

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 22 November 2021

Report of: Head of Finance and Audit

Subject: INTERNAL AUDIT PROGRESS REPORT

SUMMARY

This report provides the assurances arising from the latest internal audit work and gives an update on the progress being made with delivering the audit plans.

The Audit and Governance Committee's areas of responsibility for Internal Audit include: -

- a) to approve significant interim changes to the internal audit plan and resource requirements;*
- b) to make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations;*
- c) to consider reports from the head of internal audit on internal audit's performance, including the performance of external providers of internal audit services. These will include:*
 - updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.*
- d) to receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.*

RECOMMENDATION

It is RECOMMENDED that the Audit and Governance Committee notes the progress and findings arising from Internal Audit work.

INTRODUCTION

1. This report highlights the progress made to date on the delivery of the Internal Audit Plans and the assurances that can be obtained from the work now completed.
2. We are still being affected by some loss of resources due to sickness and additional work arising from the pandemic. However, work on the delivery of the plans is now starting to progress.

PROGRESS OF THE 2021/22 AUDIT PLAN

3. Work has started to deliver the 2021/22 plan, as noted in Appendix Two, such that 14 of the 23 planned audits have now commenced. Five of these have now been completed and a further 8 have reached Stage 4 - The Auditor has started to deliver the agreed scope of work.
4. We have also started work on one of the reserve audits as it was relevant to another planned piece of work.

FINALISING PREVIOUS AUDIT PLANS

5. Updates are given for the 6 remaining audits from the previous Audit Plans as detailed in Appendix One. In particular progress continues to be made in relation to reviewing the outstanding audit recommendations on the audit database where they relate to the Finance Team and the implementation of the new finance system.

FINDINGS FROM COMPLETED AUDITS

6. The 5 final reports that have been issued since the last report are listed below, with the opinions given and number of recommendations made:

Audit	Assurance Opinion	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
Cyber Security	Strong	-	-	-
Accounts Payable	Strong	-	1	-
Trade Waste and Recycling	Strong	-	3	-
Tell Us Once Follow Up	N/A	-	3	-
Prevention of the Facilitation of Tax Evasion	N/A	-	-	-

7. A collaborative audit with the Finance team to review the Council's policy and procedures to prevent the facilitation of tax evasion has been completed as detailed in the table above. There is a separate paper relating to this which will be included as an item for this Audit and Governance Committee meeting.

RISK ASSESSMENT

8. There are no significant risk considerations in relation to this report

Appendices:

Appendix One - Update on Outstanding Audits from Previous Plans

Appendix Two – Audits in the 2021/22 Plan

Appendix Three - Findings from the Latest Completed Audits

Appendix Four – Reference Tables

Background Papers: None

Reference Papers:

Report by the Director of Finance and Resources to the Audit and Governance Committee on 10 March 2014 on the Contractor Annual Audit Plan 2014/15

Report by the Head of Finance and Audit to the Audit and Governance Committee on 14 March 2016 on the Internal Audit Plan 2016/17

Report by the Head of Finance and Audit to the Audit and Governance Committee on 17 March 2017 on the Internal Audit Plan 2017/18

Report by the Head of Finance and Audit to the Audit and Governance Committee on 18 March 2018 on the Internal Audit Plan 2018/19

Report by the Head of Finance and Audit to the Audit and Governance Committee on 12 July 2021 on the Internal Audit Plan 2021/22

Enquiries:

For further information on this report please contact Elaine Hammell (Ext. 4344)

APPENDIX ONE

Update on Outstanding Audits from Previous Plans

The following table shows those audits that were outstanding in the last quarterly report and shows the current position with finalising the work.

Audit Title	Stage reached of 10*	Original Days in Plan	Proposals to Conclude this work
2014/15			
Information Governance Opinion (Wider piece of work)	5	-	Audit relying on completion of other Audit Work – Now Targeted for July 2022 This audit will be able to be closed down once the review of all outstanding audit recommendations is commenced and the extract relating to ICT audit recommendations can be produced to feed into the final summary. This has been delayed until later in the 2021/22 plan.
2016/17			
Building Health and Safety Risks (Wider piece of work)	5	-	Audit Targeted for Completion using Apprentice Resources – March 2022 The draft audit report in 2016/17 generally gave strong assurance in relation to the management of these risks, although there were a few minor areas of testing that needed finalising and feeding into the report. It was originally proposed that the additional apprentice resources would be used to refresh the testing and fill in the gaps to allow the report to be finalised. However, due to other priorities it has not yet been possible to start this work. There has been some discussion of the topic as part of the risk management review which has again provided some assurance on the management of these risks.
2017/18			
Commercial Estates (Opinion audit)	8	15	Audit Targeted for Completion – Now targeted for March 2022 The draft audit report in 2017/18 generally gave reasonable assurance in relation to the management of these risks, although there were a few minor areas of testing that needed finalising and feeding into the report, and some inaccuracies needed correcting. In the meantime, some of the issues have been addressed by the Finance Service. It is therefore proposed that a revised draft report is still produced and discussed with the new manager of the service to allow the report to be finalised by the March Committee.
2018/19			
Write Offs History Analysis & Interest charges (Wider piece of work)	5	-	Audit Targeted for Completion – Now targeted for June 2022 A considerable amount of work has been carried out on this audit which was fed into the changes proposed to Financial Regulations at the September 2020 Committee. There are some parts of the analysis that need completing. Some subsequent testing has been picked up in the 2020/21 audit of Account Receivable. We have also started to discuss the results with managers and improve on some processes. This will also be picked up in the implementation of the new finance system.
Housing Options Debtors (Wider piece of work)	8	-	Audit Targeted for Completion – Now targeted for March 2022 This second draft of this report has now been produced and is just waiting review and discussion with the service to allow the final report to be produced. Some interim discussions have taken place.

Audit Title	Stage reached of 10*	Original Days in Plan	Proposals to Conclude this work
Review of all other outstanding audit recommendations (Wider piece of work)	4	-	Audit Targeted for Completion – September 2022 There has been some progress on this project following the work carried out in 2020/21. We are also targeting 2 large groups of recommendations as part of planned work in 2021/22 (finance team's recommendations and vehicle purchasing). Work on the finance team recommendations is also underway and is being delivered alongside the review of the new financial system.

* A key to the information in this column is given in Appendix Four

APPENDIX TWO

Audits in the 2021/22 Plan

Audit Title & Report Number	Stage reached of 10*	Days in Plan	Assurance Opinion	Direction of Travel & Date of last audit	Progress report where included	Errors Found? Y/N	New Recommendations		Previous Recs. (E and I only)			
							Essential	Important	Implemented	Cancelled	In Progress	Not Implemented
FUNDAMENTAL SYSTEM AUDITS												
Local Tax Collection (1219)	4	15										
Accounts Payable (1220)	10	15	Strong	↔ 18/19	November 2021	Y	-	1	-	-	-	-
Fixed Assets (1221)	4	10										
Vehicle Maintenance ordering, invoice management and stock control (1222)	Not Started	15										
SERVICES AND SYSTEMS – High Risk												
Sheltered Housing (1223)	4	15										
Parking Charges (1224)	Not Started	15										
Trade Waste and Recycling (1225)	10	12	Strong	↔ 16/17	November 2021	N	-	3	-	-	-	-
Planning Applications - Nitrate Offsetting (1226)	Not Started	10										
SERVICES & SYSTEMS – Other												
Service charges and recharges – Leaseholders (1230)	Not Started	15										
Car loans (1231)	4	10										
COMPUTER AUDITS												
Security and Use of DWP data services (1227)	Not Started	8										
Housing Civica System - post implementation review (1228)	Not Started	15										
Cyber security during Lockdown (1229)	10	10	Strong	N/A	November 2021	N	-	-	-	-	-	-

Audit Title & Report Number	Stage reached of 10*	Days in Plan	Assurance Opinion	Direction of Travel & Date of last audit	Progress report where included	New Recommendations			Previous Recs. (E and I only)			
						Errors Found? Y/N	Essential	Important	Implemented	Cancelled	In Progress	Not Implemented
Sheltered housing safe spot checks	4		-	-	-	-	-	-	-	-	-	-
Pre-application advice cost comparison to income	Not Planned											

* A key to the information in this column is given in Appendix Four

APPENDIX THREE

Findings from the Latest Completed Audits

Audit Title	Cyber Security	<p>Overview of Subject: Due to the COVID19 pandemic there has been a substantial increase of users that had to work from home. Users can access the Authority's network remotely and two thirds of those also have a corporate mobile device in order to access emails. To support functionality and integrate the Authority's applications into cloud-based products, ICT have begun migrating users to a system that is more compatible with the conferencing software, which has been integral to the work from home structure and has a better functionality.</p> <p>The purchase of the package provides additional security features for cloud-based products and allows ICT to configure firewalls to protect the Authority's network from cyber-attacks and external threats that are prevalent in remote access due to users using their own internet service providers.</p> <p>Cyber Security is integral to keeping the Authority's network and members of the public's information safe and secure from external threats. This service is managed by ICT with officers responsible for monitoring the traffic entering and leaving the Authority's network via firewalls and anti-virus filtering software.</p> <p>There were no issues arising from this audit.</p>
Report Number	1229	
Year of Audit	2021/22	
Type of Work	Opinion audit	
Assurance Opinion Given	Strong	
Direction of Travel	No Previous Audit	
Errors Found	No	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)		
			Essential (🚨)	Important (▲)	Advisory (ℹ️)	Implemented	Cancelled	Not Implemented
Network Security			-	-	-	-	-	-
Applications			-	-	-	-	-	-
Encryption			-	-	-	-	-	-
Access Points			-	-	-	-	-	-

Audit Title	Accounts Payable	<p>Overview of Subject: The Authority received 25,391 invoices with a value of £282,056,848 between September 2020 and August 2021. Payment of invoices is managed through a two-tier authorisation process including line managers and finance officers. The service dealt with 5,471 unique suppliers in the year reviewed.</p> <p>As a result of the COVID-19 Pandemic, an 'Emergency Finance Measures – Paying Invoices' process was introduced to allow invoices to be processed and authorised by employees working from home using an electronic work-flow process. Although these were introduced as emergency procedures, the Finance Team expects the measures to remain in place for the foreseeable future as the Council moves towards a more digital and hybrid way of working and prepares for the new electronic invoicing process to be implemented as part of the new finance system.</p>
Report Number	1220	
Year of Audit	2021/22	
Type of Work	Opinion audit	
Assurance Opinion Given	Strong	
Direction of Travel	↔2018/19	
Errors Found	Yes	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)		
			Essential (⚡)	Important (▲)	Advisory (⚠)	Implemented	Cancelled	Not Implemented
Approval of Purchase Orders and Yellow Sticker Payments			-	-	-	-	-	-
Goods Receipting and Invoice Payments			-	-	-	-	-	-
Coding of Expenditure			-	-	-	-	-	-
Reconciliation of Invoice Batches and Payment Runs			-	-	-	-	-	-
New Suppliers and Supplier Bank Account Changes			-	-	-	-	-	-
Duplicate Invoice Detection			-	1	-	-	-	-
Payment via BACS			-	-	-	-	-	-
Manual and Urgent Payments			-	-	-	-	-	-
Aged Creditor Management			-	-	-	-	-	-

Control of POPS Advances			-	-	-	-	-	-
Credit Balances			-	-	-	-	-	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	Data matching carried out during the audit identified a small number of potential duplicate invoices of low value. These have been notified to the relevant departments for further investigation and action if required.

Audit Title	Trade Waste	<p>Overview of Subject: Local Authorities do not have a statutory obligation to collect commercial waste. However, powers given under the Local Government Act permit them to provide a trade waste service and to generate income from it. The trade waste service being operated by Streetscene has been in place for approximately 40 years and provides trade waste collection for local companies in Fareham, Gosport and some areas of Portsmouth. As of September 2021, the service had collection agreements with approximately 1,000 companies.</p>
Report Number	1225	
Year of Audit	2021/22	
Type of Work	Services and Systems - High Risk	
Assurance Opinion Given	Strong	
Direction of Travel	2016/17	
Errors Found	No	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)		
			Essential (🚨)	Important (⚠)	Advisory (ℹ)	Implemented	Cancelled	Not Implemented
Collection Management			-	1	-	-	-	-
Payments & Invoices			-	-	-	-	-	-
Customer Relations			-	1	-	-	-	-
Customer Management			-	-	-	-	-	-
Debt Collection			-	-	-	-	-	-
Marketing & Income			-	-	-	-	-	-
Pricing Structure			-	1	-	-	-	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)

Important	Route Efficiency - Routes are currently determined by officers within the service and as such there has not been an independent expert review of the route collections. The completion of this exercise could increase efficiency whilst reducing cost. It could also assist with the rising demand for these services from local businesses, which is increasing annually. The trade waste collection routes will now be reviewed by April 2022.
Important	Customer Satisfaction - The audit found that a survey to gauge customer satisfaction with the trade waste service had not been undertaken for some time. As a result, there is no clear data to indicate what customers are valuing in the service and what they are unhappy with. Therefore, it was agreed that as part of an ongoing review a survey would be created and distributed to the service's customer base early next year.
Important	Pricing Review - An analysis of income and a report provided by the Project team, following a review of the service's financial performance, found that the service continues to operate on a profit on a yearly basis. However, the profit margin is falling each year due an increase in operating costs. Central Government are in the process of determining a new waste strategy which may require Local Authorities to provide more services for residents which may have a financial impact on the trade waste collection service. It was agreed that a pricing review would be undertaken by April 2022.

Audit Title	Tell us once follow up	<p>Overview of Subject: The Council is informed of deceased residents via various sources, including the Department of Work and Pensions 'Tell Us Once' service, Hampshire County Council, members of the public, relatives, and solicitors. In a review carried out in 2015 it was found that the different departments, within the council, dealing with deceased notifications were following a manually intensive system, which on occasion resulted in duplicated efforts, and some notifications that were not shared with other departments. This was followed up in 2019/20.</p> <p>Further changes to the process have been reviewed and included in this follow up.</p>
Report Number	1234	
Year of Audit	2021/22	
Type of Work	Thematic review	
Assurance Opinion Given	None Given	
Direction of Travel	N/A	
Errors Found	N/A	

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	Sources of Information - Death notifications are received by several methods to various officers within the Council. All teams will be reminded to complete an online form if a death notification is received from a non – Tell Us Once channel. This form will then be emailed automatically to each department's general email account in order that their records can be updated promptly. The Online form will also be used for all other changes in circumstances by officers.
Important	Communication of the Current Process – To ensure everyone understands what procedures should be followed upon receipt of a death notification, the PR and Marketing Team will publish a summary of the new process on the Council's intranet.
Important	Spot checks - The Local Tax team will carry out Spot checks of the Hampshire County Council deceased persons list to ensure that the Tell Us Once service is capturing all notifications.

APPENDIX FOUR

Reference Tables

Scale of Assurance Opinions

Strong	There is a strong system of control designed and operating effectively. Any weaknesses found were low impact and do not significantly affect key controls or the achievement of the objectives of the system.
Reasonable	There is basically a sound system of internal control, but weaknesses were found in system design or compliance, which result in some risk to the achievement of the system objectives.
Limited	There are some weaknesses in the system of control designed or the level of compliance which result in significant risk to the achievement of the system objectives.
Minimal	Fundamental weaknesses have been identified such that many key controls are absent or not operating effectively which may put at risk the achievement of the corporate control objectives.

Scale of Recommendation Priorities

Essential	A fundamental weakness in the control system which presents immediate risk to the service or system of a significant nature. Requires urgent attention by management. Reported to the A&G Committee and implementation of proposed actions are monitored.
Important	A significant control weakness where the risk is not imminent or only of a moderate nature. This needs addressing but is not urgent. Reported to the A&G Committee and implementation of proposed actions are monitored.
Advisory	A weakness or opportunity for improvement where the risk poses no great threat and is relatively minor. Consideration should be given to addressing the weakness if there is the appetite and/or capacity to implement the improvements. Actions are not tracked.

Stages of An Audit Assignment

Stage 1	The Audit teams have started drawing up the scope of coverage for the assignment.
Stage 2	A scoping meeting has been held with the Sponsor in the client service.
Stage 3	The Terms of Reference for the Assignment have been issued.
Stage 4	The Auditor has started to deliver the agreed scope of work.
Stage 5	A first draft of the report has been received by the Support Officer to be reviewed.
Stage 6	Any additional testing identified has been completed.
Stage 7	An exit meeting has been held with the Sponsor giving the preliminary feedback from the work.
Stage 8	The draft report has been received by the in-house audit team.
Stage 9	The draft report has been issued to the Service Sponsor and is awaiting their response.
Stage 10	The final report has been issued.