

Cherwell and South Northamptonshire Councils

Internal Audit
Progress Report 2018/19

January 2019



1. Introduction

The purpose of the report is to update the committee on progress made in delivering the 2018/19 audit plan to the end of December 2018. The agreed joint internal audit plan for the 2018/19 year totals 327 days. Appendix A provides details of the audit assignments included in the 2018/19 year, and an update on progress where assignments have commenced.

2. Summary of reviews completed

Review	Key issues arising from audit	Level of assurance				
General Ledger	<ul style="list-style-type: none"> Reconcile and balance payroll control accounts. Ensure bank account reconciliations are maintained up-to-date. 	Significant				
System control objective	Level of Assurance					
	Full	Significant	Moderate	Limited	No	
All input* is properly controlled and verified and processing is complete, accurate and timely.		✓				
All output is appropriate and enables the production of accurate final accounts.		✓				
Access to system functions is restricted to authorised personnel and the security and integrity of the system is maintained.	✓					

Review	Key issues arising from audit	Level of assurance
Creditor Payments	<ul style="list-style-type: none"> Produce regular monitoring reports highlighting invoices supported by retrospective orders and take action to educate service areas on the need to ensure orders are placed prior to committing the Councils to non-pay expenditure. Take action to address open and incomplete orders on the system. 	Moderate

System control objective	Level of Assurance				
	Full	Significant	Moderate	Limited	No
Payments to suppliers are accurate, timely, properly accounted for and only made in respect of authorised invoices and for goods and services received and procured in line with the council's financial regulations and contract procedure rules.			✓		
Only authorised amendments can be made to the creditors masterfile.	✓				
All payment runs are subject to independent review and appropriately authorised before processing.		✓			
Output from the creditors system is complete, accurate and regular and is subject to independent review and monitoring by management.			✓		
Adequate segregation of duties exists including system access.	✓				

Review	Key issues arising from audit	Level of assurance
Treasury Management	<ul style="list-style-type: none"> Agree treasury management transactions to the GL on a quarterly basis. 	Significant

System control objective	Level of Assurance				
	Full	Significant	Moderate	Limited	No
Investments are properly accounted for in accordance with current legislation and governing instruments, within a written policy agreed by the Council.	✓				
All expenditure on investments is properly authorised and reconciled to bank / ledger.		✓			
Investment performance and compliance with Prudential Indicators is effectively monitored.	✓				
All long term borrowing and short term borrowing, including PWLB is authorised by the s151 Officer, Head of Finance or nominated officer and is set out in written financial instructions.	✓				
A detailed register of loans is maintained that records interest and repayment terms for all loans and from which outstanding loans & loans repaid are readily identifiable and regularly reconciled to bank/control accounts.	✓				

3. Recommendation tracking

The current status of all recommendations due for implementation by the 31st December 2018, including recommendations raised by the Councils' previous internal auditors, PWC, is summarised as follows:

Recommendations due for implementation by 31 st December 2018				
Priority*	Number	Implemented or Closed	Ongoing	Pending
1	0	0	0	0
2	24	21	3	0
3	47	42	4	1
4	35	31	4	0
Totals	106	94	11	1

*Level 1 is the highest level of risk we attach to a recommendation.

Ongoing Level 2 Recommendations			
Subject	Original target date	Revised target	Latest update
Revised policy/procedures for debt recovery.	30/06/18	31/01/19	Policy currently in draft.
More robust procedures for recovery action to be taken in respect of debts that are more than 28 days old.	20/04/18	31/01/19	Forms part of the sundry debtors review that is currently underway.
GDPR Action Plan	9/12/18	31/01/19	Creating a new integrated work plan including the findings from the previously received consultant report, the internal audit report and other findings.

Appendix A - 2018/19 Internal audit plan

Area	Audit Assignment	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current Status	Assurance Level
Corporate Governance & Systems	Cybersecurity		✓			Final report	Significant
	Information Governance - GDPR		✓			Final report	Moderate
	Information Technology - IT Disaster Recovery				✓	Scope agreed	
	Business Continuity Management		✓			Fieldwork complete	
	Corporate Health & Safety		✓			Final report	Significant
	Procurement & Contract Management			✓	✓	Fieldwork ongoing	
	Human Resources - Recruitment		✓	✓		Draft report	
	Legal Compliance	✓	✓			Final report	Significant
Financial Assurance	Budget management & MTFP/ Financial Resilience			✓	✓	Fieldwork complete	
	Capital Programme & Project Management		✓			Draft report	
	Payroll				✓	Scope agreed	
	General Ledger			✓		Final report	Significant
	Creditor Payments			✓		Final report	Moderate
	Treasury Management			✓		Final report	Significant
	Council Tax			✓	✓	Fieldwork ongoing	
	Business Rates			✓	✓	Fieldwork ongoing	
	Debtors			✓	✓	Fieldwork ongoing	
	Benefits			✓	✓	Fieldwork ongoing	
	Homes England Grant Certification*		✓			Audit Compliance Checklist submitted.	N/A
DFG certification – CDC and SNC		✓			Certifications provided for both Councils	N/A	

*Funded from contingency days