Isle of Wight Council Internal Audit Risk Assessment and Plan 2017/18

Distribution List	
For action	Audit Committee
For information	John Metcalfe, Chief Executive Chris Ward, Director of Finance and Section 151 Officer Heads of Service

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1. Introduction and Approach

Introduction and Context

This document sets out the Internal Audit Risk Assessment and Audit Plan for the Isle of Wight Council for the financial year 2017/18.

During 2016/17 there have been a number of important strategic developments at the Council:

- Entering a partnership arrangement with Portsmouth Council for the provision of the Section 151 Officer.
- The appointment of a new Director of Adult Social Care.
- The signing of an agreement with Southampton and Portsmouth councils to work together to progress the Solent devolution deal.
- A new and innovative approach to the Council's medium term financial strategy, including a debt repayment holiday, to allow the Council to make savings over a longer time period and the creation of a commercial property acquisition fund of £100 million, to return longer term revenue from these investments for the Council.

While the Council still needs to make further savings of £24 million over the next four years there is an increased focus on revenue generation to enable this to be achieved. In addition to the investment fund identified above, the Council has also published a new Regeneration Strategy – this aims to realise an additional £15 million per annum in increased council tax, business rates and new homes bonus, as well as creating 12,000 new jobs over a 10 year period. The Council believes that collectively these initiatives have the potential to make a significant contribution towards closing the budget gap, reducing the level of cost reductions and service reductions which would otherwise be necessary.

Internally the new Chief Executive has recently launched the 'Believe in Great' initiative, with a series of presentations to all staff, focussing on the on the pillars of regeneration, growth and productivity.

While management have grounds for optimism regarding the Council's long term future, the Council still faces significant challenges in the medium term, specifically it needs to both increase its revenue and achieve balanced savings to ensure that it remains viable – the success of the initiatives above are key to this being achieved. It is also important to note that 2017 is an election year, which introduces an inevitable degree of uncertainty to the Council's future strategic direction.

During 2016/17 Internal Audit has continued to be responsive to the needs of the Council as these evolve, flexing both the scope and scheduling of audit to ensure these best meet the needs of the Council – this trend will continue into 2017/18.

The two key themes of our work in 2017/18 are:

- *Business as Usual*: ensuring that the core functions of the Council continue to operate robustly and effectively during times of change. For example our annual reviews of the Council's key financial systems, benefit payments and management of local taxation.

- *Supporting the Council's change agenda*: strategic reviews, for example ensuring that the Council is using areas such as planning policy to support its regeneration aspirations and more operational level reviews, for example of the mechanisms in place to ensure IT is aligned with business need and the management of front line call handling in the Call Centre.

More detail on individual 2017/18 reviews is provided in the Risk Assessment and Audit Plan sections of this document.

External Audit Reliance on Internal Audit Work

Following the trend established over the last six years, we have continued to liaise closely with our external audit colleagues regarding the Council's risk profile, ensuring that we plan a programme of work which responds to this effectively. This has enabled us to flex the areas we focus on and the intervals between our audits, freeing up time within the plan for us to focus on other areas of risk, for example change stemming from the Transformation Programme. Throughout this process we have maintained sufficient audit coverage, to enable reliance on our work and minimise the Council's External Audit fees. This will continue into 2017/18, with Ernst & Young staff spending time reviewing Internal Audit working papers during late quarter four, to ensure they can be relied on.

Central Government Expectations/Legislative Requirements and changes to Council Responsibilities

Internal auditors of Local Government organisations must follow the Public Sector Internal Audit Standards (PSIAS). Under these standards, the annual Internal Audit opinion must conclude on the overall adequacy and effectiveness of three elements, these being the organisation's framework of governance, risk management and control.

The Council's Head of Internal Audit must ensure sufficient work is undertaken on each element to support the annual Internal Audit opinion. A key area of the Council's governance arrangements is ensuring that change is well managed, as covered by the narrative above. However, it is for the Head of Internal Audit and Audit Committee to determine whether sufficient work is planned and completed on each element to meet the requirements of the PSIAS. Detailed mapping of our scheduled reviews to governance, risk management and control elements is set out in appendix four.

Approach

The Internal Audit service will be delivered in accordance with the Internal Audit Charter. A summary of our approach to undertaking the risk assessment and preparing the Internal Audit plan is set out below. The Internal Audit plan is driven by the Council's organisational objectives and priorities, and the risks that may prevent the Council from meeting those objectives. A more detailed description can be found in appendix six.

Step 1 Understand strategic priorities and risks	• Obtain information and utilise sector knowledge to identify corporate level objectives and risks.
Step 2 Define the audit universe	• Identify all of the auditable units within the Council. Auditable units can be functions, processes, locations or applications.
Step 3 Assess the inherent risk	• Assess the inherent risk of each auditable unit based on impact and likelihood criteria.
Step 4 Assess the strength of the control environment	• Assess the strength of the control environment within each auditable unit to identify auditable units with a high reliance on controls.
Step 5 Calculate the audit requirement rating	• Calculate the audit requirement rating taking into account the inherent risk assessment and the strength of the control environment for each auditable unit.
Step 6 Determine the audit plan	• Determine the timing and scope of audit work based on the Council's risk appetite.
Step 7 Other considerations	• Consider additional audit requirements to those identified from the risk assessment process.

Fees and budget

This is the second year of the current five year Internal Audit contract with our co-source provider. In common with other services, Internal Audit has contributed to the Council's wider cost savings requirements with a reduced annual fee of £184,222 from 2015/16. In a period of generally increasing cost and demand and reduced funding, internal audit will continue to deliver a PSIAS (Public Sector Internal Audit Service) compliant Internal Audit service within our annual internal audit budget.

However it is important to highlight that given there is a limited internal audit budget our proposed coverage does not purport to address all key risks identified across the audit universe as part of the risk assessment process. Accordingly, the level of Internal Audit activity represents a deployment of limited Internal Audit resources and in approving the risk assessment and Internal Audit plan, the Audit Committee recognises this limitation. Therefore, auditable units have not necessarily been reviewed in line with the cycle suggested by the risk assessment process and where this is the case we have noted this in section 3 of this plan.

Other sources of assurance

In developing our Internal Audit risk assessment and plan we have taken into account other sources of assurance provided to the Council and have considered the extent to which reliance can be placed upon these other sources. Other sources of assurance for each auditable unit are noted in our risk assessment in section 3 of this document, and a summary is given below.

The other sources of assurance for the Council are as follows:

- External audit work,
- Ofsted inspections,
- CQC inspections,
- ISO accreditations,
- Lexcel practice management standard inspections.

We do not intend to place reliance upon these other sources of assurance but will review the impact of any findings from them on relevant audits we are due to undertake. We will not propose to duplicate assurance provided via other sources to the Council in our plan.

Key contacts

Consultation has been carried out with the following key personnel during the planning process:

John Metcalfe
Chief Executive

Chris Ward
Director of Finance and Section 151 Officer

Claire Shand
Head of Resources

Jo Thistlewood
Technical Finance Manager (Head of Internal Audit)

Chris Mathews
Strategic Manager – Organisational Change & Corporate Governance

Alex Minns
Head of Commercial Services

Ashley Curzon
Strategic Manager - Economic Development and Strategic Assets

Steve Crocker
Director of Children's Services

Executive and the Audit Committee

Claire Foreman
Interim Head of Adult Social Services

Bill Murphy
Head of Contract Management

Gavin Muncaster
Strategic Manager – ICT & Digital Services

Sharon Betts
Strategic Manager – Business Centre

Kerry Hubbleday
Strategic Manager – Financial Management

Rida Elkheir
Director of Public Health

Wendy Perera
Head of Place

Helen Miles
Strategic Manager, Legal Services & Monitoring Officer

External Auditors/EY

2. Audit Universe

The diagram below represents the high level auditable units within the audit universe of the Council. These units form the basis of the Internal Audit plan.
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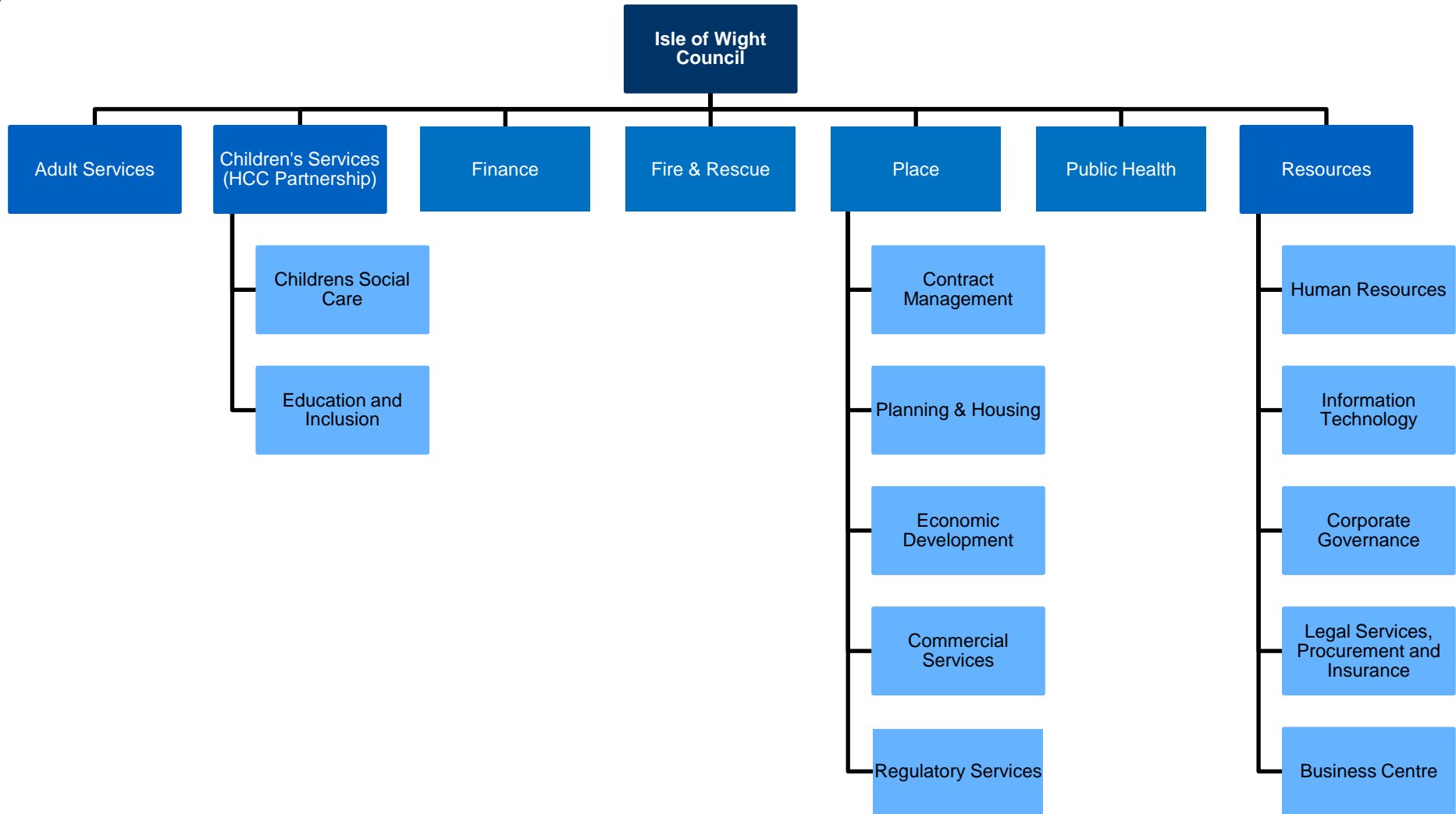
3. Internal Audit Plan and Indicative Timeline

The following table sets out the Internal Audit work planned for 2017/18. Costs given are indicative only. We will flex available resourcing within the overall envelope of the agreed contract price (£184,222), to ensure that it is used in the most efficient and effective manner possible.

Ref	Auditable Unit	Indicative cost	Q1	Q2	Q3	Q4	Comments
A	**Adult Social Care**						
A1	Adult Social Care Contracts	£7,550		●			This review will focus on ensuring that Adult Social Care contracts are managed as specified within signed agreements. Specifically that there is sufficient detail identified in agreements and that charges levied by providers are in line with payment schedules. The key areas with contracts in place are: • Adult Residential Care • Home Support • Learning Disability Residential Care • Nursing Care Contracts • Occupational Therapy • Carers Service • Sensory Impairment In consultation with the review sponsor we will carry out testing of a sample of contracts in place.
A5, B1.5	Beaulieu House and Riboleau House	£5,450		●			A joint review of Beaulieu House and Riboleau House: • Beaulieu House is a children's residential and respite service for children and young people with varying complexity of needs such as autism, severe learning difficulties, cerebral palsy, ADHD (Attention Deficit, Hyperactivity Disorder) and behaviours which challenge society.

Ref	Auditable Unit	Indicative cost	Q1	Q2	Q3	Q4	Comments
							• Riboleau House is an adult day centre, providing a range of activities for adults with mental health needs, to recover and to maintain their wellbeing in the community. This audit will focus on the financial management of these two establishments, covering both the design and operating effectiveness of controls. We will also assess arrangements in place to ensure the establishments are providing Value for Money (VfM).
A6	Vanguard	£10,522		●			The Island has been selected to be one of 29 areas to benefit for Vanguard funding. The Island Vanguard pilot aims to bring together social care services provided by the Council, NHS, voluntary and third sectors to ensure that these are provided in the most effective and efficient manner possible. This audit will review the progress of the Vanguard initiative to date. We will focus on the degree to which projected benefits have been realised and the robustness of associated governance, reporting and monitoring arrangements.
B	**Children's Services**						
B2	**Education and Inclusion**						
B2.1	Schools' Audits	£5,450			●		To help provide assurance against the key Council objective of 'Keeping children safe and improving their education' we will undertake a rolling programme of regularity audits on five schools; this can be very effective as a way of benchmarking schools and improving practices. We will discuss with management which schools to review based on changes in the Head Teacher, performance issues or prior audit findings. We will review compliance with finance policy, financial regulations and standing orders; segregation of duties between staff responsible for authorising orders, verifying receipt of goods and services and certifying invoices for payment; income generation activities; and accuracy and timeliness of bank reconciliations. We will provide a report summarising the findings from our schools audits that can be shared across all Island schools thus promoting enhanced processes and improvement in control across all schools.
C	**Financial Management**						
C2 C3 C8	Key Financial Systems	£12,800	●	●	●	●	To make best use of available audit resource we have combined key financial systems into a single, cross cutting review, covering: • *Cash and Bank*: cash collection, banking and adequacy of the cash/bank reconciliations. • *General Ledger*: financial reporting and budgetary control arrangements.

Ref	Auditable Unit	Indicative cost	Q1	Q2	Q3	Q4	Comments
G5.5 G5.6							• *Payroll*: payments are genuine, properly recorded and accounted for. • *Creditors*: orders for goods and services are properly authorised and placed and correctly accounted for. • *Debtors*: income due is properly identified, collected and accounted for. We will implement our continuous auditing approach in 2017/18. This innovative system involves the testing of key controls on a quarterly basis, reporting trends throughout the year. The result is increased real time reporting to the Council.
C7	Treasury Management	£5,450				●	The review will include assessing the Council's loans and investment policies and cash flow forecasting adequacy to verify funds are being invested correctly and appropriately to maximise returns for the Council with minimum risk to funds.
E	**Place**						
E1	**Contract Management**						
E1.4 E1.5	Contracts/Grant Sourced Spend	£7,550				●	This audit will focus on medium sized contracts; specifically that the Council has identified key expectations as to how these should be managed and that appropriate support/oversight is in place corporately to ensure these are correctly managed. Our work will also assess the degree to which benefits projected to be achieved by new arrangements in this area (which are currently pending) have been achieved. As part of this review we will also review the arrangements the Council has in place to oversee grant sourced spend, sourced through the prospectus based approach, for example agreements in place covering the 'youth offer'.
E2	**Planning and Housing**						
E2.9	Development Control	£5,450	●				Development Control is responsible for overseeing the Planning Process on the Island, to ensure that development is carried out lawfully. This audit will review the design of processes in place to manage the Planning Process, sample testing a subset of planning applications to ensure these have been managed in line with documented processes. To best align with the needs of the Council this review will be scheduled in quarter three.

Ref	Auditable Unit	Indicative cost	Q1	Q2	Q3	Q4	Comments
E2.11	Housing / Safe & Secure Homes	£5,450	●				Eligibility requirements regarding the housing list on the Island have recently been revised, to prioritise those with an Island connection. This audit will review the design of processes associated with managing the housing list, also including sample testing to ensure that the housing list is managed in line with documented processes. To best meet the needs of the Council this review will be scheduled in quarter one.
E3	**Economic Development**						
E3.2 E2.12	Regeneration/ Strategic Support	£7,550			●		The Council has recently created a Regeneration Team and published a new Regeneration Strategy. To maximise the successful achievement of benefits associated with this initiative it will be necessary to fully leverage the Council's wider resources and ensure these link appropriately to the Council's overarching approach to regeneration. Two of the key areas with the potential to significantly contribute to regeneration are economic and planning policy. This review will assess the degree to which the Council's Economic Strategy and approach to Planning Policy support regeneration, identifying any gaps and potential enhancements for consideration.
E4	**Commercial Services**						
E4.4	Cowes Floating Bridge	£5,450				●	A new £3.5 million floating bridge, funded by the Solent Enterprise Partnership, is scheduled to come into service is early 2017. In parallel with this new technology is scheduled to be put in place, to remove the need for payments to be made with physical cash. This audit will take place in quarter four, by which time the new arrangements will have been operating for a number of months. Our work will assess the degree to which projected benefits from this investment are being realised, specifically the achievement of income targets to justify the investment made and associated monitoring and reporting arrangements.
E5	**Regulatory Services**						
E5.3	Trading Standards	£5,450			●		Trading Standards are responsible for managing a number of statutory schemes on the Island, for example ensuring that retail outlets comply with legal requirements regarding weights and measures. This audit will review both the design of associated processes and sample a subset of inspections and enforcement actions carried out in year, to ensure these have been carried out in line with documented processes. To best meet the needs of the Council this review will be scheduled in quarter one.

Ref	Auditable Unit	Indicative cost	Q1	Q2	Q3	Q4	Comments
E5.1	Environmental Health	£5,450			●		Environmental Health is responsible for enforcing standards relating to food, health and safety and environmental protection. This audit will review roles and responsibilities to ensure these are clearly documented, identifying any gaps which may exist. We will also sample test a subset of inspections and enforcement actions to ensure that they are carried out consistently, in line with documentation.
F	**Public Health**						
F1	Public Health	£7,550				●	This audit will review progress implementing the new contract supporting Public Health services; specifically we will focus on the degree to which projected savings have been achieved and plans in place to ensure remaining savings will be achieved on schedule. Main contract areas are listed below: • Sexual Health • Health Visitors and Public Health Nurses • Workplace Health Improvement • Integrated Substance Misuse • GP contracts • Pharmacy contracts
G	**Resources**						
G1	**Human Resources**						
G1.4	Recruitment	£5,450		●			This review will focus on recruitment processes, covering both the design of processes, to ensure these are as effective and efficient as possible and that these are being carried out as documented, for example that DBS checks are carried out in a timely manner as and when required.
G2	**Information Technology**						
G2.3 G2.10	IT Change & Configuration Management/Asset Management and IT Governance arrangements	£7,550	●				This audit will review the Council's approach to managing its IT asset portfolio, from acquisition to disposal. We will also review IT Governance arrangement, for example upwards reporting of performance management and corporate expectations of how services will manage their IT, to ensure this is being carried out in line with expectations.

Ref	Auditable Unit	Indicative cost	Q1	Q2	Q3	Q4	Comments
G3	**Corporate Governance**						
G3.1 G3.3 G3.6	Corporate Governance/ Service Planning	£7,550			●		New arrangements regarding how core governance, for example risk and performance management and the service planning cycle, are supported and overseen are scheduled to come into effect during early 2017/18.
							This audit has been scheduled in quarter three and will focus on how well these arrangements are working. Specifically we will:
							• Review the overarching arrangements and guidance provided to the wider Council (covering risk and performance management, reporting and service planning) to ensure that expectations are clear and have been communicated appropriately to the wider Council.
							• Carry out sample testing of a subset of service areas, to ensure that corporate expectations are being complied with.
G3.4	Fraud and Corruption	£7,550			●		A new Anti-Fraud Policy is scheduled to be finalised during early 2017. This audit will review the process of implementing this policy, for example ensuring that its requirements have been appropriately highlighted to staff. We will also carry out sample checking of key expectations such as maintaining the gifts and hospitality register to ensure this is being correctly managed.
G4	**Legal Services, Procurement and Contract Management**						
G4.3	Information Management/ IG Toolkit	£7,550	●				Due to the need to hold Social Care records, the Council is classified as Hosted Secondary Organisation with regard to the NHS Information Governance Toolkit. This sets out specific requirements which the Council has to have in place. This review will check evidence available to support the assertions made in the Council's Information Governance Toolkit Self-Assessment, to ensure they are valid.

Ref	Auditable Unit	Indicative cost	Q1	Q2	Q3	Q4	Comments
G5	**Business Centre**						
G5.2	Benefit Payments	£5,450			●		The review will examine the benefit application process, verifying that adequate evidence is obtained; claims are processed on a timely and appropriate basis, calculations are determined in accordance with guidance and payments are appropriately approved. We will also check new benefit claims; change of circumstances, back dated claims and extended payments including reviews of debt recovery action relating to overpayments. This review will assess the Council's response to the introduction of Universal Credit, helping to ensure that the Council has a process in place to identify, plan for and implement the mechanisms necessitated by the move to Universal Credit.
G5.8	Local Taxation (Council Tax and NNDR)	£5,450			●		The review will consider whether there are cost effective methods for the public to pay their Council Tax and NNDR, that amendments to valuations are promptly actioned and regularly reconciled, bills are issued mid-March, collections are posted daily and suspense accounts are cleared frequently. We will verify that the collection rates are regularly monitored, adequate debtor collection is undertaken and that details are accurately fed into the main accounting system.
H	**Cross Cutting**						
H12	Emergency Management: Business Continuity	£7,550	●				This audit will review progress implementing revised corporate expectations for how services approach business continuity. As part of this review we will sample check plans in service areas, to ensure that they are fit for purpose.
H13	IT: Alignment with Business Need	£7,550			●		This review will focus on ensuring that IT is appropriately supporting the Council's digital transformation and processes in IT to align with business need. Specifically we will look at the processes for requesting work, to ensure that the benefits of requests are assessed objectively, with the focus on prioritised requests with the greatest projected business benefits. We will also review associated mechanisms to ensure that IT remains focussed on achieving business benefits as work progresses.
H6	Application System: SAP	£5,450				●	This review will ensure that core IT processes applicable to the SAP system, for example access control and change management, are correctly managed, both from a design and operating effectiveness perspective.

Ref	Auditable Unit	Indicative cost	Q1	Q2	Q3	Q4	Comments
	Additional Items						
	Audit management, including planning, contract meetings, Audit Committee attendance and preparation of the Head of Internal Audit Opinion	£20,000	●	●	●	●	Audit needs assessment: We will use this time to meet with key individuals and review documentation which will inform our development and drafting of the annual risk assessment and Internal Audit plan. Management, planning and liaison: Ongoing communication with you is of paramount importance, and we will use this time to attend regular programmed updates with you. We will also supplement this with informal communications on an ad-hoc basis as well as attend the key committees and meetings. Head of Internal Audit Opinion: We will use this time to support the Head of Internal Audit with the Annual Audit Report and Opinion.
	Follow-Up	-	●	●	●	●	Follow-up will be managed outside of the co-sourced contract.
Total Cost		**£184,222**					

Ref	Optional Reviews	Indicative cost	Example scope
B1.3	Adoption and Other Forms of Permanence	£5,450	This audit will focus on the Council's management of adoption and other forms of permanence, for example special guardianship agreements. We will review team plans, to ensure they link appropriately to service wide plans and carry out sample testing of adoptions and other forms of permanent arrangements, to ensure they have been carried out in line with agreed procedures, to achieve the best possible outcome for the children affected.
E4.1	Bereavement Service/ Crematorium	£5,450	Bereavement Services are responsible for managing Council run cemeteries, for example in Ryde and Newport and the crematorium in Newport. This audit will focus specifically on arrangements in place at the Newport Crematorium. Our work will focus primarily on the management of income, for example the invoicing of funeral directors and associated recovery action to ensure that payment is received for services provided. We will also confirm that adequate succession planning is in place, as this area has been flagged as particularly reliant on long serving members of staff, nearing retirement.
G5.3	Blue Badges	£5,450	Blue Badges are available automatically to individuals who have significant mobility issues, for example if in receipt of the higher rate of the Mobility Component of the Disability Living Allowance and on a discretionary basis for less severe mobility issues. This audit will focus primarily on enforcement action, specifically how any potentially fraudulent activity/misuse is identified and addressed in collaboration with partnership organisations, for example the police.
H14	Business Resilience	£8,000	It is likely that the Council will continue to face ongoing, significant reductions in its revenue funding for the foreseeable future. A key element of good financial planning is 'stress testing' arrangements for a variety of different scenarios, to ensure that an organisation has appropriate plans in place to ensure its ongoing survival. This audit would review the Council's stress testing, reviewing the reasonableness of assumptions, validating calculations and ensuring that there are appropriate contingencies in place for all reasonable scenarios.
C1	Capital Accounting (Fixed Assets)	£5,450	This audit will review the capital accounting transactions relating to expenditure on fixed assets/capital projects (buildings, infrastructure, information communication technology, plant and equipment). It will focus on the processing accuracy of fixed asset transactions (addition, transfers and disposals), capitalisation and depreciation policies and reconciliation between various systems utilised for asset management. We would also review how the Council has responded to changed

Ref	Optional Reviews	Indicative cost	Example scope
			requirements from central government regarding how infrastructure assets are accounted for, specifically the highways network.
E1.3	Concessionary Fares	£5,450	Concessionary fares are a significant area of expenditure for the Council.
			This audit will review the Council's provision against statutory requirements, covering plans the Council has in place for efficiencies and identifying any further opportunities which may exist for consideration by management.
			This audit will review processes in place to manage the Concessionary Fares Scheme. We will sample test scheme payments, to ensure these are correct and in line with the requirements of the Scheme.
E4.7	Dinosaur Isle	£5,450	Opening in 2001, partially funded by a Millennium Commission grant, Dinosaur Isle hosts the Island's geological collections. Dinosaur Isle is the largest retail outlet still directly managed by the Council and includes the option for remote purchase of items, via a downloadable form on the museum's website.
			This audit would review arrangements in place to manage and maximise income, covering parking and retail sales, including goods ordered remotely and other income streams. We will also review management of stock control in the Dinosaur Isle shop.
G4.2	Electoral Services	£5,450	Electoral Services are responsible for managing both local and national elections on the Island and related activities.
			This audit would review the Electoral Services function against national guidance, with a particular focus on initiatives aiming to increase the turnout at elections.
G5.7 G5.13	Fleet and Facilities Management	£7,550	This audit would review two areas which have recently moved to the Business Centre: • *Facilities Management*: responsible for day to day management of the Council's occupied properties, for example physical access control. • *Fleet*: responsible for managing the Council's small fleet of vehicles; associated with this area the Council has wider responsibilities, for example ensuring that employees have business insurance where required. This audit would review the structure of these teams, helping to ensure that their responsibilities are adequately documented and consistently exercised. We will also review how 'self-insurance' is used for the fleet and sample test management checks of staff who require vehicle business insurance.

Ref	Optional Reviews	Indicative cost	Example scope
G3.4	Fraud Analytics	£15,500	The 2015/16 fraud review assessed a number of risks that the Council are facing against a backdrop of minimal counter fraud resources and low detection levels. An efficient and effective means of detecting fraud and other anomalies is through deploying data analytics. This involves matching and analysing internal data sets to identify anomalous patterns, transactions and relationships for follow up. This can be performed using software that is available free of charge or at a minimal cost to the Council, such as Microsoft Power BI. Analytics can be performed in high risk areas such as council tax, temporary accommodation, purchase cards, procurement, payroll, business rates, cash income and agency staff timesheets. There is also the potential for Council staff to be upskilled in using analytical software in order to develop the Council's fraud detection capabilities.
G5.4	Contact Centre	£7,550	The Contact Centre, along with the Council's website, is increasingly important as a primary channel for the Council's interactions with members of the public. However the Contact Centre is not immune from the Council's wider cost saving requirements, with two posts being removed in the last year. This audit will review the Council's plans to promote channel shift (i.e. to online resolution), looking at the reasons people are choosing to call the contact centre and help to identify further initiatives to reduce and manage demand for consideration. As part of this element of our work we will also review the reporting which is produced and how this is shared, to help ensure that senior management have access to good quality, timely information to help inform their decisions. As part of this audit we will also review the design of a high volume process (to be confirmed) managed primarily in the Contact Centre, making recommendations as to how it could be enhanced for consideration by management.
E1.6	Highways PFI - Delivery Phase Client Relationship	£7,550	This is one of the most high profile contracts the Council has in place. This audit would review the arrangements the Council has in place to ensure that the provider is meeting performance expectations and associated reporting arrangements.

Ref	Optional Reviews	Indicative cost	Example scope
E2.11	Better Care Fund (BCF)/ Joint Working With Health	£5,450	This audit will review services provided in collaboration with the NHS against the expectations of the partnership agreement. The primary focus of the review will be on ensuring that funding for each element is assigned to the correct partner, with Council funding focussed on social care outcomes. Our work will also encompass the management of the BCF on the Island. This is valued at £33 million, covering joint care initiatives between the Council and the NHS on the Island under a section 75 agreement, aimed primarily at reducing demand on NHS services. This audit will review controls in place to ensure that payments and the treatment of VAT have been correctly accounted for.
A4	Learning Disability	£5,450	This audit would review a sample of personal budget plans for adults with a learning disability, to ensure they are outcome focussed, specifically that services are directly linked to the achievement of quantified outcomes. Our work would also encompass ensuring that there is an appropriate action plan in place responding to the recent peer review and sample checking of actions, to help ensure that progress is on track.
E5.2	Licensing	£5,450	The Licensing Team are responsible for manging a number of statutory schemes, for example ensuring that taxi drivers on the Island are correctly licensed. This audit will review both the design of associated processes and sample a subset of licenses granted in year, to ensure these have been managed in line with documented processes.
H15	Local authority trading company	£8,000	One of the key work streams under the umbrella of the Transformation Programme is the setting up of a local authority trading company, to oversee commercial activity. This audit would review plans to date, specifically focussing on the benefits and savings projected to be achieved, helping to ensure that they are realistic and that realisation is on schedule.
E4.6	Newport Harbour	£5,450	Newport Harbour is the only statutory port operated by the Council. This audit will review arrangements for the collecting of fees, management of leases and licenses. We would review both the design of processes and carry out sample testing to ensure these are being managed in line with documentation.
H16	Project Management	£7,550	With the Council continuing to go through a period of significant change this audit will review arrangements to ensure that this change is well managed. Specifically we will review corporate expectation regarding project management, central support arrangements and review a subset of projects to ensure these are being managed in line with corporate expectations.

Ref	Optional Reviews	Indicative cost	Example scope
E4.12	Registrars	£5,450	Registrars are responsible for the registration of births, deaths, marriages and civil partnerships occurring on the Island, licensing venues where civil ceremonies may be solemnised and conducting civil ceremonies. This audit will review arrangements in place, covering roles, responsibilities, processing, income, monitoring and oversight to help ensure that the Service is as effective and efficient as possible.
G1.5	Sickness absence	£5,450	This audit will review corporate expectations as to how sickness absence is managed, including sample testing against corporate expectations in service areas and reporting and monitoring arrangements.
B1.3	Targeted Youth Support	£5,450	The central aim of Targeted Youth Support (TYS) is to help vulnerable young people early, to address their difficulties as soon as possible, and to prevent problems escalating. To support this service a contract is in place with a third party. This audit will review governance, reporting and monitoring arrangements to help ensure that the Council receives maximum value from this Contract.
H17	TrAction Support	£5,450	As part of the Internal Audit Contract the Council uses our co-sourced provider's audit action tracking system, TrAction. The Council are directly responsible for utilising TrAction to follow-up agreed internal audit actions, ensuring they have been correctly implemented. Oversight and management of follow-up procedures is currently carried out by the Head of Internal Audit. This resource would be used to enable the Council's co-sourced provider to take ownership of following up actions.
E1.9	Waste Contract	£7,550	This is one of the most high profile contracts the Council has in place. This review would review the arrangements the Council has in place to ensure that the provider is meeting performance expectations and associated reporting arrangements.

Appendix 1: Audit Activity by Quarter

Audits per Quarter

Q4 - 6
Q1 - 5
Q2 - 5
Q3 - 11
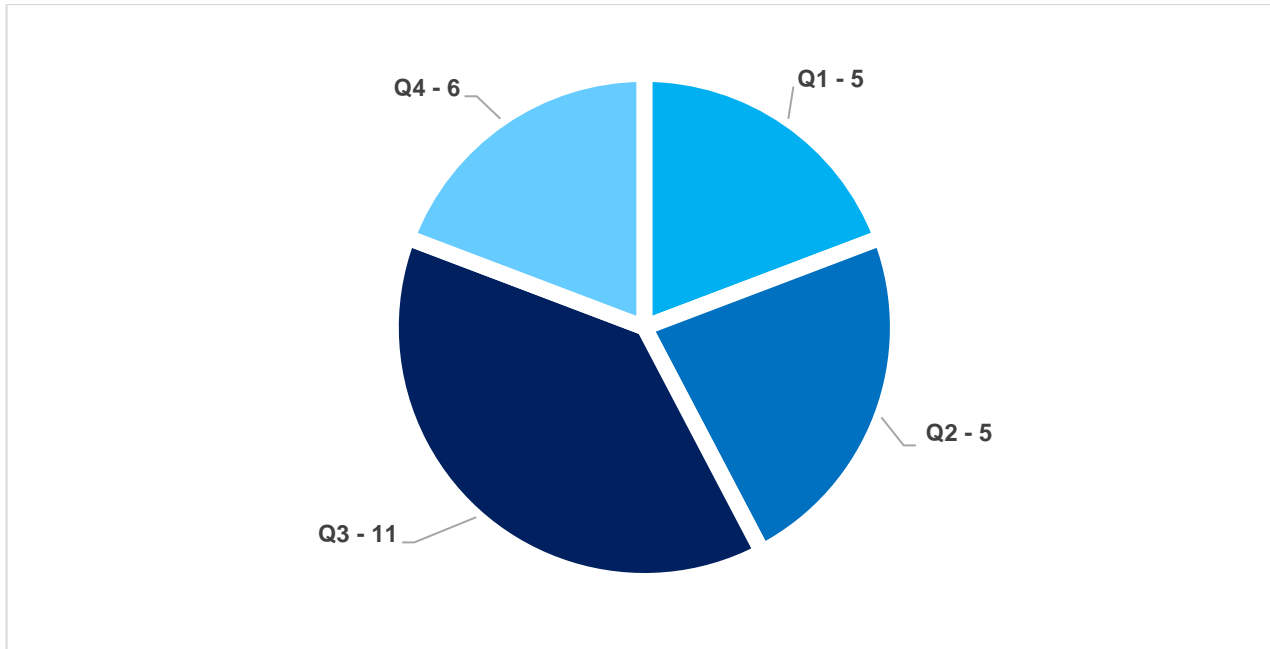
Appendix 2: Risk Assessment

Each auditable unit has been assessed for inherent risk and the strength of the control environment, different metrics being considered to assess general, project and computer applications, to ensure that that we reach as accurate as possible a view of the risk associated with each auditable unit. Detail regarding our methodology is provided in appendix five.

For the majority of auditable units below we have met with service leads as part of our planning process. However for a number of areas, for example the majority of Island schools, we have limited information available on which to base our assessment. Consequently, where this is the case, we have assessed impact, likelihood and control strength in the middle of the range available. As our knowledge of these areas increases in subsequent years these scores will be refined to be a more accurate reflection of risk, likelihood and control strength applicable to each auditable unit.

Overview Risk Rankings

Total Auditable Units: 133
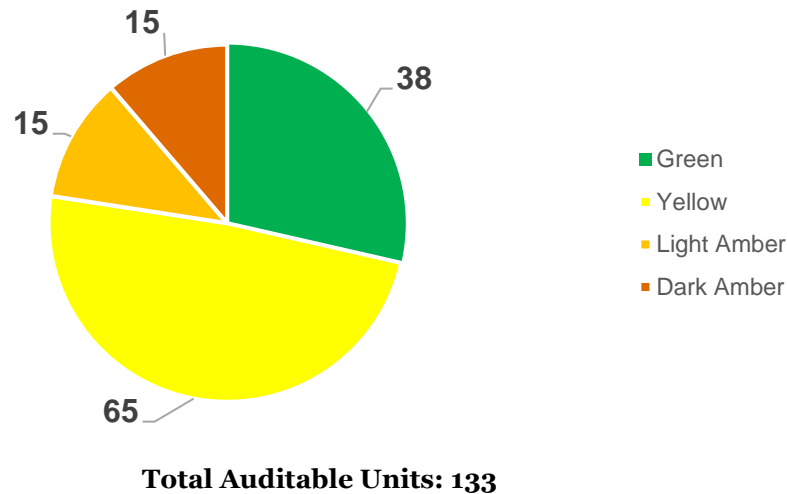
The graph above summarises our overall assessment of the Council's risk profile:

- *Dark Amber*: these areas are assessed as requiring annual review.
- *Light Amber*: these areas are assessed as requiring biennial review.
- *Yellow*: these areas are assessed as requiring triennial review.
- *Green*: These areas are assessed as not requiring review at defined intervals; they are included below to ensure complete visibility of all areas of potential audit.

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
A	**Adult Social Care**								
During 2016/17 there have been minor changes to the structure of Adult Social Care, including the introduction of two Assistant Director roles, however the major restructure which was planned at the outset of the year has not been carried out. The Council has recently appointed a new Director of Adult Social Care and the structure of the service is likely to change further during 2017/18. Due to this we have continued the approach taken for the last two years, listing only those areas scheduled for review, or included as optional reviews, in our 2017/18 Plan in our risk assessment directly below.									
A1	Adult Social Care Contracts	P3 SR0045	4	2	3	🟠 Light Amber	Every two years	2015/16 Medium Risk	Historically this area has been included under the Contract Management section of our risk assessment. Due to the increased involvement of the Adult Social Care Service in managing contracts, led by the recent secondment of the Council's Contract Lawyer, for 2017/18 we have moved this area to sit directly under the Adult Social Care Service. The Council has a number of contracts for Adult Social Care, including in the areas of residential care, home support and learning disability. This area is scheduled for review in 2017/18.

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
A2	Better Care Fund (BCF)	P3 SR0045 SR0050	3	3	2	⬤ Yellow	Every three years	Not Previously Reviewed	This is a new auditable unit introduced for 2017/18, as such we have risk assessed this area in the middle of the range available. The Better Care Fund is valued at £33 million, covering joint care initiatives between the Council and the NHS on the Island under a section 75 agreement (made under section 75 of National Health Services Act 2006 between a local authority and an NHS body in England). Included in 2017/18 Plan as an optional review.
A3	Dynamic Purchasing System (DPS)	P3 SR0045	114	3	2	⬤ Yellow	Every three years	2016/17 Pending	DPS is a new electronic system to manage procurement of care services.
A4	Learning Disability (Personal Budgets)	P3 SR0045	3	3	2	⬤ Yellow	Every three years	Not Previously Reviewed	This is a new auditable unit introduced for 2017/18, as such we have risk assessed this area in the middle of the range available. Services to adults with a learning disability are primarily managed through personal budget plans, focussed on the achievement of identified outcomes. This area is included as an optional review in our 2017/18 Plan.

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
A5	Riboleau House	P3 SR0045	3	3	2	Yellow	Every three years	Not Previously Reviewed	This is a new auditable unit introduced for 2017/18, as such we have risk assessed this area in the middle of the range available. Riboleau House is an adult day centre, providing a range of activities for adults with mental health needs, to recover and to maintain their wellbeing in the community. This area is scheduled for review in 2017/18, as part of a joint review with Beaulieu House, a children's residential and respite centre.
A6	Vanguard	P3 SR0045 SR0050	5	3	4	Dark Amber	Every year	Not Previously Reviewed	Scheduled to be reviewed in 2017/18. Vanguard is a grant funded programme, which aims to bring together social care related services provided by the Council, NHS and other sectors. The aim is to improve outcomes for clients, while using resources as effectively and efficiently as possible.

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
B	**Children's Services (HCC Partnership)**								
	Children's Services, both Social Care and Education and Inclusion, are provided through a strategic partnership with Hampshire County Council. This partnership was entered into by the Council following an Ofsted review in 2013 and the subsequent ministerial directive. We have now carried out two reviews focussed on Council's management of the relationship, most recently in 2016/17. While the risk rating for our most recent review is pending finalisation, reporting provided to the Children's Committee and Executive during 2016/17 confirm that both areas are generally performing well; due to this we have reduced the risk associated with this overarching auditable unit accordingly (see directly below). For 2017/18 we have limited listing of more detailed auditable units to those recently reviewed or scheduled for review in 2017/18; as our knowledge of Children's Services increases we will provide a fuller view of auditable units in future years.								
B1	**Children's Social Care**								
B1.1	Hampshire Children's Services SLA	P2 SR0043	3	3	2	● Yellow	Every three years	2016/17 Pending	Children's Services is provided through a strategic partnership with Hampshire County Council, this auditable unit refers to the overarching strategic partnership, covering both children's social care and education services.
B1.2	Fostering	P2 SR0043	4	2	3	● Light Amber	Every two years	2016/17 Pending	
B1.3	Adoption and Other Forms of Permanence /Placements	P2 SR0043	4	3	3	● Light Amber	Every two years	Not Previously Reviewed	Included as an optional review in 2017/18. In addition to adoption there are a number of other permanent options available, for example for example special guardianship agreements, to ensure that the best

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
									long term solution is put in place for children on the Isle of Wight.
B1.4	Targeted Youth Support	P2 SR0043	3	3	2	● Yellow	Every three years	Not Previously Reviewed	Included as an optional review in 2017/18. This unit refers to targeted support, provided to children in need on the Island.
B1.5	Beaulieu House	P2 SR0043	3	3	2	● Yellow	Every three years	Not Previously Reviewed	This is a new auditable unit introduced for 2017/18, as such we have risk assessed this area in the middle of the range available. Beaulieu House is a children's residential and respite service for children and young people with varying complexity of needs such as autism, severe learning difficulties, cerebral palsy, ADHD (Attention Deficit, Hyperactivity Disorder) and behaviours which challenge society. This area is scheduled for review in 2017/18, as part of a joint review with Riboleau House, an adult day centre.

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
B2	**Education and Inclusion**								
Note: All Island schools, for which the Council has responsibility, are risk assessed as triennial; individual schools and when they were last audited are listed in appendix eight. In practice five schools are identified for review each year, following consultation with staff responsible for financial oversight of schools. As a result individual schools may not be reviewed every three years, although as necessary additional school reviews can be scheduled on request, in response to any emerging risks.									
B2.1	Schools' Audits	P2 SR0042	5	3	4	● Dark Amber	Every year	2016/17 N/A	Scheduled to be reviewed in 2017/18.

Schools are individually listed in appendix eight. Schools to be audited in 17/18 will be decided in April in consultation with staff within the corporate finance team, responsible for overseeing school financial management. |
C	**Financial Management**								
C1	Capital Accounting (Fixed Assets)	P4 SR0051	3	3	2	● Yellow	Every three years	2013/14 Low Risk	Included in the 2017/18 Plan as an optional review.
C2	Cash and Bank	P4 SR0051	5	3	4	● Dark Amber	Every year	2016/17 Pending	Scheduled to be reviewed in 2017/18 as part of wider Key Financial Controls annual review.
C3	General Ledger, financial reporting and budget management	P4 SR0051	3	3	4	● Dark Amber	Every year	2016/17 Pending	Scheduled to be reviewed in 2017/18 as part of wider Key Financial Controls annual review.

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
C4	Grant Processes	P4 SR0051	3	3	2	● Yellow	Every three years	2013/14 Low Risk	
C5	Income Generation	P4 SR0051	3	3	2	● Yellow	Every three years	2014/15 Medium Risk	
C6	Pensions Governance	P4 SR0051	4	4	2	● Yellow	Every three years	2015/16 Medium Risk	
C7	Treasury Management	P4 SR0051	4	4	2	● Yellow	Every three years	2013/14 Low Risk	Scheduled for review in 2017/18.
C8	VAT	P4 SR0051	3	3	2	● Yellow	Every three years	2016/17 Pending	Elements of VAT were covered in our 2016/17 review of Key Financial Systems.
C9	Custody of funds	SR0051	3	3	2	● Yellow	Every three years	2014/15 Medium Risk	Funds held and managed on behalf of third parties.

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
D	**Fire & Rescue**								
Fire and Rescue is now being managed as a strategic partnership with Hampshire Fire and Rescue. Internal Audit's focus is therefore on the interface and ongoing management of the integration rather than granular auditable units below.									
D1	Fire Partnership Project	P1	3	3	2	● Yellow	Every three years	2015/16 Low Risk	Due to the positive conclusion on our last review in this area with have reduced the assessed level of associated risk accordingly.
E	**Place**								
E1	**Contract Management**								
E1.1	Application System: Educational Management (EMS) - Transport Module	P4	30	3	1	● Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
E1.2	Coastal Management	P4	2	2	1	● Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
E1.3	Concessionary Fares	P4	3	2	2	● Yellow	Every three years	2010/11 Low Risk	Included in the 2017/18 Plan as an optional review.

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
E1.4	General Contract Management	P4	4	3	3	Light Amber	Every two years	2015/16 Medium Risk	Scheduled for review in 2017/18.
E1.5	Grant Sourced Spend	P4	3	3	2	Yellow	Every three years	2014/15 Medium Risk	Scheduled for review in 2017/18.
E1.6	Highways PFI - Delivery Phase Client Relationship	P4 SR0048	6	4	4	Dark Amber	Every year	2016/17 Pending	Included in the 2017/18 Plan as an optional review.
E1.7	Second Tier Contracts	P4	3	3	4	Dark Amber	Every year	2016/17 Pending	This unit represents the second tier of contracts, significant but below the value and duration of Highways PFI and Waste.

In 2016/17 we selected one of these, Pan Meadows, for review.

In 2017/18 our contract assurance work will be focussed on central support of contract management and contracts in place for Adult Social Care services. |

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
E1.8	School Transport Contract	P4	3	3	2	Yellow	Every three years	Not Previously Reviewed	Risk rating raised, following consultation with management.
E1.9	Waste Contract	P4 SR0048	3	3	4	Dark Amber	Every year	2016/17 Pending	Included in the 2017/18 Plan as an optional review.
E2	**Planning and Housing**								
E2.1	Application System: Acolade	P4	33	3	1	Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
E2.2	Application System: ArcView GIS (Global Information System)	P4	31	3	1	Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
E2.3	Application System: Data Map/ESRI GIS	P4	33	3	1	Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
E2.4	Application System: Flare	P4	33	3	1	Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment. This system is scheduled for replacement in 2016/17.

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
E2.5	Application System: Limehouse - Planning Policy	P4	33	3	1	● Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
E2.6	Application System: Newpostdata A2000	P4	31	3	1	● Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
E2.7	Area of Outstanding Natural Beauty (AONB) Partnership	P4	2	2	1	● Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
E2.8	Building Control	P4 SR0037	3	2	2	● Yellow	Every three years	2016/17 Pending	Last audited in 2016/17, risk rating pending finalisation.
E2.9	Development Control	P4 SR0037	4	3	3	● Light Amber	Every two years	2014/15 Medium Risk	Scheduled for review in 2017/18.
E2.10	Flood and Water Management Act Responsibilities	P4	3	3	2	● Yellow	Every three years	2015/16 Medium Risk	The Council has responsibilities stemming from the Flood and Water Management Act 2010.

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
E2.11	Housing / Safe & Secure Homes	P4 SR0037	3	3	2	● Yellow	Every three years	2014/15 Medium Risk	Scheduled for review in 2017/18.
E2.12	Planning Policy Development	P4 SR0037	3	3	2	● Yellow	Every three years	Not Previously Reviewed	Scheduled for review in 2017/18, as part of a wider review, focussed on confirming that key Council policies appropriately support regeneration objectives.
E2.13	Project: Accolade System Replacement	P4	127	1	2	● Yellow	Every three years	Not Previously Reviewed	Originally scheduled for review in 2013/14, due to uncertainty regarding the Council's needs the project has not yet commenced; we will keep this area under review.
E3	**Economic Development**								
E3.1	Carbon Reduction/Sustainability		2	2	1	● Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
E3.2	Economic Strategy/Regeneration	P1 SR0046	4	2	3	● Light Amber	Every two years	2015/16 Medium Risk	Scheduled for review in 2017/18, as part of a wider review, focussed on confirming that key Council policies appropriately support regeneration objectives.
E3.3	Project: IsleWork	P1 SR0046	72	1	1	● Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
E3.4	Project: Solent Ocean Energy Centre (SOEC), now known as Perpetuus Tidal Energy Centre (PTEC)	P1 SR0046	128	1	2	🟡 Yellow	Every three years	Not Previously Reviewed	PTEC is a significant and high profile initiative. The project is being implemented in collaboration with a number of partners and will be subject to oversight by central government due to its grant funded structure (The regulator for the marine element of the project is the Marine Management Organisation (MMO)). Due to the external oversight, we do not anticipate carrying out a review of PTEC in the current audit planning cycle.
E3.5	Project: SOREC (Solent Offshore Renewable Energy Consortium)	P1 SR0046	78	1	1	🟢 Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment. The Council effectively acts as a conduit for grants funded by central government and is subject to regular review, to assure that the scheme is being managed correctly.
E3.6	Property Assets	P4	3	3	2	🟡 Yellow	Every three years	2016/17 Medium Risk	
E3.7	Application System: Technology Forge		33	3	1	🟢 Green	No further work	Not Previously Reviewed	The application system used to manage property; no further work proposed following risk assessment.
E4	**Commercial Services**								
E4.1	Bereavement Services/Crematorium		3	2	2	🟡 Yellow	Every three years	Not Previously Reviewed	Not previously reviewed.

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
									Risk rating raised, following consultation with management. Included in the 2017/18 Plan as an optional review.
E4.2	Car Parks and Cash Collection Service	SR0051 P1	3	2	2	🟡 Yellow	Every three years	2016/17 Pending	
E4.3	Coroner's Office		4	3	3	🟠 Light Amber	Every two years	2015/16 High Risk	The Coroner is a statutory position, independent of the Council; the Council is responsible for staffing and resourcing the Coroner's Office. Due to the rating of our last review in this area with have raised the level of assessed risk for this auditable unit.
E4.4	Cowes Floating Bridge	SR0051 P1	3	2	2	🟡 Yellow	Every three years	Not Previously Reviewed	Due to the new floating bridge coming into service in 2017 and new payment mechanisms coming into effect scheduled for review in 2017/18.
E4.5	Dog service		1	1	1	🟢 Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
E4.6	Harbours	SR0051 P1	3	2	2	🟡 Yellow	Every three years	Not Previously Reviewed	Included as an optional review in the 2017/18 Plan.

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
E4.7	Heritage Assets		3	3	2	Yellow	Every three years	2013/14 Medium Risk	Review of Dinosaur Isle included in the 2017/18 Plan as an optional review.
E4.8	Island Heritage Service		2	2	1	Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
E4.9	Libraries		1	1	1	Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
E4.10	Parks, Gardens, Beaches and Public Realm		1	1	1	Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
E4.11	Recreation and Leisure		1	1	1	Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
E4.12	Registrars		3	2	2	Yellow	Every three years	Not Previously Reviewed	Responsible for registering births, deaths and marriages, included as an optional review in 2017/18.

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
E4.13	Shanklin Cliff Lift	SR0051 P1	3	2	2	● Yellow	Every three years	Not Previously Reviewed	
E4.14	Sports Centres	SR0051 P1	3	2	2	● Yellow	Every three years	2014/15 Low Risk	The Council runs a number of sports centres/leisure sites, all of which generate income to varying degrees.
E4.15	Rights of Way		2	2	1	● Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
E5	**Regulatory Services**								
E5.1	Environmental Health	P1 SR0037	3	2	2	● Yellow	Every three years	Not Previously Reviewed	Originally scheduled for review in 2016/17, postponed due to major IT system upgrade.
E5.2	Licensing	P1 SR0037	3	3	2	● Yellow	Every three years	2014/15 Medium Risk	Included in the 2017/18 Plan as an optional review.
E5.3	Trading Standards	P1 SR0037	3	3	2	● Yellow	Every three years	Not Previously Reviewed	Scheduled for review in 2017/18.

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
F	**Public Health**								
F1	Public Health	P1	3	3	2	Yellow	Every three years	2014/15 Medium Risk	Scheduled for review in 2017/18.
F2	Strategic needs assessments (e.g. Joint Strategic Needs Assessment (JSNA))		2	2	1	Green	No further work	2014/15 Medium Risk	No further work proposed following risk assessment.
G	**Resources**								
G1	**Human Resources**								
G1.1	Equality and diversity	P4 SR0037	3	2	2	Yellow	Every three years	2010/11 Low Risk	
G1.2	HR Strategic / Workforce planning	P4 SR0037	3	3	2	Yellow	Every three years	2016/17 Medium Risk	
G1.3	Performance Appraisals and Training	P4 SR0037	3	3	2	Yellow	Every three years	2016/17 Medium Risk	

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
G1.4	Recruitment and retention	P4 SR0037	3	3	2	🟡 Yellow	Every three years	2014/15 Medium Risk	Scheduled for review in 2017/18.
G1.5	Sickness absence	P4 SR0037	3	3	2	🟡 Yellow	Every three years	2014/15 Medium Risk	Included in the 2017/18 Plan as an optional review.
G2	**Information Technology**								
G2.1	Data Centre		4	3	3	🟠 Light Amber	Every two years	2015/16 High Risk	Due to the elevated risk rating at the time of our 2015/16 review (covering wider business continuity) we have decreased the control environment rating, leading to the audit interval being reduced to every two years.
G2.2	IT Application Support - Overall Arrangements	SR0037	4	4	2	🟡 Yellow	Every three years	2012/13 Medium Risk	
G2.3	IT Change & Configuration Management/Asset Management		4	4	2	🟡 Yellow	Every three years	2014/15 Low Risk	Scheduled for review in 2017/18.

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
G2.4	IT Communication and Training - End Users	SR0037	2	2	1	● Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
G2.5	IT Communication, Training, Retention, HR - IT Staff	SR0037	2	2	1	● Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
G2.6	IT Contracts/Third Party Management		2	2	1	● Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
G2.7	IT Disaster Planning		4	3	3	● Light Amber	Every two years	2015/16 High Risk	Due to the elevated risk rating at the time of our 2015/16 review with have decreased the control environment rating, leading to the audit interval being reduced to every two years.
G2.8	IT Financial Management		2	2	1	● Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
G2.9	IT First Line Support, Incident & Problem Management		4	4	2	● Yellow	Every three years	2015/16 Medium Risk	

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
G2.10	IT Governance, Risk Management and Regulatory Compliance		3	3	2	🟡 Yellow	Every three years	2010/11 Low Risk	Scheduled for review in 2017/18.
G2.11	IT Security		3	3	2	🟡 Yellow	Every three years	2015/16 Medium Risk	
G2.12	IT Strategy & Planning	SR0051	4	4	2	🟡 Yellow	Every three years	2015/16 Medium Risk	
G2.13	Network & Infrastructure		2	2	1	🟢 Green	No further work	2015/16 Medium Risk	
G2.14	Software Development		3	3	2	🟡 Yellow	Every three years	2014/15 Medium Risk	
G2.15	Wireless Network		3	3	2	🟡 Yellow	Every three years	2015/16 Medium Risk	

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
G3	**Corporate Governance**								
G3.1	Corporate Governance	P4 SR0051	4	4	2	Yellow	Every three years	2014/15 Medium Risk	Scheduled for review in 2017/18.
G3.2	Corporate Services/Recharging	P4 SR0051	3	3	2	Yellow	Every three years	Not Previously Reviewed	
G3.3	Corporate Strategy/Corporate Plan and Business Planning	P4	4	4	2	Yellow	Every three years	Not Previously Reviewed	Scheduled for review in 2017/18.
G3.4	Fraud and Corruption	P1 P4 SR0051	5	2	4	Dark Amber	Every year	2015/16 N/A	Scheduled for review in 2017/18.
G3.5	Gifts and Hospitality		2	2	1	Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
G3.6	Risk Management	P1 P4	4	4	2	Yellow	Every three years	2014/15 Medium Risk	Scheduled for review in 2017/18.

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
G3.7	Value for Money (VFM)	P4 SR0051	4	4	2	● Yellow	Every three years	2015/16 Medium Risk	
G4	**Legal Services, Procurement and Insurance**								
Note: Legal Services are subject to regular inspection against the Lexcel practice management standard; auditable elements in this area are largely rated as low risk, not normally subject to Internal Audit unless specifically requested.									
G4.1	Application System: LACHS - Insurance		30	3	1	● Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
G4.2	Electoral Registration, Election Arrangements and Land Charges		4	4	2	● Yellow	Every three years	Not Previously Reviewed	Included in the 2017/18 Plan as an optional review.
G4.3	Information Management/Freedom of Information (FOI)		4	4	2	● Yellow	Every three years	2014/15 Low Risk	Scheduled for review in 2017/18.
G4.4	Insurance	SR0051	3	3	2	● Yellow	Every three years	2016/17 Pending	

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
G4.5	Legal and Democratic Services income and expenditure		2	2	1	● Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
G4.6	Legal court action (e.g. effective recovery arrangements)		2	2	1	● Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
G4.7	Legal Services procedure for ensuring compliance with legislation		2	2	1	● Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
G4.8	Procurement	P1 P4 SR0051	4	3	3	● Light Amber	Every two years	2016/17 Pending	
G5	**Business Centre**								
G5.1	Application System: Northgate Revenues & Benefits		48	3	3	● Light Amber	Every two years	2015/16 Medium Risk	Although due review in 2017/18 Benefit Payments are reviewed as part of our annual programme of work. Following consultation with management we have postponed our scheduled review of Northgate, to enable limited resources to be focussed elsewhere.

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
G5.2	Benefit Payments		5	3	4	● Dark Amber	Every year	2016/17 Pending	Scheduled to be reviewed in 2017/18 (annual review) as significant area of expenditure.
G5.3	Blue Badges		3	3	2	● Yellow	Every three years	Not Previously Reviewed	Included in the 2017/18 Plan as an optional review.
G5.4	Contact Centre - Resident Advice and Support	SR0051	4	4	2	● Yellow	Every three years	2014/15 Medium Risk	Included in the 2017/18 Plan as an optional review.
G5.5	Creditors (Accounts Payable)	SR0051	5	3	4	● Dark Amber	Every year	2016/17 Pending	Scheduled to be reviewed in 2017/18 as part of wider Key Financial Controls annual review.
G5.6	Debtors (Accounts Receivable)	SR0051	5	3	4	● Dark Amber	Every year	2016/17 Pending	Scheduled to be reviewed in 2017/18 as part of wider Key Financial Controls annual review.
G5.7	Facilities Management		3	2	2	● Yellow	Every three years	Not Previously Reviewed	Included in 2017/18 Plan as an optional review.

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
G5.8	Local Taxation (Council Tax and NNDR)	SR0051	5	3	4	● Dark Amber	Every year	2016/17 Pending	Scheduled to be reviewed in 2017/18 (annual review) as significant revenue area.
G5.9	Payment Card Industry, Data Security Standard (PCI DSS)		4	4	2	● Yellow	Every three years	2016/17 Pending	
G5.10	Payroll	SR0051	5	3	4	● Dark Amber	Every year	2016/17 Pending	
G5.11	Pensions Administration		4	4	2	● Yellow	Every three years	2016/17 Pending	
G5.12	Procurement Cards		2	2	1	● Green	No further work	2012/13 Medium Risk	The level of procurement card use has been significantly reduced. Following consultation with management we have reduced our risk rating associated with this area.
G5.13	Fleet Management	P4	4	4	2	● Yellow	Every three years	Not Previously Reviewed	This team is responsible for the Council's fleet of vehicles. Included in 2017/18 Plan as an optional review.

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
H	**Cross Cutting**								
H1	Application System: A-Z Services		18	1	1	🟢 Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
H2	Application System: CRM (Customer Relationship Management)		35	2	1	🟢 Green	No further work	2010/11 Low Risk	No further work proposed following risk assessment.
H3	Application System: Gazetteer		28	5	1	🟢 Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
H4	Application System: GIS (Global Information System)		27	5	1	🟢 Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.
H5	Application System: iwight.com		28	5	1	🟢 Green	No further work	Not Previously Reviewed	No further work proposed following risk assessment.

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
H6	Application System: SAP		48	5	3	🟠 Light Amber	Every two years	2015/16 Medium Risk	Scheduled for review in 2017/18.
H7	Application System: Telephony		47	1	2	🟡 Yellow	Every three years	2012/13 Low Risk	
H8	Application System: Web Forms		48	5	3	🟠 Light Amber	Every two years	2014/15 Medium Risk	
H9	Application System: WightNet		46	5	3	🟠 Light Amber	Every two years	2014/15 Medium Risk	
H10	Project: Transformation Programme/Cost Reduction Programme	P4	184	1	4	🟤 Dark Amber	Every year	2013/14 Medium Risk	We have included elements related to ongoing transformation in our 2016/17 programme of reviews as relevant, for example our reviews of IT Strategy and Workforce Development.

Elements of the Transformation Project will be covered in our wider programme of work in 2017/18, for example our review of mechanisms to ensure IT is aligned correctly with the needs of the wider Council. Where appropriate |

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
									we will also include specific objectives referencing transformation within our wider programme of work in 2017/18.
H11	Communications		4	4	2	🟡 Yellow	Every three years	2016/17 Pending	

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
H12	Emergency Management	P4	4	3	3	● Light Amber	Every two years		Last audited in 2015/16, rated as High Risk. Scheduled for review in 2017/18.
H13	IT: Alignment with Business Need	P4	4	4	2	● Yellow	Every three years		New auditable unit, not previously reviewed. Assessed in the middle of the risk ranking range available. This auditable unit refers to the structures in place, for example potential development work, to ensure these are prioritised and managed to maximise business benefits to the wider Council.
H14	Business Resilience *	P4	4	4	2	● Yellow	Every three years		New auditable unit, not previously reviewed. Assessed in the middle of the risk ranking range available. This auditable unit refers to the Council's financial modelling activity, to ensure that it remains viable in the event of potential scenarios which may occur. Review due in 2017/18; due to resource constraints provisionally scheduled to be reviewed in 2018/19. Included in the Plan as an optional review.

Ref	Auditable Unit	Corporate Priorities & Risks	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Last Reviewed/ Risk Rating	Comments
H15	Local authority trading company *	P4	4	4	2	● Yellow	Every three years		New auditable unit, not previously reviewed. Assessed in the middle of the risk ranking range available. This auditable unit refers to the Council's potential initiative to set up a standalone trading company. Review due in 2017/18; due to resource constraints provisionally scheduled to be reviewed in 2018/19. Included in the Plan as an optional review.
H16	Project Management *	P4	4	4	2	● Yellow	Every three years		Last audited in 2012/13, rated as Medium Risk. Review due in 2017/18; due to resource constraints provisionally scheduled to be reviewed in 2018/19. Included in the Plan as an optional review.
H17	TrAction Support		4	4	2	● Yellow	Every three years		Follow-up is directly managed by the Council, using the TrAction system provided by the Council's co-sourced provider. This auditable unit relates to the work currently carried out by the Council to manage follow-up, utilising TrAction.

Key to frequency of audit work

Audit Requirement Rating	Frequency	Colour Code
6	Annual	● Red

Audit Requirement Rating	Frequency	Colour Code
5	Annual	● Dark Amber
4	Annual	● Dark Amber
3	Every two years	● Light Amber
2	Every three years	● Yellow
1	No further work	● Green

Appendix 3: Corporate Priorities and Risks

These corporate level priorities and risks have been determined by the Council, as documented in Isle of Wight Council Corporate Plan, 2015-2017 and the Strategic Risk Register as, reported to Audit Committee on the 18th February 2016.

Ref	Priorities	Cross reference to Internal Audit Plan (see Section 4)
P1	Supporting growth in the economy, making the Island a better place and keeping it safe	E3.2, E4.4, E5.3, F1
P2	Keeping children safe and improving their education	B1.3, B2.1, B1.5
P3	Protecting the most vulnerable with health and social care, investing in support, prevention and continuing care	A1, A2, A5
P4	Ensuring that all resources available to the Island are used in the most effective way in achieving the Island's priorities	C2, C3, C8, C7, E2.9, E2.11, E2.12, G1.4, G3.1, G3.3

Ref	Risks	Cross reference to Internal Audit Plan (see Section 4)
Contextual information in italics is extracted from the 18th February 2016 report to Audit Committee.		
SR0051	Lack of financial resource and the ability to deliver the council's in-year and medium term budget strategy. *'The council continues to face a significant financial challenge in particular through major reductions in government grant, increased costs and the constraints on other resources such as council tax increases and business rates by the government. The ability to increase or extend local fees and charges is also constrained by current economic conditions.'*	C2, C3, C8, C7, E4.4, G3.1, G5.4, G5.5, G5.6, G5.8, G5.10
SR0037	Insufficient staffing capacity and skills. *'Vacancy management controls continue to be in operation together with other options for the avoidance of compulsory redundancies where possible through the consideration of voluntary redundancy, flexible working, reduction in hours, and job sharing requests. The weekly staff electronic newsletter includes a regular feature for organisational change updates as one of the means to keep staff informed. Employment Committee is provided with regular reports on sickness absence data and now receives an integrated report which reviews a number of organisational health indicators designed to monitor wellbeing and productivity. It is clear however, that the Council is operating very much on the goodwill of many staff given the overall reductions in staffing levels. Additionally the reduction is also leading to a greater reliance on a smaller number of individual members of staff with specialist or historic organisational knowledge.'*	E2.9, E2.11, E2.12, E5.3, G1.4
SR0045	Failure to provide effective arrangements to prevent incidents of abuse of vulnerable adults. *'The Systems Implementation and Transformation Programme that was commissioned by Adult Social Care, reviewed current safeguarding processes to ensure they are Care Act compliant. "Making Safeguarding Personal" (MSP) is one of the 9 transformational projects under this programme.* *As part of this programme, the department has now developed a safeguarding end to end process that is Care Act compliant. The project is now focusing on developing paperwork that complements the process. There is a new performance and quality framework being developed to support proposed safeguarding processes.'*	A1, A2, A5
SR0042	Educational attainment. *#In Early Years 72% of children attained the good level of development compared with a national figure of 66% in 2015. At the end of the primary years 78% of children attained Level 4+ in*	B2.1

Ref	Risks	Cross reference to Internal Audit Plan (see Section 4)
**Contextual information in italics is extracted from the 18th February 2016 report to Audit Committee.**		
	reading, writing and mathematics. That compares with 72% in 2012 when the partnership began. The national average for 2015 is 80%. At the current time, only provisional results are available for GCSE and Post-16. At the end of secondary education the provisional figures are showing a 2% increase to 47% of students attaining 5A*-C including English and mathematics in comparison to a 0.5% decline in the provisionally reported national figure for this measure. The gap between the national average and the Isle of Wight is narrowing. Some of the Island's secondary schools are still awaiting the outcome of outstanding appeals against marks given to individual children and those appeals may change the current figure.'	
SR0043	Failure to identify and effectively manage situations where vulnerable children are subject to abuse. *'Children's Services continues to make good progress against the required improvements as identified by Ofsted, for example:* • *Robust arrangements are in place to identify and safely manage all children and young people who are deemed to be at risk of child sexual exploitation, including those young people who are in residential care off Island.* • *There continue to be developments with regard to the oversight of children considered at risk of being missing, exploited or trafficked. The missing persons protocol has been rolled out to foster carers in order they are fully aware of responsibilities within the protocol.* • *Children are securing the right service at the right time and all of those assessed as children in need are receiving a service from social care. Performance reporting continues to evidence the consistency in threshold applied by MASH with the scrutiny of contacts and referrals.'*	B1.3, B1.5
SR0050	Failure to secure the required outcomes from the integration of Adult Social Care and Health. *'The council's vision, corporate priorities and its budget strategy are dependent on the successful delivery of the health and social care integration initiative. As with all such major projects which involve working with others in partnership, while there are significant benefits available, there are also many risks which have the potential to undermine the project's success or prevent its delivery. These include: a lack of understanding of respective roles, funding being diverted to health priorities, a lack of resource and capacity to deliver the project, anomalies in remuneration (and their impact on morale and recruitment), a downturn in performance and its monitoring during transition, maintaining the adult social care statutory duties and identify with the potential reputational risk that all those pose to the council.'*	A2

Ref	Risks	Cross reference to Internal Audit Plan (see Section 4)
Contextual information in italics is extracted from the 18th February 2016 report to Audit Committee.		
SR0048	The council fails to achieve the required outcomes from its significant contractual relationships and fails to successfully resolve some anomalies in the contract's interpretation (in relation to the 25 year Highways PFI contract). *'The council's senior management has acknowledged the significant risk that major contracts can present if not managed well post award. The council has reviewed its management of the Highways PFI contract and has put in place a structure to manage the new Waste contract which commenced on 1st November 2015. Taking on board the outcomes from the Atkins review, the council has increased resource of its client function by recruiting two additional posts with engineering experience. Both officers have now commenced. A review of the governance arrangements for the contract has been undertaken, the role of the Board has been reviewed to ensure it only addresses strategic matters, re-establishing robust auditing and performance management arrangements and strengthening its financial management of the contract is underway. The council commenced formal dispute processes with island roads on interpretation of elements of the contract, this process is ongoing but until resolved is reflected in the current risk score.* *A relatively smooth transition from the previous waste contract has occurred with much work on ensuring dilapidations were completed on three sites. The waste procurement team has commenced management of the new contract reporting to the Head of Contract management. Weekly performance reports have been received and monthly project meetings held. The submitted reports monitor performance including any performance failures against contract requirements although performance failures fall within a grace period until the end of March 2016. An officer Project Board and Member Review Board has met.* *The Pan development now has a fully operating Pan Manco which includes Directors from BDW, the Council and Spectrum housing. The Manco has taken on the services of ERMC as a support service/ management agent. It should be noted however that there have continued to be breakdowns of the heating system on the site. A programme to ensure a more robust and quicker response to breakdowns has been put in place although there remain concerns as to the frailty of the current (interim) system.'*	
SR0046	The risk that the Island's economy falls further behind its mainland comparators and is unable to generate sufficient wealth to sustain the Island and its community. *'This risk is related directly to the corporate plan priority of: 'Supporting growth in the economy, making the Island a better place and keeping it safe'. While it is acknowledged that the council can only achieve limited results by its interventions, there are a*	E3.2

Ref	Risks	Cross reference to Internal Audit Plan (see Section 4)
Contextual information in italics is extracted from the 18th February 2016 report to Audit Committee.		
	range of actions being taken to facilitate sustainable growth in the Island's economy. Many of these are set out in the draft Economic Development Plan. In addition the council is working closely with 14 other local authorities across Hampshire to secure a devolution deal for the area with government which is based on improving the productivity (hence economy) of the area and has a specific outcome to improve the financial sustainability of the Isle of Wight. The council is also an active member of the Solent Local Enterprise Partnership which with government backing seeks to improve the economy of south Hampshire and the Isle of Wight.'	
SR0049	Achieving the Vision for the Island. *'The corporate plan sets out the vision for the island and the council's priorities in delivering it. The ability to deliver the vision and priorities is very much inter-related to other risks (staff capacity and skills, lack of financial resource and the ability to deliver the council's in-year and medium term budget strategy). Achieving the vision will require significant and fundamental transformational change, which is being led by the council's Executive and Corporate Management Team, supported by a dedicated, multi—skilled resource drawn from across the council with external support and advice when required. A transformation plan has been developed to coordinate and monitor the progress of projects to deliver change. The council's management structure has been re-aligned to the council's four priorities. Achievement and delivery of the corporate plan and its four priorities continues to be reported on a quarterly basis to Executive and Scrutiny Committee.'*	E3.2

Appendix 4: Links to annual Head of Internal Audit Opinion areas

The Council's Head of Internal Audit must ensure sufficient work is undertaken on Governance, Risk Management and Control to support the annual Internal Audit opinion; below we identify reviews from our programme of work for 2017/18 which will support the Head of Internal Audit in satisfying this requirement.

Audit Opinion Area	Cross reference to Internal Audit Plan (see Section 4)
Governance	A1, A2, E1.4, E1.5, E3.2, E2.12, F1, G2.10, G3.1, G3.3, G4.3
Risk Management	A1, E1.4, E1.5, E5.3, F1, H12
Control	A5, B1.3, B2.1, C2, C3, C8, C7, E2.9, E2.9, E2.11, E4.4, E5.3, G1.4, G2.3, G5.2, G5.8, G5.4, H6

Implicitly all of our reviews will consider all three areas to varying extents. The above should be considered indicative, where reviews are likely to include a particular focus on one of the Opinion areas.

Appendix 5: Risk Assessment Process

Overview

To compile the Internal Audit Plan for the Council we have assessed the inherent risk, associated controls and from these the audit requirement rating for each auditable entity (auditable units are anything which could potentially be audited, for example teams, functions, processes, and projects and computer systems). We have followed three different risk assessment methodologies, dependent on the type of the auditable entity, each methodology being focussed on ensuring that the assessment is best aligning with the risk profile of each entity type:

- *General Audits*: used for all auditable units which do not fall into one of the more specific categories below.
- *Projects*: used for programmes, projects and significant change initiatives.
- *Applications*: used for computer systems.

In overview there are eight steps to producing the Internal Audit Plan, as below:

Step 1: Understand corporate objectives & risks, define the Audit Universe

Step 2: Assess the inherent risk associated with each auditable entity

Step 3: Assess the strength of the control environment

Step 4: Calculate the audit requirement rating

Step 5: Refine the Audit Universe and Internal Audit Plan

Step 6: Consult with Audit Committee

Step 7: Distribution to Senior Management

Step 8: Presentation of the Draft Plan to Audit Committee, approval and issue as Final

More detail regarding each of these steps is given in 'appendix 6: Detailed methodology' below.

Appendix 6: Detailed methodology

Step 1: Understand strategic priorities and risks & Step 2: Define the audit universe

Our understanding of the Council's corporate objectives and risks and how internal audit respond by supporting compliance, adding value to new and emerging initiatives is continually evolving, informed by:

- The Isle of Wight Council Corporate Plan, structure and corporate risk register.

- Our knowledge of and developments in the Local Government sector.

- Our prior programme of internal audit work and cumulative knowledge of the Council's risks and controls.

- Informal consultation with Council leadership and management throughout the year.

- Enquiry of service leads to confirm our understanding of the auditable units within their service areas.

From the above we identify the Audit Universe and auditable units within the Council. Our understanding is clarified and refined through subsequent steps, the final plan being an accurate assessment of the risk profile of the Council from an Internal Audit perspective. The Plan then describes the work plan to address the risks identified within the auditable units and links this back to the Council's objectives.

Step 2: Assess the inherent risk

For each auditable entity identified through Step 1 we assess the associated inherent risk. The Internal Audit Plan should focus on the most risky areas of the Council's operations. The methodology we follow is dependent on the type of auditable entity, general, projects or applications, as set out in the overview above, to help ensure that our assessment best reflects the risk profile of each entity type.

General Auditable Units

The majority of auditable units will fall into this category. Our assessment of inherent risk is informed by the potential **impact** of any control failure and how **likely** a control failure is for each auditable entity, as below:

Impact Rating Assessment

Impact 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
6	Major loss of service, including several important areas of service and /or protracted period. Service Disruption 5+ Days	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	Death of an individual or several people	All personal details compromised/ revealed	Litigation/claims/ fines from Department £250k + Corporate £500k +	Costs over £500,000	Complete failure of project/ extreme delay – 3 months or more
5	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	Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community Adverse local publicity of a major and persistent nature	Major injury to an individual or several people	Many individual personal details compromised/ revealed	Litigation/claims/fines from Department£50k to £125k Corporate £100k to £250k	Costs between £50,000 and £500,000	Significant impact on project or most of expected benefits fail/ major delay – 2-3 months

Impact 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
4	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 Service Disruption 2-3 Days	Adverse local publicity /local public opinion aware Statutory prosecution of a non-serious nature	Severe injury to an individual or several people	Some individual personal details compromised/ revealed	Litigation/claims/fines from Department £25k to £50k Corporate £50k to £100k	Costs between £5,000 and £50,000	Adverse effect on project/ significant slippage – 3 weeks–2 months
3	Brief disruption of important service area Significant effect to non-crucial service area Service Disruption 1 Day	Contained within section/Unit or Directorate Complaint from individual/small group, of arguable merit	Minor injury or discomfort to an individual or several people	Isolated individual personal detail compromised/ revealed	Litigation/claims/fines from Department £12k to £25k Corporate £25k to £50k	Costs less than £5,000	Minimal impact to project/ slight delay less than 2 weeks
2	Minor impact on the Council's operational performance	Minor impact on the reputation of the Council	-	-	Minor breach in laws and regulations with limited consequences	Minor monetary or financial statement impact	-
1	Insignificant impact on the Council's operational performance	Insignificant impact on the reputation of the Council	-	-	Insignificant breach in laws and regulations with little consequence	Insignificant monetary or financial statement impact	-

Likelihood Rating Assessment

Likelihood rating	Assessment rationale
6	Has occurred or probable in the near future
5	Possible in the next 12 months
4	Possible in the next 1-2 years
3	Possible in the medium term (2-5 years)
2	Possible in the long term (5-10 years)
1	Unlikely in the foreseeable future

The impact and likelihood scores above are then combined, as below, to arrive at the inherent risk:

Determination of Inherent Risk

Impact Rating	Likelihood Rating					
	6	5	4	3	2	1
6	R 6	R 6	R 5	R 5	R 4	R 4
5	R 6	R 5	R 5	R 4	R 4	A 3
4	R 5	R 5	R 4	R 4	A 3	A 3
3	R 5	R 4	R 4	A 3	A 3	2
2	R 4	R 4	A 3	A 3	Y 2	Y 2
1	R 4	A 3	A 3	Y 2	Y 2	G 1

Key

R = Red
A = Amber
Y = Yellow
G = Green

Note: key to the left added to aid clarity when printed in black and white; letter prefixes above refer to the colour codes visible when printed in full colour.

Programmes, projects & change initiatives

Change related activity has a unique risk profile. To better reflect this we have adopted a project specific risk assessment methodology, based on guidance produced by ISACA (Information Systems Audit & Control Association). The inherent risk score for each auditable entity is assessed as below:

Inherent Risk Assessment

Key variables	Scored from 1 (low) to 5 (high), assessment informed by	Significance Weighting (score in column 2 is multiplied by weighting)
Project budget	Not explicitly quantified, scored relatively, as above.	5
Transaction volume	Not explicitly quantified, scored relatively, as above.	2
Character of activity	Core 4 to 5 Business unit (service area) 2 to 3 Local system 1	8
Executive management interest	Major interest = 4 to 5 Moderate interest = 2 to 3 Minor interest = 1	6

Key variables	Scored from 1 (low) to 5 (high), assessment informed by	Significance Weighting (score in column 2 is multiplied by weighting)
Fall-back arrangements	Not explicitly quantified, informed by alternative arrangements, should the project/change initiate not progress, or be delayed.	7
Changes in procedures	Major reengineering = 4 to 5 Moderate reengineering = 2 to 3 Minor reengineering = 1	8
Complexity of system	Not explicitly quantified, informed by the number of staff/users, the number of functions dependent, directly or indirectly, on the project/change	7
Project management	Not explicitly quantified, a view of the quality/experience of the project team. Informed by their skills and experience, governance arrangements and the timeframe of the initiative.	7

The scores for each of the key variables above added together to arrive at the inherent risk for the project/change initiative.

Applications/Computer systems

Applications have a unique risk profile. To better reflect this we have adopted an application specific risk assessment methodology, based on guidance produced by ISACA (Information Systems Audit & Control Association). The inherent risk score for each auditable entity is assessed as below:

Inherent Risk Assessment

Key variables	Scored from 1 (low) to 5 (high), assessment informed by	Significance Weighting (score in column 2 is multiplied by weighting)
Effect of system failure (criticality)	No immediate effect = 1 Inconvenience to users = 2 Loss of goodwill = 3 Loss of revenue = 4 Loss of business/revenue/goodwill = 5	5
Financial exposure	None = 1 Small = 2 Moderate = 3 High = 4 Very high = 5	5
Scope of the system	Part of a department = 1 Service area = 2 Multiple service areas = 3 Organisation wide = 4 Organisation and external = 5	2
Age of the application	Less than one year = 1 1—3 years = 2 4—6 years = 3 7—10 years = 4 Over 10 years = 5	1
Size of the application (number of programs/sub systems)	Below 25 = 1 25—50 = 2 50—100 = 3 100—250 = 4 Above 250 = 5	3
Changes in environment/staff	No changes = 1 Moderate changes/low turnover = 2 Significant changes/low turnover = 3 High turnover = 4 Significant changes and high turnover = 5	1

Key variables	Scored from 1 (low) to 5 (high), assessment informed by	Significance Weighting (score in column 2 is multiplied by weighting)
Number of locations implemented	1 = 1 2 = 2 3 = 3 4 = 4 5+ = 5	1

The scores for each of the key variables above added together to arrive at the inherent risk for the application.

Step 3: Assess the strength of the control environment

In order to effectively allocate Internal Audit resources we need to understand the strength of the control environment within each auditable unit. This is assessed based on:

- Our knowledge of your internal control environment, for projects/change initiatives this includes our view of the project management in place, for example governance arrangements.

- Information obtained from other assurance providers.

- The outcomes of previous Internal Audit reviews.

Step 4: Calculate the audit requirement rating

The inherent risk and the control environment indicator are used to calculate the audit requirement rating. The formula ensures that our audit work is focused on areas of with high reliance on controls or a high residual risk.

Inherent Risk Rating	Control design indicator					
	1	2	3	4	5	6
6	6	5	5	4	4	3
5	5	4	4	3	3	n/a
4	4	3	3	2	n/a	n/a
3	3	2	2	n/a	n/a	n/a
2	2	1	n/a	n/a	n/a	n/a
1	1	n/a	n/a	n/a	n/a	n/a

The methodologies used to assess inherent and controlled risk for application and project units results in scores on a different scale than those arrived at through the methodology used for general auditable units. To produce the integrated universe scores for projects and applications are mapped to the audit requirement, as per the tables below:

Applications

Controlled Risk Score	Audit Requirement
< 30	n/a
30 to 39	1
40 to 49	2
50 to 59	3
60 to 69	4
70 to 100	5
> 100	6

Projects

Controlled Risk Score	Audit Requirement
< 100	n/a
100 to 129	1
130 to 159	2
160 to 189	3
190 to 209	4
210 to 220	5
> 220	6

Step 5: Determine the audit plan & Step 6: Other considerations

Consultation with service management

The Council's internal control environment and risk profile are constantly evolving. Once the process above is completed we carry out a series of meetings with key service leads, as agreed with the Head of Internal Audit, to establish whether our initial assessment accurately reflects the auditable units and their risk profile for each service area.

These meetings are also an important opportunity to carry out horizon scanning, identifying upcoming changes, for example as a result of legislation, where our involvement can add value and / or risk assessment may change

Both the Audit Universe and Internal Audit Plan are refined, as necessary, following our meetings with service leads.

Consultation with Audit Committee

Our reports are presented to and considered by the Council's Audit Committee. The Audit Committee play an important role in evaluating the Internal Audit Plan to establish whether it will provide adequate assurance over the Council's corporate risks and support the process of achieving the objectives set out in the Corporate Plan.

Both the Audit Universe and Internal Audit Plan are refined, as necessary, following our consultation with the Audit Committee.

Distribution to Senior Management

Once refined through the steps above, the Internal Audit Plan is shared with the Council's senior management.

Presentation of the Draft Plan to Audit Committee, approval and issue as Final

The final step in the production of the Internal Audit Plan is presentation to Audit Committee. By this stage the Audit Universe should be an accurate record of all auditable units within the Council, the Internal Audit Plan should provide the Committee both with the assurance they need over the Council's control environment and over emerging requirements, for example change necessary to realise the Council's objectives as set out in the Corporate Plan.

Appendix 7: Key Performance Indicators

KPI Description	Method of calculating service delivery/measurement period	Target KPI
Planned audits completed relative to the agreed profile of the annual audit plan	Percentage of final audit reports issued of those planned for the year. (Monthly)	90%
Percentage of customer satisfaction results which achieve a score of eight or more out of ten	The percentage of customer satisfaction surveys which achieve a score of eight or more out of ten	90%
Percentage of draft audit reports issued within 15 working days of completion of fieldwork	Percentage of draft audit reports issued within 15 working days of completion of fieldwork	90%
Percentage of final audit reports issued within 30 working days of completion of fieldwork	Percentage of final audit reports issued within 30 working days of completion of fieldwork	90%
Percentage of audit recommendations followed up within 30 working days of their due date	Percentage of audit recommendations followed up within 30 working days of their due date	90%

Appendix 8: Schools

Below are listed all of the Island's schools, for which the Council is responsible, when they were last audited and the risk ranking awarded.

School	Last Audited
All Saints Primary School	Last audited in 2013/14, rated as medium risk.
Arreton St George's Primary School	Not previously audited.
Barton Primary School	Last audited in 2014/15, rated as medium risk.
Bembridge Primary School	Not previously audited.
Binstead Primary School	Not previously audited.
Brading Primary School	Last audited in 2015/16, rated as medium risk.
Brighstone Primary School	Last audited in 2015/16, rated as medium risk.
Broadlea Primary School	Not previously audited.
Carisbrooke CE Primary School	Not previously audited.
Carisbrooke College	Last audited in 2016/17, risk rating pending finalisation.
Chillerton & Rookley Primary School	Not previously audited.
Christ the King College	Last audited in 2010/11, rated as medium risk.
Cowes Enterprise College	Last audited in 2010/11, rated as medium risk.
Cowes Primary School	Not previously audited.
Dover Park Primary School	Last audited in 2012/13, rated as medium risk.

School	Last Audited
Gatten and Lake Primary School	Last audited in 2011/12, rated as medium risk.
Godshill Primary School	Last audited in 2013/14, rated as high risk.
Greenmount Primary School	Last audited in 2016/17, risk rating pending finalisation.
Gurnard Primary School	Last audited in 2012/13, rated as medium risk.
Haylands Primary School	Last audited in 2013/14, rated as medium risk.
Holy Cross Catholic Primary School	Not previously audited.
Hunnyhill Primary School	Last audited in 2016/17, risk rating pending finalisation.
Lanesend Primary School	Last audited in 2011/12, rated as medium risk.
Medina College	Last audited in 2013/14, rated as low risk.
Nettlestone Primary School	Last audited in 2015/16, rated as medium risk.
Newchurch Primary School	Not previously audited.
Newport Primary School	Last audited in 2014/15, rated as high risk.
Nine Acres Primary School	Last audited in 2015/16, rated as low risk.
Niton Primary School	Last audited in 2016/17, risk rating pending finalisation.
Northwood Primary School	Not previously audited.
Oakfield Primary School	Not previously audited.
Queensgate Foundation Primary School	Not previously audited.
Shalfleet CE Primary School	Not previously audited.

School	Last Audited
Shanklin Primary School	Not previously audited.
St Georges School	Not previously audited.
St Helens Primary School	Last audited in 2015/16, rated as medium risk.
St Mary's Catholic Primary School	Last audited in 2010/11, rated as medium risk.
St Saviour's Primary School	Not previously audited.
St Thomas of Canterbury Catholic Primary School	Last audited in 2016/17, risk rating pending finalisation.
St. Francis Catholic & CE (Aided) Primary School	Not previously audited.
Summerfields Primary School	Last audited in 2013/14, rated as medium risk.
The Bay CE Primary School	Last audited in 2012/13, rated as medium risk.
Wootton Primary School	Not previously audited.
Wroxall Primary School	Not previously audited.
Yarmouth CE Primary School	Last audited in 2011/12, rated as medium risk.