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Isle of Wight Council
FINAL
May 2018

Audit Committee Internal Audit Progress Report



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Introduction and Internal Audit Overview

Introduction

This report presents a summary of the activities of Internal Audit for the period February to May 2018. It provides executive summaries for the nine reports issued as final since the last meeting of the Audit Committee, six rated as medium risk and two as low risk. One report, on schools, is not risk rated overall, rather an individual risk rating is provided for each school.

Fieldwork is now complete for 2017/18 programme of reviews. Reports not presented today are in draft, pending finalisation and will be presented to the next meeting of the Committee in July. One review, on Public Health, was postponed from 2017/18, with fieldwork for this review now underway.

Planning for 2018/19

Planning is now complete for our 2018/19 programme of work, including full consultation with directors, key service managers and the Chair of the Audit Committee. The 2018/19 Internal Audit Plan is presented to this meeting of the Audit Committee, under a separate agenda item.

Summary of performance against key performance indicators

We have met the key performance indicators which were within internal audit's control in relation to providing a high quality internal audit service to the Council. We have received 12 completed customer surveys to date, awarding an average satisfaction score of 8.5/10.

The Committee will note that one of our reviews has received an unacceptably low feedback score of 4.8/10; this is in relation to our quarter three review of schools. We would like to assure the Committee that we take feedback from our clients very seriously and plan to take the following actions in response:



- We will engage with the feedback provider at the earliest opportunity, to ensure that we understand the reasons for the poor feedback and address issues in our scheduled work in this area during 2018/19.
- We will ensure that learning captured is fed back to the relevant team member, to enable them to address issues in future work carried out at the Isle of Wight Council.
- We will invest additional time engaging with key stakeholders for our 2018/19 work over schools, to ensure this meets all stakeholders' expectations.

Full details of performance against key performance indicators for 2017/18 can be found in Appendix C within this report.

Executive Summaries from Internal Audit Reports

In this Section we provide the executive summaries for the nine reports issued as final since the Audit Committee last met in February 2018.

Executive summary – IT Alignment with Business Need

Classification	Trend	By type		By scope area					
		Control design effectiveness	Operating effectiveness	Total	Critical	High	Medium	Low	Advisory
 <p>Medium Risk</p> <p>We have not previously carried out a review with an equivalent scope</p>		Critical	0	0	0	0	0	0	1
		High	0	0	0	0	0	1	2
		Medium	2	0	2	0	0	0	0
		Low	3	0	3	0	0	1	0
		Advisory	1	0	1	0	0	0	0
		Policy and Strategy							
		IT Change							
		Prioritisation/Processing & Service Level Alignment							
		Oversight							

Summary of findings

This audit reviewed the Council’s arrangements to deliver the objective for digital transformation, as a ‘central pillar in transforming the way the council does business’, identified in the Council’s Corporate Plan. Our review covered:

- *Policy and Strategy*: confirming that the objective in the Corporate Plan is supported by a Digital Strategy in turn supported by detailed plans setting out actions, timescales and performance indicators as to how the Digital Strategy will be realised.
- *IT Change Prioritisation*: confirming that there are mechanisms to identify, assess and progress specific proposals to further the Council’s digital aspirations.
- *Oversight*: confirming that a regime of reporting, monitoring and escalation is in place. Both to ensure that senior management and members have an accurate view of progress with the digital agenda and to ensure that any ‘blockers’ are identified and addressed at the earliest opportunity.

The initiative is at an early stage. The Corporate Plan was finalised in November 2017 followed by the Digital Strategy. This Digital Strategy is the latest iteration, following a number of predecessor initiatives. The Council has had some successes progressing ‘digitisation’ particularly within the Business Centre, which covers many of the services used by Island residents. For example the Contact Centre, Benefits and Council Tax. This Service is the largest user of the Council’s in-house CRM system (Customer Relationship Management) and there are examples of successes in the draft Digital Strategy, such as online payments using mobile devices for Council Tax and an increase in the use of online resolution of enquiries of 71% between 2015 and 2017. Most of the key technologies to support more flexible working are in place. For example VDI (Virtual Desktop), enabling staff to log in and work from anywhere and the availability of hot desks in most Council offices.

However, progress has not been consistent. The majority of Council staff sit at fixed desks and many processes are largely manual and reliant on ‘paper’. The content of the Digital Strategy is sensible, and similar to strategies we have observed at other organisations. However, digitalisation initiatives are usually integrated into and key enablers for a wider transformation programme. Specific to the Digital Strategy the key question the Council needs to ask is how will it

ensure that progress is made across all areas this time?

We have raised five findings, summarised below:

Lessons Learned/Quick Wins: the Strategy contains content similar to digital transformation initiatives at other organisations, for example re-engineering processes and utilising technologies to make them more efficient and effective. Most of the key technologies to support ‘digital transformation’ are in place. However previous initiatives have only been partially successful, because changes to working practices were not fully adopted across the Council.

Now the Council needs to progress digital transformation, utilising the technology available or planned in the Digital Strategy. Each service will have their own opportunities for digital transformation. However, there are ‘quick wins’ which are applicable across the Council. For example potentially: properly implementing hot desking, which reduces the need for office space; fully adopting paper-light working, for example agreeing that all meetings will be paperless; and staff taking ownership and being held to account for their own ‘digital’ learning. Once agreed actions should be fixed in the service plan template, with services expected to detail how they will be achieved.

We have raised this as a **medium risk** finding.

Detailed Plans: the draft Strategy sets objectives to be achieved in each year, including in 2017/18. Progress has been slower than anticipated, partially due to delays in finalising the Strategy but primarily, as reported to CMT in December 2017, due to a lack of dedicated resources and business as usual pressures. A number of capital bids are pending, which include requests for additional resourcing. As part of the Strategy’s finalisation process timescales need to be revisited, to ensure they are realistic, detailed plans, covering at least up to the end of 2018/19 produced and a comprehensive resource plan drawn up. This should cover staff from IT and the wider Council, with any impact on business as usual activity highlighted and agreed, to pre-empt any ‘blockers’ to progress.

We have raised this as a **medium risk** finding.

Consultation: implementation issues were identified by service areas, for example gaps in the technology to support collaboration (both internally and externally) and how the new mobile friendly website is informed. There are initiatives in progress to address these concerns. However, service areas are not aware of these plans and the opportunities they offer to improve service delivery.

All members of the CMT had the opportunity to comment on the draft Digital Strategy, prior to the November 2017 CMT. There is a need for mechanisms to enable ongoing consultation and an opportunity for issues to be raised and addressed. This could be addressed by regular one to one meetings between a senior member of the IT Department and individual directors. A reconstituted and reinvigorated IT User Group would offer an opportunity to staff to shape and share information regarding the digital transformation plans.

We have raised this area as a **low risk** finding.

Organisational Development Board: the primary forum to consider and prioritise digital transformational change is the Organisational Development Board. The remit of this forum needs to be clarified and this is planned. Board membership is appropriate, being chaired by a senior officer and attended by the strategic managers for IT and the Business Centre. We also note that no proposals have been brought forward to this group to utilise the opportunities offered by the Digital Strategy. Service areas should be encouraged to do this, both through the regular meetings with directors and potentially through a revitalised IT User Group, as covered above.

We have raised this area as a **low risk** finding.



Performance Indicators: The Digital Strategy does not contain performance indicators and the Corporate Plan has two linked measures, an increase in online transactions and a decrease in calls to the Contact Centre. Measures need to be developed. Agreed, mandated expectations need to be monitored and reported, with service areas held to account for where these are not achieved. A detailed set of SMART measures should be developed as the Strategy progresses. The forum to oversee progress should be the Organisational Development Board, with underperformance escalated by exception to CMT.

We have raised this area as a **low risk** finding.

Strategy Themes/ Ownership: Considering each of the four strands in the Strategy, the first, ‘a flexible & resilient infrastructure’, essentially providing the tools to support wider digital transformation is best led by IT. The last strand, ‘Data intelligence’ is concerned with better use of the information held in disparate systems, for example combining data sets to better inform decision making. While this strand will need to be supported by IT it needs to be owned by the business and set up as a formal programme. The appropriate team is the Organisational Intelligence Team holding relationships with all services and possessing the skills needed.

The two middle strands, ‘Digital by default’ and ‘Digitally empowered’ are the most problematic but key to realising maximum benefit from the Strategy. Both are areas where previous initiatives had an inconsistent impact. Up to a point this will be addressed by mandating expectations, as covered under ‘Lessons Learned/Quick Wins’ above. However to fully realise the potential benefits more work will be necessary. For all applications clear roadmaps need to be agreed, including an assessment of the current platform, current Cloud/SaaS options, investigatory work planned and end of life/contractual term expiry. Service areas need to be encouraged to engage with IT to identify opportunities for digital transformation and make bids to the transformational fund. We have raised this area as an **advisory** finding.

Executive summary – Regeneration and Strategic Support

Classification	Trend	By type	By scope area				
			Critical	High	Medium	Low	Advisory
 <p>Medium Risk</p> <p>We have not previously carried out a review with an equivalent scope</p>		Control design effectiveness	0	0	0	0	0
		Operating effectiveness	0	0	0	0	0
		Total	0	0	0	0	0
		Framework	0	0	1	0	0
		Delivery	0	0	1	0	0
		Oversight	0	0	2	0	0

Summary of findings

This audit focussed on the Council’s Regeneration Programme, covering:

- *Framework*: confirming that there is a clear plan towards finalising the draft Regeneration Strategy, for consultation, in April 2018* and that progress towards finalising the Strategy is on track.
- *Delivery*: confirming that the Council’s approach to Planning and Economic Development clearly links to the emerging Regeneration Strategy or that there is a clear plan to link these areas to the Regeneration Strategy.
- *Oversight*: confirming that there is a regime of reporting, considered by appropriate forums, to ensure that there is a clear view of progress to date and to enable any issues to be escalated and addressed.

* For clarity the terms of reference for this review referred to the Regeneration Strategy being finalised by March 2018. During fieldwork we were informed that this date was incorrect and that the intention is to finalise the Strategy for consultation in April 2018, as above.

The decision to create a new Regeneration Directorate was taken in December 2016, with the Regeneration Director and Assistant Director joining the Council in early 2017. Through 2017 resourcing has been limited to utilising existing areas of the Council, for example Economic Development, which moved into the new Directorate, some support from other areas of the Council, for example from Legal Services and Communications and third party consultancy, for example support work associated with key development sites across the Island, collectively promoted under the ‘regeneration prospectus’.

Despite the limited direct resource to support regeneration during 2017 there have been notable successes, such as the opening of the Ascencos call centre in Cowes, with the prospect of creating up to 600 new jobs and the Digital Conference in late 2017, attended by over 200 delegates, to help shape a digital strategy for the Island. However much of the first 12 months has focussed on consultation, engaging with partners for example the local Chamber and other preparatory activity. Direct resourcing has recently increased, with the recruitment of a dedicated programme manager, while the preparation of the overarching Strategy is on track for finalisation in mid-2018. The next year will be key for the Programme, it will need to accelerate the delivery of overarching regeneration and, most importantly for the Council, start increasing the level of business rate income and other revenue generating opportunities, to contribute to reducing the need to make further cuts to Council services.

We have summarised the results of our work in four detailed findings, summarised below:

Strategy and Detailed Planning: both the Regeneration Strategy and the supporting Communications Plan are in draft, with responsibility for finalising the Strategy assigned to senior staff and a clear timeline running up to finalising a draft Strategy for consultation, in April 2018.

As the Programme moves into its delivery phase during 2018 there are areas which need to be addressed, to ensure that the Programme is realistic and correctly resourced, ultimately to maximise the regeneration it achieves for the Island:

- *Programme level planning/prioritisation*: the Programme comprises of over 50 initiatives, grouped under six work streams. These need to be prioritised and phased over the Programme's lifetime, to ensure that it is realistic and manageable.
- *Stakeholder Engagement/Communications*: the most important stakeholders need to be identified and focussed on, to ensure they buy into and support the Programme.
- *Resource Planning*: a detailed Resource Plan needs to be drawn up for the next 12 months identifying the level of resource required for each project, when it will be needed and arrangements made to ensure it will be available when required.
- *Finance*: the level of funding required for projects during 2018/19 needs to be identified and agreed as soon as possible. Associated with this spend and the associated benefits released need to be monitored and reported at the project level.

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

Supporting Council Strategies/Plan: two key areas of the Council's wider responsibilities which offer significant opportunities to support regeneration are Planning and Economic Development. The current Island Plan was finalised in 2012 and is in the process of being reviewed and refreshed. A clear timeline of activities towards adoption of a revised Island Plan in November 2019 is published on the Council's website. This includes taking account of the final Regeneration Strategy in June/July 2018. This should continue as planned, ensuring that all opportunities to support regeneration are identified and inform the production of the revised Island Plan.

The current Economic Action Plan runs up to 2018 and is unchanged since last reviewed by Internal Audit in 2015/16. It includes a number of elements which are no longer applicable. Potentially, as this document has now come to the end of its scheduled lifetime, informed by the assessment of the degree to which previous initiatives have been successful, a better approach may be to include updated content into the overarching Regeneration Strategy – this is likely to better facilitate fully leveraging of all of the opportunities and synergies between regeneration and economic development.

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



Oversight: the Programme Delivery Group and Programme Board, reporting into the CMT provide an appropriate framework of governance over the Regeneration Programme and we also note that a specific member forum, the Regeneration Members' Board has recently been constituted, to further enhance oversight. However, while governance is appropriate for this stage in the Programme, attendance at the core oversight forums has been inconsistent, with some areas, for example finance, not being appropriately represented. The terms of reference for this Forum also need to be finalised and adding standing items to the agenda for the Programme Board and Delivery Group, for example performance, risk and finance/spend, would help to ensure these are appropriately considered at the 'programme' level.

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

Reporting: progress updates have been provided to Cabinet and there is a range of information available on the Programme's dedicated website. We were provided with a range of reporting for review, which RAG score the key areas, for example budget and risks and summarise progress regarding the various initiatives of the Programme, for example area regeneration and business development and skills. Reporting will need to be enhanced as the Programme progresses, specifically by adding more detail regarding spend and benefits delivered to date and that planned, against profile.

We have raised this as a **medium risk** finding.

Executive summary – Corporate Governance and Service Planning

Classification	Trend	By type	By scope area						
 Low Risk	 We have not previously carried out a review with an equivalent scope.	Control design effectiveness	Operating design effectiveness	Total	Critical	High	Medium	Low	Advisory
					0	0	0	0	0
						0	0	0	0
						0	0	0	0
						0	0	0	0
						1	2	3	
						0	0	0	0

Summary of findings

During 2017/18 the Council introduced revised arrangements for corporate governance, covering risk and performance management and service planning. This audit reviewed progress on this initiative and assessed the degree to which revised expectations are being complied with by service areas; in overview:

- *Roles and Responsibilities:* confirming that a revised set of corporate guidance has been produced, an appropriately resourced central team is in place and that steps have been taken to promote and support embedding expectations in service areas.
- *Delivery:* confirming that service areas are complying with corporate expectations, specifically that they have appropriate risk and performance arrangements in place, are submitting information to the corporate team in line with the agreed schedule and are on track to complete their 18/19 service plans by the end of the year.
- *Oversight:* confirming that appropriate regimes of mini service and service boards are in place, with risk and performance issues escalated to the Corporate Management Team (CMT) and high level information reported to member forums.

The Business Intelligence, Performance and Risk Management Framework, setting out the revised corporate guidance, was provided for our review and we did not identify any issues with the content of this document. A central team is in place, guidance for service areas is available on the intranet and expectations have also been highlighted to service areas via the Vine, the in-house internal newsletter. Informal support has been provided as requested directly to service areas by the corporate team. While not all service plans are complete at the time of writing (Children’s Services, Fire, Learning and Development and Regeneration are pending finalisation), all are on schedule to be completed, ready for delivery in 2018/19. Alongside this, appropriate performance and risk information is escalated and reported to CMT and member forums.

For clarity the first two findings below would normally warrant medium risk rankings. However the medium risk elements are limited to Procurement and Contract Management, an area recently subject to a specific review, which included in its scope risk and performance arrangements for contracts. As findings to address current gaps are included in the specific report on Contract Management these have not informed the risk scoring for this report.

Work is ongoing to fully embed the revised framework, issues identified through our fieldwork are documented in three detailed findings, summarised below:

Risk Management: services are responsible for maintaining an appropriate risk register in the corporate system, JCAD Risk. To confirm that services are complying with risk management expectations we reviewed extracts from JCAD for Finance, Adult Services, Procurement and Contract Management. The extracts for contract management and procurement each have a single risk, with both the overarching risks and related mitigations significantly overdue. The

corporate team responsible for risk management should engage with the relevant services, to ensure that appropriate risk management arrangements are put in place at the earliest opportunity. Wider risk registers (which we did not review) should also be checked, to identify if similar issues exist in other service areas, with support offered to enhance services use of risk management as necessary. Minor issues were noted with the Finance and Adult Services risk registers reported below.

We have raised this area as a **low risk** finding.

Performance Management: services complete and submit monthly data books regarding their performance to the corporate team responsible for performance management. To confirm that services are complying with performance management expectations we reviewed the last data books submitted by Adult and Children's services and Contract Management. The majority of measures are badged as 'monitoring', without specific targets for each measure; this was a deliberate decision when the new approach to performance management was introduced in early 2017. Now 13 months of data is available it is intended to identify suitable targets for measures; this is sensible and should continue as planned. Performance metrics are entered manually by staff directly in spreadsheets; where possible sourcing reporting from automated, system generated reports would be a more reliable approach. This should be investigated, as part of the initiative focussed on improving the Council's use of data intelligence, led by the same team.

There are a number of measures (20 out of 62) where data is missing. For some of these data may not be available, for example where reliant on external data sources. However, the reasons for missing data should be investigated, documented and chased. Regarding Children's Services only nine of their measures relate to social care, with the remainder, 21, relating to Education. While not directly equivalent, this compares to 21 measures for Adult Social Care. The Service should confirm the sufficiency of the measures in place to monitor Children's social care on the Island.

Only the Highways PFI and Waste contracts are monitored through the standard corporate performance management framework. Now there is a corporate system available to support procurement and contract monitoring, once revised arrangements are fully in place, the service should identify if an appropriate regime of performance management, in line with the corporate approach, can be introduced to minimise the risk of procurement and contract monitoring under performance failing to be escalated to the right level of oversight.

We have raised this area as a **low risk** finding.


Oversight Meetings: the expectations set out in the revised risk and performance management framework are deliberately flexible regarding how mini service boards should be managed. While mindful of introducing an unnecessary overhead, the current approach has a greater likelihood of an inconsistent and potentially poor approach.

An exemplar standing agenda, including both risk and performance management and an action template, to record matters arising from meetings, should be made available on the corporate Team's intranet page; use of this agenda and template should be strongly encouraged.

We have raised this area as a **low risk** finding.

We were provided with copies of the draft Adult Services and final Resources service plans for review. Both of these are set out in the revised service plan template, available on the corporate Team's intranet page. This includes a number of placeholders including, of relevance to this review, for performance indicators and risks. The corporate team have engaged through the Chief Executive and Corporate Management Team (CMT) to highlight that service plans must link explicitly to the Corporate Plan and to highlight that all plans must be completed by the end of March 2018 at the latest.

Executive summary – Local Taxation

Classification	Trend	By type	By scope area					
 <p>Medium Risk</p> <p>↑ Last reviewed in 2016/17; rated as low risk</p>		Control design effectiveness	0	0	0	0	0	
		Operating effectiveness	0	0	0	0	0	
		Total	0	0	0	0	0	
		Documentation	0	0	0	0	1	0
		Processing	0	0	0	1	3	0
		Financial Control & Budgeting/Fees	0	0	0	0	1	0

Summary of findings

The Council receives a significant amount of its income from Council Tax and Non-Domestic Rates (NDR), with the responsibility for the collection of both falling under the remit of the Revenues department. As at the date of drafting this report, Council Tax income recorded was £60,359k, with £40,344k collected. NDR income was £24,918k, with £16,571k collected. The Council to date has written off £128,086, with £167,853 discretionary relief awarded. The Northgate system is used to record information on properties and individuals/businesses that are liable to pay Council Tax and Business Rates. Charges are revised on an annual basis and bills are raised using property bandings provided by the Valuation Office.

We have undertaken a review of local taxation controls at the Council. Our key findings have been set out below.

Billing

Council Tax charges are based on a property banding report that is updated and approved by the Council on an annual basis, with rates split by Council Tax bands and location. In order to agree these were charged accurately a sample of twenty five properties were tested. NDR are billed based on the rates stated by the VOA (Valuation Office Agency), these are updated annually. In order to test if these had been accurately billed a sample of twenty five were tested. No issues were noted in either test.

In addition to billing, a sample of twenty five in year adjustments of NDR and Council Tax was tested. In one case the amendment to the liability due was not accurately processed. This led to a two month overcharge of NDR to the business of £163.10. In a further case, the updated council tax bill was not sent to the individual within one month of the receipt of the amendment information. This has been raised a **Low** risk finding.

Debt Recovery and write-offs

The Council have a defined process in place for recovering debtor balances. In order to test the operation of the controls in place for debt recovery, a sample of twenty five outstanding debtor balances was tested. In four cases, for a total value of £17,678, the collection of debt did not meet the Council's debt collection timetable. Therefore timely recovery of debt has not taken place. In a further case, a debt within the recovery process should have been written off in May 2017 as a result of a debt relief order. Recovery, however, was pursued until September 2017, at which point the Council wrote this balance off. This has been raised a **Medium** risk finding.

Our review of the debt recovery timetable, used to set timescales for each element of the recovery process, noted that, in certain circumstances, the timetable allowed in excess of one month between stages of the debt recovery process. While the timescales used are a Council judgement, there is a risk that timely recovery does not take place. This has been raised as a **Low** risk finding. Write offs of local tax debt have also been reviewed, with no issues noted over the process and procedures undertaken by the Council. All write offs appear reasonable and valid, with appropriate authorisation.

Discretionary relief

The discretionary relief scheme is for individuals experiencing severe financial hardship and allows the Council the discretion to provide assistance to Council taxpayers where either; 1) the existing legislation does not provide a discount, exemption or reduction; or 2) in such circumstances where the Council feels that the level of discount; exemption or reduction is insufficient given the circumstances. There is no set amount that must be awarded, this is based on merit and is decided by the Council.

A sample of five discretionary reliefs awarded were tested. We identified that on two occasions authorisation to award discretionary relief to individuals took over two months from the receipt of the last correspondence and requested evidence, therefore was not provided in a timely manner. This has been raised as a **Low** risk finding.

Reconciliations

A monthly reconciliation of both Council Tax and NDR is performed between Northgate and the general ledger, SAP. We noted that discrepancies are promptly resolved, however, both the August 2017 and September 2017 reconciliations had not been reviewed within a month of the period end. Management stated that the delays were due to workload within the department, however this issue was also raised in the 2016/17 review, as such this has been raised as a **Low** risk finding.

Monthly Reporting


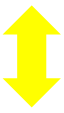
Monthly performance reports are produced and presented within the Corporate Board meetings. The reports outline the key KPI's for local tax. The key KPI's are Council Tax collection, NDR collection and cash allocation. There are a number of sub KPI's in relation to these that are monitored within the reports.

Our review of reports produced in year identified that; 1) the narrative section when produced is brief and offers limited perspective on the challenges facing the local tax team; and 2) the October 2017 report had not been completed as of the time of testing (November 2017). This has been raised as a **Low** risk finding.

Follow up

As part of our current year work, we evaluated whether the agreed actions from our 2016/17 Local Taxation internal audit review had been implemented. Within the prior year review, we raised one medium risk finding and three low risk findings. In summary, we identified that the agreed actions relating to the medium risk finding and two low risk findings are partially complete. The action relating to the other low risk finding has not been implemented within the year by the Council – this relates to the timeliness of reconciliations which has been identified above. Please refer to the follow up section of this report for further detail.

Executive summary – Vanguard

Classification	Trend	By type	By scope area					
 Medium Risk	 We have not previously reviewed Vanguard/My Life a Full Life	Control design	0	0	0	0	0	0
		Operating effectiveness	0	0	0	0	0	0
		Critical	0	0	0	0	0	0
		High	0	0	0	1	0	0
		Medium	2	0	0	1	1	0
		Low	2	0	0	2	2	2
		Advisory	0	0	0	0	0	0

Summary of findings

The My Life A Full Life (MLAFL) partnership between the two NHS organisations on the Isle of Wight and the Isle of Wight Council is one of 29 national Vanguard initiatives, aiming to improve the health and wellbeing of the Isle of Wight's population, improve care and quality outcomes, deliver appropriate care at home and in the community and make health and wellbeing clinically, professionally and financially sustainable. This audit was scheduled to review the Vanguard initiative covering:

- *Governance*: ensuring that appropriate governance was in place over the initiatives funded by Vanguard, with a framework of reporting, oversight forums and communications to meet the needs of the various stakeholders.
- *My Life a Full Life (MLAFL)*: ensuring that the 'vision' for the implementation of the My Life a Full Life model of care was clearly articulated, supported by a clear plan to achieve the 'desired' position, with appropriate management of areas such as performance and risk.
- *Delivery*: confirming that for two constituent projects (the Safe Haven and Integrated Locality Working) appropriate business cases, oversight and reporting were in place.

The overarching aim of Vanguard funding on the Island was to support a programme of change initiatives, collectively focussed on delivering safe, sustainable, quality care and health improvements for all, both in the short and long term. Clearly, while progress has and continues to be made this has not been achieved in full to date. Whilst Vanguard funding runs up to the end of 2017/18 the ongoing transformation continues as part of the Islands Local Care Plan, overseen by the Local Care Board. Our review did not identify any significant gaps in the governance and operation of the Programme, for example a comprehensive framework of oversight and reporting was in place throughout the lifetime of the initiative. However it also clear that issues were encountered, in terms of over complex governance, re-scoping (due to a reduced level of funding being granted) and delays to the delivery of the two projects (the Safe Haven and the Integrated Locality Service (ILS)), selected for specific review as part of this audit—collectively these issues have contributed to the Vanguard initiative not having had the system wide impact to date, for example on meeting the stretch target given as a result of being a national vanguard site for non-emergency admissions.

Therefore, lessons can be learned from the Vanguard, which could improve how the Local Care Plan is being delivered, managed and overseen. Specifically ensuring that a 'formal' approach is taken to managing any future changes to the initiative, always incorporating a 'lessons learned' exercise at the end of each project and making the financial value (either as costs avoided or savings realised), linked at the most granular level possible, more explicit in associated reporting. We have raised four findings summarised below:

My Life a Full Life: the 2016-17 Value Proposition set out the case for £16.5m of Vanguard funding, in order to realise £36.3m of recurrent savings after four years. In practice, £4.74m of funding was made available in 2016/17. This necessitated a 'rescoping' exercise in mid-2016. However no documentation was available regarding this rescoping and it does appear that it was approached relatively informally; specifically the original Value Proposition was not revisited as part of this process. This was linked to significant staffing issues at the time, with staff on temporary contracts (due to the grant funded nature of Vanguard) and a near 100% turnover of staff supporting the initiative during 2016.

By September 2017 ongoing initiatives were subsumed into the Local Care Plan, overseen by the Local Care Board which was established in June 2017. This addresses a number of issues with the Vanguard, most importantly it is more 'manageable'. However, with a Programme this complex, it is inevitable that there will be, potentially significant, changes during its lifetime. A formal change process needs to be agreed, documented and implemented to ensure any future changes are well managed. Specifically this must include evaluating the impact proposed changes will have on projected benefits, particularly savings or costs avoided. Projected benefits should also be more closely aligned to savings achieved or costs avoided, with reporting identifying the financial achievements of each project. Ultimately the focus of the Local Care Plan needs to increasingly be on embedding the different initiatives so that they move from "pilot to mainstream" ensuring that there are comprehensive implementation plans in transitioning to 'business as usual', to ensure that revised arrangements both deliver their projected benefits and are sustainable long term.

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

Safe Haven & ILS Performance: Specific to the Safe Haven (to provide early support for mental health issues) the usage levels do appear low when compared to comparator initiatives on the mainland; the reasons for this should be investigated and addressed. With the Safe Haven now being managed by a third party it is also important that associated reporting feeds into wider Local Care Plan reporting, under the Mental Health strand of the initiative. Specific to the ILS (Integrated Locality Service), while progress has been slow this was always an extremely ambitious project, involving a wide range of different organisations 'buying in' to the concept of shared working, necessitating structural changes including: single line management (with the associated rights and responsibilities being accorded to managers); standard operating procedures; single set of targets; and joint, if not pooled, budgets. Progress has, and is, being made, with all of the localities (place based, integrated teams) now up and running to some degree. Key to ensuring that pace is maintained will be the role of the Local Care Board in ensuring that 'partners hold each other to account for transforming the Local Care System', as identified in the forum's terms of reference.

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

Governance: documentation was provided, detailing the governance arrangements put in place to oversee Vanguard and how this evolved during the lifetime of the Programme. This demonstrates that initial arrangements were over complex, potentially hindering effective decision making and entailing an excessive overhead, most importantly in terms of the demand placed on senior staff time. For instance, we identified over 25 groups/forums identified on the governance chart during the course of our review. However efforts were made from mid-2016 by the incoming Programme Director to bring governance under control, with a lighter touch approach to record keeping and changes to bring the wider financial position of the Programme under control. Ongoing initiatives now fall under the umbrella of the Local Care Plan, which has a streamlined and much clearer governance structure, enabling more effective and decisive decision-making – albeit that there remain a small number of officers from both health and the council who are responsible for leading and monitoring progress.

Agreeing and documenting a generic RACI (Responsible, Accountable, Consulted, Informed) chart, identifying the 'governance' associated with each 'group', would help to ensure that future governance arrangements are sufficient but not excessive. To identify and learn from the experience of projects, a formal 'lessons learned' step should be incorporated into the process for finalising individual projects.

We have raised this area as a **low risk** finding. For clarity, prior to the changes effective under the Local Care Plan summarised above, this area would have attracted a higher risk ranking. While it is not possible to say definitively at this stage that the revised governance arrangements will work effectively, they are streamlined, with a clear escalation route to the Local Care Board, the ultimate accountable body, with senior representation from all partner organisations.

Safe Haven & ILS Performance Project Charters: The project charter documents provided for our review for both the Safe Haven and Integrated Locality Service (ILS) were incomplete, specifically tabs for detailed risks and benefits were blank. Revisiting of the charters took place under the Local Care Plan in September



2017 and shared with the Operational Delivery Group to promote a clear and shared understanding of the scope, benefits and associated risk of these initiatives. We have raised this area as a **low risk** finding.

Management Response

Since the completion of fieldwork management responsible for this area has informed Internal Audit that the following progress has been made:

- 1 **CHANGE CONTROL:** a formal change control process, managed via Task & Finish Groups and the Operational Delivery Group has been in place since January 2018. This process ensures that changes to programme scope, milestone date changes and any revisions to the KPIs used to monitor impact are managed at a senior level across the system. It is duly noted that further work is required to link delivery of programme benefits to actual savings or cost avoidance. This area of work will be taken forward with responsibility and oversight from the System Finance Group (one of Local Care Board Sub Committees).
 - 2 **SAFE HAVEN:** whilst the audit reflects on low usage levels of the Safe Haven service within the first 6 weeks of opening, it is noted that the activity levels were in line with anticipated performance. As a new service, it has been key to raise awareness to potential service users and other support agencies; there has been a range of promotional activity over winter months to support this. Performance has consistently exceeded monthly targets with, for example, 79 attendances during February 2018, against a performance target of 40. Overall, since September 2017, there have been 324 attendances against a cumulative target of 165. Further evaluation of the service is ongoing and will be provided by AHSN in July/August 2018.
 - 3 **INTEGRATED LOCALITY SERVICE:** the refresh of project charters and all associated programme documentation took place when three community initiatives were merged together under the Local Care Plan as Community Services Redesign.
 - 4 **REPORTING:** Reporting mechanisms and structures now in place to ensure that delivery is monitored and reported on monthly basis through Operational Delivery Group and risks or issues (“blockers”) are identified and resolved.
 - 5 **RACI/LESSONS LEARNT:** Advice in this area is being incorporated to into local Project Management Documentation Suite.
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Executive summary – Contract Management

Classification	Trend	By type		By scope area				
		Control design effectiveness	Operating effectiveness	Critical	High	Medium	Low	Advisory
 This area was last reviewed in 2015/16, also rated as medium risk.		Critical	0	0	0	0	0	0
		High	0	0	0	0	3*	0
		Medium	2	0	0	0	0	0
		Low	0	3	0	0	3*	0
		Advisory	0	0	0	0	0	0

* Three findings above are applicable across reporting and oversight.

Summary of findings

This audit reviewed the Council’s progress in implementing its planned corporate approach to contract management and sample tested four current contracts, across a range of services, to confirm they are being correctly managed. In overview our work covered:

- *Development of Corporate Expectations:* confirming that planned enhancements to the Council’s approach to contract management are set out in an action plan, with sensible content and that planned enhancements are appropriate, to support a consistent approach and sufficient oversight, including by members.
- *Reporting:* confirming that signed, current copies of contracts are held by service areas, that these set out payment and reporting expectations, that are being complied with and that risk is being correctly management.
- *Oversight:* confirming that appropriate oversight meetings are being held with contractors and that issues are considered and escalated through management meetings.

Progress enhancing the Council’s approach to contract management has not been as rapid as originally envisaged; and the approach to contract management in service areas is inconsistent, with services provided in advance of contracts being signed and the reporting and monitoring arrangements set out in contracts not always fully complied with.

In relation to the slower than anticipated progress this is to be expected, as less resource has been made available than requested. Regarding the approach taken in service areas, we confirmed that some performance reporting is produced for all contracts and regular meetings are held to oversee contractor performance for three of the four contracts reviewed. Delays in contracts being signed have led to delays in formal oversight meetings being initiated and reporting is often either partial, when compared to that specified in contracts, or narrative in nature, which makes it more difficult to see how well contractors are actually performing.

None of the contracts we reviewed are referenced on service risk registers. While, from a service perspective, the risks associated with relatively small scale contracts, may be minor it is important for the Council to see all risks stemming from third party relationships in one place especially in light of recent high profile third party contractor failures.

We have raised four detailed findings, summarised below:

Development of Corporate Expectations (medium risk): an overarching plan, covering the programme of actions planned to enhance the Council's approach to contract management, was provided for our review. This plan should be broken down into more granular, time bound actions.

The content of the action plan is sensible with one action, which should be prioritised, locating remaining missing contracts (70 out of 157 on the central contract register have been located to date) and implementing a more robust approach to signing contracts in and out of the store. The following actions should be added to the plan:

- Carrying out additional consultation with wider staff at the Council engaged in contract management activity.
- Carrying out additional consultation with statistical neighbour and regional council contract management teams, to identify good practice which could be replicated.
- Planning to implement greater member oversight.

There is also a specific issue regarding contracts under £25,000 in value. While these are a service responsibility currently there is no central record of contracts under this level and it is not possible to easily identify spend on contracts below this level in the Council's SAP system. Longer term, when the SAP system is replaced/upgraded, the requirement to easily identify spend on 'lower value' contracts needs to feed into the specification. In the short term the issue needs to be escalated to the Head of Resources, to enable options to be identified.

Contract Management Consistency (medium risk): for all contracts reviewed services were provided in advance of contracts being signed. Services should be reminded of the importance of ensuring that all services provided by third parties are covered by suitable contracts or equivalent. This should be made explicit in the developing corporate framework for contract management.


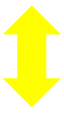
None of the contracts we reviewed are referenced on service risk registers. This should be addressed by implementing a generic set of contract risks, for example 'contract failure', with services expected to document suitable mitigations, potentially supported by the new electronic contract management system. This would enable a view to be taken of risk across the Council's contract portfolio. While performance reporting is provided for all the contracts we reviewed, the approach taken is inconsistent, with reports being largely narrative in nature. To support a consistent approach, corporate oversight and clarity regarding contractor performance exemplar templates should be produced for contract meeting records and performance reporting, promoted and their use strongly encouraged.

School Engagement Contract (low risk): we identified one further issue with the School Engagement Contract: KPIs focussed on mobilisation activities for the initial period the contract has been in operation. A revised set of KPIs (focussed on outcomes), reporting and monitoring meetings has been proposed for 18/19. Once these have been agreed they should be documented in a change notice, signed by both parties and appended to the original contract.

Workplace Engagement Contract (low risk): we identified two further issues with the Workplace Engagement Contract: KPIs not being identified in the Contract (although mobilisation/engagement activity was reported) and the payment schedule not being set out in the Contract, although this is specified in the minutes for the contract monitoring meeting held in December 2017. A revised set of KPIs (focussed on outcomes), reporting and monitoring meetings is proposed for 18/19, including a linked payments schedule. Once these have been agreed they should be documented in a change notice, signed by both parties and appended to the original contract.

SIP Trunks Contract (low risk): we identified two further issues with the SIP Trunks Contract: Firstly, while monthly reporting is provided, the quarterly reporting and oversight meetings specified in the Contract have not taken place. Now the Contract has been signed specified reporting and oversight meetings should be instigated at the earliest opportunity and the change in secondary site documented and appended to the original Contract. We were informed that the costs have been higher than expected. As planned the reasons for the higher than expected costs should be investigated and remedial action taken accordingly.

Executive summary – Housing

Classification	Trend	By type	By scope area
 Medium Risk	 We have not previously reviewed the Council's management of the Housing List	Control design effectiveness	Documentation
		Operating effectiveness	Delivery
		Critical	Critical
		High	High
		Medium	Medium
		Low	Low
		Advisory	Advisory
		Total	Total
		0	0
		0	0
		4	2
		2	1
		0	0
		0	0

Summary of findings

This audit reviewed the Council's management of the Housing List, as the gateway to social housing on the Island. In partnership with Sovereign, Southern and Vectis housing associations, the Council runs a wholly 'choice' based system. Following satisfying a number of eligibility criteria, including the requirement to demonstrate a connection to the Island introduced in 2015, applicants are placed into one of five bands, based on housing need. As social housing becomes available each week it is promoted on the Island Homefinder website (non-online channels are also available, for example a dedicated phone line), those on the Housing List can then bid for available properties, each property being allocated to the list member in greatest housing need. At a high level our review covered:

- *Framework:* confirming that appropriate high level policy documentation, detailed processing notes for staff and information for those interested in social housing is up to date, comprehensive and readily available.
- *Delivery:* confirming that the core processes associated with managing the list are being correctly managed; specifically: that applications to join the list, removal from the list and allocation of housing are managed in line with documented processes.
- *Oversight:* confirming that appropriate reports are available, shared with stakeholders and oversight forums and are sufficient to show how effective the service is.

At the overarching framework level we did not identify any significant issues. The Allocation Policy (a joint Policy with the housing associations) is clear and available for download from both the Council's website and the Island Homefinder website. The Homefinder website itself contains a range of information regarding how the list works and enables those on the Housing List to produce comprehensive reports regarding how housing units have been allocated. This is important as it enables list members to see the banding of people who have been allocated housing they may have bid for, enabling them to target their bids on properties where they have the greatest chance of being successful.

Our findings regarding the detail of how the list is managed are more mixed. The SLA (Service Level Agreement) with the housing associations has not been reviewed for a number of years and there are gaps, ambiguities and inconsistencies in the documentation provided for our review. We also identified issues through our sample testing, for example supporting documentation which could not be located in the system (this is primarily likely to be IT system issues, expanded on below) and a significant backlog of non-active list members pending removal from the list. While this has to be seen in the context of the limited number of staff available to manage the list at the Council (1.5 FTEs), there is room for improvement in how the Council currently manages the Housing List. We have summarised our work in six detailed findings summarised below:

Responsibilities and Documentation: the core policy documentation clearly sets out the Council and its housing association partners' approach to social housing

on the Island; this is supplemented by a range of information available on the Island Homefinder website, geared towards those wishing to apply for social housing.

Both the SLA with the housing associations and the detailed documentation used by the Team need to be reviewed and updated. While the core processes are largely managed through the 'back office' element of the Island Homefinder website, our review did identify gaps, out of date information and inconsistent guidance in the documentation reviewed. For example how removal and appeals against removal from the list is not fully documented; medical need assessment guidance references the Medical Panel, which no longer meets; and different timeframes for actions to be carried out are given in template letters and the SLA with the housing associations.

The initial step needs to be to confirm with the housing associations the applicant validity checks they make, for example regarding income/assets and update the SLA accordingly, or document in supplementary guidance, to ensure responsibilities are explicit. Following on from this, the best approach would be to replace the existing process documentation with flow charts identifying and making responsibility for each process / control step clear, supplementing this where necessary with checklists of 'key actions'. Introducing an element of peer review would further support consistent processing.

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

Oversight: oversight is largely in line with corporate expectations; there are agreed performance indicators in place and these are monitored/escalated through the standard regime of team and service board meetings, ultimately to CMT.

However the current performance indicator set could be enhanced, specifically to enable the Housing Team to better evidence both how it is supporting the Council's strategic objectives and also the effectiveness of the service. For example rather than simply monitoring the numbers of list members in each band, reporting the number successfully housed and the time waiting to be housed for list members in each band would give a better indication of service effectiveness. We also identified a minor issue in that there is currently no mechanism used to capture matters arising through team meetings; a simple action tracker should be introduced to ensure that any necessary actions are carried out in a timely manner.

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

Applications, Design Observations: there are a number of issues with the current design of the process to manage applications to join the Housing List. Specifically: performance indicators are ambiguous, with different response times identified in the 2011 SLA in place with the housing associations than those in template letters used by the Team, the Medical and Welfare Panel is no longer meeting, although it is identified both in the SLA and the Allocations Policy, information provided by applicants is largely taken 'as read', with limited checks made (most importantly the evidence/checks regarding income levels and identity which are required – the Council is not validating this information currently although this may be partially addressed by checks made by housing associations) and it is not possible to fully report on the timeliness of processing from the back office element of the Homefinder website.

The design of the process needs to be revisited, to confirm what the housing associations actually expect the Council to be doing and to confirm what checks are necessary, i.e. to what degree the information submitted by applicants needs to be validated. In the absence of the Medical and Welfare Panel, while elevated banding does require management approval, a level of peer review should also be introduced, to help ensure consistency.

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

Applications, Sample Testing: our sample testing (25 out of 273 applications to join the Housing List made since the 1st April 2017) identified three applications which may not have been acknowledged, 11 which missed the two working day response time for acknowledgement (specified in the SLA), 20 which missed the 15 working day response time for processing (specified in the SLA) and 15 which missed the 28 day response for processing time (identified in acknowledgement letters); evidence was filed to support an Island connection for all 25 applications. While these findings may indicate slow processing they may also be due to issues with the Island Homefinder website (e.g. documentation spread across multiple, redundant applications for an individual) and/or miss filing of evidence. It is also important to note that the SLA provided for our review is dated 2011 and the response times applicable may no longer be expected by the housing associations. Of the 25 applications we reviewed, seven initially identified medical/welfare issues. In line with the current practice all but two have been

processed in line with the Team's current practice. For two we were unable to identify evidence of medical forms sent by the Council to the applicant requesting further information being chased, however this may be due to them having been misfiled, rather than not being chased.

Staff do need to be reminded of the importance of timely processing and correctly filing information, both against the correct application and tagging what the documents relate to. However the main issues which need to be addressed relate to the design of the process and the resulting inconsistent data quality, as covered above. Most importantly the actual performance standards required/expected, including using mechanisms such as 'stopping the clock' while waiting for information and how information from applicants needs to be verified (e.g. income levels) both need to be agreed, peer review or equivalent, to support consistent processing (particularly as the Medical and Welfare Panel is no longer meeting) needs to be implemented and appropriate arrangements put in place to provide timely and accurate performance reporting for management to review and act on.

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

Removals and Appeals: all removals from the Housing List since the 1st April 2017 have been due to list members failing to respond to annual requests from the Housing Team regarding whether they would like to stay on the List – list members are written to annually and can either write back or use the website to indicate they would like to continue being on the list; those not responding within 28 days are removed from the list. There have been no appeals against removal from the list since 1st April 2017. We note that the Review Body (identified as hearing any appeals in the Allocations Policy) is no longer meeting. The key actions necessary are confirming with the housing associations where responsibility for ensuring list members who fail to comply with the expectations of the Allocations Policy are identified and suspended from the Housing List and identifying a suitable mechanism, in the absence of the Review Body, to manage any appeals against removal, should they be received.

It has not proved possible to carry out our scheduled sample testing of removals from the list due to limitations in the reporting functionality within the back office element of the Island Homefinder website. Specifically, once list members have been removed from the list no record is kept, so it is only possible to identify list members who have chosen to remain on the Housing List. We also note that there are significant backlogs of list members who have reached their anniversary of being on the Housing List and have not been contacted (779), while there is approximately a two month delay in processing list members who have not responded to the request for them to confirm they wish to remain on the Housing List within 28 days – in practice this means that list members are given additional time on the Housing List, past their anniversary and at least two months to respond, before their membership is suspended.

Essentially removals, as they currently work, is an administrative process, used to trim the Housing List of redundant members (important as the Housing List is a key indicator of housing need on the Island). Potentially a more effective mechanism to achieve this would be to monitor bidding activity and use this as the trigger to identify, contact and remove redundant list members; this approach should be investigated.

We have raised this as a **low risk** finding.

Overarching Framework/Policy: the overarching Allocations Policy clearly sets out the Council and its partner housing associations' approach to social housing on the Island. Specifically it covers eligibility criteria for access to social housing, including demonstrating a 'link' to the Island and how social housing is allocated, based primarily on housing need.

It was approved by the Council's Executive on the 9th September 2014 and links to the previous version of the Corporate Plan. While much of the content is likely to remain correct the Policy does need to be reviewed, to ensure that it appropriately links and supports the Council's current strategic objectives. It is also worth considering if a simplified version of the Allocations Policy could be produced (the full version runs to 21 pages), setting out the key points; this could be made available both for download and as hard copy, at the Council's front desk and sites across the Island, for example libraries.

We have raised this as a **low risk** finding.

Executive summary – Schools

School	Critical	High	Medium	Low	Advisory
Broadlea Primary School	-	✓	-	-	-
Wootton Primary School	-	-	✓	-	-
The Bay Primary School	-	-	✓	-	-
St Georges School	-	-	✓	-	-
Total	0	1	3	0	0

Summary of findings

This review of four Island schools was undertaken as part of the internal audit plan for 2017/18. The review focused on six key areas; Budgeting, Income, Management of Unofficial Funds, Expenditure Transactions, Governance and the submitted Schools Financial Value Standard (SFVS) self assessment.

While each school had specific financial control issues, there were a number of common control issues identified. The Council should consider addressing these across all Council schools via briefings and training. The main issues relevant to all schools are below:

- All schools have been provided a Scheme for Financing Schools document. The document contains good practice regarding financial management for Island schools and incorporates the relevant Council policies, and therefore the schools are required to base their local policies and procedures on it. The document itself has not been updated since 2015 which appears to be an excessive period of time given the reliance of schools on the document. We have been informed by the Senior Finance Business Partner that the document will be updated in 2018.
- Two out of the three Schools who are in deficit have not compiled a plan setting out how they will address their financial position. This is a requirement of the SFVS.
- Monitoring sheets, used to formally review a school's actual expenditure and income compared to the annual budget set, have either not been completed on a timely basis or have not been completed at all in the financial year by three of the four schools. Schools should monitor their actuals versus their budget on a monthly basis as to trace clear variants and risks to the School.
- We found multiple instances across all schools of key policy documentation covering income, bad debt, asset management, fraud and corruption and whistleblowing either being out of date or not existing. The Council should clarify to schools which policies are mandatory and how regularly they should be reviewed. Policies ensure sufficient controls are implemented and followed consistently in schools.
- All four schools use purchase orders to purchase goods or services, however they are not always raised prior to commitment of expenditure. Across the schools a sample of 25 purchases was tested to verify that purchase orders had been correctly raised. Retrospective purchase orders/ no purchase orders were identified in 12 of our sample, from three of the four schools. This suggests a pattern of non-compliance with this control.
- The schools' registers of interest and skills matrices have not been updated consistently (e.g. at each governor meeting, on an annual basis and/or when new governors join) at any of the sampled schools.
- Follow up testing of prior year recommendations was completed to determine the progress schools have made in the implementing the agreed actions from the 2016/17 review. The level of completion of actions was varied. Of the 30 findings reviewed, eleven actions have been completed, seven are in

progress and twelve have not been completed. Of those not completed, for one we were provided with no evidence of progress – this related to a finding for Niton Primary School.

In addition to the common issues reported above, specific issues were identified at each school as follows. A number of these relate to a lack of evidence to back up assertions made by management. Without evidence being available, these assertions cannot be validated:

Broadlea Primary School - Rated as a High risk

- Our work identified good cash controls, with appropriate security and reconciliation of bank cards and cheques used by the school. Appropriate cash security is applied at the school to ensure protection of funds as well as limiting the risk of fraud.
- The school are in deficit and have not compiled a plan setting out how they will address their financial position. This is a requirement of the SFVS.
- Working papers have not been retained by the school to support their budget setting decision making process and assumptions. The lack of working papers means that it is not possible to validate that appropriate budgeting was undertaken.
- Within our income testing, on three out of six occasions rates charged did not agree to the lettings policy. It was also noted that there is no segregation of duties in the posting and recording of income increasing the risk of fraud or error.
- Unofficial funds are not reconciled on a monthly basis, as such there is a risk that inappropriate, fraudulent or erroneous transactions may not be identified on a timely basis. The fund has also not been audited in five years in breach of LASFS requirements. The audit is important to ensure the funds are accounted for and managed in accordance with the Fund's stated aims.
- The finance policy has not been subject to an annual review and may not reflect current practice and / or promote best practice.
- Financial reports are not currently received by governors negating their key role in scrutinising and challenging the school's financial position.

Wooton Primary School - Rated as a Medium risk

- Our work identified good budgetary control, with no significant variances from budget at the time the fieldwork was performed; detailed progress reports are used to inform the governors of the financial situation at the school. The Pupil Premium Grant planned spending was documented and published on the school's website.
- Virements are not used by the school for budget movements, potentially reducing financial flexibility.
- A fixed agreement in letting out the Nursery site is held with another school, however the school do not hold a signed copy of the agreement.
- Within our income testing, on three out of six occasions invoices were not raised within one month of the service being provided, while on one occasion a customer overpaid for a service. £130 was paid for a service being charged at £100. The school should have repaid the individual the excess amount paid in error.
- The expenditure policy makes no reference to how the school ensures value for money from purchasing.
- Attendance for each governor meeting is not recorded. Therefore it cannot be determined that effective quoracy and contribution was in place for Governor meetings.

The Bay Primary School - Rated as a Medium risk

- Our work identified good cash collection controls, with valid segregation of duties, limiting the risk of fraud. The SFVS is an accurate reflection of the school's financial processes in place, with appropriate progress being made against the resulting planned actions. The Pupil Premium Grant planned spending was documented and published on the School's website.
- The school are in deficit and have not compiled a detailed plan setting out how they will address their financial position, although a basic restructuring plan is in place.
- Payment terms are not stated on sales invoices. On two out of six occasions rates charged to a customer did not agree to the lettings policy.



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- The expenditure policy has not been reviewed since June 2016 and may not reflect current practice and / or promote best practice. This is due to the review being on a three year review cycle and thus is not due for review until 2019.
 - Testing was performed over two months of bank reconciliations (May and October 2017). In both cases the reconciliation was not prepared within a month of the month end.

St George's School - Rated as a Medium risk

- Our work identified good budgetary control, with no significant variances from budget at the time the fieldwork was performed; detailed progress reports are used to inform the governors of the financial position of the school. St George's management had a good understanding of the financial requirements of a school, and were supported by an involved governing body, made up of individuals with financial experience.
- A sample of two budget virements was selected for testing, in both cases authorisation of virements occurred after the funds were moved.
- While there is a documented strategy for PPG, the PPG report for 2017/18 is yet to be completed.
- Within our income testing, on one out of seven occasions the full receipt of payment could not be confirmed as it was part of a larger bulk payment which the school retained insufficient information in relation to. The school should keep a detailed breakdown of bulk payments to ensure that all amounts owed have been received.
- Testing was performed over two months of bank reconciliations (May and October 2017). In both cases the date of preparation and review was not stated, therefore we could not determine if these were performed in a timely manner.

There is a lack of segregation of duties in the collection, counting and bagging of cash as this is all completed by the admin officer increasing the risk of fraud or error.

Executive summary – Treasury Management

Classification	Trend	By type		By scope area				
		Control design effectiveness	Operating effectiveness	Critical	High	Medium	Low	Advisory
 Low Risk Last reviewed in 2016/17 (as part of Key Financial Systems); rated as low risk		0	0	0	0	0	1	0
		0	0	0	0	0	2	0
		0	0	0	0	0	0	0
		2	1	0	0	0	0	0
		0	0	0	0	0	0	0

Summary of findings

This review focussed on the Council’s treasury management arrangements, covering:

- *Policy, Strategy and supporting documentation:* confirming that roles and responsibilities are clearly defined; up to date processing notes are in place; and sufficient information is easily available and that this in line with the set treasury management strategy.
- *Cashflow forecasting:* Confirming that the forecasting undertaken supports the Council’s need to borrow or opportunity to invest correctly, minimising the cost of borrowing and maximising interest received, both in the short and long term.
- *Oversight:* Senior management has given appropriate authorisation to the operational cashflow arrangements. Short term and long-term forecast exercises are regularly undertaken to identify areas for further management action. Any concerns regarding the cashflow position are raised to management and remedial action is taken to resolve issues.
- *Investments:* Funds are invested/borrowed securely on a timely basis and appropriately authorised within limits as set out in the Council’s treasury management policy. Treasury management performance is regularly reported to and reviewed by members of senior management.

Treasury management at the Council is well managed, with a number of areas of good practice. Roles and responsibilities are clearly understood; however, they are not adequately documented. Invested funds and borrowings are approved on a timely basis and authorised within the limits of the treasury management policy. We tested five out of 25 new deals that occurred in the year with no exceptions identified. Cash flow forecasting clearly and effectively highlights the future funding requirements of the Council, both through the daily short-term cash and quarterly long-term forecasts.

However, there is a lack of formal performance monitoring. Informally there is strong communication between those responsible for treasury management and regular reports are presented to the Audit Committee. There is a gap in relation to treasury management performance meetings. The current target is for these meetings to happen monthly, however, upon enquiry with management it has proved difficult, due to capacity, to schedule these consistently so that all relevant individuals can attend. Three meetings have occurred in the 2017-18 year. Given the strength of the treasury management processes and informal communication within the team, it is likely that the meetings would become more effective by cutting down the frequency of these meetings to a quarterly basis, to allow increased attendance, along with increasing expectations that key staff make every effort to attend. This would also give the opportunity for senior management to assess that the cashflow process is fit for purpose and meets the needs of the Council. This is raised as a **low risk** finding.

To increase the value of these meetings, further work may be required on cashflow information that is being reported. At present, no formal assessment is made of the accuracy of the cash flow forecasts. As part of preparation for the performance meetings, it would be advisable to prepare a lookback report comparing the cashflow forecast over the preceding three months against actual figures. This would allow the Council to assess the accuracy of quarterly forecasts. By discussing it within the quarterly meetings, significant variances should be discussed and updates made to the process to allow more accurate forecasting and therefore more informed investment or borrowing decisions. This is raised as a **low risk** issue.

With updates to the monitoring and reporting of the treasury management and cashflow process, documentation of a high level set of process notes that outline the key processes and controls is advisable. This would mean that if there were changes to key treasury management personnel, the loss of knowledge would be less significant. We have raised this area as a low risk finding.

Appendix A: Basis of our classifications

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

Critical

High

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

Medium





Low

Advisory

A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

The report classification is determined by allocating points to each of the findings included in the report.

<i>Findings rating</i>	<i>Points</i>	<i>Report classification</i>	<i>Points</i>
Critical	40 points per finding	 Low	6 points or less
High	10 points per finding	 Medium	7– 15 points
Medium	3 points per finding	 High	16– 39 points
Low	1 point per finding	 Critical	40 points and over

Appendix B: Progress on the 2017/18 internal audit plan

Audit name	Fee	Current Status	Report classification for those audits completed
Adult Social Care Contracts	£7,550	Final Report	Medium Risk
Application System: SAP	£5,450	Draft Report	-
Beaulieu House and Riboleau House	£5,450	Draft Report	-
Benefit Payments	£5,450	Final Report	Low Risk
Contracts/Grant Sourced Spend	£7,550	Final Report	Medium Risk
Corporate Governance/Service Planning	£7,550	Final Report	Low Risk
Cowes Floating Bridge *	£5,450	Suspended	-
Development Control	£5,450	Final Report	Low Risk
Emergency Management: Business Continuity	£7,550	Final Report	Medium Risk
Environmental Health	£5,450	Draft Report	-
Fraud and Corruption	£7,550	Fieldwork	-
Housing / Safe & Secure Homes	£5,450	Final Report	Medium Risk

Audit name	Fee	Current Status	Report classification for those audits completed
Information Management/IG Toolkit	£7,550	Draft Report	-
IT Governance and Asset Management	£7,550	Final Report	Medium Risk
IT: Alignment with Business Need	£7,550	Final Report	Medium Risk
Key Financial Systems	£12,800	Draft Report	-
Local Taxation (Council Tax and NDR)	£5,450	Final Report	Medium Risk
Public Health	£7,550	Postponed	-
PFI and Pan Follow-up *	£5,450	Final Report	N/A
Recruitment	£5,450	Final Report	Low Risk
Regeneration/Strategic Support	£7,550	Final Report	Medium Risk
Schools' Audits	£5,450	Final Report	N/A
Trading Standards	£5,450	Draft Report	-
Treasury Management	£5,450	Final Report	Low Risk
Vanguard	£10,522	Final Report	Medium Risk

* Our scheduled review of the Cowes Floating Bridge has been directly substituted with a follow-up review, to assess progress implementing the actions stemming from our 2016/17 reviews of the Highways PFI and Pan reviews.

Appendix C: Internal audit performance against key performance indicators 2017/18

	Adult Social Care Contracts	Application System: SAP	Beaulieu House and Ribolau House	Benefit Payments	Contracts/Grant Sourced Spend	Corporate Governance/Service Planning	PFI and Pan Follow-up	Development Control	Emergency Management: Business Continuity	Environmental Health	Fraud and Corruption	Housing / Safe & Secure Homes	Information Management/IG Toolkit	IT Governance and Asset Management	IT: Alignment with Business Need	Key Financial Systems	Local Taxation (Council Tax and NDR)	Public Health	Recruitment	Regeneration/Strategic Support	Schools' Audits	Trading Standards	Treasury Management	Vanguard
Scope agreed prior to fieldwork commencing?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Exit meeting held?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	-	Y	Y	Y	Y	Y	Y	-	Y	Y	Y	Y	Y	Y
Draft report issued within 10 working days of completion of exit meeting?	Y	-	Y	Y	Y	Y	Y	Y	Y	Y	-	Y	Y	Y	Y	Y	Y	-	Y	Y	Y	Y	Y	Y
Draft report issued within 10 working days of receiving documentation from auditee?	Y	-	Y	Y	Y	Y	Y	Y	Y	Y	-	Y	Y	Y	Y	Y	Y	-	Y	Y	Y	Y	Y	Y
Management response received?	Y	-	-	Y	Y	Y	Y	Y	Y	-	-	Y	-	Y	Y	Y	Y	-	Y	Y	-	Y	Y	Y
Final report issued within five working days of agreement of management response?	Y	-	-	Y	Y	Y	Y	Y	Y	-	-	Y	-	Y	Y	-	Y	-	Y	Y	-	Y	Y	Y
Client satisfaction survey score (if received)?	10	-	-	6.5	-	9.2	-	9	7.5	-	-	8.6	-	9.6	10	-	8	-	9.2	10	5	-	-	-