

REPORT TO AUDIT & GOVERNANCE

Date of Meeting: 14th MARCH 2018

Report of: AUDIT MANAGERS

Title: INTERNAL AUDIT PROGRESS REPORT 3RD QUARTER 1ST OCTOBER TO 31ST DECEMBER 2017

Is this a Key Decision?

No

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

Is this an Executive or Council Function?

COUNCIL

1. What is the report about?

To report on internal audit work carried out during the period 1st October to 31st December 2017, to advise on overall progress against the Audit Plan and to report any emerging issues requiring consideration.

2. Recommendations:

That the Internal Audit Progress Report for the third quarter of the year 2017/18 be noted.

3. Reasons for the recommendation:

One of the roles of this committee is to review quarterly internal audit reports and the main issues arising and seek assurance from management that action has been taken, where necessary.

4. What are the resource implications including non-financial resources.

4.1 None.

5. Section 151 Officer's comments:

The progress is noted. The reports this quarter have identified a number of issues, which management must seek to address in a timely manner

6. What are the legal aspects?

None identified.

7. Monitoring Officer's comments:

The report and appendices identify issues requiring attention.

8. Report details:

This Committee is responsible for the implementation and active monitoring of audit processes and actions, which includes performance against the annual audit plan, reviewing quarterly internal audit progress reports and seeking responses and assurance from management regarding audit recommendations that have not been accepted or those not implemented within a reasonable timescale. The 2017/18 Audit Plan was approved at this Committee on 15th March 2017.

The purpose of Internal Audit is to provide an independent and objective review of the adequacy and effectiveness of the Council's arrangements for internal control, risk management and governance. The activities we audit are given an assurance rating as follows:

| | | |
|----------------------------------|-------|---|
| Excellent | ★★★★★ | The areas reviewed were found to be well controlled, internal controls are in place and operating effectively. Risks against achieving objectives are well managed. |
| Good | ★★★★ | Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but a few areas for improvement have been identified. |
| Some improvement required | ★★★ | There is a basic control framework in place, but not all risks are well managed and a number of controls are required to be strengthened. |
| Significant improvement required | ★★ | Most of the areas reviewed were not found to be adequately controlled. Risks are not well managed and require controls to be strengthened to ensure the achievement of system objectives. |
| Fundamental weakness | ★ | Controls are seriously lacking or ineffective in their operation No assurance can be given that the system's objectives will be achieved. |

8.1 Work Undertaken

Internal Audit's objective is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. This is done by examining the Council's financial and non-financial internal control systems which have been put in place to prevent loss due to frauds, errors and inefficiency, and that due attention is paid to corporate governance and risk management.

A summary of progress against the annual audit plan to date is shown at Appendix A, together with the current status of each area for review and the outcomes of the review, where completed.

The table is based on the audit plan and the systems grouped into the strategic purposes.

Progress against the annual audit plan is good, however, there has been some slippage due to a member of staff being on sick leave and Finance being unable to release the Finance Apprentice to work in Internal Audit. This was identified in the last quarterly audit report and since January 2018, as agreed, the remaining staff have been working additional hours to ensure that the plan is completed by the end of the last quarter.

There has been a significant overspend of time against contract management this is due to the number of issues identified from the work of Internal Audit.

Details of the outcomes of audits completed can be found at Appendix B.

8.2. Issues for consideration

There are no instances to report where recommendations were not accepted by management during this quarter.

There are no instances of management accepting a recommendation which was not subsequently implemented within a reasonable timescale.

8.3 Governance Issues

The Council's annual governance statement (AGS) included a number of actions to improve governance arrangement identified in the Audit Manager's Annual report. The AGS states that the aim is to monitor implementation of these actions and the outstanding significant governance issues from 2016/17 during 2017/18 financial year, by way of an action plan for improving the governance framework and system of internal control. Updates to this action plan have been included in Appendix C.

8.4 Emerging issues/risks

This section is used to highlight any emerging issues or risks that the Audit Manager feels members of this committee should be aware of and will provide an opportunity for members to ask questions as to what action is being taken both corporately and by Internal Audit in order to ensure that the Council complies with legislation/good practise and that exposure to risk in these areas is minimised.

a) Cyber Security

Cyber security is defined as the defence of any physical or information asset, which could be compromised using information technology.

The Government has rated 'cyber attacks' as one of the top four risks to UK national security. Local Government is not immune. The 'Cyber Security: Threats and Opportunities across Local Government' report dated June 2017 which surveyed IT professional across local government in the UK found that:

- 76% had experienced a malware/virus/Trojan attack;
- 50% had experienced ransomware/crypto-malware;
- 87% had experienced phishing/spear-phishing;
- 54% had experienced socially engineered attacks targeting specific individuals;
- 45% had experienced distributed denial of service attacks;
- 6% had experienced compromised internet of things devices; and
- 27% had experienced botnet attacks.

This highlights the potential risks to our own systems and data.

Action taken to date:

The National Audit Office has issued a cyber and information security good practice guide. Internal Audit are currently working with Strata to check

compliance with the good practice guide. The results of this exercise will be reported in the next progress report to this committee.

9. How does the decision contribute to the Council's Corporate Plan?

Good governance contributes to the Council's purpose of a "Well Run Council".

10. What risks are there and how can they be reduced?

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

N/A

12. Are there any other options?

N/A

Helen Putt & Helen Kelvey
Audit Managers

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

Contact for enquires:
Democratic Services (Committees)
Room 2.3
01392 265275