium risk** finding.

A sample of 25 sickness absences from the Community Wellbeing and Social Care Directorate were tested to ensure that sickness data is being processed accurately and on a timely basis by service areas. The testing identified that service area managers were not always proactive in submitting sickness data; in 16 absences, the initial recording of the sickness start date did not occur promptly in line with procedural requirements. The corporate expectation is that sickness should be reported on the first day of absence. Furthermore in eleven instances the entering of the sickness end date did not occur promptly after the sickness had finished. As a result of these delays in processing, six of these absences were not included within the correct payroll month. A **medium risk** finding has been raised in respect of this issue. Furthermore, testing identified several exceptions in relation to compliance with the Council's procedures; multiple instances were identified where the self-certification process had not been correctly followed; two instances were noted where the employee had not submitted a sickness form; two instances were identified where the employee did not have access to the self-service portal before leaving the Council's employment and therefore could not submit a sickness form, three instances were noted where the self-certification was submitted by the employee after the five day procedural period and one instance was identified where the date per the self-certification form did not match the sickness date per SAP. This has been incorporated into a **medium risk** finding.

**(vii) Reporting and managing**

Sickness data is made available to service leads in a timely manner. On a quarterly basis, a Directorate Occurrences Report is produced by Strategic HR, flagging up any areas within the Council which have a significant number of occurrences of the same type of illness. This report is used to alert management, as early as possible, of any departments which have a high number of illnesses, allowing reasons to be identified, therefore helping to reduce reoccurrence in the future and provide appropriate support to employees.

There are several levels of corporate monitoring where sickness absence levels are addressed and issues identified promptly. A monthly SCAM (Sickness Case and Monitoring) meeting takes place whereby sickness absence is discussed in detail along with other staffing matters; detailed discussions are also held by the Employment Committee.

Interviews with a selection of managers highlighted that good practice is not shared with all relevant personnel relevant to the process. Although training seminars are predominately used to communicate these messages, as noted above these are not mandatory. This has been incorporated into the training finding above.


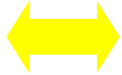
The Industrial Diagnosis Company are the Occupational Health provider for the Council. The provider support the Council in minimising sickness levels as well as enacting measures to prevent re-occurrence where particular concentrations of sickness have occurred either specific to an employee or an illness type. Once an employee has hit a trigger point, Occupational Health will provide them with a medical diagnosis as to whether they are fit for work or not, which will be fed back to the Council. Weekly visits to the Council are undertaken by Occupational Health to meet with employees currently in receipt of support.

**(viii) Implementation of prior year audit agreed actions**

A finding was raised in the prior year relating to the timely submission of sickness information, with the agreed action emphasising the importance of incorporating this requirement into the training regime. Although we can confirm the importance of prompt sickness data submission has been emphasised within training seminars, as noted above, attendance at training is not mandated and therefore the impact is limited. As a consequence this issue has been raised as a finding again in the current year. Similarly, relevant personnel have been reminded of the importance of accurately documenting medical certificates through the training seminars although issues with this process were as prevalent from our testing this year as last year.

As above, we noted that sickness absence procedure TUG's have not been updated, therefore this agreed action has not been implemented.

# Executive summary – Waste Procurement Project Management

<b>Report classification</b>    <b>Medium Risk</b>	<b>Trend</b>    Consistent with prior risk rating (2012/13)	<b>Total number of findings</b>					
			<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Advisory</b>
		Control design	0	1	1	1	0
		Operating effectiveness	0	0	0	0	0
		<b>Total</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>

## Summary of findings:

The focus of our review was on the Project Management of the Waste Procurement, covering the following areas:

- Work and Schedule, covering time, cost and quality.
- Business Benefits, covering definition, endorsement, monitoring and reporting.
- Risk Management, covering identification, assessment, response and monitoring.
- Scope, covering definition, communication, approval and change control.
- Stakeholders, covering identification, commitment and communication.
- Team, covering structure, communication, skills and performance.

Generally the Project is being well managed, for example:

- The benefits the Council aims to achieve are clearly defined in the approved Business Case and are being refined as the Project progresses.
- There are regular, minuted meetings of the Project and Member Review boards. These consider risk, performance and change.
- There have been regular briefings and consultations, both with members and the wider public.



The Project was delayed by approximately six months, due to a delay in placing the OJEU notification. This has been substantively addressed by removing the formal refinement stage, although bids have been refined informally during the detailed submission stage. The decision to remove the refinement stage was approved by the Project Board; Project staff interviewed to inform this review are confident that this will not adversely impact on the quality of the bids going to the final tender stage. The main risk which faces the Project going into the final phase is ensuring that there is adequate resourcing, from a staffing and skills perspective, to ensure that the Project is successful. We have raised the following finding and associated actions:

- *Schedule and Resourcing:* the Project has suffered some delays, although these have been correctly managed and substantively addressed, as above. Resourcing wise the majority of ‘formal’ Project posts have been vacant for at least six months, there has not been an official project manager in place since August 2013. However equivalent temporary arrangements are in place, drawing in staff from different areas of the Council largely on a secondment basis. This is recognised as a risk on the Risk Register, with two control measures identified (a restructure of the wider Procurement and Contract Management Team and resource plans setting out temporary arrangements). As the Project enters the CFT (Call for Final Tender) phase how the Project will be staffed for the remainder of the Project needs to be finalised, ensuring there is as little disruption to staffing as possible. We have raised this as a **high risk** finding.
- *Budget:* The original project budget has been reduced by over 50% (£400K Vs £1 million). Much of this relates to costs which did not materialise, for example the need to rent dedicated office space; the main costs associated with the Project are staff time and external advice/support. There are currently

approximately 21 officers supporting the Project to varying extents and the majority of their time is not being recharged to the Project. While recharging all time may not be appropriate/practicable in instances above a reasonable threshold, for example 50%, time should be recharged; this would give a more accurate view of the Project's cost and potentially make it easier to ensure that there is adequate resourcing available to cover the final phase of the Project. Savings have also been made on external support/advice, again through utilising in-house expertise, often at a very senior level. While this is prudent in the Council's current financial position and Project staff are comfortable that this has not impacted on quality, if possible there should not be any further attempts to realise savings from this element of the Project budget; the Team need to have ready access to any external expertise to support them through the CFT stage. We have raised this as a **medium risk** finding.

- *Benefits/Going Live:* as noted above, the benefits, for example cleaner streets and increased use of renewable energy, are clearly defined in the Business Case, with a number of innovative proposals from various bidders. Once the preferred bidder is identified (scheduled for July 2015) a more detailed benefits realisation plan, specifically quantifying benefits and how they will be monitored and reported, needs to be developed; a benefits realisation review 12 months into the delivery phase should also be considered. Thought also needs to be given as to how delivery will be managed. Ideally a shadow team should be in place from July 2015, ready to take responsibility for managing the contract from October 2015. The Council should also consider the potential synergies and efficiencies with the Highways PFI contract, potentially using a combined contract management team. We have raised this as a **low risk** finding.

# Executive summary – Adult Social Care Follow-up

<b>Report classification</b>    <b>Medium Risk</b>	<b>Trend</b>    Improvement made since our last review of Adult Social Care	<b>Total number of findings</b>					
			<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Advisory</b>
		Control design	0	0	3	0	0
		Operating effectiveness	0	0	0	0	0
		<b>Total</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>

## Summary of findings:

This review substituted our originally scheduled review of Adult Social Care Longer Term Interventions, which was suspended following consultation with line management and the Head of Internal Audit. The purpose of this audit was to review progress being made across three areas:


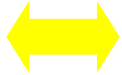
- Enhancements to the framework supporting Adult Social Care.
- Quality Assurance and upward reporting.
- The Paris social care system implementation.

Our review identifies some positive findings. However there have been delays to planned work, caused for example by ensuring that the Service responds appropriately to the Care Act and contractual issues regarding the Paris implementation. The overarching finding of our review is the need to maintain momentum, specifically ensuring that actions are robustly managed to minimise any further slippage and ensure that all actions are fully implemented. We have raised three detailed findings, as summarised below:

- *Action Plans/Tracking:* there is a main action plan covering the majority of enhancements, for example changes to processes and two secondary action plans, covering policy revisions and training. Generally satisfactory progress is being made, although the majority of policies still need to be revised, specifically to respond appropriately to the Care Act. In the short term any areas which could impact on the Paris implementation need to be identified and prioritised; ongoing management and tracking would also be facilitated by amalgamating the secondary action plans into the main action plan, with progress reported to, and monitored by, the Service Board. We have raised this as a **medium risk** finding.
- *Quality Assurance:* there are a range of mechanisms in place to quality assure the Adult Social Care Service, for example the Supervision Policy, Challenge and Confirm Panel and a monthly client satisfaction survey (overall 94% of users are satisfied). The main issue is around the requirement for managers to review ‘one file review per staff member per month’. We have been informed that this is not being complied with in all areas and may not be appropriate for all teams; for example the Hospital Team frequently hold cases for less than 24 hours, the process is also still paper based. As part of the Paris implementation the process should move to being managed electronically, with findings reported upwards to help ensure that senior management have an up to date and accurate view of the quality of practice across the service. This would also allow the identification of themes and general areas for improvement. The requirement also needs to be refined, to make sure it is appropriate for all teams. We have raised this as a **medium risk** finding.
- *Paris Implementation:* this has been subject to a four month slippage, primarily due to a delay in agreeing the necessary Contract Change Notification (CCN) with the system vendor. There are also a number of actions which need to be completed before the main phase of the Project can start, for example sign off of the Migration Plan by the Project Board. Projected milestone dates need to be re-profiled, with a realistic implementation date to ensure there is sufficient time to implement the system and associated process enhancements properly. To support good Project Management areas such as project planning, reporting and Risk Management need to be formalised as soon as possible. We have raised this as a **medium risk** finding.



# Executive summary – Corporate Governance

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

## Summary of findings:

The purpose of this audit was to review the Council’s governance arrangements against sources of good local government practice, for example as issued by CIPFA/SOLACE (the Chartered Institute of Public Finance and Accountancy/ Society of Local Authority Chief Executives and Senior Managers) and central government expectations. Substantively the Council’s governance framework is in line with good practice; our review did not identify any significant gaps in arrangements.

The majority of the issues we have identified stem from the scale of the changes which have happened to the Council’s structure and staffing over the past two years, along with the reduced capacity centrally to update supporting mechanisms at the pace change is happening. However it is important to note that the Council’s constitution is up to date, reflective of practice and covers all key areas, for example the responsibilities of the executive and the key statutory posts of Head of Paid Services, Head of Financial Management and Monitoring Officer. We also noted that there are up to date codes of conduct, for both members and staff which are easily available and appropriate arrangements for managing whistleblowing and complaints; this year there has been 26% reduction in complaints from the previous year, continuing the trend of reducing numbers over the last four years. In addition to a number of minor issues our review also identified potential efficiencies, summarised below:

- Vision, purpose and performance:* The Council’s defines its vision as being ‘... accessible, transparent and inclusive and working with business, partners, community, residents and visitors in making the Island a better place to live, work and prosper’. The Council is in the process of refining its Corporate Plan, based on its vision and seven strategic priorities, with a focus on ensuring that strategic objectives and statutory responsibilities can be supported and satisfied within a significantly reduced level of funding; this is scheduled to be finalised by March 2015, running up to 2017. To date this process has been well managed, however the scale of what needs to be achieved over the next two years is extremely challenging. To maximise the likelihood of success and ensure that services and processes are not unacceptably degraded we have identified a number of actions which should be taken, for example using project management techniques to manage the Transformation Programme, external validation of what minimum statutory requirements are in different areas of the Council’s work and ensuring that controls are identified and continue to be effective if processes become fragmented through efficiency measures.

Future corporate expectations regarding Performance and Risk Management also need to be realistic, in line with available resourcing (as covered in our quarter one Risk Management report) and, as delivery partnering and contracting out become more common, agreements need to be framed to ensure that any efficiencies realised by external parties are shared with the Council. Furthermore, external parties’ performance should be integrated effectively with corporate expectations. We have raised this as a **medium risk** finding.

- Democratic Services: Member/Officer Interface:* The 2014 CIPFA benchmarking identifies that the Democratic Services are relatively cost effective, both in terms of cost per member and cost per 1000 of population. However they are approximately three times as expensive as the cheapest councils on both

measures. While cost will vary according to local circumstances, as part of the current exercise identifying good practice at other councils there should be a particular focus on identifying any efficiencies which could be implemented. We also noted that changes to committee structures are pending which will have resource implications for the Democratic Services Team. To ensure that there is a full understanding of costs, specifically in relation to this change, costs should be monitored at both the committee and individual member level for the next 12 months.

Our review also identified potential issues both with the number of items going to member forums for noting (rather than decision) and take up of training by members. Options which should be considered include summarising reports for members, potentially in a member newsletter, and setting out a minimum set of briefings/training sessions which members are expected to attend, with attendance published on the Council's website. Transparency could also be promoted by publishing significant officer decisions on the Council's website and formalising the current informal Constitution Working Group member forum. We have raised this as a **medium risk** finding.

- *Key Officer Roles:* The key roles regarding governance (Head of Paid Services, Head of Financial Management, Monitoring Officer and Head of Internal Audit) are all documented in the constitution, apart from the Head of Internal Audit role; we also identified minor inaccuracies in two job descriptions, stemming from amendments to individuals' responsibilities and reporting lines subsequent to recent changes.

All roles should be documented in the constitution to ensure they are clear and have sufficient visibility. With regard to the Head of Internal Audit role the dual reporting line to the Head of Financial Management should be made explicit, to comply with the Public Sector Internal Audit Standards (PSIAS). There is also some scope for rationalisation, for example by combining the Head of Paid Service and Head of Financial Management, although this would need to be mindful of capacity and introducing the requirement for any future Head of Paid Services to be a qualified accountant. We have raised this as a **low risk** finding.

- *Audit Committee:* We reviewed the Audit Committee in 2012/13, agreeing a comprehensive action plan which has been substantively implemented. There are two actions which are outstanding and which should be revisited: implementing an effective mechanism to track items for follow-up, stemming from Audit Committee meetings and scheduling regular meetings between the chairs of Audit and Scrutiny to help ensure synergies are well managed.

We also identified that the Council's Internal Audit Charter is currently in draft, this should be progressed to final to ensure compliance with PSIAS. PSIAS requires an external effectiveness review every five years. The standard came into effect on the 1<sup>st</sup> April 2013, so the Council does have until 1<sup>st</sup> April 2018 to schedule a review. However good practice would be for a review to be scheduled earlier, to ensure that arrangements are as effective as possible. We have raised this as a **low risk** finding.

- *Governance: Supporting Mechanisms:* While all areas are documented and up to date in the Council's constitution, there are a number of supporting documents which are overdue review, for example the Council's Value for Money, Corruption/Anti-Fraud and Partnership expectations. All of these should be updated, published on the Council's website and suitably promoted, for example through training. We have raised this as a **low risk** finding.

# 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
<b>Critical</b>	<p>A finding that could result in a:</p> <ul style="list-style-type: none"> <li>Major loss of service, including several important areas of service and /or protracted period. Service Disruption 5+ Days</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Adverse and persistent national media coverage</li> <li>Adverse central government response, involving (threat of) removal of delegated powers</li> <li>Officer(s) and/or Members forced to resign</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Death of an individual or several people</li> </ul>	<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"> <li>Litigation/claims/ fines from Department £250k +</li> <li>Corporate £500k +</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Costs over £500,000</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Complete failure of project/ extreme delay – 3 months or more</li> </ul>
<b>High</b>	<p>A finding that could result in a:</p> <ul style="list-style-type: none"> <li>Complete loss of an important service area for a short period</li> <li>Major effect to services in one or more areas for a period of weeks Service Disruption 3-5 Days</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Adverse publicity in professional/ municipal press, affecting perception/ standing in professional/local government community</li> <li>Adverse local publicity of a major and persistent nature</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Major injury to an individual or several people</li> </ul>	<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"> <li>Litigation/claims/ fines from Department £50k to £125k</li> <li>Corporate £100k to £250k</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Costs between £50,000 and £500,000</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Significant impact on project or most of expected benefits fail/ major delay – 2-3 months</li> </ul>

<b>Finding rating</b>	<b>Effect on Service</b>	<b>Embarrassment/ reputation</b>	<b>Personal Safety</b>	<b>Personal privacy infringement</b>	<b>Failure to provide statutory duties/meet legal obligations</b>	<b>Financial</b>	<b>Effect on Project Objectives/ Schedule Deadlines</b>
<b>Medium</b>	<p>A finding that could result in a:</p> <ul style="list-style-type: none"> <li>Major effect to an important service area for a short period</li> <li>Adverse effect to services in one or more areas for a period of weeks Service Disruption 2-3 Days</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Adverse local publicity /local public opinion aware</li> <li>Statutory prosecution of a non-serious nature</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Severe injury to an individual or several people</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Some individual personal details compromised/ revealed</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Litigation/claims/ fines from Department £25k to £50k</li> <li>Corporate £50k to £100k</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Costs between £5,000 and £50,000</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Adverse effect on project/ significant slippage – 3 weeks–2 months</li> </ul>
<b>Low</b>	<p>A finding that could result in a:</p> <ul style="list-style-type: none"> <li>Brief disruption of important service area</li> <li>Significant effect to non-crucial service area Service Disruption 1 Day</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Contained within section/Unit or Directorate</li> <li>Complaint from individual/small group, of arguable merit</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Minor injury or discomfort to an individual or several people</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Isolated individual personal detail compromised/ revealed</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Litigation/claims/ fines from Department £12k to £25k</li> <li>Corporate £25k to £50k</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Costs less than £5,000</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Minimal impact to project/ slight delay less than 2 weeks</li> </ul>
<b>Advisory</b>	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
<b>Critical</b>	40 points per finding
<b>High</b>	10 points per finding
<b>Medium</b>	3 points per finding
<b>Low</b>	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

<b>Audit name</b>	<b>Audit days in plan</b>	<b>Audit days completed at 4<sup>th</sup> February 2015</b>	<b>Current Status</b>	<b>Report classification for those audits completed</b>
Adult Safeguarding *	30	-	Suspended	-
Adult Social Care Follow-Up *	30	30	Final Report	Medium Risk
Benefit Payments	30	30	Final Report	Low Risk
Cash and Bank	25	25	Draft Report	-
Contact Centre	25	10	Fieldwork	-
Corporate Governance	30	30	Final Report	Medium Risk
Creditors	25	25	Draft Report	-
Custody of funds	30	28	Fieldwork	-
Debtors	25	25	Final Report	Medium Risk
Deputyships *	30	30	Final Report	Medium Risk
Development Control	25	25	Draft Report	-
General Ledger	30	30	Draft Report	-

<b>Audit name</b>	<b>Audit days in plan</b>	<b>Audit days completed at 4<sup>th</sup> February 2015</b>	<b>Current Status</b>	<b>Report classification for those audits completed</b>
Grant Sourced Spend	30	30	Draft Report	-
Hampshire Strategic Partnership	30	4	Fieldwork	-
Highways PFI - Delivery Phase Client Relationship*	30	4	Planning	-
Housing / Safe & Secure Homes	30	30	Draft Report	-
Income Generation	30	30	Draft Report	-
Information Management	30	30	Final Report	Low Risk
ISMS (Information Security Management System)	25	10	Fieldwork	-
IT Change & Configuration Management	30	30	Final Report	Low Risk
Licensing	25	25	Final Report	Medium Risk
Local Taxation	30	30	Final Report	Low Risk
Longer Term Interventions Team *	30	-	Suspended	-
Medina	25	25	Final Report	Low Risk
Payment Card Industry, Data Security Standard (PCI DSS)*	20	-	Suspended	-

<b>Audit name</b>	<b>Audit days in plan</b>	<b>Audit days completed at 4<sup>th</sup> February 2015</b>	<b>Current Status</b>	<b>Report classification for those audits completed</b>
Payroll	35	35	Draft Report	-
Public Health	30	30	Final Report	Medium Risk
Recruitment and retention	25	25	Final Report	Medium Risk
Risk Management	30	30	Final Report	Medium Risk
Schools' Audits	45	45	Draft Report	-
Sickness absence	25	25	Final Report	Medium Risk
Software Development	30	30	Final Report	Medium Risk
Tourism/Destination Management Organisation (DMO) *	30	-	Suspended	-
Waste Procurement	30	30	Final Report	Medium Risk
WightNet (Intranet)	25	10	Fieldwork	-

\* Our scheduled reviews in Adult Social Services (Adult Safeguarding and the Longer Term Interventions Team), our review of the Destination Management Organisation (DMO) and our PCI DSS review have been suspended, substantively being replaced by reviews of Deputyships, 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 was reported to Audit Committee at their December meeting.

As of 4<sup>th</sup> February 2015 we have delivered 90% 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 4th February 2015

<b>Key performance indicator</b>	<b>Adult Safeguarding *</b>	<b>Adult Social Care Follow-Up *</b>	<b>Benefit Payments</b>	<b>Cash and Bank</b>	<b>Contact Centre</b>	<b>Corporate Governance</b>	<b>Creditors</b>	<b>Custody of funds</b>	<b>Debtors</b>	<b>Deputyships *</b>	<b>Development Control</b>	<b>General Ledger</b>	<b>Grant Sourced Spend</b>	<b>Hampshire Strategic Partnership</b>	<b>Highways PFI</b>	<b>Housing / Safe &amp; Secure Homes</b>	<b>Income Generation</b>	<b>Information Management</b>	<b>ISMS</b>	<b>IT Change &amp; Configuration</b>	<b>Licensing</b>	<b>Local Taxation</b>	<b>Longer Term Interventions Team *</b>	<b>Medina</b>	<b>PCI DSS*</b>	<b>Payroll</b>
Scope agreed prior to fieldwork commencing?	-	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	-	Y	-	Y
Exit meeting held?	-	Y	Y	Y	-	Y	Y	Y	Y	Y	Y	Y	Y	-	-	Y	-	Y	-	Y	Y	Y	-	Y	-	Y
Draft report issued within 10 working days of completion of exit meeting?	-	Y	Y	-	-	Y	-	-	N	Y	Y	-	Y	-	-	-	-	Y	-	Y	Y	N	-	Y	-	-
Draft report issued within 10 working days of receiving documentation from auditee?	-	Y	Y	-	-	Y	-	-	N	Y	-	-	Y	-	-	-	-	Y	-	Y	Y	N	-	Y	-	-
Management response received?	-	Y	Y	-	-	Y	-	-	Y	Y	-	-	-	-	-	-	-	Y	-	Y	Y	Y	-	Y	-	-
Final report issued within five working days of agreement of management response?	-	Y	Y	-	-	Y	-	-	Y	Y	-	-	-	-	-	-	-	Y	-	Y	Y	Y	-	Y	-	-
Client satisfaction survey score (if received)?	-	-	8.2	-	-	9.2	-	-	-	8.6	-	-	-	-	-	-	-	10	-	9.8	-	-	-	9.6	-	-

\* Our scheduled reviews in Adult Social Services (Adult Safeguarding and the Longer Term Interventions Team), our review of the Destination Management Organisation (DMO) and our PCI DSS review have been suspended, substantively being replaced by reviews of Deputyships, 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**

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

Our scheduled reviews in Adult Social Services (Adult Safeguarding and the Longer Term Interventions Team), our review of the Destination Management Organisation (DMO) and our PCI DSS review have been suspended, substantively being replaced by reviews of Deputyships, 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.