

September 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 May 2015 to September 2015. It provides executive summaries for the three 2014/15 reports issued as final since the last meeting of the Audit Committee and the one quarter one 2015/16 report which has been finalised to date; it also details progress regarding the wider 2014/15 and 2015/16 plans.

## **Internal Audit Overview**

### **Summary of progress against 2014/15 and 2015/16 plans**

Following June's Audit Committee meeting all 2014/15 reports have now been issued as final, all three being rated as medium risk. Full details regarding completed of the 2014/15 Plan is set out in Appendix 1 of this report.

Fieldwork has been completed for all of our quarter one, 2015/16 reviews. One report has been issued in final, rated as medium risk, one is in draft and two are in the process of being finalised; fieldwork is either underway or imminent for our quarter two reviews and the majority of our quarter three reviews, running up to Christmas, have now been scoped. Full details regarding completed of the 2015/16 Plan is set out in Appendix 3 of this report.

Following the retendering process, as reported to the Audit Committee in May 2015, Internal Audit will continue to be provided by our existing co-sourced provider for the next five years. Savings have been achieved from this process by reshaping the 2015/16 Internal Audit Risk Assessment and Plan from the version presented to the Committee in February 2015. The Plan remains PSIAS compliant. Our co-sourced partner recognised that internal audit coverage needed to respond to the changing operations, responsibilities and financial pressures of the Council. The revised plan is sufficient to cover the statutory requirements and corresponds to the current risk profile of the Council. However, the Committee should assure itself that the changes proposed to the original 2015/16 Plan approved in February 2015 are appropriate.

The key changes are detailed below:

- Environmental Health – rescheduled to 2016/17 as lower risk.
- End to End Business Processes – cancelled value enhancement audit.
- Harbours – rescheduled to 2016/17 as lower risk.
- Payment Card Industry, Data Security Standard (PCI DSS) – rescheduled to 2016/17 as lower risk.
- Paris Implementation – system replacement project underway. Need for internal audit project assurance support to be kept under review.
- Income Protection – postponed to 2016/17 once Council's revised income strategy agreed and implemented.

- Postponed 2014/15 Highways PFI; the scope of this review will be incorporated into our scheduled 2015/16 review of Highways PFI.
- Coroners replacing our scheduled review of the Council’s Project Management framework, as the majority of change now sits under the Transformation Programme, which has been separately reviewed.

**TrAction**

Current internal audit agreed action status reported from our TrAction action tracking tool, is shown below:

	2012/13	2013/14	2014/15
Open	30	31	99
Completed	63	52	21

Open actions have been entered onto TrAction, pending information regarding implementation from owners; complete actions have had implementation evidence uploaded by owners and have been marked as complete.

Since the last meeting of the Audit Committee all action owners have been personally contacted, to ensure that action statuses have been updated where applicable and that the summary statistics reported above are as accurate as possible.

**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. We are pleased to report that our average customer satisfaction score for 2014/15, based on 18 returned Customer Satisfaction surveys, is 9.6 out of 10. No Customer Satisfaction surveys have yet been returned for 2015/16.

Full details of performance against key performance indicators for 2014/15 can be found in Appendix 2 and Appendix 4 for 2015/16 within this report.

## 2) Executive Summaries from Internal Audit Reports

In this Section we provide the executive summaries for the four reports which have been issued as final since the Audit Committee last met in June 2015.

# Executive summary – Development Control

<b>Report classification</b>    <b>Medium Risk</b>	<b>Trend</b>    This is the first year we have reviewed Development Control	<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	1	0
		<b>Operating effectiveness</b>	0	0	1	2	1
		<b>Total</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>3</b>	<b>1</b>

## Summary of findings:

The purpose of this audit was to review the adequacy of the design of controls associated with the planning application process, testing a sample of applications, to help ensure that processes are consistent and appropriate controls are in place over fee income. In line with the terms of reference, a walkthrough was also performed to follow a planning application from start to end.

Planning permission is required for the majority of building work carried out on the Island, with the Development Control team being responsible for managing the planning permission process, from application to decision and appeals. During 2013/14, Development Control processed 1,577 planning applications and generated £746,244 in income. From April 2014 to December 2014, a total number of 1,211 applications have been received by the Council, generating fee income of £669,911.16 for the 2014/15 financial year to date.



The Acolaid system is used to record all planning applications received, including associated documentation, correspondence and the final decision. Acolaid is used to generate performance reports for monitoring purposes and provides a centralised process for recording all applications. Hard copy files are also maintained of all planning applications and associated documentation, providing resilience and continuity of service in the event of a system failure. Our findings are summarised below:

- Documentation:* There are a variety of sources of information available to the Council in relation to development control, the most important being national legislation, accessible through government websites. We observed that the registration team staff maintains hard copies of key legislation to be able to refer to it easily, subsequently increasing the efficiency of decision making, such as identifying the fee to be charged for a specific application. To support the Council in remaining compliant with legislation as it changes, a monthly email from the Royal Town Planning Institute (RTPI) is sent to the Development Control department. In addition, users of Acolaid are able to download guidance directly from within the programme. Any changes in national legislation are reflected through system updates implemented by the software provider, Idox. It was identified that amendments to legislation in relation to prior approvals have not been reflected through Acolaid where new codes require setting up; this has been raised as a **medium risk** issue. General procedure notes have historically been produced for various processes within the Planning Services Department but through discussion and review, we confirmed that these have not been subject to a regular review process and do not consistently reflect current working practice. Job descriptions and formal organisational structures are in place to define the roles and responsibilities of various staff roles in the development control process. However, we identified that a number of job descriptions have not been updated recently. The untimely update and review of documentation has been raised as a **medium risk** issue. An **advisory** issue has also been raised in relation to the Planning Inspectorate link on the Council's external website not being operational and therefore cannot be used by members of the public or staff.
- Processing:* Applications for development will only be processed once the appropriate fee has been received, which enables the efficient allocation of resources and reduces the amount of wasted resource. Once applications are received there are a number of checks that take place to ensure that only valid applications commence processing and they will then be registered onto Acolaid. A sample of 25 individual planning applications was selected to

confirm that they have been processed in accordance with Council procedure. Based on the dates input onto Acolaid and the dates recorded by the scanning team in relation to the receipt of fees, we found that eight applications had begun processing prior to receipt of payment. Six of these were within one working day and the remaining two were within three working days. In addition, we confirmed that three applications were not processed before their statutory expiry date. A **low risk** finding has been raised in relation to this. We also selected a sample of five appeals to verify this process and confirmed that all applications have been processed by the Council in a timely manner (i.e. in line with the timeframes stipulated by the Planning Inspectorate) and have been authorised in accordance with the Council's delegated limits.

- *Financial Control and Budgeting:* Financial trends, including fee income and expenditure within the department, are reviewed on a monthly basis through the Mini Service Board meetings. Projected income and the number of applications received are reviewed within these meetings, evidencing the regular monitoring of development control financial performance. The previous year's financial information is then used to inform the budget setting process for the next year. Through review of Mini Service Board meeting minutes, we identified that the November 2014 minutes were not completed due to the minute taker not being available. A **low risk** finding has been raised, recommending that minute takers are available for all key meetings to ensure actions are captured.
- *Fees:* Fees are set nationally and the department utilise legislation to inform the fees to be charged for individual planning applications. Through testing of 25 planning applications, we confirmed that the appropriate fee has been charged for all 25. In addition, we verified that all 25 planning application fees were received and subsequently banked in a timely manner. The Council are also currently in the process of identifying any opportunities for further income generation in relation to applications for condition discharge and for providing pre-application advice.
- *Business Continuity:* It was established that the Development Control department do not have a specific Business Continuity Plan in place. It was discussed that the Acolaid system has recently crashed resulting in the team continuing to operate using manual procedures. This did ensure the service could continue; however, in line with good practice, the department should develop a formal Business Continuity Plan which should be tested on an annual basis, to reduce the impact of similar future events. This has been raised as a **low risk** issue.

# Executive summary – Income Generation

<p><b>Report classification</b></p> <p style="text-align: center;"></p> <p style="text-align: center;"><b>Medium Risk</b></p>	<p><b>Trend</b></p> <p style="text-align: center;"></p> <p>This is the first year we have reviewed Income Generation</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	1	0
		<b>Operating effectiveness</b>	0	0	2	1	0
		<b>Total</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>0</b>

## Summary of findings:

At the time the fieldwork for this review was performed, the Council was at an advanced stage of the programme to identify new income generation opportunities, referred to internally as the 'Income Challenge Sessions'. This was being achieved through a series of income challenge workshops, co-ordinated at a Service Area level. Whilst we have considered this as part of our testing, we have focused on the controls in place in relation to the management of existing income streams. In line with our discussions with the Head of Internal Audit, we have focused our financial management testing on the 'Adult Social Care and Community Well Being' and 'Planning and Regulatory Services' service areas. More specifically and in line with our testing methodologies, we have considered existing income streams in relation to the Adult Social Care, Building Control and Development Control Mini Service Areas.

The key findings from this review have been set out below.

### (i) Income Strategy

The Council have three key documents which detail the organisational approach to income; the 'Medium Term Financial Strategy 2014-17', the 'IOW Council Income Strategy 2011-2012', and the 'IOW Council Charging Policy 2011-12'. The income strategy is supported by the 'Income Strategy Guidance' document to support its practical implementation, which acts as comprehensive and detailed guidance. Although all of these documents have been suitably approved, it was identified that in the case of the latter two and the supporting documentation that these had not been reviewed for a number of years. Furthermore interviews with key personnel identified that they have not been sufficiently promoted to relevant staff. This has been raised as a **medium risk** finding.

The 'Revenue and Capital Budget Summary 2014-15' forms the basis of the budget strategy. It was highlighted to us that the income strategy was actively considered during the drafting of this document, which is subsequently cascaded down to Service Areas for practical implementation.

### (ii) Fees and Costs

Across the Council, discretionary fees should be set after giving sufficient consideration to all applicable service costs. In line with best practice analysis should be undertaken of all costs prior to setting the fee, including an estimate of indirect costs and recharges; communication must be facilitated across Council departments to ensure this value is reasonable. Furthermore, the fee set must take into consideration relevant legislation.

The 'Adult Social Care and Community Well Being' and 'Planning and Regulatory Services' Service Areas have identified the costs associated with their chargeable services through the compilation and presentation of monthly financial budgetary reports. Through a series of interviews with key personnel within the Mini Service Areas examined, we did not identify any service attributable cost areas which had not been recorded and considered within these reports.

Within Adult Social Care, service fees are set in line with applicable areas of the 'Health and Social Care Act 2012', with charges being made for services including non-residential care, residential care and support to adults. The setting of fees is due to change substantially with the enactment of the 'Care Act 2014' from April 2015 onwards. At the time the fieldwork was performed, it was highlighted to us that key personnel were working through the regulations and the supporting guidance from the Department of Health, and are planning a response. It was noted that the management of deputyships represent a non statutory



service; however the Council undertake this work in line with their Safeguarding and Social Work requirements. The fees and charges are set by the Court of Protection.

Planning application fees represent the primary income stream within Development Control. These are based on nationally set standard fees, and as a consequence there is an internal focus on process efficiency to ensure that the service is cost neutral. It was confirmed that the Council's planning fees were in line with the 'Town and Country Planning (Fees for Applications, Deemed Applications, Requests and Site Visits) (England) Regulations 2012', with no issues noted.

Building Control work represents a discretionary service which is provided by the Council to ensure that new building work meets the requirements of the building regulations. Fees are set in consideration of the 'BUILDING AND BUILDINGS, ENGLAND AND WALES The Building (Local Authority Charges) Regulations 2010', however the Council maintain flexibility in setting the fee in the context of incurred costs and the private sector competition. It was noted that the service exceeded its budget during 2013/14, realising a total deficit of £35,187 through the Charging Account. This was due to a number of one off increases to corporate recharges in 2013/14; we noted that recharges are in line with the long term trend in 2014/15 and the service is no longer in deficit. While it is acknowledged that it is not always possible to identify the exact level of recharges before year end, where significant increases are known at an earlier date services who are able to recoup charges through fees should be notified as soon as possible, to enable them to increase fees at the earliest opportunity, minimising any year end deficit.

We also noted that the underlying costs used to decide the hourly fee for Building Control work has not been revalidated since 2010, percentage increases having been applied since this date. While we acknowledge that significant work would be involved in revalidating underlying costs and that the Council's practice is in line with other councils in the region, carrying out a revalidation exercise should be considered, to ensure that recharges reflect costs as accurately as possible. These issues have been incorporated into a **medium risk** finding.

### **(iii) Financial Management/Oversight**

Mini service boards, led by a Head of Service, produce monthly financial budget reports which combine into Directorate monthly service board reports. Through conversations with key personnel, it was noted that service board meetings have been inconsistent within the current year due to the fluid nature of Directorate structures. However, the Council have demonstrated there is a strong review of budget performance through the monthly 'Service and Budget Review Steering Group' meetings through which both capital and revenue are monitored in detail. Although consistency across the Council in terms of budgetary reporting would be good practice, it is appreciated that each service area has the flexibility to adapt this to their own requirements. The key objective should be that each area reviews their budget to the level stipulated by the Council, such that all significant variances are identified, discussed and addressed as necessary.

Mini Service Board Reports are compiled and presented at Mini Service Board monthly meetings for both 'Adult Services' and 'Community Development'. These contain a comprehensive financial budget performance report, which shows income being projected by month over each current financial year. A suitable level of granularity is provided, with actual income and costs being monitored against those projected. In addition, through the inspection of relevant minutes, we were able to confirm these reports were considered at the 'Community Wellbeing and Adult Social Care' Service Board meetings. We were also able to evidence that any underperformance of income is investigated, with action taken to remedy the potential shortfall. It was noted that three monthly Service Board meetings had been cancelled since April 2014.

Although management meetings occur at a Mini Service Board level within 'Planning and Regulatory Services', financial budget performance reports are formally presented and considered at the Service Board level. No issues were noted with this approach; with the reports inspected showing an appropriate level of content to ensure robust oversight is facilitated. However, two instances were noted in relation to the Planning and Regulatory Services Mini Service Board whereby minutes for that month had not been taken. This has been raised as a **low risk** finding.



There is strong engagement between Service Areas and the central finance team. As a further control to ensure there is a robust financial oversight process, the Council have a Service and Budget Review Steering Group. This group meets monthly, presenting and discussing several reports including 'Monthly Capital Monitoring', 'Monthly Savings' and 'Monthly Revenue' by Service Area. It was also noted income is subject to a high level review by the Executive, through the

presentation and discussion of quarterly finance reports.

The responsibility for bench marking lies within the applicable service area. Our testing highlighted that Adult Social Care has a strong process in place undertaking an annual CIPFA benchmarking assessment. As a component of this, both income and costs are compared to other Councils. Furthermore, the Council is also a member of the NAFAO (National Association Financial Assessment Officers) which acts as a forum to identify best practise and legislative guidance. It was also noted that the Business Support Manager regularly attends peer group meetings with neighbouring Councils, through which ideas around best practice and benchmarking data is exchanged. However, no benchmarking is undertaken in regard to Building Control and Development Control fees and costs. This has been raised as a **low risk** finding.

We considered how the Service Areas selected for testing consult service users and customers on the value for money of fees set and any proposed changes to fees. Approaches vary across the services dependant on the control the Council can exert over the locally set fee. Adult Social Care have historically demonstrated a robust consultation process with service users in relation to proposed service changes. To assess the impact of levied fees, 'FACT Performance Monitoring Reports' are collated and discussed by management.

# Executive summary – Hampshire Strategic Partnership

<b>Report classification</b>  <b>Medium Risk</b>	<b>Trend</b>  This is the first year we have reviewed the strategic partnership with Hampshire	<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	1	0
		Operating effectiveness	0	0	0	0	0
		<b>Total</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>0</b>

## Summary of findings:

This review was undertaken as part of the 2014/15 Internal Audit Plan. From mid-2013 Children's social care and education services are being delivered through a strategic partnership with Hampshire County Council. There is a clear partnership agreement in place setting out respective responsibilities. This audit reviewed arrangements for the governance, monitoring and reporting of the performance of the service provided through this partnership, to provide assurance that the partnership is effective in delivering real and sustained improvement in the safeguarding and education of Island children. Our review identified a number of examples of good practice:

- Comprehensive improvement action plans are in place and regularly updated, covering both Children's social care and education.
- Robust management of improvement effort.
- Forums which meet regularly, with senior membership from both councils and partner organisations.
- Positive feedback, from Ofsted, the DFE and partner organisations.
- Significant, demonstrable and sustained improvements during the lifetime of the partnership to date; for example reduced use of agency staff and more sustainable caseloads in Children's social care.

More detail regarding the specific findings of our review are summarised below:

- *Social Care: streamlining performance management and maintaining momentum* - led by the Area Director, the senior officer responsible for Children's Services and overseen by the Children's Improvement Board (CIB). Good progress has been made in improving the quality of Children's Social Care provision on the Island, culminating in the November 2014 Ofsted judgement that the Service now 'requires improvement'. Superficially this result could be seen as disappointing, however it is a significant achievement from the previous Ofsted judgement, in 2012, when the Service was rated as 'inadequate' in every area. The step change in service this represents is made clear in minutes from the CIB, while the recent Ofsted report gives a number of examples of the progress which has been made, for example that 'thresholds for intervention now accord with legal requirements – this means that children in need of help and protection are identified by professionals and that statutory work is clearly and effectively differentiated'.

It is clear that significant work remains until the Service can be considered 'good'; areas of particular focus for the next phase of improvement effort include building capacity within the Service (a high number of social workers are newly qualified) and preventative work (supported by a recent grant from the national Innovation Fund), to address the high and sustained level of demand. Most importantly, momentum must be maintained; two enhancements should be considered to support ongoing improvements: amalgamating the original Improvement Action Plan with that produced subsequent to the recent Ofsted inspection, and increasing the interval between meetings of the CIB, to help free senior time to better focus on 'core'

improvement effort. We have raised this area as a **medium** risk finding.



- *Education: greater visibility of performance tracking* - led by the School Improvement Manager, the senior officer responsible for Education Services and overseen by the Education Attainment Panel. Good progress has been made in improving the quality of Education provision on the Island, culminating in the July 2014 Ofsted judgement that the local authority's arrangements for supporting school improvement are 'effective'.

While the Ofsted report is positive, it does identify a number of areas where further improvements are necessary, in summary: an increased focus on the performance of secondary schools, improving processes for gathering and analysing data, continuing to improve attendance and supporting schools where governance is weak. While we were informed by the School Improvement Manager that all of these areas are being robustly addressed, ongoing management of improvement effort would be facilitated by producing an integrated action plan, covering both areas for improvement from the Ofsted report and outstanding actions from the action plan produced when the strategic partnership was initiated in 2012. Additionally, while it is recognised that much of their content will be sensitive, the visibility of the work of the Education Improvement Panel should be increased, potentially by producing minutes split into 'public' and 'private', with private minutes having a reduced circulation list. We have raised this area as a **medium** risk finding.

- *Financial Management* - a number of documents were provided for our review: the cost model for the 'business as usual' phase of the partnership, evidence of annual review of the cost model and approval of costs from the Managing Director; at a high level management of the financial aspects of the Partnership are in line with the original agreement. Following consultation with Council finance staff and officers from Hampshire County Council there are two enhancements to current arrangements which could be considered: documenting and evidencing approval of the revised cost model and increasing the frequency of review, potentially quarterly, to ensure that charges levied mirror as closely as possible both the service level provided and costs incurred. We have raised area this as a **low** risk finding.

Subsequent to the completion of fieldwork we were informed that the Council have received positive feedback from the DfE, regarding the improvements made through the Partnership, with reduced oversight necessary for the next phase of improvement work. We were also informed that overall risks have been minimised greatly in the school system, because of the comprehensive footprint the school improvement service has within every school. All visits are recorded and the Leadership Learning Partner also completes an annual comprehensive review which we use to broker relevant levels of support based on the needs of the school.

# Executive summary – IT Strategy

<b>Report classification</b>  <b>Medium Risk</b>	<b>Trend</b>  This review is of a draft IT Strategy, not previously reviewed	<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:

The purpose of this audit was to review the Council’s draft IT Strategy, produced in response to the Council’s revised Corporate Plan and Transformation Programme; this review covered the following areas:

- Consultation and Strategic Alignment
- Incorporating good practice
- Realisation

It is clear that the scale of change up to 2017 and beyond at the Council will be significant. At a high level the Council has identified how it will change, for example, moving towards many of its services being delivered in partnership with third parties. However what this will mean in practice is still in the process of being refined. Developing a strategy in this context is problematic – substantively all strategies should set out how the ‘as is’ will move to the ‘to be’, at the time of writing it is not possible to say definitively what the ‘to be’ for IT in 2017 needs to look like.

The Council’s underlying IT infrastructure is in a relatively good position; during 2015 the last elements of a significant investment programme will be completed, providing the Council with an up to date and, importantly, a flexible infrastructure:

- *Telephony*: a converged, voice over IP system, which allows staff to log into phones anywhere on the network, while keeping the same number. Looking forward the telephony system offers a number of features which, once implemented, will further support flexible working; for example conferencing and integration with mobile technology.
- *Wi-Fi*: a centrally managed system, now implemented at the majority of Council buildings. Looking forward this has the potential to further support flexible working, for example through integration with third party sites, such as the NHS.
- *Desktops*: thin clients, which enable staff to log in at any location on the network and secure, encrypted laptops. Recently a corporate tablet system has also been rolled out, which has the potential to provide greater flexibility at reduced cost to the Council.
- *Data Centre*: this was subject to an internal audit review in 2014/15 and, from an infrastructure perspective, has no significant issues. Most importantly the majority of servers are now virtualised, which should ensure that it is sufficiently scalable to meet the Council needs up to 2017, without any further significant investment.

As above, realistically it is not possible for IT to define the ‘to be’ state with any certainty. The emphasis needs to be on flexibility and ensuring that the Transformation Programme and related change, such as the ongoing integration with Island Health services for Adult Social Care, is appropriately supported. We have raised three findings regarding areas which need to be addressed as the Strategy progresses to final, as below:

- *Consultation and High Level Strategic Alignment*: a number of stakeholders have already been consulted with, for example IT management, senior management and management within the Organisational Development Team. Further consultation is planned, with wider management and external stakeholders. This should be completed as planned and appropriately documented in the Strategy; potentially as an appendix. Consideration should also be given to reconstituting the IT Users’ Group, to help ensure that the Strategy remains in line with the Council’s needs up to 2017.

IT has a role supporting all of the Council's strategic objectives to varying extents. How IT will do this should be made clearer, for example as an appendix mapping effort to each objective; this will help to identify any gaps and/or potentially missed opportunities. Mapping to the Council's key risks should also be included, particularly responding to emergencies – IT will have a role in supporting virtually every area of the Council's work, which needs to be planned for in any emergency response. We have raised these areas as a **medium risk** finding.

- *Good Practice:* SWOT (Strengths, Weaknesses, Opportunities and Threats) are covered in the main body of the Strategy and in a specific section on 'Investment and Opportunities'. These should be made clearer, for example through sub-headings and/or an appendix – as with Council's objectives this will help to identify any gaps and/or potentially missed opportunities. The Strategy contains a specific section on governance, covering operational management and how ongoing change will be aligned to the Council's needs. This should be enhanced, documenting how flexibility will be managed, for example annual updates to the Strategy, informed by regular ongoing consultation with stakeholders and monitoring of the Council evolving needs.

There are also two specific areas, ITIL (IT Infrastructure Library) and SLAs (Service Level Agreements) which are not currently covered in the Strategy. ITIL has been invested in over the last 12 months and is likely to be central to defining the future 'state' of the IT function (ITIL generically defines good practice); as the Council increasingly moves to delivering services in partnership, SLAs will be vital to ensure that both sides understand how any ongoing relationship with IT will work. We have raised these areas as a **medium risk** finding.

- *Performance Management:* the IT Strategy provided for our review identifies that 'measurable targets for delivery and a monitoring process will be developed' during early 2015. This should be progressed as planned, ensuring that business as usual metrics are developed alongside measures to manage realisation of the change activity set out in the Strategy. A number of metrics linked to IT are already identified in the Corporate Plan, for example 'percentage (%) increase of completed on-line transactions'; these need to be linked into IT effort, with an appropriate level of granularity, for example breaking down transactions by service area. We have raised this area as a **medium risk** finding.

In addition to the above we have raised an advisory finding regarding four areas which should be considered for further development within the Strategy, potentially justifying their own sections due to their wider importance to the Council:

- *Move to 'digital by default':* this is already covered in a number of sections within the Strategy and is a key element of the Transformation Programme. In our experience one of the key issues, potentially impacting on success, is managing the interface between transformation and IT staff. The best way to address this is greater integration between the two teams, for example through seconding members of the transformation team to IT or vice versa; any initiatives pursued in this area would need to be mindful of ensuring that there is sufficient resource to support business as usual activity within IT.
- *Adult Social Care:* this is arguably the most significant area of responsibility still directly delivered by the Council, with a number of ongoing work streams, for example the Paris system implementation, which IT will be heavily involved in. Due to this area's importance, including a specific section in the IT Strategy should be considered.
- *Partnership/Commissioning Needs:* the Council has a number of significant partnerships, for example with Hampshire County Council for Children's Social Care, with more likely over the lifetime of the Strategy. While these are referenced in the existing Strategy, including a specific section, potentially setting out a 'standard' offer, documented in an SLA, should be considered.
- *Revenue Generation supported by IT:* there has been exploratory work in this area over the last two years; however this is not currently referenced in the Strategy. Work to date, as well as future plans, would benefit from being included, potentially as an appendix.

# 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 16<sup>th</sup> September 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	Final Report	Low Risk
Contact Centre	25	25	Final Report	Medium Risk
Corporate Governance	30	30	Final Report	Medium Risk
Creditors	25	25	Final Report	Low Risk
Custody of funds	30	30	Final Report	Medium Risk
Debtors	25	25	Final Report	Medium Risk
Deputyships *	30	30	Final Report	Medium Risk
Development Control	25	25	Final Report	Medium Risk
General Ledger	30	30	Final Report	Low Risk

<b>Audit name</b>	<b>Audit days in plan</b>	<b>Audit days completed at 16<sup>th</sup> September 2015</b>	<b>Current Status</b>	<b>Report classification for those audits completed</b>
Grant Sourced Spend	30	30	Final Report	Medium Risk
Hampshire Strategic Partnership	30	30	Final Report	Medium Risk
Highways PFI - Delivery Phase Client Relationship*	30	6	Postponed	-
Housing / Safe & Secure Homes	30	30	Final Report	Medium Risk
Income Generation	30	30	Final Report	Medium Risk
Information Management	30	30	Final Report	Low Risk
ISMS (Information Security Management System)	25	25	Final Report	Low Risk
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 16<sup>th</sup> September 2015</b>	<b>Current Status</b>	<b>Report classification for those audits completed</b>
Payroll	35	35	Final Report	Medium Risk
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	Final Report	N/A
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	25	Final Report	Medium Risk

\* 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. Following the last meeting of the Audit Committee our scheduled review of Highways PFI has been postponed to December 2015, subsequent to completion of work currently being carried out reviewing the Contract by a specialist engineering consultancy.

As of 30<sup>th</sup> August 2015 we have delivered 100% 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 2014/15, as at 16th September 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
Exit meeting held?	-	Y	Y	Y	Y	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	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	-	Y	Y	Y	Y	Y	Y	N	-	Y	-	Y
Draft report issued within 10 working days of receiving documentation from auditee?	-	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	-	Y	Y	Y	Y	Y	Y	N	-	Y	-	Y
Management response received?	-	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	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	Y	Y	Y	-	Y	Y	Y	Y	Y	Y	Y	-	Y	-	Y
Client satisfaction survey score (if received)?	-	10	8.2	-	-	9.2	-	-	10	8.6	-	-	10	-	-	-	-	10	10	9.8	-	10	-	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; following the last meeting of the Audit Committee our scheduled review of Highways PFI has been postponed to December 2015, subsequent to completion of work currently being carried out reviewing the Contract by a specialist engineering consultancy.

## 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	-	Y	Y
Exit meeting held?	Y	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	Y
Draft report issued within 10 working days of receiving documentation from auditee?	Y	Y	Y	Y	Y	Y	-	Y	Y
Management response received?	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
Client satisfaction survey score (if received)?	10	8.8	10	-	10	10	-	10	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; following the last meeting of the Audit Committee our scheduled review of Highways PFI has been postponed to December 2015, subsequent to completion of work currently being carried out reviewing the Contract by a specialist engineering consultancy.

## Appendix 3 -Progress on the 2015/16 internal audit plan

<b>Audit name</b>	<b>Fee</b>	<b>Current Status</b>	<b>Report classification for those audits completed</b>
Adult Safeguarding	£7,016	Fieldwork	-
Benefit Payments	£4,618	Planning	-
Business Continuity, IT Disaster Recovery and Data Centre	£8,892	Planning	-
Contract management	£8,295	Planning	-
Coroners	£7,016	Planning	-
Destination Management Organisation	£7,016	Planning	-
Economic Strategy	£7,016	Planning	-
Fire Partnership Project	£7,016	Fieldwork	-
Flood and Water Management Act Responsibilities	£7,016	Planning	-
Fraud & corruption arrangements	£7,016	Draft Report	-
Hampshire Strategic Partnership	£7,016	Planning	-
Highways PFI	£7,016	Planning	-

<b>Audit name</b>	<b>Fee</b>	<b>Current Status</b>	<b>Report classification for those audits completed</b>
IT application: Northgate	£7,016	Planning	-
IT application: SAP	£7,016	Planning	-
IT Network Security	£8,892	Draft Report	-
IT Strategy	£7,016	Final Report	Medium Risk
Key Financial Systems	£8,228	Planning	-
Local Taxation	£4,618	Planning	-
Pensions Governance	£4,618	Planning	-
Property Assets	£7,016	Planning	-
Schools' Audits	£5,311	Planning	-
Transformation Programme	£7,016	Draft Report	-
Value for Money	£4,618	Planning	-
Waste	£7,016	Fieldwork	-



# Appendix 4 - Internal audit performance against key performance indicators 2015/16, as at 16th September 2015

<b>Key performance indicator</b>	<b>Adult Safeguarding</b>	<b>Benefit Payments</b>	<b>Business Continuity, IT Disaster Recovery and Data Centre Contract management</b>	<b>Coroners</b>	<b>Destination Management Organisation</b>	<b>Economic Strategy</b>	<b>Fire Partnership Project</b>	<b>Flood and Water Management Act Responsibilities</b>	<b>Fraud &amp; corruption arrangements</b>	<b>Hampshire Strategic Partnership</b>	<b>Highways PFI</b>	<b>IT application: Northgate</b>	<b>IT application: SAP</b>	<b>IT Network Security</b>	<b>IT Strategy</b>	<b>Key Financial Systems</b>	<b>Local Taxation</b>	<b>Pensions Governance</b>	<b>Property Assets</b>	<b>Schools' Audits</b>	<b>Transformation Programme</b>	<b>Value for Money</b>	<b>Waste</b>
Scope agreed prior to fieldwork commencing?	Y	Y	-	-	Y	Y	Y	-	Y	-	-	-	-	Y	Y	-	Y	-	-	Y	Y	Y	Y
Exit meeting held?	-	-	-	-	-	-	-	-	-	-	-	-	-	Y	Y	-	-	-	-	-	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?	-	-	-	-	-	-	-	-	-	-	-	-	-	Y	-	-	-	-	-	-	-	-	-
Client satisfaction survey score (if received)?	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-