Committee(s): Audit and Risk Management Committee – For Information	Date(s): 01/10/2020
Subject: Internal Audit Update Report	**Public**
Report of: Head of Audit and Risk Management	**For Information**
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Summary

This report provides an update on Internal Audit activity since the last Internal Audit Update Report presented to this Committee in July 2020. The report summarises work completed and progress against the 2020/21 Internal Audit Plan. Delivery of which has been indirectly impacted by the Coronavirus pandemic.

Finally, the report describes the findings of Audit follow-up work completed to verify the implementation of Audit recommendations.

Recommendation(s)

Members are asked to:

- Note the report.

Main Report

Background

1. This report provides a cumulative update on the work of Internal Audit since 1 April 2020, building on the progress report made to the last meeting of the Audit and Risk Management Committee on 14 July 2020. The report also summarises the findings of work completed since the July update.

Current Position

2. 4 Final Audit Reports have been issued since the July update, bringing the total to 19 since 1 April 2020. 1 Green Assurance ratings was given, 2 Amber Assurance ratings and one Red Assurance Rating. Those audit reviews are summarised in the table below:

Department/Audit	Assurance Rating	Recommendations Made		
		Red	Amber	Green
Chamberlain's IT - SharePoint/Digital Content Management	Amber	0	3	1
Chamberlain's IT - Software Lifecycle Management	Red	1	1	0
Chamberlain's IT -Direct Access	Green	0	1	2
Markets and Consumer Protection - Heathrow Animal Reception Centre and Animal Welfare	Amber	0	5	6

Appropriate management action plans are in place to address recommendations made, the Red recommendation raised relates to the following:

Chamberlain's IT - Software Lifecycle Management (one Red Recommendation)

3. Examination of the master record of IT applications identified a significant number of cases where the latest software version was not recorded. In some 28 of these instances, the developer support for the applications had already expired, yet the applications remain active on our domain. Furthermore, a weakness was identified in the policy that suggests the operation of the oldest supported version of an application, rather than insisting on the latest release. Maintaining up to date IT applications is a critical component of IT security, out of date applications may represent a network vulnerability.

4. The Deputy IT Director undertook to resolve these issues by 31/12/2020 and noted that there would be a greater degree of automation in relation to updating a significant proportion of the application estate.

Internal Audit Follow-up Activity

5. 14 Internal Audit Follow-up reviews have been undertaken since July 2020 to assess progress in the implementation of Audit recommendations. The outcome of those reviews is summarised below:

   ▪ In 4 cases, all recommendations were found to be implemented, resulting in a Green revised assurance opinion
   ▪ In 10 cases the follow-up review found that not all recommendations had been implemented, 6 of which were second or subsequent follow-up reviews.

6. While not a satisfactory position to report such a high number of cases of non-implementation, no escalation is made to Audit and Risk Committee in respect of these findings at this stage. Instead, the Head of Audit and Risk Management has introduced an Internal Audit Follow-up Report, which is issued to Chief Officers on the completion of each follow-up, where further follow-up is necessary, the Chief Officer is advised that, should further testing find the recommendations still outstanding, the matter will be escalated to this Committee and their Service Committee Chairman. This report promotes greater visibility for Chief Officers as to the status of Internal Audit recommendations and with clear information for them to address any issues raised with their management teams.

7. The full summary of outcomes from follow-up activity and the forward plan of follow-up work is shown at Appendix 1.

Delivery of Planned Internal Audit Work

8. As reported in July, progress in delivering the 2020/21 Internal Audit Plan has been impacted by the COVID-19 outbreak in so far as that it was not possible to work towards full delivery of the agreed programme of work for much of the first 5 months of the year. Reasons for this being increased pressure on services in response to the pandemic and delivery of some unplanned assurance work. As agreed at the July meeting, the Head of Audit and Risk Management has engaged with a number of Chief Officers to reinforce the need to resume delivery of the Audit Plan at a pace more consistent with business as usual. Discussions have been positive and Chief Officers have confirmed their support, this also gave an opportunity to consider the plan in light of recent events and also some measures to expedite the delivery of individual audit reviews.

9. In addition to the finalised audits referred to above, work is in progress for 22 planned audit reviews, two of which are at draft report stage. A further 3 reviews are at the detailed planning stage. The profile of delivery of work is quite different to what it would otherwise have been without the disruption of the pandemic, specifically, there is a far greater proportion of work in progress compared to work completed. This is because the team have needed to initiate and are delivering more reviews consecutively than they would ordinarily, mitigating the impact on overall productivity of delays in the completion of work.

10. A Senior Auditor has been appointed on a secondment basis up to 31 March 2021, which boosts the capacity of the in-house team by approximately 90 days for the second half of the year.

11. With the exception of IT Audit reviews, no work has been allocated to Mazars yet this year, it is anticipated that approximately 120 days work will be allocated in the coming month which will boost delivery across the remaining 6 months.

12. It is now known that it is necessary to undertake a formal re-planning exercise to address a number of issues resulting from changing priorities and operations within the organisation, feasibility and practicality issues within some of the intended audit coverage, changes to resourcing and planning assumptions. Following completion of the Chief Officer consultations, a revised audit plan will be brought to the November meeting of this Committee.

Conclusion

13. Delivery of work against the 2019/20 Internal Audit Plan has been impacted by COVID-19 through a combination of reduced resources available and constraints on our ability to work with service departments during the pandemic. Good progress is being made to increase the pace of delivery although it is now known that it is necessary to revise the Audit Plan for the second half of the year.

Appendices

- Appendix 1 – Follow-up Programme of Activity
- Appendix 2 – 2020/21 High-level Internal Audit Plan

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