FAREHAM
BOROUGH COUNCIL

Report to
Audit and Governance Committee

Date   **21 September 2015**

Report of: **Director of Finance and Resources**

Subject: **QUARTERLY AUDIT REPORT**

SUMMARY

This report provides the assurances arising from the latest internal audit work to be finalised and gives an update on progress being made with the delivery of the audit plans.

RECOMMENDATION

That the 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.

FINALISING THE 2014/15 AUDIT PLAN

2. The current status of the audits remaining from the 2014/15 Internal Audit Plan in the last report is detailed in Appendix One. The table below shows the progress that has been made in finalising the plan of work.

2014/15 Plan	Last Committee	This Committee
Number of audits in plan	21	21
Audits finalised	8	12
Audits where draft report issued to service	0	1
Audits where exit meeting held	7	7
Audits in progress	6	1

DELIVERY OF 2015/16 AUDIT PLAN

3. Work has now started on the audits in the 2015/16 plan as detailed in Appendix Two. This plan has been set in accordance with the revised Audit Strategy approved in March 2015.

FINDINGS FROM COMPLETED AUDITS

4. Since the previous Audit and Governance Committee, four 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				
Payroll	Strong	-	-	-
Tenancy Management	Reasonable	-	7	3
Payroll and Personnel IT System	Reasonable	-	5	-
Database Administration	Not Applicable	2	4	-

5. The detail of the recommendations made and the actions to be taken is provided in Appendix Three.

RISK ASSESSMENT

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

CONCLUSION

7.   The full 2014/15 plan of work is nearing completion and work has progressed on the audits for 2015/16. From the latest audits completed 2 essential recommendations have been made.

Background Papers: None

Reference Papers:

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

Report by the Director of Finance and Resources to the Audit and Governance Committee on 16 March 2015 on Internal Audit Strategy and Annual Audit Plan 2015/16

Enquiries:

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

Update on Outstanding Audits from the 2014/15 Plan

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	Type of Audit**	Days in Plan	Stage reached of 10*	Assurance Opinion*	New Recommendations*			Previous Recs. (E and I only)		
					Essential	Important	Advisory	Implemented	Cancelled	Not Implemented
Payroll (Light Touch)	Fundamental	7	**Stage 10**	Strong	-	-	3	2	-	-
Tenancy Management	Service - Public	10	**Stage 10**	Reasonable	-	7	2	1	3	3
Payroll & Personnel IT System (CHRIS 21)	Computer	10	**Stage 10**	Reasonable	-	5	1	-	-	-
Database Administration	Computer	9	**Stage 10**	Not Applicable	2	3	-	-	-	-
VAT	Corporate, Specialist, Governance	10	Stage 9							
Information Governance Opinion	Computer	6	Stage 8							
PAYE	Corporate, Specialist, Governance	13.5	Stage 8							
Contract Completion	Corporate, Specialist, Governance	10	Stage 7							
Benefits	Fundamental (V)	30	Stage 7							
Accounts Receivable	Fundamental	12	Stage 7							
Accounts Payable (Light Touch)	Fundamental	9	Stage 7							
Income Collection & Banking	Fundamental	15	Stage 5							
Data Protection	Corporate, Specialist, Governance	5	Stage 4							

* A key to the information in this column is given in Appendix 4.

** V denotes this audit was covering a service which had been subject to a Vanguard intervention

Progress on Delivering the 2015/16 Plan

No.	Audit Title	Type of Audit**	Days in Plan	Stage reached of 10*	Assurance Opinion*	New Recommendations*			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Not Implemented
1	Express (Electoral Register)	Computer	5	Stage 5							
2	Individual Electoral Registration	Service and Systems - Other	7	Stage 4							
3	Local Tax Collection	Fundamental System	15	Stage 4							
4	Capital Expenditure and Accounting	Fundamental System	10	Stage 4							
5	Fixed Assets	Fundamental System	10	Stage 3							
6	Parking Enforcement	Service and Systems – HR (V)	15	Stage 1							
7	Contract Deeds Management	Thematic Review	15	Not started							
8	Land Charges	Service and Systems – HR	10	Stage 1							
9	Payroll	Fundamental System	10	Not started							
10	Accounts Payable	Fundamental System	10	Not started							
11	Software Control	Computer	10	Not started							
12	Recruitment and Selection	Corporate, Specialist, Governance (V)	15	Not started							
13	Right to Buy	Service and Systems - Other	10	Not started							
14	Effectiveness of Ethics	Thematic Review	15	Not							

| No. | Audit Title | Type of Audit** | Days in Plan | Stage reached of 10* | Assurance Opinion* | New Recommendations* | | | Previous Recs. (E and I only) | | |
						Essential	Important	Advisory	Implemented	Cancelled	Not Implemented
	Related Activities			started							
15	Vehicle Repairs Procurement	Wider Work – Follow Up	8	Not started							
16	Recycling	Service and Systems – HR	10	Not started							
17	Household Waste Collection	Service and Systems – HR	10	Not started							
18	IT Disaster Recovery	Computer	15	Not started							
19	Data Protection	Wider Work – Follow Up	7	Not started							
20	Protection of Trees	Service and Systems - Other	8	Not started							
	Contingency		20								
	In-house team support		50								
	Total Planned Time		**285**								

* A key to the information in this column is given in Appendix 4.

** V denotes this audit is covering a service which has been subject to a Vanguard intervention. HR denotes this audit was assessed as meeting the High Risk criteria so is a priority for completion this year.

Findings from the Latest Completed Audits

Audit Title	PAYROLL	Overview of Subject:
Year of Audit	2014/15	The Payroll service is currently operated in house and produces 4 sets of pay runs: FBC Employees, FBC members, Portchester Crematorium Employees and Election Staff. The CHRIS21 software package is used for this system. An audit of the service is carried out each year and some of the coverage is designed to be used by the external auditors.
Assurance Opinion Given	Strong	
Direction of Travel	⇔2013/14	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)		
			Essential (💣)	Important (▲)	Advisory (🏳)	Implemented	Cancelled	Non Implemented
Annual Updates to the Pay Parameters on the System			-	-	-	-	-	-
New posts added to the establishment			-	-	-	-	-	-
Grade and Spinal Column Point of new starters set up on CHRIS agree to appointment form and contract			-	-	-	1	-	-
Accuracy of final salary calculation for leavers			-	-	-	-	-	-
Employees whose payments increase by more than 2% between payrolls			-	-	-	-	-	-
Control totals produced for each pay run and agreed to BACS and transfer to efinancials			-	-	-	-	-	-
Monthly reconciliation of CHRIS to efinancials			-	-	-	-	-	-
Appropriate supporting information and authorisation of expenses claims			-	-	1	1	-	-
Control totals produced for each month from the Expenses claim system and agreed to CHRIS			-	-	-	-	-	-
Duplicate Bank Accounts			-	-	1	-	-	-
Current staff on Payroll system with no NINO			-	-	1	-	-	-

Audit Title	TENANCY MANAGEMENT	**Overview of Subject:** The Council has 2,300 properties of which approximately 25% are sheltered housing properties which either have wardens on site or access to a mobile warden. The Tenancy Management service covers supporting the residents of the properties, rent collection and managing movements in occupants.
Year of Audit	**2014/15**	
Assurance Opinion Given	**Reasonable**	
Direction of Travel	⇔2003/04	

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
New Tenancies			-	4	1	-	-	-
Tenancy Changes			-	2	-	-	1	-
Tenancy Terminations			-	-	-	1	-	1
Transfer Grant Scheme			-	1	1	-	-	-
Follow Up of Other Previous Recommendations - Recharges			-	-	-	-	2	2

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	**Tenant ID** - The information created by the Allocations team was not accessible to the Tenancy Services team so that they were not in a position to confirm that the tenant they were dealing with was the same as had passed the verification process, as a check against tenancy fraud. It has now been agreed that the documents can be shared and Tenancy Services will check the ID and signature at the time the tenancy agreements are signed.
Important	**Missing ID Docs** - Instances were found where photo ID evidence was missing from the records of the verification process so would not be available for Tenancy Services to use. Photo ID or some other form of ID will now be retained on file for all new tenants.
Important	**Debt Status Checks** - A process now exists for checking whether new tenants are "bad debtors". However, this does not involve consulting Exchequer Services who have a good overview of the general debts customers have with the Council and may be aware of other debts that a potential tenant has. It was agreed that Exchequer Services will now be included in the consultation process.

	Weaknesses identified during the audit and the proposed action (Essential and Important only)
Important	**Missing Evidence of standard tenancy change checks** – There were a number of key checks in the Tenancy change process which it was not possible to confirm had been carried out (e.g. eligibility check for mutual exchange). The checklists used are to be amended to record the completion of all the required checks.
Important	**Advertising the Transfer Incentive Scheme** – The scheme was not considered to be well advertised. It has been agreed that more information will be provided on the Housing pages of the Council's website.
Important	**Evidence to Support Property brought up to Standard or Disclaimer Signed** – It was not always possible to confirm whether the works needed to bring a mutual exchange property back to the required standard had been completed or whether the new tenant had signed a disclaimer form. Housing Officers are now to start to attach the relevant evidence to the exchange paperwork
Important	**Old Void Procedure Notes** - The Voids Property Procedures notes were found to be out of date (2002) and did not reflect amendments that had been made to the process. They are due to be updated once the process had been further refined following the Vanguard intervention.
Previous Important (2)	**Delays in raising invoices for recharges** - Analysis of Private Works Orders found that 48% had not been raised within 30 days of supply as required by the VAT regulations. However, there are a number of reasons why delays are occurring and it is noted that charges to current tenants are being greatly reduced as the amount being collected is outweighed by the cost of collection and impact on the customer. The use of recharges for Voids works are currently being challenged as part of the Vanguard intervention and a clear policy produced.
Previous Important	**Evidence supporting Write-Offs** – One Private Works Order account had been proposed for write-off. However, the supporting evidence supplied was found to relate to a different account.

Audit Title	PAYROLL & PERSONNEL IT SYSTEM
Year of Audit	2014/15
Assurance Opinion Given	Reasonable
Direction of Travel	⇔2007/08

Overview of Subject: The Chris 21 computer system has been in use at the Council since at least 1998. It facilitates the integration of personnel and payroll services in one application. The system is used by members of the Personnel, Payroll and Finance teams and managers can also be given access to look up details for their work group. This audit looked at the technological aspects of the system as part of our cyclical coverage of computer systems used by fundamental services.

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)		
			Essential (☀)	Important (▲)	Advisory (☝)	Implemented	Cancelled	Non Implemented
System Security			-	3	1	-	-	-
Data Processing and Interface Controls			-	-	-	-	-	-
Data Input			-	1	-	-	-	-
Data Output			-	-	-	-	-	-
Audit Trails			-	-	-	-	-	-
Change Control			-	-	-	-	-	-
System Resilience and Recovery Arrangements			-	1	-	-	-	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	**Password settings and access violations** - Password parameters set did not include preventing recycling of passwords and forcing new users to change their passwords on the initial logon. These parameters were changed during the audit. There is also no monitoring of unsuccessful access attempts. Officers reported that a security violation report was available and used to be run but was considered not to be useful or proportionate to the risk. The risk has therefore been accepted and the report will only be run if it is suspected that something odd is happening with a particular user.
Important	**Database Administrator Access** - Full access to the CHRIS 21 front end system had been granted to a database administrator (DBA) via the DBA account that is used for performing upgrades to the application. This could be used to make changes to critical data in the system. During

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
	the audit this account was disabled and it was agreed that it will only now be enabled temporarily when needed. Reliance will be placed on the variation report to identify any changes made to critical data, such as pay scales, during the time it is active.
Important	**Live account for Leaver** - There was an Active account with front end access to the system belonging to a former DBA who has now left the Council. The back end access had been terminated but a decision was made to keep the account live in case any DBA actions were needed. A new DBA for the system is now in place with his own personal account, so it has now been agreed that the leaver's account can be fully disabled.
Important	**Storage of Documents outside of the CHRIS 21 System** – The access to one of four storage areas where documents containing payroll input and output information are stored was found to be too wide allowing a high number of people access to sensitive payroll information. The four most sensitive folders were identified during the audit and action has been taken to lock down the access to them.
Important	**Backup Verification Settings** - The backup verification settings have been disabled for the tape backups as this doubled the time it takes for them to run. These are the copies that are stored in the remote location. It was not known if verification was working on the disk version of the backup. This will now be ascertained. A process is also to be implemented for annual test restores of data which includes use of both the disks and tapes in the restore programme.

Audit Title	DATABASE ADMINISTRATION	Overview of Subject: There are approximately 300 databases used at the Council. The database administration role includes designing, implementing, and maintaining the database system; establishing policies and procedures pertaining to the management, security, maintenance, and use of the database management system. The audit was requested by the manager to review how the move to spreading out responsibilities to a number of people rather than having one designated officer was working.
Year of Audit	2014/15	
Assurance Opinion Given	Not Applicable	
Direction of Travel	No previous audit	

Areas of Scope	Adequacy and Effectiveness of controls		New Recommendations raised			Previous Rec Implementation (E and I only)		
			Essential (☙✱)	Important (▲)	Advisory (🕭)	Implemented	Cancelled	Non Implemented
Awareness of the type and number of databases to be supported			-	-	-	-	-	-
Defined roles and responsibilities of the database administrators			-	3	-	-	-	-
Skills available for the DBA role			1	1	-	-	-	-
Database Security			1	-	-	-	-	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Essential	Training for Oracle Database Administrators (DBAs) - The training received by the Oracle database team had not left them (and their users) as confident in their role as that received by the SQL DBAs. However, it is noted that some suppliers are reluctant to provide strong training so that support services will be purchased from them. Further face to face training to increase Oracle skills has now been sourced and booked.
Essential	Security Responsibilities – It was not clear if responsibility for overseeing that best security practices relating to databases are implemented was with the DBAs or the lead officer for ICT security. This is going to be considered and strengthened as part of the planned review of the structure of the team.
Important	Change Control - There is no process to discuss and record significant changes that are being made to the databases (such as extra capacity added, change to the map of tables) to ensure consistency with different applications and to try and pre-empt unintended consequences. A clearer change control process is going to be established and communication within the service has already been strengthened.
Important	Knowledge Base - No procedure notes or knowledge base were being produced to cover processes such as how to clone an environment, how to add capacity, how to clear the cache etc. The 3 IT managers are now taking responsibility for developing reference information for the databases managed in their areas.

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	**Active liaison with System Administrators** - Some system administrators felt that more communication was needed with the DBAs acting as a conduit between IT and them so that any potential impacts of IT changes can be discussed in advance to minimise system issues and downtime for their users. Work has already started to strengthen the relationship between service users and ICT.
Important	**No Separation of Duties** - The database administrator and the system administrator for one key system are the same person. This is not usual practice as it removes an element of internal check and adds the potential for a single point of failure. This weakness has been risk accepted as this system is not seen as being at any more risk than other ones used by the Council given the nature of accesses that IT officers need to have.

Reference Tables

1. 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.

2. 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 weaknesses 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.

3. 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 Audit Sponsor in the client service.
Stage 3	The Terms of Reference for the Assignment have been finalised.
Stage 4	The Auditor has started to deliver the agreed scope of work.
Stage 5	An exit meeting has been held with the Audit Sponsor giving the preliminary feedback from the work.
Stage 6	Any additional testing work identified has been completed.
Stage 7	A draft report is with the Audit Manager(s).
Stage 8	The draft report has been reviewed by the in-house team and comments fed back to the lead team.
Stage 9	The draft report has been issued to the Audit Sponsor and is awaiting their response.
Stage 10	The final report has been issued.