STANDARDS AND AUDIT COMMITTEE – 8 MARCH 2018

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 11 November 2017 to 26 February 2018.

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 11 November 2017 to 26 February 2018.

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 11 November 2017 to 26 February 2018:

- 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 26 February 2018.

- any major (ie. high risk) recommendations made in Internal Audit reports issued between 11 November 2017 and 26 February 2017; and

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

2.0 Internal Audit Activity 10 November 2017 to 26 February 2018

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 26 February:

Table 1

Audit Status	Number of reviews	Percentage Completion
Finalised	8	38
Draft	4	19
In Progress	9	43
To be undertaken	0	0
Deferred to 18/19	0	0
Total	**21**	**100**

2.2 Table 1 above illustrates that 57% of the plan has been delivered to at least draft report stage as at 26 February, with the remaining 43% of the plan being in progress. All audits are expected to be completed to at least draft stage by the end of March 2018. No audits will be deferred to 2018/19.

2.3 Two audits have been cancelled:

- Critical Friend Review was included in the audit plan as a placeholder in the event that specialist support was required in the year regarding strategic planning. No support has been required and therefore this has been removed from the plan.

- Affordable Homes was cancelled as an audit of the Affordable Housing Strategy was undertaken in 2016/17. No further audit coverage of affordable housing was felt necessary so soon.

2.4 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**
GDPR (Formerly Data Protection Act & Freedom of Information)	In progress (involvement until May 2018)	-	-	-
Gifts, Hospitality & Declarations of Interest	Final report issued	0	2	1
Health & Safety	Final report issued	2	2	0
Project Reviews – Thematic audits	In progress	-	-	-
Savings Plans, including MTFS, monitoring of budgets	In progress	-	-	-
Contract Management	In progress	-	-	-
Key Financial testing, including: - Payroll - Accounts Payable - Accounts receivable - Council tax; - NNDR; - General Ledger	Draft report issued	-	-	-
Safeguarding Adults & Children	Final report issued	0	3	2
S106/CIL	Final report issued	0	1	1
Temporary Accommodation	In progress	-	-	-
Parking Services	Final report issued	0	3	0
Planning Services	Final report issued	0	3	1
Commercial Property Estate	In progress	-	-	-
Taxi Licensing	Draft report issued	-	-	-
Victoria Square development	In progress	-	-	-
ICT risk assessment	In progress	-	-	-
Cloud Computing	Draft report issued	-	-	-

Cybersecurity	Final report issued	0	0	0
IT Disaster Recovery High Level Review	Draft Report Issued	-	-	-

Deferred from 2016/17

Health and Wellbeing	In progress	-	-	-
SharePoint Document & Records Management	Final report issued	0	4	0

2.5 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.

2.6 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.

2.7 There were no high risk recommendations made in final reports issued between 11 November 2017 and 26 February 2018 and no negative assurance final reports issued.

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 recommendations are 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 at 26 February, there are 15 outstanding recommendations (ie. the recommendations are past their agreed implementation dates), of which two are classified as high risk. The outstanding High Risk recommendations are detailed in Appendix 1.

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 either maintained or improved upon.

3.5 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 and financial control.

Human Resource/Training and Development

4.2 Some audit recommendations need 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 arising from this report.

Equalities

4.6 There are no implications arising from this report.

REPORT ENDS

Outstanding High Risk recommendations as at 26 February 2017
Health and Safety (2017/18)
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. Risk rating: High Agreed implementation date: 31/12/2017   Status: A procurement exercise is being undertaken to appoint an external provider to undertake a risk based programme of health and safety audits. The results of these audits will be reported to CMG.
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. Risk rating: High Agreed implementation date: 31/12/2017   Status: Risk assessments continue to be required from all teams annually. An officer has been assigned responsibility for monitoring completion of risk assessments and undertaking quality checks. The results of this will be reported to CMG.