

STANDARDS AND AUDIT COMMITTEE – 21 SEPTEMBER 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 8 September 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 8 September 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 8 September 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 8 September 2017.
  - any major (ie. high risk) recommendations made in Internal Audit reports issued between 1 April 2017 and 8 September 2017; and
  - an update on all recommendations that remain outstanding for implementation.

**2.0 Internal Audit Activity 1 April 2017 to 8 September 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 8 September:

Table 1

<b>Audit Status</b>	<b>Number of reviews</b>	<b>Percentage Completion</b>
Finalised	2	9
Draft	4	17
In Progress	4	17
To be undertaken	13	57
Cancelled	0	0
Deferred to 18/19	0	0
<b>Total</b>	<b>23</b>	<b>100</b>

- 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 17% 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

<b>Audit Title</b>	<b>Audit Status</b>	<b>Recommendations by Priority</b>		
		<b>High</b>	<b>Medium</b>	<b>Low</b>
Data Protection Act & Freedom of Information	To be scheduled – Q4 17/18	-	-	-
Gifts, Hospitality & Declarations of Interest	In progress	-	-	-
Information Management	To be scheduled – Q3 17/18	-	-	-

## Internal Audit Progress Report

Health & Safety	Draft report issued	-	-	-
Project Reviews – Thematic audits	To be scheduled – Q3 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: <ul style="list-style-type: none"> <li>- Payroll</li> <li>- Accounts Payable</li> <li>- Accounts receivable</li> <li>- Council tax;</li> <li>- NNDR;</li> <li>- General Ledger</li> </ul>	In progress	-	-	-
Safeguarding Adults & Children	To be scheduled – Q3 17/18	-	-	-
S106/CIL	Draft report issued	-	-	-
Affordable Homes	To be scheduled Q4 17/18	-	-	-
Temporary Accommodation	In progress	-	-	-
Parking Services	Draft report issued	-	-	-
Planning Services	Draft report issued	-	-	-
Commercial Property Estate	To be scheduled Q4 17/18	-	-	-
Taxi Licensing	In progress	-	-	-
Victoria Square development	To be scheduled Q3 17/18	-	-	-
ICT risk assessment	To be scheduled Q3 17/18	-	-	-
Cloud Computing	Scheduled for October	-	-	-
Cybersecurity	Final report issued	0	0	0

Deferred from 2016/17

Health and Wellbeing	To be scheduled Q3 17/18	-	-	-
Sharepoint Document & Records Management	Final report issued	-	4	-

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 no high risk recommendations made in final reports issued between 1<sup>st</sup> April and 8 September 2017, and no Limited or Nil assurance final reports have been issued. 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 8 September, there are 7 outstanding recommendations (ie. the recommendations are past their agreed implementation dates), of which 2 are classified as high risk. Details of 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 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

<b>Outstanding High Risk recommendations as at 8 September 2017</b>	
<b>Recommendation</b>	
<b>Business Continuity and Disaster Recovery (2008/09)</b>	
<p>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</p> <p>Status: Dependent upon data centre as below - final plan to be created when second data centre implemented.</p> <p>Original Due Date: 31/12/2010                      Current Due Date: 31/03/2016</p>	
<b>Information Security (2009/10)</b>	
<p>Recommendation: Formal arrangements should be agreed to provide a long term cold fallback arrangement for IT equipment. The council should consider this a high priority. Officer response: A draft report has been produced with recommendations / actions required to achieve ICT Business Continuity. CMG will need to agree requirements to ascertain the costs of implementation. AD to circulate report after review with Steve Bonsor. Risk rating: High Responsible officer: Adele Devon/CMG Agreed implementation date: 28 February 2010</p> <p>Status: Replicated SAN has been implemented. SIP trunks are installed and being commissioned. Additional internet pipe has been installed at Export House.</p> <p>Original Due Date: 31/12/2010                      Current Due Date: 31/03/2017</p>	