



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 May to July 2018. It provides executive summaries for the three 2017/18 reports and one postponed 2016/17 review, on Adult Social Care Savings, issued as final since the last meeting of the Audit Committee. Two reports are rated as medium risk, one as low risk and one, Key Financial Systems, where each area reviewed was individually risk rated. Within this progress report we also provide a summary of work carried out to support the Council reviewing and enhancing its approach to fraud prevention.

There are four further 2017/18 reviews not previously presented to the Audit Committee and not covered in this progress report. Three of these, rated as high risk, are presented separately to this meeting of the Audit Committee. Our Environmental Health report is in draft, pending finalisation and will be presented to September's meeting of the Audit Committee.

2018/19 Update

Our quarter one programme of work is now complete, with reports scheduled to be presented to September's meeting of the Audit Committee. Quarter two reviews are either underway or scheduled to commence imminently, while scoping for our quarter three programme of work is also underway and will continue through the summer, in preparation of fieldwork commencement in October.

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 14 completed customer surveys to date, awarding an average satisfaction score of 8.6/10.

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

Fraud Prevention Arrangements

Introduction

In the 2017/18 Internal Audit Plan time was allocated for a review of the Council's counter fraud arrangements. Following discussions with the Chief Internal Auditor the scope was clarified to address a number of activities, collectively aiming to assess the effectiveness of current mechanisms to detect and respond to fraud; and to identify gaps and potential enhancements for consideration. This comprised of three discrete work streams, as below:

- *Fraud Survey*: a survey of directors and senior managers across the Council, to confirm current controls in place to detect and respond to fraud and to identify areas potentially presenting an elevated opportunity/risk for fraud.
- *Review of Risk Registers and Organisational Charts*: reviewing the Council's operational risk registers across all areas and organisational charts, to identify fraud related risks and teams who, due to the nature of their work, present an elevated opportunity/risk for fraud.
- *Sector Indicators*: sourcing sector research through our co-sourced partner, identifying high risk areas for fraud in the local government sector and indicative levels of likely fraudulent activity.

Fraud Survey

The fraud survey was sent to all directors (or, where appropriate their deputies) and all direct reports on the 2nd May 2018. In total 32 surveys were returned. Headlines from our the survey are:

- All areas of the Council have activities or services presenting an elevated opportunity for fraud. The most common is travel/expenses for Council business, with 17 positive responses that there is an elevated risk in this area.
- Only one Service, Adults, identify that they have a fraud risk on their risk register (regarding care managers).
- Six responders in Children's, Adults', Finance and Resources (team responsible for governance) identify that fraud is discussed at their mini/service board meetings.
- Four responders identify they have spoken to the Chief Financial Officer in the last 12 months regarding fraud.
- All areas are using controls to minimise and detect fraud, the most common being management oversight, with 18 responses.
- Three responses, Adults and Place (Planning) identify instances of fraud detected in the preceding 12 months; two in Adults and one in Place.

Risk Register Review

Our work was based on a full extract of the Council's corporate risk management system, JCAD Risk. In total this contained 382 risks. However a large number of these risks are redundant, for example being linked to known finished projects, or owned by staff who left the Council a number of years ago. Once filtered this details 111 risks which are likely to be live.

Only one risk, associated with maintaining appropriate controls to comply with the Payment Card Data Security Standard (PCIDSS, required by organisation who take card payments) explicitly identifies fraud as a risk. However, following detailed review, there are another 29 risks which have some relation to fraud, for example elements of cash handling or making decisions impacting on third parties.

Organisational Structure

Our work was based on an extract from SAP, the Council's core finance system, which lists all teams and staff employed by the Council. The raw extract contained a large volume of redundant/inaccurate information and was manually manipulated to arrive at an indicative listing of 324 teams/units. This listing was reviewed, with follow-up queries to confirm the scope of the work of individual teams where necessary. This identified 172 teams/units where there is an elevated opportunity of fraud due to the nature of their work; examples of areas where there are elevated risks include:

- *Adults and Children*: vulnerable clients, overtime, decisions impacting third parties, payments to third parties (especially high cost placements), management of client fees

- (deputyships), direct payments.
- *Place*: cash, cards, tills, stock, casual staff, overtime payments, parking, planning applications.
- *Resources*: procurement, managing contracts, supplier payments, pension overpayments due to late death notifications.
- *Regeneration*: disposal of Council assets, i.e. property.
- *Fire*: overtime payments.
- *All*: timesheets, travel & expense claims, agency staff, petty cash.

This list largely matches the narrative responses concerning elevated fraud risks in the survey, summarised above.

Sector Indicators

Research shared from our co-sourced partner identify the following, with indicative national scale, as traditional areas where fraud is likely to be taking place:

- Housing Benefit - £52m
- Social Housing Fraud - £50m
- Right to Buy - £46m
- Council Tax - £31m
- Insurance - £8m

Less traditional areas, which present an emerging risk, are highlighted below:

- Social Care - £6m
- Procurement - £4m
- Business rate retention - £3m
- Councillor/Employee – no scale given
- Bank mandate– no scale given
- Schools admissions– no scale given

Overall Conclusion

Our key conclusions are:



1. Based on sector indicators above the current processes and controls in place to prevent and detect fraud are inadequate for a council of the Isle of Wight Council's scale, complexity and fraud risk profile.
2. The risk registers are out of date and not complete, rendering the Council's risk management framework less effective at preventing or mitigating key risks to the Council's objectives and operations materialising.
3. The organisational structure should be documented to enable a clear line of sight across the Council of where and by who (fraud) risks should be owned and managed. This would also enable the SAP structure to be updated and better used to automate workflow approvals and enforce segregation of duties.

Internal Audit continue to recommend the Council reviews fraud prevention and detection arrangements, mindful of value for money, to ensure an appropriate anti-fraud culture and strong internal control environment are in place.

Executive Summaries from Internal Audit Reports

In this Section we provide the executive summaries for the three scheduled 2017/18 reports issued as final since the Audit Committee last met in May 2018 and one review, postponed from 2016/17.

Executive summary – Application System: SAP

Classification	Trend	By type		By scope area						
		Control design	Operating effectiveness	Total	Critical	High	Medium	Low	Advisory	
 <p>SAP was last reviewed in 2015/16; rated as medium risk.</p>		Critical	0	0	0	0	0	1	0	
		High	0	0	0	0	1	0	0	
		Medium	2	0	2	0	0	1	1	0
		Low	2	1	3	0	0	0	1	0
		Advisory	0	0	0	0	0	0	1	0
Roles and Responsibilities				0	0	0	0	1	0	
Delivery				0	0	1	0	0	0	
System Enforced Controls/Privileged Access				0	0	1	1	1	0	
Oversight				0	0	0	0	1	0	

Summary of findings

This audit reviewed the Council’s arrangements for controlling and managing access to SAP, the system used to manage the Council’s finances and HR, including areas such as General Ledger, payments and payroll. In overview this audit covered:

- **Roles and Responsibilities:** confirming that responsibilities are understood and documented, both for the processes managed primarily by IT and areas where the wider Council has responsibility.
- **Delivery:** sample testing of granting, reviewing and revoking access to SAP, to confirm that processes are working effectively to control access to the system.
- **System Enforced Controls/Privileged Access:** confirming that appropriate security guidance has been made available to staff and that the system is configured to support a good security.
- **Oversight:** confirming there are agreed performance indicators regarding requesting and processing access changes to SAP, and appropriate reporting and oversight arrangements in place.

We identified a number of areas of good practice, for example integrating SAP to users primary network logins (referred to as single point of sign on), which reduces the number of passwords staff have to remember, appropriately documented processes, over granting and revoking access to SAP and clear guidance for staff regarding what constitutes ‘strong’ passwords.

The IT Department is part way through an initiative, started in 2015, to comprehensively review the access necessary for each job role, with key areas within corporate finance and the Business Centre, including HR, complete. Once complete this will further strengthen control over access to SAP.

The overarching area which needs to be addressed is introducing more formality in some areas, for example agreeing and documenting business ownership and reporting arrangements, rather than these being ‘implicitly’ understood, as is the case currently. We also identified minor enhancements to control access to the SAP system. We have documented our work in five detailed findings, summarised below:

IT Management Oversight: (medium risk) there are not agreed lead times for IT to process requests for new, changed or revoked access to SAP. Associated with this,

oversight from IT management is informal. Regular reports, covering both access processing and validation activity, are not produced and considered at IT management meetings.

In the first instance a reasonable lead time, for example five working days, needs to be identified and highlighted to service areas. Following on from this, a standard report, ideally automated, needs to be designed, implemented and considered at IT management meetings; this should also include the results of any validation activity.

Sample Testing: (medium risk) we sample tested 25 out of 392 access requests (starters/movers) and 25 out of 224 access revocation requests (leavers) processed from 1st April to January 2018. The key control, segregation of duties, with IT only implementing access approved by service areas, is enforced by an electronic form with built in workflow. Our testing therefore focussed on timeliness of processing and ensuring that access is ready for start/move dates, or removed by leaving dates.

While there is some slow processing by IT (six instances in excess of five days, across both samples) the key issue identified by our testing is late notification by service areas. For 11 starters/movers this was the primary reason for access being granted late, for nine leavers the primary reason access remained after leave dates. Where it was in advance of leave dates this was often by only a few days, giving insufficient time for processing to be completed. Service areas need to be reminded of the importance of making requests in a timely manner while the associated implications need to be highlighted to senior management. Given a similar issue was identified in our recent review of Recruitment, senior management should consider what action can be taken to ensure service areas more consistently notify HR and IT of joiners, leavers and changes.

Business Ownership: (low risk) to request access to SAP an electronic form is used, which automatically requests access from business owners for each processing area. In addition to approving access requests this group are also consulted when scheduling changes and lead any user testing required. The list of owners provided for our review is appropriate, with the exception of HR, where access requests are currently routed by the electronic form to a member of the IT Department. For clarity this staff member is in a separate team from that implementing access, so there is segregation of duties.

While 'business' ownership and responsibilities regarding SAP are implicitly understood it is not formally documented. To ensure there is clarity as to what the role requires it should be documented in a brief job description and agreed with each of the key processing areas. Additionally, to both support segregation of duties and consistency with how other areas of the Council are managed, a suitable manager should be identified to fulfil the ownership role for HR.



Technical Processes: (low risk) while the IT Security Policy covers key areas, for example good password practice, it is overdue review from 2016. The Policy should be reviewed and updated as necessary, with the review date updated accordingly.

Regarding ongoing technical monitoring, while we were provided with a report showing there are no orphan privileges on SAP, this process is not documented or routinely evidenced. To ensure it is carried out consistently a brief processing note should be produced and, in future, evidence such as a log of when reports are run, anomalies identified and how they have been addressed, retained. Linked to this, a trigger should be configured to alert line management if users with admin access use this access on the live environment, so that its necessity can be confirmed.

Job Roles and Reporting: (low risk) the Council is approximately 50% through an initiative to comprehensively review job role definitions in SAP and tie these as closely as possible to individual's actual job responsibilities. To date IT, HR, Payroll, Pensions, Learning and Development, Finance and the Payments Team have been updated. While there are ad hoc communications to owners formal reports are not currently produced and shared.

The job roles reviewed and updated to date are the highest risk areas, a formal plan and indicative timescales should be drawn up and shared with business owners for the remainder. This will help to ensure work is correctly prioritised and that the wider Council is fully aware of any risk, until the initiative is complete. A simple business as usual process should be designed and documented, to support both ongoing review of the job definitions in SAP and sense checking of the individuals with access through each role. Regular and ideally automated reports should also be shared with owners to support them in overseeing SAP covering, for example, access requests to each processing area, processing time and, to support ongoing refinement of roles, transaction usage levels within roles.

Executive summary – Trading Standards

Classification	Trend	By type		By scope area				
		Control design	Operating effectiveness	Critical	High	Medium	Low	Advisory
 <p>Medium Risk</p> <p><i>We have not previously carried out a review of Trading Standards</i></p> <p></p>		0	0	0	0	0	1	0
		0	0	0	0	2	0	0
		2	0	0	0	0	1	0
		2	0	0	0	1	0	0
		0	0	0	0	1	0	0

Summary of findings

This audit reviewed the work of the Council’s Trading Standards Team, covering:

- **Framework:** confirming that there are appropriate and sufficiently available policy and procedure documentation in place, both at a high level and specific to metrology (weights and measures), service requests (unsafe goods, rogue traders and underage sales) and the Council’s approved trader scheme.
- **Delivery:** sample testing of metrology, service requests and applications to join the approved trader scheme, to confirm that the work of the Team is carried out in line with documentation.
- **Oversight:** confirming that the Team has appropriate arrangements in place to manage performance and risk; and oversee the work of the Team.

The Trading Standards Team, part of Regulatory Services, is based at Jubilee Stores in Newport and comprises 5.75 full time equivalent staff. Trading Standards is a statutory service, covering a range of areas in addition to those in scope for this review, for example, animal feed oversight and property misinformation. The 2017/18 budget for Trading Standards was £413,847, including £113,435 to fund corporate services, for example payroll and HR costs.

We have raised four findings summarised below:

Metrology Inspection Programme: for weights and measures vendors are risk rated, with a total of 12 businesses, primarily manufacturers, rated as high risk. Due to ongoing issues with reporting (see further below) it is not possible to identify how many medium or low risk businesses there are, nor how many medium/low risk inspections may have been required during 2017/18. We were informed that the risk ratings for all vendors will be reviewed in 2018/19 and that a target has been set for each officer in the Team to visit 10 high or medium premises per month (for medium not visited in last three years), across all legislation enforced by Trading Standards. We tested three of the eight inspections undertaken in 2017/18 of vendors using weights and measures equipment, with no issues identified. The Team have not completed their planned programme of visits for 2017/18, continuing the trend from 2016/17. This may stem from a significant reduction in the staff numbers in recent years (from 14 to 5.75 Team members) and, to a lesser degree, this element of the Team’s work being categorised as lower priority.

The Team should focus on higher risk areas, in line with what it is realistic to complete in year. For example the Team currently plan to visit all petrol stations biennially, while some premises might have had no issues raised on previous inspection visits, hence these are visited more infrequently. Potentially a better approach would be to increase the interval between inspections where no issues are identified, while maintaining the interval between inspections for vendors where issues are identified. Options should

be investigated, for example through the regional best practice group and presented to senior management for decision.

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

Service Requests/Performance Management: we tested three enquires of the seven received by the Team regarding unsafe goods, 10 of 24 enquiries regarding rogue traders and one out of two regarding potential underage sales. We identified two issues, one regarding an email not being recorded as responded to and one regarding an email being responded to after four months, well outside of the five day response target. These issues should have been picked up and addressed through automated performance reporting from the Uniform system. However the Team have been unable to produce performance reporting since the Uniform system was implemented in early 2017. This has also led to the inability to produce any performance reporting regarding Trading Standards corporately.

Performance reporting within the Uniform system is provided through a separate module. There have been delays in fully implementing this element of the system; however, it is scheduled to be implemented imminently. Once available performance reporting should start with issues identified discussed at one to ones and Team meetings. More widely, options should be identified and discussed regarding implementing a level of corporate oversight of the work of the Team.

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

Documentation: a range of good quality documentation is available. This included processing notes, which identify each process step; a range of template documents used to evidence various elements of individual processes, for example the checklist used when carrying out inspections of premises; and flowcharts providing an overview of how processes work.

We identified two issues regarding documentation. A small number of process notes which, although reviewed within the last 12 months, were undated. This should be addressed by adding the standard Council cover sheet, which contains placeholders for the last and next review and a summary of key changes, to ensure these are highlighted to staff responsible for processing. We also identified that in contrast to the process notes, five references are not always required for applications to the Approved Trader scheme, dependent on the quality of references received. To support consistent processing the processing note should be updated, to make clear the level of officer discretion allowed.

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

Trader Approval Scheme: we sample tested five out of 15 applications to join the Council's Approved Trader Scheme in 2017/18. There were two instances of less than five references being on file (as noted above, the required number within the processing notes), emails being stored in personal inboxes and no evidence being retained regarding credit reference checks. We also note the Disclosure and Barring Service (DBS) checks are carried out if traders identify that they carry out work in people's homes. In the online guidance from the Disclosure and Barring Service it is not clear that this is an acceptable reason for DBS checks to be carried out.

Processing notes should be updated to reflect the level of officer discretion allowed. The level of evidence and how this is retained should also be reviewed, to ensure it is sufficient to support management oversight and future review, should this be required. For example evidence of credit reference checks could be screen printed and emails saved outside of Outlook, with both linked through to from an Excel cover sheet, to enable the full application process to be more 'cleanly' recorded. The acceptability of the Council's current approach to DBS checks should be confirmed through Trading Standards South East, the regional good practice group.

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

Executive summary – Key Financial Systems: Quarter 1 and Quarter 2

Scope area	Controls tested	Number of items tested	Items with control operating exceptions	Items with control design exceptions	Total number of exceptions	Q1 and Q2 risk	Trend
Cash and Bank	2	40	1	0	1	Low	n/a – This is the first CAM report.
General Ledger	4	30	14	1	15	Low	
Payroll	6	92	41	1	42	High	
Creditors	4	52	3	0	3	Medium	
Debtors	4	52	12	0	12	Medium	

Introduction

We have undertaken our Key Financial Systems review implementing the Continuous Auditing Model (CAM). The approach evaluates the operating effectiveness of the key financial controls, as agreed with management, on a quarterly basis. This approach enables the effectiveness of key controls to be assessed over the course of the financial year and any issues promptly reported. This report covers controls in operation between April and September 2017.



Conclusion

This review is designed to test key financial controls and identify failures, enabling Council management and the Audit Committee to evaluate the reliability of financial controls and control effectiveness over time. We have not sought to document the underlying root cause of control failures reported as given the nature of these controls full compliance should be the target. However, we will highlight any control design weaknesses or issues should these be identified and agree an action with management to address these.

Concerning the control failures reported we will be seeking to see an improvement in compliance in future audits. Should this not be observed actions will be agreed with management to improve control compliance going forward. It is likely that this will include reminding / training staff of the proper operation of the control or reviewing the design of the control to ensure it is fit for purpose / required.

The report is formatted by financial cycle / process, stating the controls in place, the associated risks with the controls and the testing completed on these controls. The testing indicates the number of individual items that were tested, the number of exceptions, the detail of the exceptions and the risk rating applied to these. From this, an overall rating for the financial cycle / process is determined.

Executive summary – Adult Social Care, Cost Saving Plans and Dynamic Purchasing System (DPS)

Classification	Trend	By type		By scope area					
		Control design	Operating effectiveness	Total	Critical	High	Medium	Low	Advisory
 <p>We have not previously carried out a review with an equivalent scope</p>		Critical	0	0	0	0	0	0	0
		High	0	0	0	0	1	0	0
		Medium	1	0	1	0	0	0	0
		Low	0	0	0	0	0	0	0
		Advisory	0	0	0	0	0	0	0
Cost Saving Plans 2017/18					0	0	0	0	0
Dynamic Purchasing System (DPS)					0	0	1	0	0
Delivery/Oversight					0	0	0	0	0

Summary of findings

This audit reviewed the Adult Services 2017/18 cost savings programme and the realisation of the projected benefits associated with the implementation of the Dynamic Purchasing System (DPS), in Adult Social Care. In overview this review covered:

- *Cost Saving Plans 2017/18*: confirming that a detailed Savings Plan was produced, to support the achievement of £3.084 million of saving by Adult Services, with an appropriate reporting regime to ensure senior management were kept apprised of progress.
- *Dynamic Purchasing System (DPS)*: confirming that benefits associated with the adoption of the DPS are being monitored and that achievement of benefits is on track with projections.
- *Delivery/Oversight*: confirming that Adult Services has engaged with the Organisational Change team and has used this corporate resource to support their savings programme; an appropriate regime of oversight meetings took place, with any issues escalated to senior management to be addressed at the earliest opportunity.

The key headline from our review is that, according to the Council’s financial reporting, Adult Social Care has fully achieved its planned savings during 2017/18. A detailed savings plan was produced at the start of the year. We were provided with a range of documentation, including regular finance monitoring reports, to show this was robustly managed during the year, with the support of the Organisational Change and Corporate Finance teams. We have not raised any findings regarding Cost Saving Plans or how they were delivered and overseen by the Service.

On the Dynamic Purchasing System (DPS) our conclusion is less positive. While there have been some notable benefits achieved by the system, for example increasing both the number of providers and spreading work more evenly between providers (increasing the resilience of the ‘system’), arguably the most important part of the system, individual pricing, has not been fully implemented, meaning it has not been possible to achieve the anticipated 9% cost savings. We have raised one finding regarding the DPS, summarised below:

The decision to purchase the DPS was signed off by the then Head of Adult Social Care on the 17th June 2015, at a cost of £305,000, including implementation for year one and a recurring annual cost of £215,000. The decision was based on a number of anticipated benefits, summarised in the February 2018 Highlight Report as:

- To achieve saving efficiencies within Adult Social Care.

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- To create a competitive social care environment on the Isle of Wight.
 - To reduce development needs.
 - To develop a diverse and robust sector wide care market.
 - To create an effective cost model that based on a case by case basis.

These have been partially delivered. However, subsequent to the purchase decision being signed off, members decided not to implement the individual pricing element of the system, which means the anticipated 9% cost savings (of the cost of individual care packages) have not been achieved. The February 2018 Highlight Report identifies that this decision has been subsequently revisited but that it is now unlikely to be progressed, primarily due to concerns that it may lead to an over focus on the cost, rather than the quality of services provided.

A number of years have now elapsed since both the decision to purchase the DPS and the decision not to implement the individual pricing element. There have been changes both in senior officers, for example a new Director of Adult Social Care and the political administration of the Council. Any recommendations specific to DPS are likely to be of limited value. However the Council must learn from the experience with DPS, to inform its decisions with future major projects/procurements. There is a new forum in the process of being implemented, to oversee major projects. Part of this forum's remit must be to challenge projected benefits and ensure they are robust, before any future procurements are signed off. This responsibility should be made explicit in the forum's terms of reference.

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

The cost savings realised by Adult Social Care are particularly impressive, particularly as historically this has been a difficult area for the Council to realise savings from and the fact that these have been realised, despite the individual pricing element of DPS not being implemented. There are likely to be lessons to be learned by wider services at the Council from the experience as to how Adult Social Care has managed its cost savings during 2017/18.

Appendix A: Basis of our classifications

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
<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> <ul style="list-style-type: none"> All personal details compromised/revealed 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Litigation/claims/ fines from Department £250k + Corporate £500k + 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Costs over £500,000 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Complete failure of project/ extreme delay – 3 months or more
Critical						
<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/claims/ fines from Department £50k to £125k Corporate £100k to £250k 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Costs between £50,000 and £500,000 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> Significant impact on project or most of expected benefits fail/ major delay – 2-3 months
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/claims/fines from Department £25k to £50k • Corporate £50k to £100k 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> • Costs between £5,000 and £50,000 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> • Adverse effect on project/ significant slippage – 3 weeks–2 months
<p>A finding that could result in a:</p> <ul style="list-style-type: none"> • Brief disruption of important service area • Significant effect to non-crucial service area <p>Service Disruption 1 Day</p>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> • Contained within section/Unit or Directorate • Complaint from individual/small group, of arguable merit 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> • Minor injury or discomfort to an individual or several people 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> • Isolated individual personal detail compromised/ revealed 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> • Litigation/claims/fines from Department £12k to £25k • Corporate £25k to £50k 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> • Costs less than £5,000 	<p>A finding that could result in:</p> <ul style="list-style-type: none"> • Minimal impact to project/ slight delay less than 2 weeks

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	Final Report	Medium Risk
Beaulieu 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	Final Report	n/a
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	Final Report	n/a
Local Taxation (Council Tax and NDR)	£5,450	Final Report	Medium Risk
Public Health	£7,550	Draft Report	-
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	Final Report	Medium Risk
Treasury Management	£5,450	Final Report	Low Risk
Vanguard	£10,522	Final Report	Medium Risk

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Audit name	Fee	Current Status	Report classification for those audits completed
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* 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.

** The results of our fraud work have been communicated directly to the Chief Internal Audit, a summary of our findings is included in this progress report.

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

	Adult Social Care Contracts	Application System: SAP	Beaulieu House and Ribolieu 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	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	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	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	Y	Y	Y	Y
Management response received?	Y	Y	Y	Y	Y	Y	Y	Y	Y	-	Y	Y	-	Y	Y	Y	Y	-	Y	Y	Y	Y	Y	Y	Y
Final report issued within five working days of agreement of management response?	Y	Y	-	Y	Y	Y	Y	Y	Y	-	n/a	Y	-	Y	Y	Y	Y	-	Y	Y	Y	Y	Y	Y	Y
Client satisfaction survey score (if received)?	10	9.8	-	6.5	-	9.2	-	9	7.5	-	-	8.6	-	9.6	10	7.6	8	-	9.2	10	5	-	-	-	-