

## 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 September to 15 November 2019.

### Recommendations

The Committee is requested to:

**RESOLVE That** the report be received and progress against the 2019-20 Internal Audit Plan and implementation of Internal Audit recommendations be noted.

The Committee has the authority to determine the recommendation(s) set out above.
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**Background Papers:** None.

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## Internal Audit Progress Report

### 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 September to 15 November 2019.
- 1.2 The Standards and Audit Committee approved the 2019/20 Internal Audit Plan on 7 March 2019.
- 1.3 The purpose of this report is to outline the following in respect of Internal Audit Activity during the period:
  - An update on progress in delivering the 2019/20 internal audit plan;
  - A summary of any Limited/Nil Assurance reports issued and high priority recommendations raised;
  - An update on follow up activity and any recommendations outstanding for implementation, and
  - An update on recommendations raised in the recent Business Continuity internal audit.

### 2.0 Internal Audit Progress

- 2.1 The table below provides a summary of progress in terms of the number of reports at draft or final stage and those in progress:

Audit Status	Number of reviews	Percentage
Finalised	2	10
Draft	5	25
Fieldwork in progress	2	10
Not yet started	11	55
<b>Total</b>	<b>20</b>	<b>100</b>

- 2.2 35% of the 2019/20 plan has been delivered to at least draft report stage as at 15 November, with a further 10% of the plan in progress. For a further five audits (25%) terms of reference have been prepared and start dates agreed. This leaves six audits yet to be scheduled in:
  - Community Centres
  - Homelink
  - Facilities Management Contract Management
  - Community Infrastructure Levy
  - Brockwood Cemetery
  - Victoria Square Development – Change Control
- 2.3 At present, we are not expecting to be able to complete all audits in the 2019/20 plan to draft stage by the end of March 2020. For the six audits yet to be scheduled in, resources will be focussed on those areas considered to be of greatest risk to the Council.

### 3.0 Final Audit Reports Issued

- 3.1 We have four categories by which we classify internal audit assurance over the processes we examine: Substantial, Satisfactory, Limited or Nil.

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3.2 Two final reports were issued in the period with one receiving a Limited Assurance opinion and one receiving a Satisfactory Assurance opinions. None of the reports currently at draft stage have a limited assurance opinion. The table below shows the final audit reports issued in the period.

Audit Title	Assurance Opinion	Date Issued	Recommendations by Priority		
			High	Medium	Low
Thamesway Milton Keynes Energy Centre Health and Safety	Satisfactory	08/11/2019	0	2	2
Counter Fraud	Limited	19/11/2019	2	3	1

3.3 Internal Audit categorise recommendations as High, Medium or Low priority to differentiate between the types of recommendation made. This gives management an indication on the importance and urgency of implementing the recommendations.

3.4 Two High priority recommendations were raised in the reports finalised in the period as per the table below. Details of all recommendations raised can be found in the summary reports for each individual audit provided separately to members.

Audit Title	Recommendation	Target Date
Counter Fraud	<p>A fraud risk assessment should be undertaken so as to provide a rational basis for prioritising counter fraud activity.</p> <p>The Council should use published estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposure. This information should be used to evaluate the harm to the aims and objectives of the Council that different fraud risks may cause.</p> <p>The risk assessment should be reviewed periodically (at least annually) and reported to CMG.</p>	31/03/2020
Counter Fraud	<p>A Counter Fraud and Corruption Strategy should be developed to address the fraud risks identified (see recommendation 1).</p> <p>The strategy should include a mixture of both proactive and reactive approaches that are best suited to addressing the Council's fraud and corruption risks. Proactive and reactive components of a good practice response to fraud risk can be found in CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption.</p> <p>The strategy should include clear identification of responsibility and accountability for delivery of tasks within the strategy, and also for providing oversight.</p> <p>A report should be prepared for CMG and the Standards and Audit Committee (or another suitable committee) at least annually on performance against the counter fraud strategy.</p> <p>The Council should also comply with the Local Government Transparency Code 2015 requirement to publish data relating to the Council's counter fraud work.</p>	30/06/2020

### 4.0 Follow Ups

4.1 All recommendations have historically been entered onto an improvement plan in Shikari. Managers updated progress on the system and closed down the recommendations on the system once implemented. The Shikari system has been phased out and a new system to

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track recommendations is being implemented. In the interim period the implementation of recommendations is being tracked manually.

- 4.2 The new Action Management system has been deployed to the Pre-Production platform in preparation for user acceptance testing. Once the system goes live the 2019/20 recommendations will be uploaded. The system is expected to be fully populated and operational in time for the 2020/21 financial year.
- 4.3 As at 15 November, there is 1 outstanding high priority recommendation (i.e. recommendations are past their agreed implementation dates that have not been confirmed as implemented) as follows.

Audit Title	Recommendation	Implementation Date	Progress Update
Homelessness Reduction Act	Following Prevention, Relief or Main Duty being provided, a review of the claimant's PHP should be undertaken at least every 6 weeks (and in many cases more frequently) to ensure that the plan provided is appropriate for their current circumstances.  Completion of regular reviews of PHPs should be monitored by the Senior Housing Options Officer.	31/10/2019	The Senior Housing Options Officer has discussed the audit recommendation with all officers and an initial review of outdated PHPs has been undertaken. The next stage is to put in place a mechanism to monitor and update PHPs more frequently. The new OPENHousing IT system (launching 2 December 2019) will build in more checks and balances to manage this.

- 4.4 In addition to management updates on progress, spot checks are undertaken 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.

### 5.0 Business Continuity

- 5.1 The report for the Business Continuity internal audit issued in September 2019 provided a Limited assurance opinion and raised two high priority and three medium priority recommendations. Committee members requested that a progress update be provided to the November Standards and Audit Committee. The table below shows each recommendation raised along with an update provided by management.

Recommendation	Progress
<p><b>1. Completion and Approval of the Business Continuity Plan (High priority)</b></p> <p>The Business Continuity Plan should be fully completed to cover all relevant elements of the business continuity process. Once completed, the plan should be presented to the Corporate Management Group for their review and approval.</p> <p>Once approved, the Business Continuity Plan should be made available to all relevant officers. Consideration should be given to placing the plan on the Council's intranet.</p> <p>Deadline: 30/11/2019</p>	<p>The completed documents provided with this report make up the complete Business Continuity Plan have been submitted to CMG for approval.</p> <p>A page on the intranet has been prepared, awaiting CMG's approval of the plans before making the page available to all staff.</p>

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<p><b>2. Responsibilities for Business Continuity (Medium priority)</b></p> <p>2a. The link between Business Continuity, Emergency Planning and Disaster Recovery should be formalised. Consideration should be given to forming a group that brings these three functions together and provide leadership in the development and implementation of Business Continuity and Emergency Planning programs and strategies. Terms of Reference for this group should be developed setting out the following, but not limited to: roles and responsibilities, membership, frequency of meetings and quorum.</p> <p>2b. Consideration should also be given to putting in place additional resource to support the Senior Policy Officer in embedding Business Continuity across the Council. The roles and responsibilities of this officer should be assessed and documented.</p> <p>Deadlines:</p> <ul style="list-style-type: none"> <li>a. 31/10/2019</li> <li>b. 31/03/2020</li> </ul>	<p>The links between Business Continuity, Emergency Planning and Disaster Recovery are formalised within the Business Continuity Strategy.</p> <p>Following approval of these Plans, a six monthly meeting will be set up between the three areas to ensure that there is regular communication. The Emergency Planning and Disaster Recovery leads have been consulted on this and are supportive.</p>
<p><b>3. Guidance Documents and Awareness and Training (Medium Priority)</b></p> <p>Guidance documents and training and awareness exercises with regards to business continuity should be provided to all relevant officers.</p> <p>Deadline: 31/03/2020</p>	<p>This Business Continuity Plans provide full guidance and will be made available to all staff on the intranet.</p> <p>Tactical Management (SILVER) Teams have been involved in the creation of their Action Cards, so are aware of the process that will be carried out in the event of a Business Continuity disruption.</p> <p>Training is addressed in the Business Continuity Strategy. A formal training process should be put in place in 2020 assuming there is resource to do so.</p>
<p><b>4. Action Cards (High Priority)</b></p> <p>Action Cards should be produced for all critical functions classified as Disaster. The action cards should be reviewed on an annual basis or whenever there is a change.</p> <p>Deadline: 30/11/2019</p>	<p>All Action Cards for critical functions have been completed, barring some contact details that need to be added by the managers of the functions.</p> <p>The process of reviewing the Action Cards annually is formalised in the Business Continuity Strategy.</p>
<p><b>5. Testing the Plan (Medium priority)</b></p> <p>The Business Continuity Plan should be reviewed and tested on an annual basis. The results of the test should be documented together with lessons learnt and any improvement plans.</p> <p>Deadline 30/06/2020</p>	<p>The process of testing the Business Continuity Plan annually is formalised in the Business Continuity Strategy. This will need to be implemented in 2020 assuming there is resource to do so.</p>

**6.0 Implications**

Financial

- 6.1 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

- 6.2 Some audit recommendations need officer resource to put in place.

Community Safety

- 6.3 There is a minimal impact on Community Safety.

Risk Management

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

Sustainability

- 6.5 There is minimal impact on sustainability issues.

Equalities

- 6.6 There is minimal impact on equalities issues.

Safeguarding

- 6.7 There is minimal impact on safeguarding issues.

REPORT ENDS