



AUDIT AND RISK COMMITTEE

21 MAY 2019

INTERNAL AUDIT PROGRESS REPORT

REPORT OF THE HEAD OF INTERNAL AUDIT

Purpose of the Report

1. The purpose of this report is to advise Members on work undertaken by Internal Audit between 01 April 2018 and 31 March 2019. The report aims to:
 - Provide a high level of assurance, or otherwise, on internal controls operated across the Authority that have been subject to audit
 - Advise the Committee of significant issues where controls need to improve to effectively manage risks
 - Advise the Committee of any amendments to the approved Internal Audit plan
 - Advise the Committee of changes to audit processes and terminology
 - Track progress on the response to internal audit reports and the implementation of agreed internal audit recommendations
 - Provide an update on our performance indicators comparing actual performance against planned.
2. The appendices attached to this report are summarised below. Those marked with an asterisk are not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).

Appendix 1	Progress against the Internal Audit Plan
Appendix 2	Internal Audit Performance Indicators
Appendix 3*	Overdue Actions

Progress against planned work

3. A summary of the agreed plan showing the status of each audit as at 31 March 2019 is attached at Appendix 1.
4. The Appendix shows that 10 assurance reviews including four that were carried forward from 2017/18 are complete (Draft or Final Report),
5. One Advice and Consultancy review (Development of CDDFRS Assurance Framework) and One Counter Fraud review (NFI 2018/19) are in progress but not expected to be completed until 2019/20.
6. In addition, three assurance reviews that will consider Recruitment and Selection (refer to paragraph 8), Firewatch and General Data Protection Regulation (GDPR) arrangements have been cancelled and will now be undertaken as part of the 2019/20 Internal audit plan.
7. The assurance level, if applicable, for each piece of work where a final report has been issued is shown in Appendix 1.

8. A summary of audit reports finalised in the period is given in the table below.

Audit Area	Brief Scope	Assurance Opinion
Key Financial Systems (Issued 100519)	An assurance review that considered the risks associated with key financial systems that include Income, Banking and Debtors, Ordering and Payments, Petty Cash, Company Credit Cards and the Payroll and Treasury Management activities.	Substantial
Strategic Risk Management	Internal Audit is required to place an annual assurance over the Authority's Risk Management arrangements. Attendance at the Performance and Programme Board and Service Leadership Team risk management meetings is considered the most effective mechanism to achieve this aim. Consideration is also given to the content of the Service Strategic Risk Register when presented to the Audit and Risk Committee and to specific operational risks included within individual Assurance reviews undertaken.	N/A
Cloud Security	<p>An assurance review that considered the following risk:</p> <ul style="list-style-type: none"> • Information assets / data are not adequately protected from corruption, loss, or theft. • User data transiting networks is not adequately protected against tampering and eavesdropping. • User data, and the assets storing or processing it, are not protected against physical tampering, loss, damage or seizure. • A malicious or compromised user of the service is able to affect the service or data of another. • Procedure, personnel, physical and technical controls do not continue to work through the lifetime of the service. • Weaknesses in ICT systems are introduced or exploited. • Accidental or malicious compromise by service provider personnel. • Services are not designed and developed to identify and mitigate threats to security. • The service provider supply chain does not support all of the security principles which the service claims to implement. • Management interfaces and procedures/tools are not available to securely manage the use of the service. • Unauthorised access to systems. 	Moderate

Amendments to Annual Audit Plan

9. The following amendments were made to the annual audit plan during the period.

Audit	Amendment	Reason
Recruitment & Selection	Defer to 2019/20	The Service has confirmed that it is reviewing its Recruitment & Selection arrangements and as such there is no added value in Internal Audit undertaking a review of this area at this time. The review has been cancelled and will now be subject to review as part of the 2019/20 plan with a start date of November 2019 confirmed.

Outstanding management response to draft reports

10. No management responses to outstanding Draft Reports are overdue.

Response to Audit Recommendations

11. To provide independent assurance that adequate progress is made in the implementation of agreed recommendations at the appropriate service operational level, all high and medium recommendations contained within actions plans within individual audit reports are followed up by internal audit. In addition, listings of all recommendations outstanding at the end of each month are produced and issued to a nominated representative to assist the Service in its own internal monitoring processes.
12. To allow progress made at the operational level to be tracked and monitored, the numbers of all recommendations made arising from each audit complete, and evidenced as implemented, are shown in Appendix 1. It should be noted that Internal Audit will not follow up Best Practice matters raised.
13. A summary of outstanding audit recommendations i.e. those not implemented within original agreed or revised target dates, as evidenced through Internal Audit follow up, for quarter ended 31 March 2019 is given in the table below:

Risk	Actions	Total	Implemented			Overdue	Target	Overdue
Category	Raised	Due	Due	Not due	Total	Original	Revised	Revised
2017/18								
High	6	6	6	0	6	0	0	0
Medium	13	13	10	0	10	3	3	0
Total	19	19	16	0	16	3	3	0
2018/19								
High	7	0	0	0	0	0	0	0
Medium	25	18	15	0	15	3	2	0
Total	32	18	15	0	15	3	2	0

14. Six medium priority recommendations are overdue against original target implementation dates. Revised target dates have been agreed in five cases with none of these recommendations overdue. Details of the six recommendations are shown in Appendix 3 and are to be considered as a Part B Agenda Item.

Unplanned work carried out this quarter

15. No unplanned work has been undertaken during the period.

Reports issued with a Limited Assurance Opinion

16. No reports have been issued that resulted in a Limited Assurance Opinion.

Corporate Governance

17. Further to approval of the Annual Governance Statement, the Corporate Governance action plan was updated to reflect the significant issues contained within it and actions being taken to address them. A progress update was provided for the Committee to consider at its last meeting on 28 February 2019 and a further update is to be provided for the Committee's meeting in May. This will be used as a means of informing the Annual Governance Statement that is to be prepared.

Counter Fraud

18. Internal Audit reviewed the results from the NFI pensions, payroll and creditors data released at the end of January 2019. A spreadsheet detailing Payroll, Pension and Creditor data records that required further investigation was compiled and provided to the Service to action with the results of all queries now confirmed.
19. The outcome of this review will help to inform the Annual Fraud and Corruption Report that is to be presented to the Committee in July.

Performance Indicators

20. A summary of agreed target performance indicators is given in Appendix 2.

Recommendation

21. Members are **asked to**
 - **consider** the outturn position in delivering the internal audit plan for 2018/19 together with that made by managers in responding to the work of internal audit to gain assurance on the adequacy and effectiveness of the internal control environment.

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Appendix 1: Summary of the status of work undertaken and recommendations made and implemented

INTERNAL AUDIT SERVICES							High		Medium		Best Practice
Reviews – 2018-19	Work Schedule	Planned Days	Revised Days	Actual Days	Status	Assurance Opinion	M	I	M	I	M
Planned Work											
Strategic Risk Management	Q4	1	1	0.4	Complete	N/A					
Assurance Management – AGS	Q1-4	1	1	0.8	AGS Complete	N/A	7				
Key Financial Systems*	Q3	20	20	25.2	Final Report	Substantial					
Absence Management	Q2	8	8	11.9	Final Report	Moderate			9	4	
Recruitment & Selection	Q3	6	6		Defer 2019/20						
Partnerships	Q1	4	4	8.2	Final Report	Substantial			5	5	1
Cloud Security	Q2-3	5	5	5.3	Final Report	Moderate			2		
Security Incident Management	Q2-3	5	5	5.3	Final Report	Moderate			2		1
General Data Protection Regulation (GDPR)	Q3-4	5	5	1.3	Defer 2019/20						
Unplanned Work											
Counter Fraud											
NFI 2018/19	Q2-4	4	4	2.8	In Progress						
Audit Planning and Reporting											
Audit Planning	Q1-4	2	2	0.5	Complete	N/A					
Advice and Reporting	Q1-4	8	8	5.3	Complete	N/A					
Follow Up	Q1-4	2	2	0.9	Complete	N/A					
Brought Forward Reviews – 2017-18											
Development of CDDFRS Assurance Framework	Q1-4	7	7	1.2	In Progress						
Firewatch	Q3-4	4	4	0.6	Defer 2019/20						
Business Continuity Planning	Q1	0	0	4.8	Final Report	Moderate			5	4	
Firewall	Q1	0	0	0.9	Final Report	Moderate			2	2	1
Mobile Device Security	Q1	0	0	0.1	Final Report	Substantial					1
TOTAL		82	82	75.5			7		25	15	4

Note: The reports from 2017/18 were finalised during the 2018/19 reporting period and actions are being tracked accordingly. The report that considered the 2018/19 review of Key Financial Systems* was finalised in 2019/20 and will be tracked as part of that audit year.

Appendix 2 Performance Indicators for 2018/19

Efficiency		Objective: To provide maximum assurance to inform the annual audit opinion	
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Actual
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage as at 31 March 2019	90% (Quarterly)	100% (10 out of 10 reviews completed)
Timeliness of Draft Reports	% of draft reports issued within 30 calendar days of end of fieldwork/closure interview Average time taken is also reported for information	90% (Quarterly)	100% (9 reports issued) 4 days
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response Average time taken is also to be reported for information	95% (Quarterly)	100% (9 reports issued) 1 day
Terms of Reference	% of TOR's agreed with key contact in advance of fieldwork commencing	95% (Quarterly)	100% (11 TOR's issued)
Quality		Objective: To ensure that the service is effective and adding value	
KPI	Measure of Assessment	Target & (Frequency of Measurement)	
Recommendations agreed	% of Recommendations made compared with recommendations accepted	95% (Quarterly)	100% (36 accepted out of 36 made)
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service good or above (3 out of 5) where 1 is poor and 5 is very good Average score is also reported for information	100% (Quarterly)	100% (5 out of 5 returned) Overall average score 4.72
Customers providing feedback Response	% of Customer returning satisfaction returns	70% (Quarterly)	71% (5 returns from 7 surveys issued in 2018/19)