



# Internal Audit

Annual Report & Opinion 2018/19



# **Introduction**

## **Purpose of the report**

This report summarises the work carried out by Internal Audit during the year ended 31<sup>st</sup> March 2019. The work of Internal Audit and the resultant overall opinion on the Council's control environment, which is derived from the work performed, provides those charged with governance a source of assurance that is necessary to support the Council's Annual Governance Statement (AGS) which accompanies the Annual Accounts.

The Internal Audit Manager is required to provide an 'independent' opinion on the adequacy and effectiveness of the system of internal controls operating within the Council. This will provide the signatories to the AGS (the Leader of the Council and the Chief Executive) with a degree of assurance on this matter. In reaching the opinion, consideration has been given to the Council's governance arrangements and to the internal control environment in the light of the work of Internal Audit carried out through the year.

Consideration has also been given to the findings of the Council's external auditors, who gave an unqualified opinion to the Council's Annual Accounts for 2017/18, which were approved by the Audit & Governance Committee in July 2018.

In accordance with the requirements of the Code of Practice on Local Authority Accounting, this report outlines the level of assurance that Internal Audit is able to provide, based upon the work undertaken during the year. In reaching an overall opinion, consideration is given to:-

- the effectiveness of the system of internal controls in meeting the Council's objectives
- common or significant weaknesses arising
- major findings where action has not been taken within a reasonable time.

However, it should be noted that this assurance can never be absolute. Internal Audit can only provide a reasonable assurance that there are no major weaknesses in the systems of internal control from the work that they perform and their knowledge of the organisation as a whole.

## **Background**

Internal Audit is an assurance function that provides an independent and objective opinion to the Council on governance, internal control and risk management, by evaluating their effectiveness in achieving the Council's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

CIPFA's Public Sector Internal Audit Standards (PSIAS) and the supporting Local Government Application Note (LGAN) replaced the Code of Practice from 1<sup>st</sup> April 2013 and compliance with the PSIAS is mandatory. These standards are based upon the mandatory elements of the Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF), which were already included in the processes of the service.

The standard definition of internal auditing (adopted by both the Chartered Institute of Internal Auditors and CIPFA) is that:-

*“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”*

The provision of Internal Audit is a statutory requirement, which was updated in the Accounts & Audit Regulations 2015 (as referenced in the Local Audit & Accountability Act 2014) which now state that *“a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”*

### **Role of Internal Audit**

In 2018/19, the Council’s internal audit work was provided by the Internal Audit section which forms part of the Corporate Support Group.

An updated Internal Audit Charter, incorporating the requirements of the PSIAS, was agreed by the Audit Committee and approved by Full Council in 2013. This establishes and defines the role, authority, scope of work, organisational independence, resource requirements and reporting lines of Internal Audit. (Subsequent minor changes to the PSIAS have been incorporated into the Charter and approved by the Committee).

Internal Audit continually seeks to adapt and enhance its approach, in order to take account of the Council’s risk profile and emerging issues, to ensure that audit work remains focused on the areas of highest risk and provides added value to service areas and to the Council as a whole.

Managing the risk of fraud and corruption within the Council is the responsibility of the Chief Executive, supported by the Corporate Management Team and service area management. Internal Audit will be alert in all their work to risks and exposure that could allow fraud or corruption to occur and has a specific responsibility for ensuring that all potential frauds and irregularities are investigated in an appropriate manner. Arrangements are in place to ensure that Internal Audit is notified of all suspected or detected fraud, corruption or impropriety, which enables the most appropriate course of action to be determined. However, the role of Internal Audit excludes:-

- benefits fraud – which had its own specialist team of investigators, until they transferred to the DWP Single Fraud Investigation Service (SFIS) in December 2015. Any suspicious housing benefit cases identified by the Council would now be referred to the SFIS for review, although consideration of any Council Tax Reduction Scheme issues would still be handled by the Council’s Revenues area
- housing tenancy fraud – the Council commenced a pilot exercise in 2016 with the creation of a dedicated housing fraud investigator post. This exercise has proved successful and the post was made permanent in 2017

- electoral fraud – handled by the Returning Officer, in liaison with the Police.

Under the Comptroller and Auditor General's Code of Audit Practice (which applies for 2015-16 audits and beyond) and the requirements of the International Standards on Auditing, external audit may use the work of Internal Audit where appropriate, to support its conclusions. Regular liaison takes place between the Group Head of Corporate Support, Internal Audit and the external auditors to ensure that resources are best utilised and that duplication of effort is avoided.

It should be noted that the transitional arrangements following the abolition of the Audit Commission have now expired. The Council opted-in to the sector-led approach for the appointment of its future external auditors and contracts for the 5-year period from 2018/19 have now been let by Public Sector Audit Appointments Ltd (PSAA), who are incorporated by the Local Government Association and had previously progressed the transitional appointments process. As a result of this process, the Council's appointed external auditors for the annual accounts work will remain as Ernst & Young LLP.

# **Internal Audit Coverage and Outcomes**

## **Overview of Audit Work Carried Out**

The Audit Plan is agreed annually by the Audit & Governance Committee. The Plan is designed to be flexible and responsive to change, emerging risks and issues identified throughout the year. We have therefore liaised closely with senior management to ensure that this is achieved and the work performed has been amended accordingly to ensure it represents the best use of our resources.

As at 22<sup>nd</sup> February 2018, the Audit & Governance Committee approved the Annual Internal Audit Plan, based upon the 2.0 FTE available (representing 381.5 'chargeable' days for the year). As noted in the previous years, it was anticipated that the section would continue with the current resources to contribute to the Council's cost savings initiatives, although the resourcing situation would be kept under review. Resource is therefore directed to 'chargeable' work wherever possible (i.e. working days, excluding annual leave, sickness, training, management and administration).

This Plan was again prepared at a high level and aimed to ensure that mandatory work was completed, that there was appropriate involvement in the progress of the Council's 2020 Vision initiative / ongoing restructuring and, where practical, to progress work on the highest risk areas identified.

The Plan presented had been prepared to reflect the management / operational structures in place and agreed corporate priorities. Progress against the Plan was affected by the effects of a number of factors, the most significant of which were:-

- the ongoing management and operational restructures across the Council as part of the Council's Vision 2020 work (with Housing still to be completed in 2019)
- further high levels of sickness within the section, which reduced the number of work days available
- higher levels of (non-chargeable) administration than planned, due to the requirements for the review and, where appropriate, destruction of data (electronic, paper, emails, etc.) in order to comply with agreed retention requirements in preparation for the introduction of the General Data Protection Regulation (GDPR)
- work on the 2017/18 National Fraud Initiative Council Tax single person discount exercise being delayed until mid-2018.

As well as reviews that result in a formal report, the Internal Audit section performed additional work of an ad hoc or ongoing nature. Such work formed part of the approved Plan and included:-

- checking of annual Council Tax precept calculations
- investigation and reporting on the data matches provided by the Cabinet Office, as part of the National Fraud Initiative and liaison with service areas in respect of queries
- regular checking of payroll joiners and leavers

- regular testing on new housing benefit claims, on behalf of the external auditors
- special investigations (as required)
- review and update (where required) of Internal Audit and corporate (where there are security, etc. risks involved) policies and documents including:-
  - Anti-Fraud, Corruption & Bribery Policy
  - Regulation of Investigatory Powers Act (RIPA) 2000 – Corporate Policy and Procedures
  - Whistleblowing Policy
  - Audit & Governance Committee workplan and terms of reference
  - Internal Audit Charter
  - Assessment of the Effectiveness of the Audit Committee
  - Assessment of the Effectiveness of Internal Audit
- chairing meetings of the Council’s Information Security Group (with additional work involving liaison with the Data Protection Officer and ICT staff on the Councils preparations for the introduction of the General Data Protection Regulation in 2018 and the review / update of relevant information security policies)
- review of the Council’s Strategic Risk Register for approval by CMT and the Audit & Governance Committee
- attendance at meetings of the Governance & Risk Group and other appropriate officer groups.

On a periodic basis, Internal Audit provides the Audit & Governance Committee with reports:-

- showing progress in the year against the agreed Audit Plan
- summarising the key findings of audits completed in the previous period.

Due to the resource issues noted above, updates to the Committee in 2018/19 were generally via the progress report rather than formal audit reports.

## **Review of Governance Arrangements**

To assist the Council in assessing and developing its governance arrangements, Internal Audit considers on an annual basis the effectiveness of the main systems of internal control and corporate governance, in order to provide assurance to support the preparation of the Council’s Annual Governance Statement. In undertaking this work, Internal Audit utilises a number of approaches:-

- the results of audit work previously undertaken within the Council
- annual review / update of the Council’s local Code of Corporate Governance
- annual assessment of compliance with the local Code, including discussion of governance issues with appropriate Service area management
- consideration of the reliance that can be placed upon work undertaken within the Council by any other internal and external sources of assurance
- via membership of the Governance & Risk Group, ensuring that Service areas prepare / maintain Operational Risk Registers and confirm that appropriate risk management processes are in place to contribute to the overall governance of the Council

- receipt of 'assurance letters' from Corporate Management Team members to confirm that risks are being appropriately managed within their Directorates
- assessment of other relevant sources of information that provide assurance (e.g. fraud reporting, feeding into ISA 240 responses in respect of the identification of, and controls to prevent, fraud required by the external auditors)
- consideration of comments and findings of the Council's external auditors and other relevant review agencies / inspectorates
- an 'assurance mapping' process has also been commenced to consolidate multiple sources of assurance into a single document for assessment purposes. This is an approach promoted by the relevant professional bodies and will continue to be developed in 2019/20, in liaison with members of the Sussex Audit Group.

## **Overall Internal Audit Opinion**

The level of assurance that can be provided is based upon the Internal Audit work carried out during the year and takes into account:-

- the quality and performance of Internal Audit work (both formal, reported reviews and ad hoc liaison with service areas / management)
- follow-up action taken on previous recommendations
- individual audit opinions given in published audit reports
- any significant recommendations not accepted by management and the risks involved
- the extent to which resource constraints may limit Internal Audit's review of the overall control environment
- impact of significant changes to the Council's risk profile and the internal control environment
- any significant issues (errors, control breaches, fraud, etc.) identified by / drawn to the attention of Internal Audit through the period
- the quality and performance of the service and extent of compliance with the Public Sector Internal Audit Standards.

Subject to the resource constraints noted above and the need to prioritise work through the year against mandatory / higher risk tasks, I am satisfied that the assurance work undertaken allows a reasonable and objective opinion on the adequacy and effectiveness of the Council's internal control environment for 2018/19. The internal control environment comprises internal control, risk management and governance arrangements.

In August 2018, the Regulator for Social Housing (RSH) determined that the Council had breached the Home Standard, specifically in relation to the failure to meet statutory Health & Safety requirements in respect of fire and water hygiene in relation to the Council's duties as a landlord to tenants and housing schemes. The Regulatory Notice was published by the RSH and advised by the Council to tenants and members. The Council's senior management and Housing Department have agreed an action plan with the Regulator which will be monitored on a monthly basis

with the target of being compliant by November 2019. This will cover a range of H&S aspects, with data being collected / analysed and contractors being engaged to ensure that risks are assessed and appropriate action is taken to address any deficiencies identified. As part of the ongoing Housing Department restructure, appropriate job roles will be confirmed / created to ensure future compliance and departmental policies and staff training are also being reviewed.

No assurance can ever be absolute. However, based upon the work undertaken and the lack of any significant issues identified (other than that noted above), my overall opinion is that a (generally) satisfactory level of assurance can be provided that an effective system of internal control has been in place and operating effectively at Arun District Council for the year ended 31<sup>st</sup> March 2019. (The Definitions of Assurance Level are contained in Appendix 1 of this report).

Internal Audit work during the year has identified weaknesses and specific actions for improvement of the control environment, with key issues being reported to meetings of the Audit & Governance Committee. Internal Audit will continue to work closely with management to ensure actions are successfully implemented within reasonable timescales and, if appropriate, follow-up reviews will be performed.

## **Internal Audit Performance**

### **Performance Indicators**

The revised 2018/19 Annual Audit Plan included 381.5 ‘chargeable’ days (i.e. excluding leave, sickness, administration/management, training), with the actual achieved figure in the year being 312.5 days.

Service areas of the Council are required to establish appropriate internal performance indicators to allow the measurement and review of performance / effectiveness. The Audit Committee approved a number of performance measures for Internal Audit in December 2007, which would contribute to their opinion on the effectiveness of Internal Audit.

The internal indicators are agreed with the Group Head of Corporate Support. The target values for 2018/19 reflect the approved Plan:-

	Target 18/19	Actual 18/19	Historic 17/18	Notes	Target 19/20
Annual Audit Plan - Actual audit days achieved against profiled Audit days	100%	82% <sup>(1)</sup>	92%	This relates to the % of ‘chargeable’ days recorded against those in the Plan	100%
Operating costs of internal audit per chargeable day	£332	£341 <sup>(2)</sup>	£292	Target is based on budget figures (2.4FTE) and chargeable days	£344
Utilisation of resource rate per annual audit plan	88%	87%	84%		88%
Results from audit satisfaction feedback	No adverse	No adverse	No adverse	No adverse comments received in 2019/19	No adverse



surveys	comments	comments	comments		comments
Annual Audit Plan - Audit assignment days against overall chargeable days	77%	65% <sup>(3)</sup>	69%	This relates to the % of formal planned audits, as opposed to other chargeable time (e.g. liaison, investigations, etc.)	76%
External audit reliance on the work of Internal Audit is satisfactory	Yes	n/a	n/a	No relevant adverse comments are raised in external auditor's Annual Results Report / Annual Audit Letter	Yes

- (1) - under-performed due to there being less chargeable days available than planned  
(2) - £20k underspend against budget, due to running with only 2.0FTE, but less chargeable days  
(3) - some 17/18 NFI work was delayed into 18/19, as well as completion of the 2 NFI 18/19 exercises

It should be noted that, under the Council's revised performance management processes, the above indicators are no longer included as part of the Service Delivery Plan but continue to be maintained operationally and reported to the Audit & Governance Committee. These (and potentially, other operational indicators) will also be maintained to allow benchmarking against other contributing local Councils through the Sussex Audit Group.

The Audit Plans presented to the Committee for 2017/18-onwards have been prepared on a slightly different basis to those in earlier years. This is as a result of the shared services 'preparation' work in 2016, whereby a more common planning methodology and classification of chargeable / non-chargeable time was agreed for possible future use by the 3 Councils. Although the shared service was not progressed, this has been used as the basis for the new Plan including the revised performance measure targets.

As audits are becoming increasingly more complex, covering Council-wide subjects with input from multiple diverse service areas, there is less use of individual audit satisfaction feedback surveys. In 2015, a revised survey covering the service(s) provided by Internal Audit was sent to managers across the Council with the results received demonstrating a high level of satisfaction with the section. Although it was anticipated that the survey would be repeated annually it has not yet been appropriate to conduct it again due to the impact of the 2020 Vision programme / restructuring and management changes. It is anticipated that the survey will be repeated once the Council's revised management and operating structure is finalised.

## Review of Internal Audit

The Accounts & Audit (England) Regulations 2011 required that "*A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit.*" This was primarily against the CIPFA Code of Practice for Internal Audit in Local Government / the PSIAS from 1<sup>st</sup> April 2013). However, as noted above, the wording has changed in the 2015 Regulations which now require an effective internal audit "*taking into account public sector internal auditing standards or guidance*".

The PSIAS (standard 1311) requires “*periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices*”. This has been formalised into a Self-Assessment Checklist Measuring the Effectiveness of Internal Audit, which was presented to the Committee in July 2018, and has been reviewed and updated in 2019. This will now be used as part of the external quality assessment process (Standard 1312) mentioned below.

## Standards / Compliance

The service operates to a published Internal Audit Charter, which is approved by the Audit & Governance Committee, and reflects standards of best professional practice applicable to internal audit. Until 2012/13, these were primarily the Institute of Internal Auditors’ International Professional Practices Framework (IPPF) and the CIPFA Code of Practice for Internal Audit in Local Government. (In 2019/20, there will be a need to review and update the Charter to bring it more into line with current recommendations as to format and content).

From 1<sup>st</sup> April 2013, the CIPFA Code was replaced by the Public Sector Internal Audit Standards (PSIAS) which are based upon the mandatory elements of the IPPF. The requirements of the PSIAS were considered and the degree of compliance assessed, in preparation for their introduction, and a number of minor changes to working practices and the Internal Audit Charter have been made to reflect them.

The PSIAS requires that “*the results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.*” A Quality Assurance & Improvement Programme (QAIP) review was conducted in 2012 and has been updated annually. While this indicated no significant issues with the operation of the service, the following items of potential ‘non-compliance’ were identified and an explanatory note or details of actions to be taken provided:-

<b>Standard</b>	<b>Requirement</b>	<b>Explanation / Actions</b>
<b>1100</b>	<b>Independence and Objectivity</b>	
<b>1110</b>	<p><b>Organisational Independence</b></p> <p>The chief audit executive should report functionally to the board</p> <p>For most purposes in the PSIAS, the term ‘board’ will relate to the Audit &amp; Governance Committee (A&amp;GC)</p>	<p>Senior Council management will be responsible for the following, rather than the ‘board’:-</p> <ul style="list-style-type: none"> <li>• Approving the internal audit budget and resource plan</li> <li>• Approving decisions regarding the appointment and removal of the chief audit executive</li> <li>• Approving the remuneration of the chief audit executive.</li> </ul> <p><i>While the A&amp;GC is not directly responsible for the above, any issues would be raised with them for consideration.</i></p>
<b>1110</b>	<p><b>Organisational Independence</b></p> <p>While the requirements would not generally involve the board approving the CAE’s remuneration specifically, it should be ensured that the remuneration or performance assessment is not inappropriately influenced by those</p>	<p>The guidance recommends that the chief executive (or equivalent) undertakes, countersigns, contributes feedback to or reviews the performance appraisal of the CAE and that feedback is also sought from the chair of the audit committee.</p>

	subject to audit	<i>Until 2017, the review and countersigning of the CAE performance was undertaken by the Resources Director &amp; Deputy Chief Executive. As part of the Council's management restructure, this post no longer exists and input will now be provided by the Chief Executive (who now has responsibility for the Corporate Support area). Feedback on internal audit performance is also obtained from the A&amp;GC when reviewing the Internal Audit Annual Report &amp; Opinion and periodic progress reports.</i>
<b>1310</b>	<b>Requirements of the Quality Assurance and Improvement Programme</b>	
<b>1312</b>	<b>External Assessments</b> External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The scope of the assessment and qualifications / independence of the external assessor must be agreed with the board	This requirement was drawn to the attention of the A&GC at its September 2012 meeting, when the changes to the Internal Audit Charter for the draft of the PSIAS were presented. <i>CIPFA advised that local government bodies should have this completed by March 2018. The Sussex Audit Group has previously agreed a cost-effective, collaborative arrangement for this requirement to be met. A number of external quality assessment (EQA) reviews have now been conducted across Sussex, but the Arun review has been delayed and will be pursued through the Sussex Audit Group in 2019.</i>
<b>1320</b>	<b>Reporting on the Quality Assurance and Improvement Programme</b>	
<b>1321</b>	<b>Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing"</b> The CAE may state that internal audit activity "conforms" only if the results of the QAIP support this statement	Until an external assessment has been conducted, as required by the QAIP, and any issues raised have been addressed a full conformance statement is not appropriate. <i>The current statement made in the Internal Audit Charter is that "The service operates with reference to standards of best professional practice applicable to internal audit."</i>

## Service Risks

The following current risks to the Internal Audit service have been identified:-

### Resourcing

- As reported to the Committee last year, the resource of the section reduced from 2.4 FTE to 2.0 FTE from the end of August 2017. In view of the requirements for costs savings, it was anticipated that the section would continue with this level of resource in the short-term, pending consideration of the longer-term resourcing of the section.

*(NB – it should be noted that this is currently only a slightly lower level of resource than had been proposed for a possible shared service in 2016, which had been based upon 2.1 FTE and 400 chargeable days).*

- The Plan is based upon what is achievable with the current resource level, but there is a risk that resource could be further impacted in the future. This could mean that key financial systems do not receive adequate audit coverage and/or the degree of assurance obtained from the annual audit opinion would be further reduced due to less work being performed to consider the internal control environment (as has been the case with sickness in 2018/19). If this situation were to continue, consideration could be given to the use of additional, short-term contract resource to assist in the progress against the planned assignments
- While this continues to be manageable on a short-term basis at the present time, there is a strain on resource particularly where urgent priority tasks arise through the year and this has impacted upon the number of formal, reported audits achieved, with shorter pieces of liaison / consultancy work undertaken and reported to the Audit & Governance Committee via the periodic progress report.
- In the longer-term, consideration will be needed as to the future resourcing and operation of the section as past cost savings exercises means that there is now limited funding available. Once appropriate options have been identified, they will be discussed with the Chairman and presented to the Committee, if appropriate.

#### Changes To The Schedule Of Committee Meetings

- From 2018, changed accounting requirements mean that the deadlines for the completion of the draft and final Accounts have been brought forward to 31<sup>st</sup> May and 31<sup>st</sup> July annually.
- As Committee memberships are not known until the Annual Council meeting (generally in mid-May) and in election years (e.g. 2019) there is a purdah period, it was agreed that it would now be impractical to hold a meeting at the end of May, so the agenda items for the meetings formerly held in June and September will be combined into a meeting at the end of July. This will then consider the audited Annual Accounts, associated documents and annual reports for the Committee. The Committee will now meet 3 times a year, with a meeting required in February to allow time for the recommendations of the Committee on the Treasury Management Strategy Statement & Annual Investment Strategy to be presented to Full Council for approval before 31<sup>st</sup> March. The third meeting will then be arranged at a convenient time between the other meetings.
- The terms of reference for the Committee allow for additional 'special' meetings to be held, should the need arise. While there appears no reason why the revised arrangement should not be adequate, officers will monitor the situation to ensure that the workload of the Committee does not become unmanageable within this schedule of meetings.

## **Conclusion and Acknowledgment**

The Internal Audit overall opinion has been provided on the basis of work undertaken during 2018/19 and any carry-over of work that has been carried out to date in the current year. Any significant issues that arise from further Internal Audit work carried out up until the Annual Governance Statement is approved on 30<sup>th</sup> July 2019 will be reported to the Audit & Governance Committee at that time.

Internal Audit is a support service that assists the Chief Executive and Group Head of Corporate Support in satisfying the Council's statutory obligations under Section 151 of the Local Government Act 1972. In addition, it aids management by helping to ensure that adequate systems of internal control are in place and are complied with. Fulfilling this role depends very much upon the co-operation of Members and Officers and we would like to thank all colleagues for the continued assistance given to Internal Audit staff throughout the year.

## Appendix 1

### Definitions of Assurance Level

Level of Assurance	Description
Substantial	There is a sound system of control in place which minimises risk to the Council Control objectives are consistently achieved, with few errors or weaknesses
Satisfactory	There is an adequate system of control in place, but there are some weaknesses which may place the Council at risk Control objectives are generally achieved, but there is a lack of compliance with some controls
Limited	There are weaknesses in the system of control which places the Council at risk Key controls may be absent and/or there is often a lack of compliance with controls
No	The system of control is generally weak leaving the system open to significant error or abuse There is a significant level of non-compliance with basic control processes

These definitions have been altered slightly in 2018 to bring them more into line with the definitions in use by other Sussex Audit Group members and will be included in the next update to the Internal Audit Charter

### **Implementation of Internal Audit Recommendations**

As part of the audit process, the results of work undertaken are discussed with management and recommendations for improvement and actions to be taken to address the issues raised agreed, prior to being included in a formal report. It is the responsibility of Service area management to address the issues identified within the agreed timescales.

There is still some scope for improving the speed with which remedial action is taken by management where weaknesses in controls have been identified. Internal Audit will work with Service Heads to strengthen progress reporting and the processes that enable the status of all recommendations to be tracked and responsible managers held to account for implementation of agreed actions within allocated timescales.

### **Major Recommendations Not Implemented Within A Reasonable Timescale**

When an audit finding is raised and agreed by management, a target resolution date is also agreed. In general, the timescales should be realistic and Internal Audit will liaise with management/follow-up the issues to ensure that the agreed actions are completed.

However, in some cases other factors will impact the successful implementation of the agreed actions and these may be outside of the direct control of the Service area. Internal Audit may agree a revision to the target date and continue to monitor progress.

At the start of April 2019, a report of outstanding audit findings was presented to the Council's Corporate Management Team. The discussions noted that there are still a small number of known, long-term items (e.g. the introduction of the Community Infrastructure Levy) that are in progress, but which cannot currently be resolved. However, since the last report was presented to CMT in May 2016 a number of long-term issues have been addressed (e.g. the adoption of the Local Plan) as well as issues where progress was impacted by the Vision 2020 work / management restructure which has now been completed.

The following significant issues from past Internal Audits are noted as outstanding:-

Audit	Date Report Issued	Issue(s) Raised	Original Target Date	Current Position
Information Technology – Physical Security & Disaster Recovery	Dec 2009 / Follow-up report issued Apr 2014	Multiple items in respect of IT disaster recovery arrangements	Mar 2010	<p>The Council's IT recovery arrangements have been subject to considerable change in recent years, including the implementation of the Storage Area Network (SAN) at the Civic Centre and a back-up SAN at the WSCC site in Chichester, to which regular automated off-site back-ups are being transmitted. However, the completion of appropriate documentation remains outstanding.</p> <p>The ICT &amp; Service Improvement Manager considered resilience in the ICT Service Strategy 2019-2023 adopted by Members and will progress the documentation issue in 2019</p> <p>The risk consultancy area of the Council's former insurers (Zurich Risk Engineering) has assisted in work on the Council's business continuity arrangements. This has resulted in a draft Corporate BCP and workshops were held in 2016/17 to assist service areas in completing an updated Business Impact Assessment (BIA) for each area, which will identify recovery requirements and service priorities. These must be agreed and aligned with the ability to provide appropriate IT services in the event of a disaster.</p> <p>This work stalled during the Council's restructure and is now being progressed (as at 4/19) with the assistance of ZRE to reflect the new structure and organisational needs</p>
Payment Card Industry – Data Security Standard (PCI-DSS) Compliance	Jan 2012	Actions required to achieve compliance / obtain certification	July 2012	<p>A PCI-compliant call recording solution was completed in the Contact Centre in 2014 and has since been replaced as part of the Contact Centre telephony changes in 2018.</p> <p>An external consultant performed a review of the actions required for compliance – these would require additional IT work (firewalls, etc.) and/or working practice changes (none of which were felt to be</p>



				<p>acceptable by the then Director of Customer Services due to costs and service impact).</p> <p>At the present time, the risk to the Council has therefore been accepted by senior management</p>
Partnerships	Oct 2015	Multiple items in respect of the identification / governance of partnership arrangements	During 2016	<p>The audit of partnerships was reported to the Corporate Management Team in 2015. A plan of action was agreed at this time, but progress was delayed by the need to consider possible alternative service delivery arrangements as part of the wider 2020 Vision work and also by the responsibility and operational changes resulting from the Council's management restructure.</p> <p>The priority of the Group Head of Policy is the conduct of the various elections and the recommended review into the identification and governance of partnerships will now be progressed in 2019</p>
Data Retention	Various	Multiple audits have raised issues in respect of data retention (and destruction) requirements / compliance with the Data Protection Act	Various	<p>As part of the preparation for the 2018 General Data Protection Regulation (GDPR), a data audit exercise was conducted across all service areas. A corporate Records Retention and Disposal Policy was approved by Full Council (9/17). Requirements of Housing and other service areas have been finalised and work is to progress to apply this to scanned data stored in the Council's EDRMS</p>
Health & Safety	January 2013	Corporate property inspections	April 2013	<p>Progress has been delayed owing to a long outstanding vacancy and there remains no comprehensive inspection programme for corporately-owned properties (i.e. General Fund assets where the Council has landlord responsibility). This issue has been raised again with CMT and the Director of Place is to report back to CMT in mid-2019</p>