

**13 March 2019**

**Audit and Scrutiny Committee**

**Internal Audit Progress Report**

**Report of:** *Greg Rubins, Head of Internal Audit (BDO)*

**Wards Affected:** *All*

**This report is:** *Public*

**1. Executive Summary**

1.1 This report is intended to inform the Audit and Scrutiny Committee of progress made against the approved internal audit plan for 2018/19, which was approved by the Audit Committee in March 2018.

1.2 The following reports have been finalised since the last Committee and a summary of Internal Audits findings is included in the progress report:

- Corporate Projects (Moderate/Moderate assurance)
- Local Development Plan (Moderate/Moderate assurance)
- PCI /DSS Compliance (Moderate/Limited assurance)

The full reports are available on request.

1.3 A Summary of outstanding recommendations from previous audits are included in Appendix B – Follow up report. There was a total of 67 high and medium recommendations raised in 2017/18 of which 66% have been completed.

**2. Recommendation**

**2.1 That the Committee receives and notes the contents of the Internal Audit Progress Reports attached in Appendix A.**

**2.2 That the Committee receives and notes the contents of the Internal Audit Follow Up Report attached in Appendix B**

### **3. Introduction and Background**

- 3.1 This report is intended to inform the Audit and Scrutiny Committee of progress made against the 2018/19 internal audit plan. It summarises the work Internal Audit have done, together with their assessment of the systems reviewed and the recommendations they have raised. Their work complies with Public Sector Internal Audit Standards. As part of their audit approach, they have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable them to give assurance on the risk management and internal control processes in place to mitigate the risks identified.
- 3.2 The Audit Committee approved the 2018/19 annual audit plan in March 2018. The progress against plan is reported at every Audit and Scrutiny Committee during 2018/19.

### **4. Issue, Options and Analysis of Options**

- 4.1 The following reports have been finalised since the last Committee and a summary of Internal Audits findings is included in the progress report:
- Corporate Projects (Moderate/Moderate assurance)
  - Local Development Plan (Moderate/Moderate assurance)
  - PCI /DSS Compliance (Moderate/Limited assurance)

The full reports are available on request.

#### **4.2 Corporate Projects Conclusion**

The Council has introduced a well-designed corporate management process since 2018/19 but we have identified some areas for improvement, such as the need to embed and improve the planning and reporting process, to ensure consistency. We have therefore concluded a moderate opinion on control design and effectiveness.

#### **4.3 Local Development Plan Conclusion**

The submission of the Local Development Plan to the Secretary of State has been delayed by two months due to the impact of the changes required by Councillors and working with Essex County Council to review the infrastructure changes.

We found that the Council has taken the requisite steps to introduce a sound control and governance framework to ensure that the local development plan project will meet the revised timetable and avoid

intervention by the Secretary of State. However, further improvements are required to reduce the risk of missing the deadline, including having agreed end dates documented for reaching common ground with neighbouring Councils and building in contingency for any potential delays.

We have concluded on moderate assurance for control design and effectiveness.

**4.4 PCI /DSS Compliance Conclusion**

Although the Council developed a project plan during our audit, our review of the Council's compliance against the Payment Card Industry Data Security Standard identified a number of areas with scope of improvement as set out in the Key Findings section above. As such, Risk F9 - Failure to attain PCI DSS compliance across all payment options - on the Council's Finance Operational Risk Register is not being adequately mitigated. Consequently, we have concluded an opinion of moderate assurance over the design of the control framework and limited assurance over their operational effectiveness.

**4.5** A Summary of outstanding Recommendations from previous audits are included in Appendix B – Follow up report.

**4.6** This is regularly monitored by Senior Officers and will be followed up again ahead of the next Audit and Scrutiny Committee, along with other recommendations due by 31<sup>st</sup> March 2019. There was a total of 67 high and medium recommendations raised in 2017/18 of which 66% have been completed and 27% in progress.

**4.7** Recommendations not completed will be followed up again ahead of the next Audit and Scrutiny Committee, along with other recommendations due.

**5. Reasons for Recommendation**

**5.1** To monitor the progress of work against the internal audit plan.

**6. Consultation**

**6.1** Not applicable.

**7. References to Corporate Plan**

**7.1** Good financial management underpins all priorities within the Corporate Plan.

## **8. Implications**

### **Financial Implications**

**Name & Title:** Jacqueline Van Mellaerts, Interim Chief Finance Officer

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- 8.1 There are no direct financial implications arising from this report.

### **Legal Implications**

**Name & Title:** Daniel Toohey, Head of Legal Services

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- 8.2 There are no legal implications arising directly from this report.

## **9. Background Papers**

- 9.1 None

## **10. Appendices to this report**

Appendix A – Internal Audit Progress Report March 2018/19

Appendix B – Internal Audit Follow Up Report March 2018/19

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