

## **INTERNAL AUDIT PROGRESS REPORT – SEPTEMBER 2017**

### **1 Purpose**

- 1.1 To receive the Internal Audit Progress Report of activity undertaken since March 2017.

### **2. Recommendations**

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| 2.1 The committee is recommended to note the progress report. |
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### **3. Supporting Information**

- 3.1 This report provides an update on the progress made against the 2017/18 Internal Audit Plan and includes information on:
- Summary of internal audit reviews completed and in progress
  - Overdue recommendations and follow up work
  - Internal audit resource
- 3.2 The Committee requested that all internal audit reports are presented in full. There have been no assurance reports issued since the date of the last meeting.

### **4. Reasons for Recommendations**

- 4.1 Ensuring a proper and effective flow of information to Audit Committee Members enables them to perform their role effectively and is an essential element of the corporate governance arrangements at the Council.

### **5. Resource Implications**

- 5.1 There are no resource implications to report.

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Background papers: none



# **Internal Audit Progress Report**

September 2017





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# 1. Activity and progress

The 2017/18 internal audit plan was approved by the Audit Committee in July 2017. A summary of the plan is included in Appendix 2. We monitor progress against the plan during the year and advise the Audit Committee of any changes.

## Final reports issued since the previous Committee meeting

Name of review	Conclusion*	Date of final report	No of recommendations made*			
						
			Critical	High	Medium	Low
Commercial AVDC – Financial Commitments Tracking	N/A - Advisory	12 September	-	-	-	-

*See Appendix 1 for the basis for classifying internal audit findings and reports.*

The result of the review is summarised below:

### Commercial AVDC – Financial Commitments Tracking

This was a non assurance review to support the Council in ensuring that financial commitments made as part of the Commercial AVDC transformation programme can be readily tracked and reported i.e.:

- Do we know what we want to deliver?
- Do we know how we are going to check we are delivering it?
- Have we got a plan for how we are going to deliver it?

The Council does have a clear and coherent process for tracking delivery of Commercial AVDC commitments. However the review highlights several changes which the Council should make so that this process works better. As the Council is switching to implementation of Commercial AVDC, with a new Programme Management Office (PMO) Lead recently in place, and ahead of the budget cycle for FY 18/19, this is an ideal time to implement these recommendations. The review makes the following recommendations:

- Further develop “Business Reviews” until they are at a level of detail which means Assistant Directors will sign up to being accountable for delivery of associated commitments
- Finance Business Partners and Assistant Directors should work together to restructure the Council’s cost centres so that they are suitable for tracking delivery of commitments

- Develop SMART Indicators for each priority commitment
- Develop a Benefit Profile to support each SMART Indicator
- Prepare dashboard of SMART Indicators for review as a standing agenda item at Strategic Board
- Commission Council's Business Intelligence Team to collate data according to 'rules of the game' set out in Benefit Profile associated with each SMART Indicator
- Commission Finance Business Partners to use SMART Indicators to drive annual MTFP budget cycle and associated Benefit Profiles to track delivery
- Incorporate performance against SMART Indicators into relevant appraisal processes.

The recommendations raised have been agreed with management and will be implemented as part of the ongoing programme management and budget setting processes.

### **2017/18 internal audit plan work in progress**

As at the date of preparing this report the following reviews are in progress:

<i>Name of review</i>	<i>Update on progress</i>
Planning & Planning Enforcement	Terms of reference agreed and audit work is in progress

## ***2. Overdue recommendations and follow up work***

We routinely monitor the implementation of actions and recommendations raised by internal audit reviews to ensure that the control weaknesses identified have been satisfactorily addressed. No internal audit follow up work has been completed since the last audit committee. A further update will be provided at the November meeting.

## ***3. 2017/18 internal audit resource***

Since the last Audit Committee meeting, the tender for the internal audit contract has been issued and responses evaluated. It is anticipated that by the time of the committee meeting the procurement will have concluded with the internal audit team set to be in place from 1 October 2017.

# ***Appendix 1: Internal audit opinion and classification definitions***

## **Individual reviews - Basis of classifications**

The overall report classification is determined by allocating points to each of the individual findings included in the report.

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification		Points
●	Critical risk	40 points and over
●	High risk	16– 39 points
●	Medium risk	7– 15 points
●	Low risk	6 points or less

Individual findings are considered against a number of criteria and given a risk rating based on the following:

Finding rating	Assessment rationale
<b>Critical</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance; or</li> <li>• <b>Critical</b> monetary or financial statement impact [<b>quantify if possible = materiality</b>]; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences; or</li> <li>• <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability.</li> </ul>
<b>High</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance; or</li> <li>• <b>Significant</b> monetary or financial statement impact [<b>quantify if possible</b>]; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation.</li> </ul>
<b>Medium</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance; or</li> <li>• <b>Moderate</b> monetary or financial statement impact [<b>quantify if possible</b>]; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation.</li> </ul>
<b>Low</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance; or</li> <li>• <b>Minor</b> monetary or financial statement impact [<b>quantify if possible</b>]; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation.</li> </ul>
<b>Advisory</b>	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

## ***Appendix 2: Internal audit plan and progress tracker***

The 2017/18 Annual Internal Audit Plan was approved by members of the Audit Committee in July 2017. Progress and changes are reported below.

<b>Review</b>	<b>Description</b>	<b>Status/Comment</b>	<b>Overall Risk Rating</b>
General Ledger	Assurance over control design and operating effectiveness of key financial processes.		
Debtors			
Creditors			
Payroll			
ITCG for TechOne	Review T1 application controls to ensure the data is complete, accurate and valid.		
Budget Management			
Governance & Risk Management	Review of compliance with CIPFA framework.		
Housing Benefits			
Council Tax & Business Rates			
Planning & Planning Enforcement	Processes for applications/appeals, data validation and enforcement.	Terms of reference agreed and work is in progress	
Building Control	Include fire safety checks.		
Licensing	Focus on taxi licensing and safeguarding controls.		
Commercial AVDC Programme Assurance	Focus on structures and processes to monitor and report savings & income commitments.	Complete	Advisory
Aylesbury Vale Estates	Assess governance arrangements for the Council's wholly or partly owned companies.		
Vale Commerce			
Aylesbury Vale Broadband (follow up)		Complete	Advisory
Follow up audit actions	Validation that agreed internal audit actions have been implemented.	Ongoing	
Disabled Facilities Grant	Grant compliance requirements	In progress	