STANDARDS AND AUDIT COMMITTEE – 30 NOVEMBER 2017

INTERNAL AUDIT PROGRESS REPORT

Executive Summary

Financial Regulation 2.8 requires that the Chief Finance Officer shall report regularly to the Standards and Audit Committee on the work undertaken by Internal Audit. This report is accordingly submitted to the Committee for consideration.

This report covers audit activity and performance from 1 April 2017 to 10 November 2017.

Recommendations

The Committee is requested to:

> **RESOLVE that** the report be received and progress against the 2017-18 Internal Audit Plan and implementation of Internal Audit recommendations be noted.

The Committee has authority to determine the above recommendation.

Background Papers:

None

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1.0 Introduction

1.1 Financial Regulation 2.8 requires that the Chief Finance Officer shall report regularly to the Standards and Audit Committee on the work undertaken by Internal Audit. This report covers audit activity and performance from 1 April 2017 to 10 November 2017.

1.2 The Standards and Audit Committee approved the 2017/18 Plan on 9 March 2017.

1.3 The purpose of this report is to outline the following in respect of Internal Audit Activity during the period 1 April 2017 to 10 November 2017:

- A description of key audit issues and also of non-audit activity undertaken during the year;

- details of reports issued during the period;

- a list of reports in progress as at 10 November 2017.

- any major (ie. high risk) recommendations made in Internal Audit reports issued between 1 April 2017 and 10 November 2017; and

- an update on all recommendations that remain outstanding for implementation.

2.0 Internal Audit Activity 1 April 2017 to 10 November 2017

2.1 Table 1 below provides a summary of progress in terms of the number of reports at draft or final stage and those in progress, as at 10 November:

Table 1

Audit Status	Number of reviews	Percentage Completion
Finalised	5	22
Draft	1	4
In Progress	5	22
To be undertaken	12	52
Cancelled	0	0
Deferred to 18/19	0	0
Total	**23**	**100**

2.5 Table 1 above illustrates that 26% of the plan has been delivered to at least draft report stage to date, with a further 22% of the plan being fieldwork in progress.

2.6 Table 2 below shows the status of all audits on the 2017/18 plan, including the reviews carried forward from 2016/17:

Table 2

Audit Title	Audit Status	Recommendations by Priority		
		High	Medium	Low
Data Protection Act & Freedom of Information	To be scheduled – Q4 17/18	-	-	-
Gifts, Hospitality & Declarations of Interest	In progress	-	-	-
Information Management	To be scheduled – Q4 17/18	-	-	-

Health & Safety	Final report issued	2	2	0
Project Reviews – Thematic audits	To be scheduled – Q4 17/18	-	-	-
Savings Plans, including MTFS, monitoring of budgets	To be scheduled – Q4 17/18	-	-	-
Contract Management	To be scheduled – Q4 17/18	-	-	-
Critical friend reviews	To be scheduled – Q4 17/18	-	-	-
Key Financial testing, including: - Payroll - Accounts Payable - Accounts receivable - Council tax; - NNDR; - General Ledger	In progress	-	-	-
Safeguarding Adults & Children	In progress	-	-	-
S106/CIL	Final report issued	0	1	1
Affordable Homes	To be scheduled Q4 17/18	-	-	-
Temporary Accommodation	In progress	-	-	-
Parking Services	Final report issued	0	3	0
Planning Services	Draft report issued	-	-	-
Commercial Property Estate	To be scheduled Q4 17/18	-	-	-
Taxi Licensing	In progress	-	-	-
Victoria Square development	To be scheduled Q4 17/18	-	-	-
ICT risk assessment	To be scheduled Q3/4 17/18	-	-	-
Cloud Computing	In progress	-	-	-
Cybersecurity	Final report issued	0	0	0

Deferred from 2016/17

Health and Wellbeing	To be scheduled Q4 17/18	-	-	-
Sharepoint Document & Records Management	Final report issued	0	4	0

2.7 Internal Audit categorise recommendations as high, medium or low risk to differentiate between the types of recommendation made. This gives management an indication on the urgency of implementing the suggested control or cost saving measure.

2.8 Recommendation classifications are:

- **High risk** – fundamental absence/failure of key control procedures (e.g. breach of legislation, council policies or procedures), immediate action required.

- **Medium risk** – inadequate management of key risks. Control procedures are in place but are not working effectively. Action is necessary to avoid exposure to risk.

- **Low risk** – actions merit attention to enhance the control environment, i.e. action is considered desirable.

2.9 There were two high risk recommendations made in final reports issued between 1st April and 10 November 2017, and one Limited assurance final report was issued as detailed in Appendix 1. The Council's improvement tracking tool, Shikari, is used to record all recommendations made in Internal Audit reports and to monitor their implementation status.

3.0 Follow ups

3.1 All recommendations are entered onto an improvement plan in Shikari. The Shikari system automatically reminds managers when recommendation due dates are approaching (note: the target dates are set by managers themselves, not by Internal Audit) and again when the implementation date has been missed. Managers update progress on the system and close down the recommendations on the system once implemented.

3.2 Internal Audit use system generated reports to monitor levels of implementation. This is supplemented by spot checks in the business area concerned to confirm that the recommendation is being implemented in practice. A procedure is in place to escalate recommendations that have not been implemented as agreed to CMG and finally to this committee where necessary.

3.3 As of the 10 November, there are 6 outstanding recommendations (ie. the recommendations are past their agreed implementation dates), of which one is classified as high risk. Details of the outstanding High Risk recommendation is detailed in Appendix 2.

3.4 New recommendations will be agreed as the draft reports detailed in Table 2 are finalised. It is important that these are implemented within the agreed timescales to ensure that the position reported in 3.3 above is maintained.

3.6 Outstanding recommendations are regularly reported to CMG. In addition, recommendations are routinely followed up as part of our audit work.

4.0 Implications

Financial

4.1 There are minimal financial implications around the implementation of internal audit recommendations. Some audit recommendations are designed to improve value for money.

Human Resource/Training and Development

4.2   Some audit recommendations need minimal resource to put in place.

Community Safety

4.3   There are no implications.

Risk Management

4.4   Internal Audit identifies weaknesses in the control environment.   Implementation of recommendations therefore improves the control environment and hence the management of risk.

Sustainability

4.5   There are no implications.

Equalities

4.6   There are no implications.

REPORT ENDS

High Risk recommendations raised as at 10 November 2017
Health and Safety (2017/18) – Limited Assurance
Recommendation: In order to identify non-compliance with the Council's Health & Safety procedures, legislative requirements and training requirements, the Health and Safety function at the Council should utilise a risk based approach to undertake Health and Safety audits across the Council's various service lines. Observation: It was established that there have been no Health and Safety audits completed within the past 12 months and that the only audit completed within the last two years was in 2015. Risk rating: High Agreed implementation date: 31/12/2017
Recommendation: All Council teams should have a risk assessment in place to ensure that all potential risks have been identified, and controls put in place to mitigate these risks. The risk assessments should be updated annually and a risk based sample of risk assessments should be checked by the Health and Safety function to confirm that these are being completed sufficiently. Observation: It was established that risk assessments completed by teams are not reviewed by the Health and Safety function at the Council. Risk rating: High Agreed implementation date: 31/12/2017

Outstanding High Risk recommendations as at 10 November 2017
Recommendation
Business Continuity and Disaster Recovery (2008/09)
Recommendation: Concurrent with the previous recommendations an IT DR plan should be drafted which is aligned with the Council's Business Continuity priorities. Officer response: There is a great deal of work to be done to create a working DR plan for IT. It will involve investment and resources to achieve. An estimated target for the draft plan is 12 months from the start but implementation and testing timescales will depend upon the outcome of investigations and may involve other business areas e.g. Asset Management. It may be possible to test some areas of the plan in isolation before the complete plan is implemented. Risk rating: High Agreed implementation date: 31/12/10 Status: As agreed in the September 2017 Standards and Audit Committee, a high level review of IT Business Continuity and Disaster Recovery is being undertaken to develop a more detailed action plan. Original Due Date: 31/12/2010   Current Due Date: 31/03/2016