AGENDA NO.

**REPORT TO
AUDIT COMMITTEE**

29 JULY 2019

**REPORT OF
DIRECTOR OF
FINANCE &
BUSINESS SERVICES**

INTERNAL AUDIT PROGRESS REPORT

SUMMARY

This report provides members with an update of the work carried out by the Internal Audit Section and the progress made against the Audit Plan 2019/20.

RECOMMENDATIONS

It is recommended that:-

1.   The current position as identified in the attached update report is noted.

DETAIL

Background

1.   Internal Audit is an independent appraisal function established by the Council to objectively examine, evaluate and report on the adequacy of internal controls.   This role ensures that there is proper economic, efficient and effective use of resources.   It also ensures that the Council has adequate accounting records and control systems.

2.   Committee Members are reminded that the list of audit assignments undertaken in the current year to date has been circulated to all Councillors prior to the meeting.   The intention is to give Councillors the opportunity to raise questions on issues that affect their ward or other areas of responsibility and for answers to be provided at the meeting.

Current Position

3.   The attached update report shows the current position in respect of the progress against the 2019/20 audit plan and the results of the work that has been undertaken.

4.   Members may recall an updated approach which included setting up a system of continuous audit. Significant progress continues to be made towards this

with testing now being automated on a monthly basis in a number of areas. Because testing is undertaken continuously there will be a number of audits shown as on-going that will be finalised at the year end.

FINANCIAL AND LEGAL IMPLICATIONS

None

RISK ASSESSMENT

The results of the work undertaken by Internal Audit can be used by managers to assess their risk exposure, recommendations are made where there is perceived to be unacceptable risk.

COMMUNITY STRATEGY IMPLICATIONS

None

CONSULTATION

N/A

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Background Papers: Internal Audit Charter
                                      Audit Plan 2019/2020
                                      Counter Fraud Strategy
Ward(s) and Ward Councillors: None
Property Implications: None

INTERNAL AUDIT
AUDIT COMMITTEE UPDATE REPORT

2019/20

1 AUDIT PROGRESS

1.1 The plan, approved on 25 February 2019, was based on an audit assessment of risk which uses a number of factors to determine the likelihood of issues occurring including an understanding of the full scope of systems in operation, major change, concerns/external interest and results of previous audit work. It then assesses the impact any issues may have on the council's strategic objectives, reputation, financial plans, assets and also the potential impact on individuals and/or the environment.

Audit Progress by Service Group (as at 1 July 2019)

Department	Planned Audits	Cancelled Audits	Unplanned Audits	Revised Audits	Completed	In Progress	Under Review	Drafts Issued	Not Started	Ready to Start
Corporate	13	0	1	14	0	2	0	1	11	0
Finance & Business Services	7	0	0	7	0	1	0	0	5	1
Adults & Health	7	0	0	7	0	0	0	0	7	0
Children's Services	12	0	0	12	1	1	1	0	9	0
Xentrall	11	0	0	11	0	6	0	0	5	0
HR, Legal & Communications	3	0	0	3	0	0	0	0	3	0
Community Services	5	0	0	5	0	0	0	0	4	1
Culture, Leisure & Events	1	0	0	1	0	1	0	0	0	0
Economic Growth & Development	4	0	0	4	0	1	1	0	2	0
Democratic & Licensing	1	0	0	1	0	0	0	0	0	1
Schools	1	0	0	1	0	1	0	0	0	0
Contingency	7	0	0	7	0	5	0	0	1	1
DBC Only	5	0	0	5	0	5	0	0	0	0
TVCA Only	0	0	0	0	0	0	0	0	0	0
Totals	**77**	**0**	**1**	**78**	**1**	**23**	**2**	**1**	**47**	**4**

1.2 The Audit Plan is constantly revised during the year to take account of changing requirements. Amendments to the Plan agreed on 25 February 2019 can be summarised as follows:

2019/20 Planned Audits Amalgamated/Cancelled/Deferred

None

2019/20 Unplanned Audits Added to the Plan

Globe Restoration Project

1.3   Counter Fraud

The action plan associated with the strategy presented in February 2018 continues to be implemented. Revised intranet and internet pages are now available with articles appearing in KYIT to raise awareness. The pages contain training videos and links providing advice and guidance on emerging issues such as bank mandate fraud.

The latest round of the National Fraud Initiative data matching exercise is due to be submitted in December 2018, arrangements are in place to provide this data. The results have now been received and follow-up will begin on the matches.

2   AUDIT OUTPUT

Engagement Opinions

2.1   For each audit carried out Internal Audit provides an overall conclusion as to whether a sound system of internal control is being maintained. Each opinion is either "Full", "Substantial", "Moderate", "Limited", or "No" assurance depending on the conclusions reached and the evidence to support those conclusions. "Full" and "substantial" assurance normally indicates that the area under review has a reliable system of internal control.

2.2   These individual opinions are summarised below:-

Opinion	Definition	No.	%
Full Assurance	A sound system of internal controls is currently being applied which will ensure the system achieves its objectives. Whilst not essential there may still be scope for these controls to be enhanced in some areas.	0	0
Substantial Assurance	Overall there is a sound system of internal controls that are operating effectively. The system should achieve its objectives but there are areas where internal controls need to be improved.	1	100
Moderate Assurance	A reasonably sound system of internal controls is being applied, however, there are weaknesses which may put some of the system objectives at risk.	0	0
Limited Assurance	There is either a limited system of internal controls being applied, or there are significant weaknesses in the controls in place, which are posing a substantial risk to the achievement of system objectives.	0	0
No Assurance	The system of internal controls in place is failing and system objectives are not being met. Urgent management attention is required.	0	0
N/A	This classification covers audit work within a small part of a system. Providing an opinion on this work would misrepresent the system as a whole.	0	0
	Total	**1**	

2.3 An analysis of the recommendations supporting these opinions by priority is shown below:-

Priority	Definition	No.	%
Critical	Actions that must be taken immediately to manage significant risks that are likely to prevent the Authority achieving one or more of its corporate objectives.	0	0
High	Actions that should be taken as a matter of priority due to the issues identified posing a substantial risk to the achievement of service/system objectives.	0	0
Medium	Required actions to reduce the risk of systems failing to achieve their objectives.	2	100
Low	Beneficial to the improvement of internal controls, which will support the achievement of objectives.	0	0
	Total	**2**	

Details of Audits by Service Group

2019/20

Department	No. of Audits Issued	Opinions						No. of Recs Made	Previous Recommendations			
		Full	Sub	Mod	Lim	None	N/A		Tested	Passed	Failed	N/A
Corporate	0	0	0	0	0	0	0	0	0	0	0	0
Finance & Business Services	0	0	0	0	0	0	0	0	0	0	0	0
Adults & Health	0	0	0	0	0	0	0	0	0	0	0	0
Children's Services	1	0	1	0	0	0	0	2	10	4	0	6
Xentrall	0	0	0	0	0	0	0	0	0	0	0	0
HR, Legal & Communications	0	0	0	0	0	0	0	0	0	0	0	0
Community Services	0	0	0	0	0	0	0	0	0	0	0	0
Culture, Leisure & Events	0	0	0	0	0	0	0	0	0	0	0	0
Economic Growth & Development	0	0	0	0	0	0	0	0	0	0	0	0
Democratic & Licensing	0	0	0	0	0	0	0	0	0	0	0	0
Schools	0	0	0	0	0	0	0	0	0	0	0	0
Contingency	0	0	0	0	0	0	0	0	0	0	0	0
DBC Only	0	0	0	0	0	0	0	0	0	0	0	0
TVCA Only	0	0	0	0	0	0	0	0	0	0	0	0
Total	**1**	**0**	**1**	**0**	**0**	**0**	**0**	**2**	**10**	**4**	**0**	**6**

2018/19

Department	No. of Audits Issued	Opinions						No. of Recs Made	Previous Recommendations			
		Full	Sub	Mod	Lim	None	N/A		Tested	Passed	Failed	N/A
Corporate	10	4	5	0	0	0	1	1	3	0	1	2
Finance & Business Services	7	5	2	0	0	0	0	6	3	1	0	2
Adults & Health	7	3	4	0	0	0	0	3	0	0	0	0
Children's Services	7	2	4	1	0	0	0	3	10	4	0	6
Xentrall	16	13	2	0	0	0	1	3	1	0	1	0
HR, Legal & Communications	2	1	1	0	0	0	0	5	0	0	0	0
Community Services	5	0	5	0	0	0	0	25	18	10	4	4
Culture, Leisure & Events	1	1	0	0	0	0	0	0	1	0	0	1
Economic Growth & Development	8	4	3	0	0	0	1	6	9	6	3	0
Democratic & Licensing	2	0	2	0	0	0	0	4	0	0	0	0
Schools	1	0	1	0	0	0	0	1	0	0	0	0
Contingency	8	1	1	0	0	0	6	0	0	0	0	0
DBC Only	7	0	0	0	0	0	7	0	0	0	0	0
TVCA Only	3	1	0	0	0	0	2	0	3	3	0	0
Total	**84**	**35**	**30**	**1**	**0**	**0**	**18**	**57**	**48**	**24**	**9**	**15**

2.4 Shown below is a list of all the audit engagements undertaken during the year together with their assurance opinion.

2019/20 Audit Plan Current Position as at 1 July 2019

Department	Audit ID	Name	Status	Assurance	Recommendations				Bud	Rem	Final Var
					L	M	H	C			
Corporate	2606	Absence Management	Not Started						10.0	10.0	
Xentrall	2607	Active Directory	In Progress						6.0	5.2	
Economic Growth & Development	2610	Building Control	In Progress						7.0	6.3	
Xentrall	2611	Cloud Computing	Not Started						5.0	5.0	
Finance & Business Services	2612	Asset Register/Asset Management	Not Started						7.0	7.0	
Children's Services	2615	Child Placement - Adoption	Not Started						7.0	7.0	
Xentrall	2617	Creditors	In Progress						20.0	18.2	
Adults & Health	2620	Client Financial Services	Not Started						12.0	12.0	
Finance & Business Services	2621	Complaints Review	Not Started						9.0	9.0	
Community Services	2622	Community Transport	Not Started						7.0	7.0	
Xentrall	2623	Change Control	Not Started						6.0	6.0	
Finance & Business Services	2632	Housing Benefits	Not Started						18.0	18.0	
Xentrall	2634	Debtors	In Progress						16.0	14.8	
HR, Legal & Communications	2642	Land Charges	Not Started						6.0	6.0	
Children's Services	2646	Leaving Care	Complete	Substantial Assurance	0	2	0	0	7.0		0.0
Children's Services	2648	First Contact	Not Started						3.0	3.0	
Corporate	2653	DBS Procedures	Not Started						6.0	6.0	
Economic Growth &	2654	Development Services	Not Started						9.4	9.4	

Development												
Children's Services	2656	Early Years & Complex Needs	Not Started							8.0	8.0	
Xentrall	2657	Virtualisation	In Progress							6.0	4.4	
Adults & Health	2658	Emergency Duty Team	Not Started							3.0	3.0	
Children's Services	2659	Looked After Children	Not Started							12.0	12.0	
Corporate	2660	Officer Payments - Mileage	In Progress							8.0	6.8	
Finance & Business Services	2664	Treasury Management	Not Started							7.0	7.0	
Finance & Business Services	2665	VAT	In Progress							6.0	5.8	
Finance & Business Services	2666	Taxation	Not Started							12.0	12.0	
Corporate	2667	Recruitment Services	Not Started							6.0	6.0	
Xentrall	2668	Server Operating Systems	Not Started							5.0	5.0	
Adults & Health	2670	Personal Budgets & Direct Payments	Not Started							7.0	7.0	
Xentrall	2672	Firewalls	In Progress							6.0	5.8	
Adults & Health	2673	Referral & Assessment - Adults	Not Started							12.0	12.0	
Xentrall	2674	Payroll & Absence Recording	In Progress							26.0	24.1	
Adults & Health	2676	Environmental Health	Not Started							6.0	6.0	
Community Services	2677	Enforcement	Not Started							7.0	7.0	
Children's Services	2679	Youth Offending and Prevention	Not Started							8.0	8.0	
Children's Services	2680	Early Years, Children's Centres & Childcare	Not Started							8.0	8.0	
Corporate	2700	Declaration of Interests/Gifts & Hospitality	Not Started							0.0	0.0	
Culture, Leisure & Events	2701	Adult Education	In Progress							15.0	6.7	
Xentrall	2702	Bank Reconciliation	Not Started							12.0	12.0	
< None >	2703	Catering & Cleaning	Not Started							20.0	7.7	
Children's Services	2704	Children's Secure Accommodation	Not Started							10.0	6.8	
Corporate	2705	Data Protection	Not Started							10.0	10.0	
Adults & Health	2706	Day Centres, Residential & Supported Living	Not Started							30.0	28.7	

DBC Only	2707	Eastbourne Sports Complex	In Progress						5.0	0.0
Children's Services	2708	Education Improvement Service	Not Started						15.0	15.0
HR, Legal & Communications	2709	Employee Benefits	Not Started						10.0	8.9
HR, Legal & Communications	2710	Employee Therapy Services	Not Started						7.0	6.7
Adults & Health	2711	Fuel Poverty Reduction	Not Started						7.0	6.9
Economic Growth & Development	2712	Highways Maintenance Management	Not Started						10.0	9.8
Community Services	2713	Horticultural Services & Allotments	Ready to Start						15.0	12.7
DBC Only	2714	Housing Building Maintenance	In Progress						25.0	17.5
DBC Only	2715	Housing Management	In Progress						20.0	19.7
DBC Only	2716	Housing Rents	In Progress						15.0	15.0
Democratic & Licensing	2717	Licensing	Ready to Start						30.0	17.5
Corporate	2718	Information Management	Not Started						10.0	10.0
DBC Only	2719	Mayor's Charity Fund	In Progress						2.0	0.7
Corporate	2720	Performance Management Framework	Not Started						15.0	15.0
Corporate	2721	Anti-Fraud Management	In Progress						35.0	35.0
Corporate	2722	Business Continuity & Emergency Planning	Not Started						10.0	10.0
Corporate	2723	Council Plans	Not Started						5.0	5.0
Corporate	2724	Financial Management	Not Started						5.0	5.0
Community Services	2725	Registration & Bereavement Services	Not Started						15.0	6.5
Children's Services	2726	Safeguarding Children	Not Started						15.0	10.3
Corporate	2727	Scheme of Delegation	Not Started						15.0	15.0
Xentrall	2728	Software Controls	Not Started						10.0	10.0
Finance & Business Services	2729	Stockton Collections	Ready to Start						5.0	0.0
Children's Services	2730	Tees Valley Music Service	Under Review						10.0	0.0

Economic Growth & Development	2731	Traffic Management & Road Safety	Under Review					15.0	2.3	
Children's Services	2732	Troubled Families Initiative	In Progress					20.0	14.9	
Contingency	2733	Advice and Guidance	In Progress					50.0	46.3	
Contingency	2734	Audit Liaison and Planning	In Progress					20.0	11.0	
Contingency	2736	Continuous Monitoring	In Progress					200.0	149.9	
Contingency	2737	Grants Contingency 2019	Ready to Start					30.0	24.0	
Schools	2738	SBC Schools - IR35 Self Assessment	In Progress					0.0	0.0	
DBC Only	2739	DBC Schools - IR35 Self Assessment	In Progress					0.0	0.0	
	2740	Schools	Not Started					0.0	0.0	
Corporate	2741	Globe Project Assurance	Draft					10.0	0.0	
Contingency	2742	Risk Management	In Progress					35.0	35.0	
Contingency	2743	Procurement/Contract Management	Not Started					62.0	62.0	
Contingency	2744	ICT Individual Systems	In Progress					66.0	66.0	

2.5 Trend Analysis