



Fareham Borough Council
Audit & Governance Committee
Quarterly Audit Progress Report

February 2015

This report has been prepared on the basis of the limitations set out on page 10.

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1. Introduction and background

- 1.1 This report has been prepared for the Members of the Audit & Governance Committee at Fareham Borough Council. This report highlights the progress made to date for delivery of the 2013/14 and 2014/15 Internal Audit Plans.

2. Promoting internal control

- 2.1 To promote internal control within the Authority, Internal Audit will report to Committee in the following format:
- An update on progress against delivery of the plan, including an update on any Significant Control Weaknesses and on any proposed amendments to the Internal Audit Plan;
 - Report back on the specific audits finalised since the last meeting of the Audit & Governance Committee, including scope, weaknesses identified and confirmation that management actions have been agreed to address the weakness. Audit opinions are Strong, Reasonable, Limited, or Minimal. Recommendations and actions in the report are categorised using a 3 point scale used on the Council's action management system. Both rating systems are detailed within Annex Three of this report; and
 - Update Members on the current situation regarding limited areas previously reported to Committee. This will inform Members of the action taken by Officers to resolve internal audit issues.

3. 2013/14 & 2014/15 Progress

- 3.1 The work on the 2013/14 plan has been delivered. There is just one audit, "Data Protection Follow Up", which has not been finalised as it is now intended that a combined report will be produced following additional work planned for 2014/15.
- 3.2 The current status of the agreed 2014/15 Internal Audit Plan is detailed in Annex One along with the number of days delivered. Audits have been completed in accordance with the timings agreed with the Head of Audit & Assurance, and as approved by the Audit & Governance Committee.
- 3.3 As at 31st January, progress against the 2014/15 plan is as follows:

2014/15 Plan	Last Committee	This Committee
Number of audits in plan	19	21
Number of audits finalised	0 (0%)	3 (14%)
Number of reports issued at draft	2 (13%)	0 (0%)
Number of audits commenced	8 (50%)	13 (62%)
Number of planned audit days delivered	25.9/223 (11.6%)	83.7/223 (37.5%)

- 3.4 At the time of this report, 37.5% of the allocated days from the 2014/15 Internal Audit Plan have been completed against the planned days.

4. Changes to the 2014/15 plan

4.1 The following changes have been made to the plan since it was reported to Committee in November 2014:

- A further three audits on PAYE, VAT and Virtual Procurement Cards have been added to the plan using 27 days from the contingency.
- Ten additional days have been added to the planned time for the Benefits audit to allow adequate time for the establishment and testing of processes for this service which has changed following the recent Vanguard intervention;
- The Revenues audit has been removed from the plan by the Head of Audit & Assurance releasing 12 days as part of the new cyclical approach to fundamental systems. This work is now scheduled to be carried out as part of the 2015/16 plan.
- The balance of unallocated planned audit time is therefore now reduced to 10 days.

5. Detailed progress since the last Audit and Governance Committee

5.1 Since the previous Audit & Governance Committee, three reports have been issued in final version as listed below with the opinions given and level of recommendations made:

Audit	Assurance	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
2014/15 Plan				
Community Parks & Open Spaces	Strong	-	-	-
Foreshore (Beach Hut Income)	Strong	-	1	-
Legionella & Gas Safety Risks Follow Up	Reasonable	-	3	-

The above presents the key highlights; however, to enable Management and Members to focus on the areas of concern, we have provided a summary of all finalised reports since the last Committee, as detailed within Annex Three.

2014/15 Internal Audit Plan as at 31st January 2015

Annex One

No.	Audit Title	Days in Plan	Days Delivered	Status	Assurance Opinion	New Recommendations			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Non Implemented
Quarters 1 and 2											
1	Legionella and Gas Safety Risks Follow Up	5	5	Final Report	Reasonable	-	3	-	6	9	-
2	Contract Completion (Final Accounts)	10	1.1	Planning							
3	Tenancy Management	10	8.8	Exit meeting							
4	Community Parks and Open Spaces	6	5.9	Final Report	Strong	-	-	1	-	-	-
5	Foreshore (Beach Hut Income)	5	5	Final Report	Strong	-	1	2	-	-	-
Quarters 3 and 4											
6	Cheque Control	6	5.5	Exit Meeting							
7	Policy Compliance Checks	12	6	In Progress							
8	Benefits	30	22.8	In Progress							
9	Payroll (Light Touch)	7	1.3	In Progress							
10	Accounts Receivable	12	1	Planning							
	Revenues			Note 1							
11	Accounts Payable (Light Touch)	7	0.6	Planning							
12	Income Collection & Banking	15		Planning							
13	Data Protection	5		HIA Briefing							

No.	Audit Title	Days in Plan	Days Delivered	Status	Assurance Opinion	New Recommendations			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Non Implemented
14	Virtual Procurement Card	3		HIA Briefing							
15/16	PAYE and VAT Audits	24	2.5	Planning							
*	Contingency remaining	10									
Computer Audit											
17	Payroll & Personnel System (CHRIS 21)	10	2	In Progress							
18	Review of Penetration Testing	10		HIA Briefing							
19	Database Administration	8		HIA Briefing							
20	Information Governance Opinion	5		HIA Briefing							
21	Follow Ups	3	2	In Progress							
Other											
Audit Committee		4	2.5								
Audit Management		16	11.7								
TOTAL		223	83.7 (37.5%)			-	4 57%	3 43%	6 40%	9 60%	0 0%


Note 1: Audit removed following review of 2014/15 by Head of Audit & Assurance.

Annex Two

Summary of Findings from Completed Audits

2014/15 Legionella & Gas Safety Risks Follow Up

Audit Opinion and Direction of Travel

Reasonable						
						
Direction of Travel:			↔ 2009/10			
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Gas Safety in Housing Stock	-	2	-	4	1	-
Legionella Safety in Housing Stock	-	As above	-	2	5	-
Gas and Legionella Safety – Community Buildings	-	1	-	-	3	-

Weaknesses identified during audit (Essential and Important only)

Priority	Weakness	Action Agreed?
Important	There isn't a clear reporting structure in place to monitor that the Gas and Legionella testing regime is being complied with for Council Housing Stock and that the defects being found have been rectified	Y
Important	There isn't a clear reporting structure in place to monitor that the Gas and Legionella testing regime is being complied with for Community Buildings and that the defects being found have been rectified	Y
Important	The nature and requirements of independent checks on the adequacy of the checking regimes need to be agreed.	Y

2014/15 Community Parks & Open Spaces

Audit Opinion and Direction of Travel

Strong						
😊😊						
Direction of Travel:			No previous audit			
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (▲)	Advisory (⚠️)	Implemented	Cancelled	Non Implemented
Maintenance and Inspection of Play Areas	-	-	-	-	-	-
Roundabout Sponsorship	-	-	-	-	-	-
Memorial Seats	-	-	1	-	-	-
Rents and Lease Income	-	-	-	-	-	-

Weaknesses identified during audit (Essential and Important only)

Priority	Weakness	Action Agreed?
	None	

2014/15 Foreshore (Beach Hut Income)

Audit Opinion and Direction of Travel





Strong						
😊😊						
Direction of Travel:			No previous audit			
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Beach Hut Ownership Changes	-	-	2	-	-	-
Beach Hut Billing and Collection of Income	-	1	-	-	-	-
Sailing Club Licence and Lease Income governance framework	-	-	-	-	-	-

Weaknesses identified during audit (Essential and Important only)




Priority	Weakness	Action Agreed?
Important	Reconciliation between expected income due from all sites to invoices raised highlighted an instance where an invoice had been raised at a 50% resident's discount rate when the owner was a non-resident of the Fareham Borough and therefore should have been charged at the full rate	Yes

Summary of Assurance Opinions Used

Annex Three

Assurance Level	Symbol	Description
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.

Recommendations and actions in the report are categorised using the following 3 point scale in use on the Council's action management system:

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 Audit Committee and implementation of proposed actions are monitored.
Important		A significant control weaknesses where the risk is not imminent or only of a moderate nature. This needs addressing but is not urgent. Reported to the Audit 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. We will not track actions taken to address these recommendations unless at the manager's request.

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

February 2015

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