

December 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 September 2015 to December 2015. It provides executive summaries for the five reports issued as final since the last meeting of the Audit Committee; it also details progress regarding the wider 2015/16 plan.

Internal Audit Overview

Summary of progress against 2015/16 plan

Following September's Audit Committee meeting we have finalised two of our quarter one reports, on IT Network Security and the Council's Transformation Programme, an update regarding the delay in finalising our final quarter one report, on Adult Safeguarding, is provided further below. We have also issued two of our scheduled quarter two reports as final, on Benefit Payments and the Delivering Differently in Partnership Project, managing the ongoing strategic partnership with the Hampshire Fire Service; fieldwork for our final quarter two review, on Contract Management, has been postponed until quarter four at the request of the review sponsor, due to a restructure in this area of the Council's work. Fieldwork is either underway or imminent for our quarter three programme of work and scoping has been completed for the majority of our quarter four programme of work. Full details regarding the 2015/16 Plan is set out in Appendix 1 of this report.

Since September's meeting of the Committee there have been three linked changes to our scheduled programme of work:

- *Additional fraud work:* As the Committee will be aware, one of our co-sourced provider's specialist fraud team led a detailed assessment of the Council's current fraud prevention, detection and response arrangements, high level messages from this review being presented to the Committee at the recent Audit Committee Effectiveness Day; the executive summary from this report is included section two below. This review went beyond the scope originally included in our 2015/16 Plan, both in terms of coverage and the seniority of staff delivering the review.
- *Postponement of Property Assets review:* To accommodate the increased input into our fraud review, identified directly above, it has been necessary to postpone our scheduled quarter four review of Property Assets to quarter one, 2016/17.
- *Additional work on Rural Broadband Project:* following a request from the Audit Committee we have carried out a high level review, focussed on how 'speed' is specified in the Rural Broadband Contract and the mechanisms in place to ensure that the projected bandwidth is delivered. This work was also made possible by resources freed by postponing our scheduled review of Property Assets, as above.

In addition to the above finalisation of our quarter one review of Adult Safeguarding has been delayed. We have completed our review of the design of the control framework in place over Adult Safeguarding, however it has not proved possible to complete our sample testing as intended in quarter two, due to the high level of change within Adult Social Care and consequent competing priorities. We have followed up the delay with the Head of Service and are pleased to report that we will undertake our sample testing in January 2016, with the report scheduled to be presented to the Committee at their next meeting, in February 2016.

Audit Committee Effectiveness Day

On the 29th September 2015 members of the Audit Committee attended this year’s Audit Committee Effectiveness Day, hosted by our co-sourced provider at the Riverside Centre in Newport. Attendees received presentations on:

- The Decentralisation Agenda.
- An update on the findings of the Fraud Risk Review.
- Assessing the Effectiveness of the Audit Committee.
- Planning for 2016/17.

The first two sessions above were led by specialists from our co-sourced provider’s national teams, the third session was led by the Council’s Senior Democratic Services Officer, with the final session facilitated by our co-sourced provider’s core internal audit team. Feedback received to date has been positive (based on three returned feedback forms) regarding the content of the day, specifically the positive impact it will have on the Committee’s ongoing effectiveness.

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	90
Completed	63	52	30

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.

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 2015/16, based on two returned Customer Satisfaction surveys, is 9.9 out of 10.

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

2) Executive Summaries from Internal Audit Reports

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

Executive summary – Fraud Risk Review

Summary of findings:

The 2015 edition of the Protecting the Public Purse fraud survey (<http://goo.gl/QEvy4j>) reported that during 2014/15, local authorities detected £207 million of fraud, £97 million of which was non-benefits fraud. It is possible that the true figures are much higher due to undetected and unreported frauds, and in 2013 the National Fraud Authority estimated in 2013 that fraud cost local government as much as £2.2 billion per year. Historically, the Isle of Wight Council's counter fraud resources have been focused on housing benefit fraud, with internal audit performing non-benefit investigations. However, the benefit fraud investigations team will be transferring to the DWP's Single Fraud Investigation Service ("SFIS") as of 1 September 2015 and the majority of the internal audit function is now outsourced. This has left the Council with the following challenges in relation to its counter fraud arrangements:

- Minimal detection of non-benefit fraud;
- Minimal dedicated in-house non-benefit counter fraud resources;
- Changing fraud risk profile and potentially increased opportunities and incentives for fraud.



The Council has an opportunity to respond to these challenges by assessing and updating its counter fraud arrangements based on the key principles set out in CIPFA's "Code of practice on managing the risk of fraud and corruption" launched in 2014. A key element of this code is performing a fraud risk assessment in order to develop a counter fraud strategy. We note that the Council's latest Counter Fraud and Corruption Strategy is now seven years old, and so there is an urgent need to perform an up-to-date risk assessment in order to develop a new strategy.

To assist with the risk assessment process, we have conducted interviews with management in key areas based on current local government fraud trends in order to identify potential areas where the Council may be at risk of suffering losses from fraud. This has identified potential risks in relation to:

- Tenancy fraud, such as sub-letting, within Council temporary accommodation and properties owned and administered by housing associations;
- Council tax exemptions and discounts, particularly single persons discount and council tax support;
- Adult Social Services, particularly direct payments;
- Blue badge misuse;
- Internal fraud in areas such as accounts payable, payroll, purchase cards and cash collections.

A strategy to manage these risks should encompass a range of measures, including pro-active and reactive work, controls assessments and publicity. It is recognised that in order to implement such a strategy, the Council will potentially require dedicated counter fraud resources, ideally those that can focus on multiple high risk areas. We note that Protecting the Public Purse 2015 reported a correlation between counter fraud resources and fraud detection rates. Whilst there is no benchmarking data yet available on the levels of dedicated non-benefit counter fraud resources within other local authorities, we note from "DCLG Counter Fraud Fund Successful Bids" data (<https://goo.gl/ihTwnf>) that local authorities will have resources available ranging from £40k to £1.8 million to target non-benefit fraud during the current year.

Executive summary – Benefit Payments

Report classification  Low Risk	Trend  Low risk in 2014/15	Total number of findings					
			Critical	High	Medium	Low	Advisory
		Control design	0	0	1	0	0
		Operating effectiveness	0	0	0	2	1
		Total	0	0	1	2	1

Summary of findings:

We have undertaken a review of benefits controls at the Council, specifically focusing on testing Housing Benefits (HB) and the Local Council Tax Subsidy (LCTS). These are processed by the Benefits team who are based at the Sandown office. Benefits are a key financial system and assessed by internal audit each year, with HB and LCTS payments representing a significant area of expenditure for the Council, for example for 2014/15 these payments are estimated to be approximately £53,000,000 (not including the Administration Grant of £750,000) and £11,500,000 respectively.

The key findings from this review are set out below.

(i) Processing of new claims

We found that the processing of new benefit claims system at the Council is well managed, with a variety of robust controls in place to ensure that benefits are only paid once the corresponding paperwork has been supplied. We performed testing over a sample of 25 new Housing Benefit and 25 new Local Council Tax Subsidy claims during the year, confirming that all applications from claimants had been signed and dated. We also found that the benefits team were practicing sufficient scrutiny, ensuring that all relevant information was received prior to processing the claim on the Northgate benefit system. Additional information is often requested by the team and only once this has been received and documented are the claims either processed or cancelled. However, our testing noted two minor exceptions. In two cases, one relating to Housing Benefit and one relating to Local Council Tax Support, we noted that dates per the Northgate system did not agree to claim information. This issue has been raised as a **low risk** finding.

Across our sample, we found that on average Housing Benefit claims were processed within 13 days calendar days. This demonstrates good practise against the 2014/15 prior period national average processing time which was 24 days for 14/15 Q1 and 23 days for 14/15 Q2 as per the Department for Work and Pensions 'Housing Benefit Speed of Processing' statistical results. Similarly, LCTS claims were processed on a timely basis taking on average 14 days across the sample. Through conversations with key personnel, it was identified that these quick processing times can be attributed to the Council's risk based verification system, which uses the 'Co Active' software to bucket claims into risk categories based on their underlying characteristics, effectively reducing Officer time on claims deemed as low risk. Risk based verification has been specifically tested, as below.

(ii) Backdated payments, extended payments and overpayments

The Council's prescribed policy for Housing Benefit backdated, extended payments and overpayments is described within the 'Benefits Procedure' document. Upon an inspection of this document, it was noted that many of its policy components had not been documented as reviewed since 2012. However, following additional testing it was ascertained that it had in fact been reviewed in September 2014 however the review date had not been annotated on the document. This has been raised as an **advisory** finding.

Benefits are paid after the application date, unless a valid case for backdating the payment has been documented. We tested a sample of 20 backdated claims to ensure that these were for valid reasons. On three occasions, we noted that these were not backdated items despite being categorised on the system as such, and were in fact new claims, due to an administrative error. This issue has been raised as a **low risk** finding*. We also tested a sample of 25 extended payments. This testing identified that extended payments were being processed in line with the Council's prescribed policies, with no issues noted.

We tested a sample of 25 overpayments, 13 which went through the sundry debtor process to be recovered by the Council's debtor team and 12 which were

clawed back through benefit deductions.

We identified that overpayments had been processed in line with the Council's prescribed policies, however two instances were noted where appropriate recovery action had not been undertaken, which have been raised as a **low risk** finding*. Through conversations with key personnel, it was noted that to get more control over the recovery of Housing Benefit overpayments, the sundry debtor process had moved back into the control of the benefits team as from the 1st September 2015 from the Council debtors function. It was also noted that the Council are actively considering moving away from SAP in respect of debtor recovery. It is expected that this will help facilitate the timely recovery of overpaid housing benefit by providing daily reports, avoiding the current time lag that occurs through the SAP system.

(iii) Benefits system

On the 1st September 2015, the responsibility for investigating Housing Benefit fraud was transferred from the Benefits team to SFIS (Single Fraud Investigation Service), who are part of the Department of Work and Pensions. The Benefits team retain the responsibility for LCTS fraud investigation, however having now lost their internal resource, the arrangements going forward for the investigation of fraud have not been reviewed. Protecting the Public Purse 2015 reported that Council Tax discounts were the largest source of non-benefit fraud against local authorities during 2014/15 with a total value of £18.6 million. As identified within our 'Fraud Risk' Internal Audit Review for 2015/16, a risk was raised in respect of council tax exemptions and discounts, particularly single persons discount and council tax support. We have therefore raised this as a **medium risk** finding within this review, taking into consideration our findings from the fraud review and cross referencing work as appropriate.

Benefit payment runs are specifically checked by the Council prior to authorisation, with exception parameters run against the population to identify any unusual items which are subsequently investigated. Our testing of checking sheets confirmed that all unusual items flagged on the exception reports had been investigated prior to benefit payment.

Like many other Councils, the Isle of Wight uses Northgate for its benefits system. Annual changes to benefit rates (annual up-ratings) are downloaded onto the system in advance through a Northgate software patch, with the rates being reviewed internally for accuracy against DWP circulars. Tax credit changes are transferred to the Council through the ATLAS system and are imported into Northgate once information is approved by the changes team.

(iv) Reconciliations

To record the value of benefit payments in the financial accounts, details are uploaded directly from the Northgate benefits system. A reconciliation between the general ledger and the benefits system is performed formally on a monthly basis. It was noted that no reconciliation had been prepared for April 2015, however conversations with key personnel identified that this was undertaken as part of the May 2015 reconciliation due to competing priorities stemming from the end of year subsidy closedown and bulk housing benefit payment run. It was found that all reconciliations were completed on a timely basis, and had been appropriately prepared and reviewed.

(v) Risk based verification (RBV) process for new claims

The Council apply a risk based verification process to all new HB and LCTS claims, based on the Risk Based Verification policy.

As part of our testing over 25 new Housing Benefit and 25 new Local Council Tax Subsidy claims, no exceptions were identified; the correct process is being followed in respect of RBV with appropriate supporting evidence obtained and retained based on the claims rating as either low, medium or high. Compliance against the adherence to the verification standards is monitored by the performance of quality assurance checks. Through conversations with key personnel, it was noted that the Council are considering introducing a RBV process for claim amendments going forward, however this would represent good practise as opposed to compliance with DWP guidance.

(vi) Preparation for change

Preparation for benefits change is an important area in respect of several recent legislative and budget announcements, with several key changes expected over the course of the next few years. The Council's response to legislated benefit changes is an ad hoc process, with the Benefits team preparing for changes in line with announced policy. For example, although the removal from April 2017 onwards of the automatic entitlement for jobless 18-21 year olds has been announced in the 2015 budget, the Council will await the supporting legislation prior to planning for this change, an approach which we consider reasonable

due to the subjectivity of change to the policy detail.



Universal Credit will be introduced for new claimants from the 7th December 2015 onwards, for which the Council are currently awaiting more detailed instruction from the DWP and are planning a series of workshops and training sessions.

The benefits cap impacts the amount of Housing Benefit the Council can pay claimants. On an annual basis, the DWP send through annual statements which are subsequently cross referenced through to the Northgate system. As the annual statement had not been received in respect of the current year, we could not test this control.

In conclusion, we did not note any issues in respect of the Council's response to legislative change.

* Both of these issues have been raised within a single low risk finding, covering both back payments and overpayments.

Executive summary – IT Network Security

<p>Report classification</p> <p style="text-align: center;"></p> <p style="text-align: center;">Medium Risk</p>	<p>Trend</p> <p style="text-align: center;"></p> <p>This is the first year we have reviewed the IT Network</p>	Total number of findings					
			Critical	High	Medium	Low	Advisory
		Control design	0	0	2	1	0
		Operating effectiveness	0	0	0	0	0
		Total	0	0	2	1	0

Summary of findings:

The purpose of this audit was to review management of the Council’s IT network and associated processes and controls.

While this is the first specific review we have undertaken with this scope during the lifetime of the internal audit contract, we have touched on elements of this review in previous years, for example in our 2014/15 review of Information Security. During this year’s review we noted a marked improvement in the quality of the documentation provided. Many historic documents, for example the Electronic Communications Policy, have been reviewed and updated, while new policies have been produced to cover gaps in arrangements, for example the Desktop Lockdown Policy currently in draft. These enhancements stem largely from the increased requirements introduced by the new PSN (Public Secure Network), revised standard and the Council’s decision to employ a dedicated project manager to lead its response.

Issues we have identified mainly relate to the effectiveness of processing, for example in relation to processing starters and leavers, although there are opportunities to enhance the design of the starters, leavers and transfers processes, which has been recognised and is being addressed by the E-HR Project, currently underway. We have raised three detailed findings, summarised below:

- Policies, Procedures and Training:* although all IT policies are subject to continuous review, to support ongoing compliance with PSN requirements, there has been some slippage in scheduled annual review dates (approximately two months behind schedule) and one policy, Desktop Lockdown, is in draft. Annual review should be completed as soon as possible and the Desktop Lockdown Policy progressed to final, as planned.



To support ongoing compliance with policies the Council has implemented two suites of online training, with integrated assessment (key policies covered as part of induction and information security, mandated for all Council staff). Take-up of the information security training, although mandatory is very low, at less than 20%. Currently this is mandated for all staff. While this may be necessary, there are some teams where understanding and complying with information security is of much greater importance, for example staff engaged in social care. In the short term these teams should be identified and required to complete training. In the longer term, requiring all staff to complete training should be revisited as it may not be applicable to all areas. We have raised this area as a **medium risk** finding, primarily due to the low take-up of mandatory information security training.
- Starters, Leavers and Transfers:* while there are opportunities to enhance the design of these processes, essentially through more automation and greater integration between the core HR and IT process elements, the main issue, as has been identified when these areas have been tested previously, is late notification to IT by line managers. Specifically we sampled 25 starters and 25 leavers; of the starters, for eight IT were notified after the new employee’s start date and for four IT were notified on the start date, while for leavers we identified seven instances where the main leaver form had been submitted after employees’ finish dates, one where it was submitted on an employee’s leave date.

Initially, line managers should be reminded of the importance of submitting forms in a timely manner. However a more effective approach may well be to enhance the design of the processes, for example by integrating automatic reminders/escalation to senior management. There is also an

inconsistency between the approach taken by IT, where copies of the Electronic Communications Policy are expected to be signed and returned and HR, where although requested signed copies of contracts are not chased, turning up on day one being taken as acceptance of contract terms. We also noted that the Electronic Communications Policy does not cover wider acceptable use, which is implicit as with all Council policies of accepting a job's terms and conditions (i.e. turning up on day one). While IT is reasonably effective at getting staff to return signed copies of the Electronic Communications Policy (four out of our sample of 25 remain to be returned) this is obviously inconsistent and the design should be revisited. Wider HR processes are being enhanced as part of the E-HR Project; these issues should feed into scoping this project for consideration. We have raised this area as a **medium risk** finding.

- *Infrastructure/Server Management*: to support achieving PSN compliance, the Council commissioned a comprehensive review of its IT security arrangements in late 2014; the scope of this review was wide ranging, covering, for example, external and internal penetration testing and detailed review of server configuration. This resulted in 67 issues being identified, although of these only 12 are flagged as potentially higher risk, with the remainder relatively minor. We are pleased to report that all issues have been addressed, the majority through taking remedial action, although for a small number, for example the external exposure of SSH (Secure Shell, usually used for remote administration), the Council has accepted the risk – in the case of SSH, while this is exposed externally it is additionally secured through multi factor authentication. However there are some areas where documentation is currently limited, specifically in relation to expectations as to how server and other items of network equipment should be configured. To help ensure that configuration is carried out consistently these should be documented. We also noted that the latest quarterly penetration test to support ongoing compliance with PCI DSS failed due to the SSL (Secure Sockets Layer) certificate not resolving correctly, an old version of server software being installed and a cross site scripting vulnerability. These are not considered to be major issues by IT management and we were informed that all issues have now been resolved, with a retest pending; this should be progressed as planned. We have raised this area as a **low risk** finding.

Executive summary – Transformation Programme

Report classification  Medium Risk	Trend  This is the first year we have reviewed the Transformation Programme	Total number of findings					
			Critical	High	Medium	Low	Advisory
		Control design	0	0	3	1	0
		Operating effectiveness	0	0	0	0	0
		Total	0	0	3	1	0

Summary of findings:

As has been widely publicised, due to reductions in the grant received from central government, the Council needs to make £14.5 million of savings in 2015/16, with £8.5 million of savings in 2016/17; further savings are likely to be required in subsequent years. In order to achieve the savings outlined above, the Council plans an ambitious programme of change, transforming the way the Council does business, with the intent of delivering services more efficiently and at lower cost, while ensuring that they remain effective. This programme will be led from the Council's Organisational Change Team, which draws in officers from key areas around the Council, for example Shared Services, Revenues and Benefits, Business Effectiveness and IT. The purpose of this audit was to review management of the Council's Transformation Programme across the six key areas of Project Management, as below:

- Work and Schedule.
- Business Benefits.
- Risk Management.
- Scope.
- Stakeholders.
- Project Team.

Previous change initiatives at the Council have been widely perceived as being 'over engineered', with too much focus on documentation at the expense of delivery. In response the Transformation Programme has a much 'lighter touch' governance framework, drawing on practice already adopted by colleagues in the NHS – with the ongoing integration agenda within Adult Social Care and the Vanguard initiative, taking a common approach to project management is sensible and will help to ensure that there is a common understanding between teams at the Council and within Health. At a high level the conclusion of our review is positive, for example:

- A clear mandate for change – specifically the high level scope has been approved by Full Council.
- A central team with the right people, with the right skills - a core team, recently provided with Project Management training for those without previous experience, supported by seconded team members from areas of the Council which will be key to implementing change, for example IT and Shared Services.
- All services are engaging well with the Organisational Change Team – this is a significant improvement over previous change initiatives, which had limited success in some areas of the Council, for example Planning and Regulatory Services and Adult Social Care.

The main issue with the Programme is the scale of change and the short timeframe in which it needs to be achieved; related to this, much of the detail behind the headline savings figures needs to be worked through – it is highly unlikely that all of the savings projected to be achieved through the Programme will be fully achieved within the scheduled timescales. As far as possible this is planned for by the Team, with plans flexed to 'over achieve' savings in some areas, to mitigate areas where savings are unlikely to be achieved; the Council also needs to be prepared to continue using reserves to give the Programme time to achieve its objectives, although the potential to use these further is limited. It is imperative that there is strategic focus maintained to enable a challenging

budget strategy to be delivered. We have raised a number of detailed findings, as summarised below:

- *Scope and Change Control/Prioritisation:* detailed plans are in the process of being produced. As these are finalised, projected savings need to be linked to deliverables at the most granular level possible and reconciled back to overarching savings. To maximise the likelihood that overall savings will be achieved, formal change control needs to be implemented; specifically where changes to the scope impacting on projected savings, alternative savings must be identified and planned for. A related issue is prioritisation, for example focussing on initiatives with limited cashable benefits. Effectively for small initiatives the focus needs to be getting them in place as quickly as possible without getting bogged down, releasing time to focus on areas offering greater financial benefits, for example savings within Adult Social Care. To help inform prioritisation, savings associated with each initiative should be categorised, both in terms of timeframe and the likelihood of being achieved. We also noted that, while supported by the Organisational Change Team, the primary responsibility for identifying saving areas sits with service areas, the Corporate Management Team (CMT) and ultimately with the elected members. While to some extent this is inevitable, revisiting how this process is managed and the level of input from the Team into decision making is worth revisiting.



Due to the urgency and scale of savings required the focus has been on savings, rather than revenue generation to date. Due to the scale of the funding shortfall revenue generation needs to be given equal priority. For example identifying where there are likely to be future revenue generating opportunities, such as in relation to the Council's property portfolio. We were informed that the Council has recently engaged an external specialist to help identify opportunities in this area. We have raised this area as a **medium risk** finding.

- *Support from Back Office Services:* all back office services (IT, HR, Finance, Legal and Procurement) are involved in supporting transformation to varying extents – good progress has been made particularly with IT and Finance. However the level of support is not consistent and the approach taken when transforming services is not integrated. The Council has a wealth of expertise in-house, this needs to be used in a focussed, coordinated manner to maximise the likelihood of the Programme being successful. When the Organisational Change Team goes into a service they need to be supported by officers with the right skills, for example IT leading on technical issues, HR on staff and Legal providing timely advice when required, with the overall 'effort' coordinated by Organisational Change – utilising all the skills and resources the Council has internally is absolutely key to the success of the Programme. Related to this, further short term secondments to the Team should be investigated, attendance at meetings reviewed and support services required to provide whatever the Organisational Change Team need; for example streamlining processes to avoid delays and providing advice/support to address any issues as they are identified. We have raised this area as a **medium** risk finding.
- *Governance Framework:* as noted above the Programme is run with a minimum level of Project Management 'overhead'. While this is a pragmatic decision there are areas where the Programme would benefit from more formality being introduced; for example Stakeholder Management: mapping stakeholder current and desired positions and coordinating effort to ensure that stakeholders are advocates for the Programme where required and updating risk registers for all projects and implementing central oversight, potentially through using the JCAD Risk Management system. Integrating the Council's wider approach to performance management (one of the responsibilities of the predecessor Business Improvement Team) with performance reporting associated with the Programme should also be investigated. We have raised this area as a **medium** risk finding.
- *Resourcing:* the core team are in place and have been provided with PRINCE2 training, to address gaps in Project Management skills. There are some residual issues regarding staff having business as usual responsibilities but these are in the process of being addressed. The main resourcing issue is in services which are being 'transformed', with some services having lost key individuals, for example both team leaders in Planning have recently left the Council. This causes issues, both from a knowledge/corporate memory perspective and necessitating Organisational Change staff getting involved in

the 'doing' where their focus should be on 'facilitating' transformation, particularly with future budget reductions likely. This could be partially addressed through taking a more integrated approach (see finding summarised directly below) but there may be a case for engaging external expertise, although we acknowledge this would entail additional cost.

To make best use of individual/skills within Organisational Change, the Team are in the process of implementing matrix management, with a booking management system and weekly meetings attended by senior Team members recently implemented. This is a sensible decision and matrix management is widely used, for example Internal Audit use this approach when resourcing our programme of work across our client base. For this to work effectively there must be appropriate support mechanisms in place, for example time budgets linked to deliverables and monitoring of staff time against projections. To manage booking conflicts and assist with prioritisation it is also worth considering assigning responsibility for managing resourcing to a specific individual within the Team. We have raised this area as a **low risk** finding.

Executive summary – Delivering Differently in Partnership

Report classification  Low Risk	Trend  This is the first time the Delivering Differently in Partnership Project has been reviewed.	Total number of findings					
			Critical	High	Medium	Low	Advisory
		Control design	0	0	0	0	0
		Operating effectiveness	0	0	0	0	0
		Total	0	0	0	0	0

Summary of findings:

This review was carried out as part of the 2015/16 Internal Audit Plan, agreed by the Audit Committee. In order to deliver an effective fire and rescue service on the Island, in the most efficient manner possible, the Council has decided to pursue a strategic partnership with Hampshire Fire and Rescue, managed under the umbrella of the Delivering Differently in Partnership (DDIP). Initial work has been completed, the ongoing alignment/integration being phased from 2015/16 onwards. The purpose of this audit was to review the management of the Project, across the following key areas of effective project management:

- Work and Schedule.
- Business Benefits.
- Risk Management.
- Scope.
- Stakeholders.
- Project Team.

Previous internal audit reviews have concluded that the Isle of Wight Fire Service demonstrated a consistently high standard of project management procedures and controls over the projects selected for review by internal audit; this trend continues with the current DDIP Project, our review identifying good practice across all areas:

Work and Schedule

A comprehensive project plan in MS Project was provided for our review, along with detailed product descriptions setting out the work to be completed in the first phases of the Project. The Project products are:

- Strategic Leadership
- Data & Knowledge Management and Fire Control Services
- Fleet Management
- Service Policy and Tactical Operational Guidance
- Incident Command Alignment
- Training & Development and Training Support

These link back to the original business case and set out key components of each work stream, its benefits and how it they will be achieved. There have been some minor changes to scheduling regarding the Fleet Management aspects of the Project. These have the potential to bring related projected benefits forward, rather than impacting adversely and have been correctly managed through the Project Board – overall there has not been any slippage which has the potential to delay the planned project delivery timeline.

Cost wise, the initial savings have been achieved, largely through the transfer of senior Fire Service posts to Hampshire – as specified in the business case and product description on Strategic Leadership, identified above, ‘Hampshire Fire & Rescue Service to deliver Isle of Wight Fire & Rescue Service Chief Fire Officer and senior leadership functions at an agreed cost per year’, the previous cost of strategic leadership being £401,252 per year, Hampshire charging £134,450 per year, leading to a net saving for the Isle of Wight Council of £266, 802 per year. The Quarter 1 invoice for 2015/16 from Hampshire Fire & Rescue Service for strategic management of the service has been received and is at the expected level.

Often product descriptions will contain a specific section covering quality, for example setting out quantified criteria covering the ‘quality’ expected to be achieved. The documentation provided for our review does not contain specific sections covering quality, however it is implicitly covered in other sections, for example all product description contain a section headed ‘What will this look like?’.

We also noted that the Business Case identifies that ‘a funding bid of £941,000 will be made to assist in the implementation of the Delivering Differently in Partnership over a 5 year period’. While this is to cover subsequent Project phases this funding may not be forthcoming; this is covered further below.

Business Benefits

These are clearly set out in the DDIP project business case provided for our review; key benefits being service resilience and cost savings. Highlight report templates (the pro-forma documents which are produced at regular intervals by the Project Manager to report progress and project status, for example to the Project Board) include reporting of benefits, with initial savings having been achieved. The Project Board is managed in line with good practice, for example:

- Has agreed terms of reference, clearly setting out its membership and remit; membership includes senior representation from both the Isle of Wight and Hampshire.
- Meets on a monthly basis.
- Has agendas which are published in advance and minutes which are circulated as an accurate record of each meeting.

Risk Management

High level DDIP risks are set out in the business case, with administrative management of the risks undertaken by the Council’s JCAD system; all risks have appropriate mitigations in place and highlight reports cover risk status. The risk status reports are considered at regular meetings of the Project Board, as set out above. We did note that the latest highlight report (September 2015) has three project delivery performance metrics rated as amber (time, savings and risk) and that there has been some slippage regarding four control measures, as detailed below:

- Standardising operational command processes.
- Standardising operational policies and procedures.
- Ensuring regular communication to operational management.
- Assignment of financial tolerances to individual project products.

This is covered further below.

Scope

This is clearly set out in the DDIP Project business case and in the documents identified under work and schedule above, for example the project plan; there has been one change to scope to date, regarding Fleet Management, this has been correctly managed through Project Board.

Stakeholders

There has been good communication to date with stakeholders, for example the briefings which have been provided to Isle of Wight councillors. The results of the initial online survey with Isle of Wight Fire and Rescue staff has also been shared with us, with further surveys planned with staff as the project progresses. The majority of staff recognise the need for the Project and accept that there are likely to be at least some benefits associated with the Project (69% of staff). However there is clearly a minority of staff who have a negative view of the Project, with staff raising a number of valid concerns, for example the potential for loss of independent Island control; this is covered further below.

Project Team

A Project Board, with agreed terms of reference and which meets regularly, overseeing the Project, is in place. We were also provided with a Project team structure chart, which clearly identifies where responsibilities for key project tasks are assigned and noted that there is a dedicated DDIP Project Manager in place. We also noted that Hampshire Fire and Rescue Service have their own PMO (Project Management Office), which is providing project assurance and support to the DDIP Project.

While we have not raised any specific findings regarding the project management procedures and controls over the DDIP Project, there are a number of areas which will need to be carefully managed as the Project progresses, as summarised below:

- Although out of scope for this review, as above the business case identifies a future funding bid for £941,000 from central government. This funding is not certain and, at the appropriate time, the project team will need to identify alternative options for the successful delivery of the Project in the event that the bid is unsuccessful.
- While quality is implicitly covered in product descriptions it is not explicitly covered as a separate section, the approach taken in the Isle of Wight Council's templates. While this is in line with the standard project management approach and templates used by Hampshire, raising and discussing how this is managed at the next meeting of the Project Board should be considered.
- As identified above the initial survey of Isle of Wight Fire and Rescue staff identified a number of concerns, for example the potential for loss of Independent Island control. This should feed into future planned surveys, with appropriate communication to reassure staff that their concerns are noted and being responded to appropriately as the Project progresses.
- The highlight report for September 2015, covering June to September 2015, does rate three Project areas as amber: time, savings and risk. While these are not immediate areas for concern they should continue to be closely monitored. Regarding the slippage in control measures identified above we are pleased to report that we have received an updated Project Risk Register and that the all actions are now up to date.

We observed that HCC templates are now being used for key documentation, for example highlight reports, and that there is limited ongoing involvement from Isle of Wight Council staff with the Project, beyond Island based members of the Fire Service. However we were informed by key staff, when appropriate, relevant staff from the Council will be involved and attend meetings covering the delivery of Project products in scope for each Project phase, for example the Council's Head of IT for IT related elements and that the Council, both senior management and councillors, will be kept informed as the Project progresses. Key mechanisms include reporting to the Corporate Management Team, through line management by senior Fire and Rescue staff, regular reporting to Executive and Full Council by the Executive Member for Public Protection and PFI and financial monitoring and oversight from the Budget Accountant responsible for the Fire Service within the central finance team. In addition to meeting with key Project staff we have reviewed relevant papers presented to the forums identified above where these are available.

Classification of report findings





Assessment rationale

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

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

Report classifications

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

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

Appendix 1 -Progress on the 2015/16 internal audit plan

Audit name	Fee	Current Status	Report classification for those audits completed
Adult Safeguarding	£7,016	Fieldwork	-
Benefit Payments	£4,618	Final Report	Low Risk
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	Fieldwork	-
Economic Strategy	£7,016	Fieldwork	-
Fire Partnership Project	£7,016	Final Report	Low Risk
Flood and Water Management Act Responsibilities	£7,016	Planning	-
Fraud & corruption arrangements	£7,016	Final Report	N/A
Hampshire Strategic Partnership	£7,016	Planning	-
Highways PFI	£7,016	Planning	-

Audit name	Fee	Current Status	Report classification for those audits completed
IT application: Northgate	£7,016	Planning	-
IT application: SAP	£7,016	Planning	-
IT Network Security	£8,892	Final Report	Medium Risk
IT Strategy	£7,016	Final Report	Medium Risk
Key Financial Systems	£8,228	Planning	-
Local Taxation	£4,618	Fieldwork	-
Pensions Governance	£4,618	Planning	-
Property Assets*	£7,016	Postponed to 2016/17	-
Schools' Audits	£5,311	Fieldwork	-
Transformation Programme	£7,016	Final Report	Medium Risk
Value for Money	£4,618	Fieldwork	-
Waste	£7,016	Fieldwork	-

* As covered in the Summary of progress against 2015/16 plan above our scheduled review of Property Assets has been postponed to quarter one 2016/17, resourced freed being used to increase the seniority of staff and coverage of our quarter two fraud review and additional work on the Rural Broadband Project.

Appendix 2 - 2015/16

Internal audit performance against key performance indicators

Key performance indicator	Adult Safeguarding	Benefit Payments	Business Continuity, IT Disaster Recovery and Data Centre Contract management	Coroners	Destination Management Organisation	Economic Strategy	Fire Partnership Project	Flood and Water Management Act Responsibilities	Fraud & corruption arrangements	Hampshire Strategic Partnership	Highways PFI	IT application: Northgate	IT application: SAP	IT Network Security	IT Strategy	Key Financial Systems	Local Taxation	Pensions Governance	Property Assets*	Schools' Audits	Transformation Programme	Value for Money	Waste
Scope agreed prior to fieldwork commencing?	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
Draft report issued within 10 working days of completion of exit meeting?	-	Y	-	-	-	-	Y	-	Y	-	-	-	-	Y	Y	-	-	-	-	-	Y	-	-
Draft report issued within 10 working days of receiving documentation from auditee?	-	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	9.8	-	-	-	-	-	-	-	-

* As covered in the Summary of progress against 2015/16 plan above our scheduled review of Property Assets has been postponed to quarter one 2016/17, resourced freed being used to increase the seniority of staff and coverage of our quarter two fraud review and additional work on the Rural Broadband Project.