

***Isle of Wight Council  
Annual Internal Audit  
Report  
2017/2018***

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## **Distribution List**

For action	The Audit Committee
For information	John Metcalfe, Chief Executive Corporate Management Team

# 1. Executive summary

## Introduction

This report summarises the internal audit work undertaken for the year ended 31<sup>st</sup> March 2018.

The Public Sector Internal Audit Standards require the Chief Internal Auditor to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix 1. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

The Council's internal audit service is largely provided by an external contractor. This engagement was tendered during July 2015 and our existing provider reappointed. Subsequent to this process, the external spend on internal audit was £184,222 for 2017/18. This does not include internal resources expended on the Chief Internal Auditor role.

Internal audit work was performed in accordance with the Council's Internal Audit methodology, which is in conformance with the Public Sector Internal Audit Standards.

## Chief Internal Auditor Opinion

I am satisfied that the work undertaken has been in accordance with the agreed annual plan for 2017/18 and that this allows an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

It should also be noted that the audit coverage over the last three years has been limited by the resources available and that a number of high risk areas have not been audited for some time. As capacity decreases within the council it becoming increasingly more important to deploy greater audit scrutiny to aid the council in ensuring that its resources are used effectively to manage risk exposure and successfully deliver desired outcomes.

## Opinion

My opinion is as follows:

Satisfactory	<b>Generally satisfactory with some improvements required</b>	Major improvement required	Unsatisfactory
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Governance, risk management and control in relation to business critical areas is generally satisfactory. However, there are some areas of weakness in the framework of governance, risk management and control which potentially put the achievement of objectives at risk.

Some improvements are required in those areas to enhance the adequacy and effectiveness of the framework of governance, risk management and control. Please see our Summary of Findings in Section 2.

An explanation of the types of opinion that may be given can be found in Appendix 2.

## **Basis of opinion**

My opinion is based on:

- All audits undertaken during the year.
- Any follow up action taken in respect of audits from previous periods.
- Any significant recommendations not accepted by management and the resulting risks.
- The effects of any significant changes in the Council's objectives or systems.
- Any limitations which may have been placed on the scope or resources of internal audit.
- What proportion of the Council's audit needs have been covered to date.
- Any investigations carried out during the year.

## *Acknowledgement*

I would like to take this opportunity to thank Council staff, for their co-operation and assistance provided during the year.

## 2. Summary of findings

The annual internal audit report and opinion is timed to inform the Council's Annual Governance Statement. A summary of key findings from the programme of internal audit work for the year work is recorded in the table below:

<i>Description</i>	<i>Detail</i>
<p><b>Overview</b></p> <p>Internal Audit completed 23 internal audit reviews. This resulted in the identification of five high, 43 medium and 46 low risk findings to improve weaknesses in the design of controls and/or operating effectiveness.</p>	<p>During 2017/18 there has been a focus on 'change' at the Council in our programme of work, both how this is managed and identifying gaps in Council plans. This supports the Council in achieving objectives in a timely manner and leverages opportunities, such as utilising full resources to support initiatives. Examples of this focus during 2017/18 are:</p> <ul style="list-style-type: none"> <li>• <i>IT: Alignment with Business Need:</i> this review focussed on the Council's Digital Strategy, identifying gaps/further opportunities in the Council's plans and assessing progress to date.</li> <li>• <i>Regeneration/Strategic Support:</i> this review focussed on the Council's Regeneration Plans; reviewing progress to date and towards finalising the Regeneration Strategy and plans to ensure that wider Council services, for example planning, are aligning with and fully supporting the regeneration agenda.</li> </ul> <p>The Council continues to commission many services, either through long term, strategic arrangements or through more traditional contractual agreements. Internal Audit have carried out a number of reviews over how these areas perform, for example:</p> <ul style="list-style-type: none"> <li>• <i>Adult Social Care Contracts:</i> reviewing the management of the Adult Social Care contract portfolio, to confirm that current contracts are in place and there are appropriate arrangements to manage contracts and review the work of providers.</li> <li>• <i>Contracts:</i> reviewing progress to date designing and implementing a corporate framework for managing contracts and sample testing contracts, to confirm that they are managed in line with contract terms.</li> <li>• <i>Highways PFI and Pan Follow-up:</i> reviewing the progress made to address the issues identified in our 2016/17 reviews of these two initiatives, for example the need to formalise the work of the PFI team and ensure that large scale change initiatives are correctly managed, with documentation kept and appropriate succession planning.</li> <li>• <i>Vanguard:</i> focussed on reviewing the governance of the Vanguard initiative, to confirm it was correctly managed and identify learning to inform future change in this area.</li> </ul> <p>Internal Audit has met the performance indicators which are within its direct control and has provided regular reports during the course of the year to the Audit Committee detailing performance, helping to ensure that it has sufficient information to carry out its role effectively.</p>
<p><b>Good practice</b></p> <p>Internal Audit identified a</p>	<p>A number of our reviews have been rated low risk during 2017/18. Central Finance and teams within the Business Centre continue to</p>

<b>Description</b>	<b>Detail</b>
<p>number of areas where few weaknesses were identified and areas of good practice.</p>	<p>demonstrate well controlled processes as in previous years, with the following reviews in these areas rated low risk:</p> <p><i>Cash and Bank:</i> under the continuous auditing approach adopted for 2017/18 traditional 'findings' are not raised in this report. Rather 'exceptions' are raised where expanded testing identifies documented processes have not been followed. For Cash and Bank only one exception was identified, out of 40 items tested.</p> <p><i>Treasury Management:</i> this area has historically been well controlled, also rated as low risk when last reviewed in 2016/17. Only minor issues were raised, regarding management team oversight/reporting and ensuring all areas are fully documented, to reduce overreliance on key members of staff.</p> <p><i>Benefit Payments:</i> this area has historically been well controlled, also rated as low risk when last reviewed in 2016/17. Only minor issues were raised, regarding a small number of processing errors, in the areas of debt recovery and dual housing payments and delays in month end reconciliations undertaken.</p> <p><i>Recruitment:</i> this area has well designed and documented processes. The main issue we identified was requests coming into the team responsible with very little notice, making it difficult in some instances for processing to be completed in time for staff start dates. Issues identified within the team were limited to minor errors in policy and procedure documentation.</p> <p>Other areas Internal Audit reviews identified as low risk were:</p> <ul style="list-style-type: none"> <li>• <i>Development Control:</i> despite this area having been restructured and having a relatively new management team our review identified that processes are well designed and clearly documented. For example we were provided with flow charts, which clearly show the responsibilities for process steps and how these relate to one another. Our sample testing of planning applications processed in year also identified only minor issues.</li> <li>• <i>Corporate Governance/Service Planning:</i> this area has been restructured a number of times in recent years, with reductions in the number of staff available to lead and support corporate governance arrangements, for example risk and performance management and service planning. Ultimately this led to much of the documentation setting out corporate expectations being out of date. The Council has responded by comprehensively revising its documentation, with a revised, 'light touch' series of realistic expectations. While work is ongoing and central staffing to support service areas remains limited, arrangements and expectations are a significant improvement compared to what we have observed in recent years.</li> </ul>
<p><b>Internal Control Issues</b> During the course of our work, we identified a number of weaknesses that we consider</p>	<p><b>Information Management</b> This review raised two high risk findings and was rated high risk overall – this is particularly salient with the GDPR (General Data Protection</p>

<i>Description</i>	<i>Detail</i>
<p>should be reported in the Annual Governance Statement.</p>	<p>Regulation) coming into effect in May 2018.</p> <p>The main issues identified in this review were out of date DEAs (Data Exchange Agreements) and low completion rates, both for mandatory Information Security and mandatory IT Security training.</p> <p>While the Council does have a programme of remedial work underway, it is exposed until this is completed. Current estimates are for this to be completed by September/October 2018 at the earliest.</p> <p><i>Public Health</i></p> <p>This review raised two high risk findings and was rated high risk overall.</p> <p>The main issues identified in this review were:</p> <ul style="list-style-type: none"> <li>• An insufficiently formal process to identify where savings could be made for 2017/18, specifically to minimise their impact on public health outcomes and ensure safe services continued to be delivered.</li> <li>• A failure to document how wider council services, funded through the public health grant, would actually impact on public health outcomes and monitor their impact during the year.</li> </ul> <p>A partnership is now in place with Hampshire County Council to support the Isle of Wight Council in delivering its public health responsibilities. Their review of current arrangements is ongoing. Actions will be necessary to confirm that savings made in 2017/18 have not had an unacceptable impact and to confirm that the public health grant spend has been appropriate.</p> <p><i>Payroll (part of Key Financial Systems review).</i></p> <p>For Payroll 42 exceptions were identified out of the 92 controls tested, two areas rated as high risk and three as medium risk, leading to Payroll rated high risk overall.</p> <p>The high risk findings were:</p> <ul style="list-style-type: none"> <li>• the September 2017 pay run reconciliation was not reviewed.</li> <li>• a number of issues regarding timesheets, specifically: six payments totalling £135.50 not supported by timesheets, one timesheet where the preparer has not identified for a payment of £89, a payment of £22.50 not signed by the manager and one timesheet where authorisation was delayed by a month.</li> </ul> <p><i>Beaulieu House</i></p> <p>This review was rated high risk overall due to five medium and three low risk findings. The overarching issue is a 'limited operational financial awareness' and no formal activity focussed on ensuring that VfM is achieved; a specific finding (rated medium risk) is included in the report, for Beaulieu House to undertake a formal VfM exercise.</p> <p>The report includes actions to improve financial controls, covering documenting procedures, better controlling petty cash and making sure that the correct process is followed regarding purchases, with purchase orders raised in advance of invoices received.</p>

<i>Description</i>	<i>Detail</i>
	<p><i>Schools</i>  This review identified a number of issues, which are applicable across all schools reviewed. Specifically key policy documentation covering income, bad debt, asset management, fraud and corruption and whistleblowing either out of date or not existing and failures to consistently update registers of interest and skills matrices.</p> <p>One of the schools we reviewed during 2017/18, Broadlea Primary School, was rated as high risk. The school is in deficit and does not have a plan setting out how it will address its financial position. Other issues identified include: no record of working papers, to support budget setting, incorrect charges for lettings, a lack of segregation of duties, a failure to reconcile unofficial funds on a monthly basis, a failure to annually review the finance policy and financial reports not scrutinised by governors.</p> <p><i>Highways PFI and Pan Meadows Development</i>  Highways PFI and Pan were the subject of separate reviews during 2016/17, both rated as high risk. Due to this, Internal Audit followed up both areas, to confirm that satisfactory progress is made to address the issues identified. This follow-up review identified that while progress is made, it is not as timely as desirable, with much of the remedial work still at the 'investigatory/initial discussion' stage at the time of our follow-up.</p> <p>Of wider significance the initial reviews and the subsequent follow-up identified significant gaps in the Council's arrangements to manage major projects. For example with Pan meetings were not minuted, records were not kept and the knowledge of staff leading the initiative was 'lost' when they left the Council, with inadequate succession planning and handover.</p> <p>The Council has responded, with an enhanced corporate approach to Project Management, led by the Organisational Change Team and a new senior forum, focused on providing oversight of major projects. However, while from a design perspective these are sensible it is not yet possible to say they are effective. As a result the effectiveness of these arrangements will be subject to Internal Audit review during 2018/19.</p>



# 3. Internal Audit work conducted

## Introduction

Internal audit work was conducted in accordance with the Council's agreement with our co-sourced partner, dated 27<sup>th</sup> November 2015, Public Sector Internal Audit Standards, and the 2017-18 Internal Audit Risk Assessment and Plan.

The table below sets out the results of internal audit work and implications for next year's plan. The control direction of travel is also analysed so management can consider whether any additional action is necessary.

All reviews cover controls effective from 1<sup>st</sup> April 2017, up to the fieldwork date of individual reviews, internal audit also include a comparison between planned internal audit activity and actual activity, to assist with budgeting and forward planning.

## Results of individual assignments

Review	Report classification	Number of findings			
		Critical	High	Medium	Low
Adult Social Care Contracts	Medium Risk	-	-	3	2
Application System: SAP	Medium Risk	-	-	2	3
Beaulieu House	High Risk	-	-	5	3
Benefit Payments	Low Risk	-	-	1	3
Contracts/Grant Sourced Spend	Medium Risk	-	-	3	2
Corporate Governance/Service Planning	Low Risk	-	-	-	3
Development Control	Low Risk	-	-	1	2
Emergency Management: Business Continuity	Medium Risk	-	-	4	1
Environmental Health	Medium Risk	-	-	3	3
Housing / Safe & Secure Homes	Medium Risk	-	-	4	2
Information Management/IG Toolkit	High Risk	-	2	2	-
IT Governance and Asset Management	Medium Risk	-	-	2	3
Key Financial Systems					
<ul style="list-style-type: none"> <li>Cash and Bank</li> </ul>	Low	-	-	-	-

<b>Review</b>	<b>Report classification</b>	<b>Number of findings</b>			
		<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
• General Ledger	Low	-	-	-	1
• Payroll	High	-	1	-	-
• Creditors	Medium	-	-	-	-
• Debtors	Medium	-	-	-	-
IT: Alignment with Business Need	Medium Risk	-	-	2	3
Local Taxation (Council Tax and NDR)	Medium Risk	-	-	1	5
Public Health	High	-	2	1	-
PFI and Pan Follow-up *	N/A	-	-	-	-
Recruitment	Low Risk	-	-	1	3
Regeneration/Strategic Support	Medium Risk	-	-	4	-
Trading Standards	Medium Risk	-	-	2	2
Treasury Management	Low Risk	-	-	-	3
Vanguard	Medium Risk	-	-	2	2
<b>Schools' Audits</b> Individual ratings for each of four schools reviewed; one rated as high, three as medium risk	Details are provided in a separate table below.	-	-	-	-
* Additional review	<b>Total</b>	<b>0</b>	<b>5</b>	<b>43</b>	<b>46</b>

<b>School</b>	
Broadlea Primary School	<b>High</b>
Wooton Primary School	<b>Medium</b>
The Bay Primary School	<b>Medium</b>
St Georges School	<b>Medium</b>

## *Comparison of planned and actual activity*

<i>Audit Unit</i>	<i>Fee</i>	<i>Review Undertaken</i>	<i>Suspended Review</i>	<i>Additional Review</i>	<i>Comments</i>
Adult Social Care Contracts	£7,550	■			
Application System: SAP	£5,450	■			
Beaulieu House	£5,450	■			
Benefit Payments	£5,450	■			
Contracts/Grant Sourced Spend	£7,550	■			
Corporate Governance/Service Planning	£7,550	■			
Development Control	£5,450	■			
Emergency Management: Business Continuity	£7,550	■			
Environmental Health	£5,450	■			
Fraud and Corruption	£7,550	■			
Housing / Safe & Secure Homes	£5,450	■			
Information Management/IG Toolkit	£7,550	■			
IT Governance and Asset Management	£7,550	■			
IT: Alignment with Business Need	£7,550	■			
Key Financial Systems	£12,800	■			
Local Taxation (Council Tax and NDR)	£5,450	■			
Public Health	£7,550	■			
PFI and Pan Follow-up	£5,450			■	This item of work replaced Cowes Floating Bridge, in agreement with the Audit Committee.
Recruitment	£5,450	■			
Regeneration/Strategic Support	£7,550	■			

<i>Audit Unit</i>	<i>Fee</i>	<i>Review Undertaken</i>	<i>Suspended Review</i>	<i>Additional Review</i>	<i>Comments</i>
Schools' Audits	£5,450	■			In 2017/18 we reviewed: <ul style="list-style-type: none"> <li>• Broadlea Primary School</li> <li>• Wooton Primary School</li> <li>• The Bay Primary School</li> <li>• St Georges School</li> </ul>
Trading Standards	£5,450	■			
Treasury Management	£5,450	■			
<b>Total Audit Assignment</b>	<b>£159,150</b>				
<p>In addition to the audit work detailed above, the total Internal Audit fee for 2017/18 covers a number of supporting activities, as summarised below:</p> <ul style="list-style-type: none"> <li>• Planning and preparation of the annual Internal Audit Risk Assessment and Plan.</li> <li>• Engagement management meetings held with management and attending Audit Committee.</li> <li>• Engagement administration and project management.</li> <li>• Ad hoc support from core audit team and specialists.</li> </ul>					
<b>Total Cost for Audit Service excluding Chief Internal Auditor &amp; Counter Fraud: £184,222</b>					

## ***4. Follow up work conducted***

### ***Introduction***

During the course of the year, follow up work has been undertaken to ascertain the level of implementation of agreed actions to mitigate risk exposure identified during the reviews. Whilst this has not been carried out across all audits performed there is an indication that work has been completed as agreed. Further work will be carried out in this area, resource permitting.

# ***Appendix 1: Limitations and responsibilities***

## ***Limitations inherent to the internal auditor's work***

Internal Audit's work has been performed subject to the limitations outlined below.

### ***Opinion***

The opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of Internal Audit's programme of work, were excluded from the scope of individual internal audit assignments or were not brought to Internal Audit's attention. As a consequence management and the Audit Committee should be aware that the opinion may have differed if the programme of work or scope for individual reviews was extended or other relevant matters were brought to Internal Audit's attention.

### ***Internal control***

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

### ***Future periods***

Internal Audit's assessment of controls relating to the Isle of Wight Council is for the period 1<sup>st</sup> April 2017 to the 31<sup>st</sup> March 2018. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

The specific time period for each individual internal audit is recorded within section 3 of this report.

### ***Responsibilities of management and internal auditors***

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

# Appendix 2: Opinion types

The table below sets out the four types of opinion that we use, along with an indication of the types of findings that may determine the opinion given. The Chief Internal Auditor will apply her judgement when determining the appropriate opinion so the guide given below is indicative rather than definitive.





Type of opinion	Indication of when this type of opinion may be given
<b>Satisfactory</b>	<ul style="list-style-type: none"> <li>• A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and</li> <li>• None of the individual assignment reports have an overall report classification of either high or critical risk.</li> </ul>
<b>Generally satisfactory with some improvements required</b>	<ul style="list-style-type: none"> <li>• Medium risk rated weaknesses identified in individual assignments that are <i>not significant in aggregate</i> to the system of internal control; and/or</li> <li>• High risk rated weaknesses identified in individual assignments that are <i>isolated</i> to specific systems or processes; and</li> <li>• None of the individual assignment reports have an overall classification of critical risk.</li> </ul>
<b>Major improvement required</b>	<ul style="list-style-type: none"> <li>• Medium risk rated weaknesses identified in individual assignments that are <i>significant in aggregate but discrete parts</i> of the system of internal control remain unaffected; and/or</li> <li>• High risk rated weaknesses identified in individual assignments that are <i>significant in aggregate but discrete parts</i> of the system of internal control remain unaffected; and/or</li> <li>• Critical risk rated weaknesses identified in individual assignments that are <i>not pervasive</i> to the system of internal control; and</li> <li>• A <i>minority</i> of the individual assignment reports may have an overall report classification of either high or critical risk.</li> </ul>
<b>Unsatisfactory</b>	<ul style="list-style-type: none"> <li>• High risk rated weaknesses identified in individual assignments that <i>in aggregate are pervasive</i> to the system of internal control; and/or</li> <li>• Critical risk rated weaknesses identified in individual assignments that are <i>pervasive</i> to the system of internal control; and/or</li> <li>• <i>More than a minority</i> of the individual assignment reports have an overall report classification of either high or critical risk.</li> </ul>
<b>Disclaimer opinion</b>	<ul style="list-style-type: none"> <li>• An opinion cannot be issued because insufficient internal audit work has been completed. This may be due to either:               <ul style="list-style-type: none"> <li>○ Restrictions in the audit programme agreed with the Audit Committee, which meant that our planned work would not allow us to gather sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control; or</li> <li>○ We were unable to complete enough reviews and gather sufficient information to conclude on the adequacy and effectiveness of arrangements for governance, risk management and control.</li> </ul> </li> </ul>

# Appendix 3: Basis of our classifications

## 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>
<b>Critical</b>	40 points per finding
<b>High</b>	10 points per finding
<b>Medium</b>	3 points per finding
<b>Low</b>	1 point per finding

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



## Individual finding ratings

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

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

# Appendix 4: Performance of internal audit

## Key Performance Indicators

We agreed a suite of Key Performance Indicators (KPIs) with management and the Audit Committee. Internal Audit's performance against each KPI is shown in the table below. These highlight the focus of work and the standard attained:

<b>KPI</b>	<b>Target</b>	<b>Performance</b>	<b>Comments</b>
<b>Planning</b>			
• % of audits with scope agreed prior to fieldwork commencing.	100%	100%	
<b>Fieldwork</b>			
• % of audits with an exit meeting.	100%	100%	
<b>Reporting</b>			
• % of audits with draft report issued within 10 working days of completion of exit meeting.	100%	100%	
• % of audits with draft report issued within 10 working days of receiving documentation from auditee	100%	100%	
• % of audits with final report issued within five working days of agreement of management response	100%	100%	
<b>Relationships</b>			
• Average individual satisfaction score (out of ten)	8	8.5	<b>Based on 12 returned customer satisfaction scores.</b>