STANDARDS AND AUDIT COMMITTEE – 20 SEPTEMBER 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 April to September 2018.

Recommendations

The Committee is requested to:

RESOLVE That the report be received and progress against the 2018-19 Internal Audit Plan and implementation of Internal Audit recommendations be noted.

The Committee has the authority to determine the recommendation(s) set out above.

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 to 12 September 2018.

1.2 The Standards and Audit Committee approved the 2018/19 Internal Auit Plan on 8 March 2018.

1.3 The purpose of this report is to outline the following in respect of Internal Audit Activity during the period:

- 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 12 September 2018.

- any major (ie. high risk) recommendations made in Internal Audit reports issued between 1 April and 21 September 2018; and

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

2.0 Internal Audit Activity 1 April to 12 September 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 7 September:

Table 1

Audit Status	Number of reviews	Percentage Completion
Finalised	0	0
Draft	4	21
In Progress	4	21
To be undertaken	11	58
Deferred to 18/19	0	0
Total	**19**	**100**

2.2 Table 1 above illustrates that 21% of the plan has been delivered to at least draft report stage as at 7 September, with a further 21% of the plan in progress. A further 6 audits (32% are currently in the process of being scoped and scheduled in to start before the end of December 2018)

2.3 All audits are expected to be completed to at least draft stage by the end of March 2018. No audits have been deferred to 2018/19.

2.4 The table below shows the status of all audits on the 2018/19 plan, including the reviews carried forward from 2017/18:

Audit Title	Audit Status	Recommendations by Priority		
		High	Medium	Low
Grants to Voluntary Organisations	Draft report issued	-	-	-

Community Safety	In progress	-	-	-
Homelessness	Planning in progress	-	-	-
HMO and Selective Housing Licensing	Planning in progress	-	-	-
New Vision Homes Contract Management	Planning in progress	-	-	-
Building Control	-	-	-	-
Emergency Planning	Draft report issued	-	-	-
Asset Management	Planning in progress	-	-	-
Air Quality Monitoring and Management	Planning in progress	-	-	-
Freedom of Information Requests	Planning in progress	-	-	-
Key Financial Control Testing - AP, AR, GL,	Draft report issued	-	-	-
Sheerwater Regeneration Governance	In progress	-	-	-
Group Companies	Planning in progress	-	-	-
Business Continuity	-	-	-	-
Supplier Resilience	Draft report issued	-	-	-
HR	-	-	-	-
IT Strategy	-	-	-	-
SekCheck (Windows OS Network Management)	Draft report issued			
Application Audit (TBC)	-			

Carried Forward from 2017/18

GDPR	In Progress	-	-	-
Commercial Property Estate	Draft Report Issued	-	-	-
Victoria Square Development	In Progress	-	-	-

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 30 June 2017 and 07 September 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 12 September, there are 12 outstanding recommendations (ie. the recommendations are past their agreed implementation dates), of which none are classified as high risk.

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 is minimal impact other than the Community Safety internal audit which is in progress.

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 is minimal impact of sustainability issues.

Equalities

4.6   There is minimal impact of equalities issues.

Safeguarding

4.7   There is minimal impact of safeguarding issues.

REPORT ENDS