

# **Cherwell District Council**

## **Account Audit and Risk Committee**

**23 September 2020**

### **Internal Audit Progress Report 2020/21**

#### **Report of the Director of Finance**

This report is public

#### **Purpose of report**

The report presents the Internal Audit Progress report for 2020/21

#### **1.0 Recommendations**

The meeting is recommended:

- 1.1 To note the progress with the 20/21 Internal Audit Plan and the outcome of the completed audits.

#### **2.0 Introduction**

- 2.1 This report provides an update on the Internal Audit Service, including resources, completed and planned audits.
- 2.2 Each progress report includes the Executive Summaries from the individual Internal Audit reports finalised since the previous update to the committee and also an update on the implementation of agreed management actions.

#### **3.0 Report Details**

##### **Resources**

- 3.1 A full update on resources was made to the Accounts, Audit & Risk Committee in July 2020 as part of the Internal Audit Strategy and Plan for 2020/21. Since then the recruitment activity which had been paused due to covid-19 has re-commenced for a Senior Auditor. Recruitment has also now started for an Assistant Auditor Trainee post; the successful candidate will be supported to undertake an Internal audit apprenticeship.

## 2020/21 Plan Progress

- 3.2 The 2020/21 Internal Audit Plan, which was agreed at the July Accounts, Audit & Risk Committee, is attached as Appendix 1 to this report. This shows current progress with each audit. The plan and plan progress is reviewed quarterly with senior management.
- 3.3 The audit of Cyber Security 20/21 has been finalised – this was reported to the July committee and the executive summary presented. The committee were also updated in July to say the first stage of the implementation of the new finance system had been reviewed. Since then a further piece of work has been completed on reviewing some of the ICT risks at stage two of the finance system implementation. The executive summary is included within Appendix 2 of this report.
- 3.4 Subject to the successful recruitment of the vacancies, the remainder of the plan is on track for delivery by the end of April 2021.

## Performance

- 3.5 The following performance indicators are monitored on a monthly basis.

<b>Performance Measure</b>	<b>Target</b>	<b>% Performance Achieved for 20/21 audits (as at 2/9/20)</b>	<b>Comments</b>
Elapsed time between start of the audit (opening meeting) and Exit Meeting.	Target date agreed for each assignment by the Audit manager, stated on Terms of Reference, but should be no more than 3 X the total audit assignment days (excepting annual leave etc)	100%	
Elapsed time for completion of audit work (exit meeting) to issue of draft report.	15 days	100%	
Elapsed time between issue of Draft report and issue of Final Report.	15 days	67%	One final report had been agreed, however was delayed in issue due to annual leave of senior management

3.6 The other performance indicators are:

- % of 2020/21 planned audit activity completed by 30 April 2021 – reported at year end.
- % of management actions implemented – see para 3.7 below.

### **Implementation of Agreed Management Actions**

3.7 Outstanding management actions from 2018/19 and 2019/20 audits were taken over for monitoring from the previous internal audit provider. At the time of the last report to the July Committee and handover from the previous internal audit provider there were 27 actions still open from 2018/19 and 40 actions still open from 2019/20 audits. As at 3/9/20 this figure has reduced, there remains 27 actions open from 2018/19. However, 17 actions have been reported as implemented from 2019/20 audits with now 23 actions open. Further detail is recorded in Appendix 3. These will continue to be reviewed and followed up with senior management throughout September and October 2020.

3.8 We have agreed a total of 20 actions for the work completed so far as part of the 2020/21 Internal Audit Plan, these have either just become due for implementation or not yet due – again these will be followed up during October 2020.

## **4.0 Conclusion and Reasons for Recommendations**

4.1 This report provides a progress update on delivery of the internal audit plan for 2020/21, summarising key findings from completed audits and provides an update on the implementation of management actions for the committee to consider. The current plan for 20/21 is on target for delivery by the end of April 2021.

## **5.0 Consultation**

Not applicable.

## **6.0 Alternative Options and Reasons for Rejection**

6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: No alternative options have been identified as this report is for information only.

## 7.0 Implications

### Financial and Resource Implications

7.1 There are no financial implications arising directly from this report.

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845

[michael.furness@cherwell-dc.gov.uk](mailto:michael.furness@cherwell-dc.gov.uk)

### Legal Implications

7.2 There are no legal implications arising directly from this report.

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious, 01295 221695

[richard.hawtin@cherwell-dc.gov.uk](mailto:richard.hawtin@cherwell-dc.gov.uk)

### Risk Implications

7.3 There are no risk management issues arising directly from this report.

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes, 01295 221786

[louise.tustian@cherwell-dc.gov.uk](mailto:louise.tustian@cherwell-dc.gov.uk)

## 8.0 Decision Information

### Key Decision (N/A)

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

### Wards Affected

All

### Links to Corporate Plan and Policy Framework

All corporate plan themes.

## **Lead Councillor**

Councillor Tony Ilott – Lead Member for Financial Management.

## **Document Information**

### **Appendix number and title**

- Appendix 1 – Internal Audit Plan 2020/21 – Progress Update
- Appendix 2 – Executive Summaries of reports finalised
- Appendix 3 – Outstanding Management Actions (as at 3/9/20)

### **Background papers**

None

### **Report Author and contact details**

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## APPENDIX 1: 2020/21 CDC Internal Audit Plan – Progress Report

Audit	Planned Qtr Start	Status as at: 02/09/2020	Conclusion
Support with due diligence tests on Small Business Grants and Discretionary Grants	Q1	Majority complete – scheme ended at the end of August, final payments to be made by the end of September, with some ongoing assurance work to finish.	Results previously reported to July AARC
Revenues and Benefits (including debtors)	Q2	Scoping	
Implementation of new Finance System (design of internal controls / processes, including design of IT security controls)	Q1	Phase 1 – complete Phase 2 – a) ICT risks complete b) Design of controls – in progress Phase 3 – not started	
Finance (Housing - Hardship Fund) - Discretionary Housing Payments / Hardship Fund	Q3/Q4	Not started	
Cyber Security	Q1	Final Report	Amber
Payroll (including IT security controls)	Q3/Q4	Not started	
Disabled Facilities Grant Processes (in addition to grant certification)	Q2	Fieldwork	
Accounts, Audit & Risk Committee			
Handover of monitoring of management action implementation	Q1	Complete	
Public Sector Internal Audit Standards – compliance	Q1-Q4	In progress IA Charter – complete	
Grants			
Disabled Facilities Grant	Q2	Scoping	
Homes England Grant	Q2	Scoping	

## APPENDIX 2 – Executive Summaries of reports finalised since last report to July 2020 committee.

### Finance System Implementation – Phase 2 ICT Risks

<b>Opinion: n/a</b>	<b>Management letter issued: 24/08/2020</b>
Total: 5	Priority 1 = 0      Priority 2 = 5
Current Status:	
Implemented	0
Due not yet actioned	0
Partially complete	0
Not yet due	5

The Council have now procured a new finance system, which will replace the existing council's finance system from April 2021. Internal Audit is supporting this major programme by reviewing at key stages, the design of the internal control framework. This reports on the work Internal Audit have completed at build stage – phase 2, specifically on the following ICT risk areas:

- Data Migration
- Cloud Hosting

#### **Overall Conclusion**

Data migration is at the extract phase, which involves identifying and extracting data from the existing financial system and verifying it with the finance team. Extracting data from the existing system has been challenging because of the lack of system documentation and any in-built reporting tools and the structure of the underlying database. IT have recently onboarded additional resources from Oxfordshire County Council to support this work and initial meetings have also been held with the supplier to review what datasets will be transferred into the new financial system.

There is a draft Data Migration Strategy which is a high-level document that we have reviewed and found needs further details in some areas to ensure there are clearly defined standards for managing the remaining data migration phases.

The technical specification for the finance system included a security risk assessment of the cloud service provider. This was reviewed and found to be comprehensive and provides a good level of assurance that the new system is hosted in a safe and secure environment. However, there are a few areas which we have queried that should be followed up with the supplier and management actions have been agreed to address this.

**Definition of Internal Audit RAG opinions:**

<b>Grading:</b>	<b>G</b>	<b>A</b>	<b>R</b>
Conclusion on:			
Overall conclusion on the system of internal control being maintained	There is a strong system of internal control in place and risks are being effectively managed. Some minor action may be required to improve controls.	There is generally a good system of internal control in place and the majority of risks are being effectively managed. However, some action is required to improve controls.	The system of internal control is weak and risks are not being effectively managed. The system is open to the risk of significant error or abuse. Significant action is required to improve controls.