Cherwell District Council

Internal Audit Progress Report

January 2018

cw audit

internal audit services

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1. Introduction

This report summarises the work of Internal Audit to early January 2018, in relation to 2017/18 internal audit plan delivery.

The purpose of the report is to:

* Show progress against the audit plan;
* Summarise the key findings and conclusions arising from our work during the period;
* Provide details of planned work;
* Update on the implementation of actions agreed by management in relation to internal audit recommendations.

2. Progress summary

Set out below is the current status of all audit assignments from the 2017/18 plan, together with the opinions we have provided in each case where appropriate.

Review	Scheduled Quarter	Status	Level of assurance (where relevant)
Information Governance/IT/Information Systems Risk Assessment	Quarter 4	Scope agreed – to follow up implementation of actions arising from 2016/17 internal audit review on Cybersecurity.	
Business Continuity/Disaster Recovery	Quarter 4	Scope agreed – to follow up implementation of actions arising from 2016/17 internal audit review on Business Continuity Management.	
Transformation – Customer Services Project	Quarter 3	Review completed, final report issued	**Moderate**
Human Resources/Workforce Planning	Quarter 1 2018/19	Timescale following appointment of new AD (HR)	
Partnership working	To be agreed	Scope and timescale to be determined to reflect current operations	
Project Assurance – provision to	Ongoing/as required	Input provided on request to Revenues and Benefits.	

Review	Scheduled Quarter	Status	Level of assurance (where relevant)
provide assurance and advice in relation to key projects			
Project Assurance – Build project	Quarter 4	Proposed follow up of 2016/17 internal audit – exact scope and timescale to be determined to reflect current operations	
Medium Term Financial Planning/Financial Resilience/Savings & Income Maximisation	Quarter 3/Quarter 4	In progress	
Budget management and reporting	Quarter 4	Exact scope and timing to be agreed	
Capital Programme Management	Quarter 4	Draft scope issued to management; under discussion.	
Finance Systems - High Level Controls (focussing on debtor collection and recovery)	Quarter 3	Review completed, draft report issued (November)	
Payroll	Quarter 2	Review completed, final report issued	**Moderate**
New ledger system (Civica) – financial ledger, debtors, creditors	Quarter 4	Scope agreed. Exact timing to be agreed.	
Income & Payment Systems (Revenues and Benefits) - High Level Controls	Quarter 3/Quarter 4	In progress	
Commercial Property management	Quarter 2	Review completed, draft report issued (October)	

3. Reviews completed

The following reviews have been completed and a final report issued, since our last report to this Committee.

Review	Key issues arising from audit	Level of assurance
Payroll	The review identified a number of areas of non-compliance with Council protocol and procedures regarding transaction workflow; issues arising from the Northgate Payroll system functionality and compatibility with the Councils Civica Finance system, and areas for control improvement particularly around security and access to electronic payroll forms, the controls around access to the Payroll System itself and supporting Human Resource (HR) System module. The review was sought by management to support effective implementation of the new Payroll system; with sufficient time until the system is implemented and configured this will allow the Council to ensure the risks are addressed before the system is used.	**Moderate**

System control objective	Level of Assurance				
	Full	Significant	Moderate	Limited	No
1. Permanent payroll data held on the system is accurate, and any amendments to payroll data (including starters, leavers and standing data changes) are valid, accurate, appropriately authorised and timely.			✓		
2. All deductions made from salaries are accurate, timely and authorised.	✓				
3. All payments are based on valid, accurate, appropriately authorised and timely data and documentation. (Including expenses and allowances).			✓		
4. The payroll is processed in an accurate and timely manner, including any temporary variations to pay.		✓			
5. The security of payroll data is adequately maintained.			✓		
6. Payroll system/data is suitably and timely reconciled to financial ledger.			✓		
7. Checks are operated on the accuracy of the payroll (eg to establishment lists/structure).		✓			

Review	Key issues arising from audit	Level of assurance
Transformation – Customer Services project	• A Benefits Realisation review should be carried out to consider the delivery of the project against its original stated scope and aims to measure success, identify any remaining areas and lessons learned. • A clear vision and strategy needs to be established to form the context within which the Customer Services project should work going forward. This would provide or lead to clear objectives and targets against which the project and linked areas of development could be managed and assessed. • The project should be managed under clear project management disciplines including clear definition, project plan, risk management, and defined project reporting mechanisms. Ideally this should flow from establishment of a corporate project management methodology to ensure key projects such as this are governed systematically.	**Moderate**

System control objective	Level of Assurance				
	Full	Significant	Moderate	Limited	No
1. Suitable governance and reporting arrangements are in place regarding the overall delivery of the transformation programme (in the context of reporting on projects such as Customer Services).		✓			
2. Customer Services project - Planned project outcomes, benefits, budget and timelines are clearly defined and approved				✓	
3. Customer Services project - Clear and appropriate arrangements are operated to monitor progress against, and approve any changes to, outcomes, benefits, budget and timelines				✓	
4. Customer Services project - Risks to the project are clearly defined and monitored and dealt with				✓	
5. Customer Services project - Suitable reporting arrangements are in place to assure management and members on progress and risk management			✓		
6. Customer Services project - A suitable project team is in place to ensure the project is adequately resourced and overseen			✓		

For members' information, the table below summarises the meaning of the different overall assurance levels we provide:

Definition of our assurance levels and our risk rankings

Opinion	Assessment rationale
No	The audit highlighted weaknesses in the design or operation of controls that have not only had a significant impact on the delivery of key system objectives, they have also impacted on the delivery of the organisation's strategic objectives. As a result, **no** assurance can be given on the operation of the system's internal controls to prevent risks from impacting on achievement of both system and strategic objectives.
Limited	The audit highlighted some weaknesses in the design or operation of control that have had a serious impact on the delivery of key system objectives, and could also impact on the delivery of some or all of the organisation's strategic objectives. As a result, only **limited** assurance can be given on the operation of the system's internal controls to prevent risks from impacting on achievement of the system's objectives.
Moderate	The audit did not highlight any weaknesses that would in overall terms impact on the achievement of the system's key objectives. However, the audit did identify some control weaknesses that have impacted on the delivery of certain system objectives. As a result, only **moderate** assurance can be given on the design and operation of the system's internal controls to prevent risks from impacting on achievement of the system's objectives.
Significant	The audit did not highlight any weaknesses that would materially impact on the achievement of the system's key objectives. The audit did find some low impact control weaknesses which, if addressed, would improve the overall performance of the system. However these weaknesses do not affect key controls and are unlikely to impair the achievement of the system's objectives. As a result, **significant** assurance can be given on the design and operation of the system's internal controls to prevent risks from impacting on achievement of the system's objectives.
Full	The audit did not highlight any weaknesses that would impact on the achievement of the system's key objectives. It has therefore been concluded that key controls have been adequately designed and are operating effectively to deliver the key objectives of the system. As a result, **full** assurance can be given on the operation of the system's internal controls to prevent risks from impacting on achievement of the system's objectives.

3. Recommendation tracking

As part of the service provided by CW Audit, tracking of the implementation of actions agreed by management will take place and be reported through to this Committee. Recommendations and agreed actions are uploaded to a web-based database when audit reports are finalised. Managers will access the system, and update status and mark actions as implemented when appropriate. The tables below set out the type of information we are proposing to provide to the Committee in future once the system is fully in use by managers. The first table below will set out a summary of agreed actions, due to be implemented by a stated recent date; the second table will show the age of those agreed actions (based on the original date due for implementation) which are not yet complete at the time of reporting. Members should note that the status of each action will be as stated by management and not verified by Internal Audit unless a specific follow up audit has been undertaken.

Summary	1 Critical	2 High	3 Medium	4 Low	Total
Due by DD/MM/YY	-	-	-	-	-
Implemented	-	-	-	-	-
Closed	-	-	-	-	-
In progress but not complete	-	-	-	-	-
Outstanding (not started)	-	-	-	-	-

Time overdue for actions o/s or not complete	1 Critical	2 High	3 Medium	4 Low	Total
Less than 3 months	-	-	-	-	-
3 – 6 months	-	-	-	-	-
Greater than 6 months	-	-	-	-	-

Time overdue for actions o/s or not complete	1 Critical	2 High	3 Medium	4 Low	Total
Total	-	-	-	-	-

We will then propose to provide a summary for all 'high risk' agreed actions which were due for implementation by the stated date and which managers have not recorded as fully implemented, together with a summary of the most recent update from managers/officers responsible.